

An aerial night photograph of a city, likely Beijing, showing a dense urban landscape with numerous lit-up buildings and a prominent multi-lane highway. Overlaid on the image are several bright, glowing white light trails that form large, sweeping arcs across the sky and over the city, suggesting movement and connectivity.

**DIGI**  
communications n.v.

# ANNUAL REPORT

For the year ended December 31, 2020

# Table of Contents

Message from the Ceo	3
<b>Key Figures. Objectives and strategic directions.</b>	<b>4</b>
Key Figures For Digi Group	5
Objectives and Strategic Directions	7
<b>Management structure. Corporate Governance</b>	<b>8</b>
Management Structure. Corporate Governance	9
<b>Environmental and Social Responsibility</b>	<b>35</b>
<b>Share Capital Structure and Shares</b>	<b>58</b>
Share Capital Structure and Shares	59
<b>Dividend Policy</b>	<b>60</b>
Dividend Policy	61
<b>Group Overview</b>	<b>62</b>
Business	63
<b>Financial Results</b>	<b>80</b>
Management's Discussion and Analysis of Financial Condition and Results of Operations	81
<b>Consolidated Financial Statements for the year ended 31 December 2020</b>	
General Information	
Consolidated Financial Statements	
Consolidated Statement of Financial Position	
Consolidated Statement of Profit or Loss And Other Comprehensive Income	
Consolidated Statement of Cash Flows	
Consolidated Statement of Changes In Equity	
Notes to The Consolidated Financial Statements	
<b>Stand-alone Financial Statements for the year ended 31 December 2020</b>	
General Information	
Stand-Alone Statement of Financial Position	
Stand-Alone Statement of Profit Or Loss And Other Comprehensive Income	
Stand-Alone Statement of Cash Flows	
Stand-Alone Statement of Changes In Equity	
Notes to The Stand-Alone Financial Statements	
<b>Other information</b>	
Profits, Distribution and Losses	
Audit Report	
<b>Annex</b>	
Annex 1	
Annex 2	
Annex 3	
Annex 4	
Annex 5	



## MESSAGE FROM THE CEO

Dear shareholders and investors,

During 2020, we all had experienced a period of rapid and multiple realignments, facing an unprecedented sanitary crisis. The telecommunications industry as a whole and our company, implicitly, have been one of the main pillars of continuity which have shown that economies, communities and people need technology and communications more than ever. Connectivity solutions have proved vital for the continuity of private and public sectors. Our industry has passed the test of endurance, contributing significantly to the functioning of our society, economic and social systems.

During these volatile period, Digi teams, from all territories where we operate, have shown a rapid and efficient mobilization, having an important contribution to the continuity of our business and maintaining in good working condition various economic sectors in **Romania, Hungary, Spain, Italy**. Through flexibility, adaptability, financial discipline and care for our teams and customers, Digi has managed to turn a challenging 2020 into a year of sustainable development, both financially and operationally.



Our company reported revenues of approximately EUR 1.3 billion, increasing by 8% compared to 2019, and reached 18.1 million revenue-generating units (RGUs), increased by 12% in comparison to the prior period. The company's profitability remained on an upward trend: our operations generated a consolidated Adjusted EBITDA of EUR 480 million, increasing by 7.5% compared to 2019.

The operations in **Romania** continued to deliver a strong contribution of 61.5% the Group's consolidated revenues and 70% of the total revenues generating units at Group's level. At the same time, the pace of expansion of both fixed and mobile networks has been accelerated, in order to promptly respond to the evolving needs of certain customer categories.

**Spanish operations**, despite a difficult period caused by sanitary restrictions, have regained their steady growth in both mobile and fixed services segments. The efforts of our colleagues in this territory were rewarded and, at the end of the year, Digi Spain accessed to the top 5 most important mobile telecommunications operators in the country, achieving 2.3 million RGUs at the end of 2020. Important steps have been taken in increasing the number of fixed services through fibre optic through a commercial strategy based on proximity and excellence in customer relations, in parallel with the expansion of the Digi points-of-presence matrix.

**Hungary** has continued to expand its mobile network, serving more than 650 localities by the end of the year. The Hungarian subsidiary also maintained its top positions in all market segments, being the leader of the satellite TV market with 32.2% and the second operator by market share in the pay-TV segment (28%), fixed internet (22.6%) and fixed telephony (22%).

All these results were possible because we continued to invest in infrastructure and in teams that are directly involved in the design, development and maintenance of our fixed and mobile communications networks.

We have paid special attention to the digital transformation of customers' experience, providing them more and more facilities and methods to personalize their accounts on our platforms.

2020 has also meant a lot of effort to maintain a social climate and a healthy work environment for all our employees, a constant challenge in the context of the crisis caused by the COVID-19 pandemic. Adopting the appropriate measures, we managed to overcome the sanitary crisis by keeping the staff in good health, providing the needed protective equipment, supplies and medical services necessary to prevent the spread of SARS-CoV-2 virus.


My gratitude goes to all the colleagues from the Digi Group, regardless the working field, for the care they showed towards each other and towards the company's clients and partners! Thank you, shareholders, investors, financiers, participants to the capital market for the trust you have invested Digi! It honours and motivates us to set more and more ambitious goals, to look ahead more confident!

Thank you. Sincerely,

**Serghei Bulgac**

Chief Executive Officer and Executive member of the Board of Directors



The background of the slide is a dark, almost black, space filled with numerous bright, curved light trails. These trails are primarily in shades of blue and white, with some hints of orange and red at the top. They appear to be long-exposure light photography or digital simulations of energy or data flow, creating a sense of dynamic movement and depth. The trails curve and swirl across the frame, with some being thicker and brighter than others.

# **Key Figures. Objectives and strategic directions.**

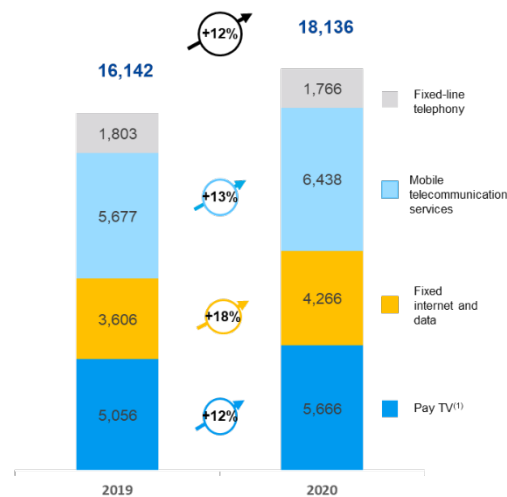


## KEY FIGURES FOR DIGI GROUP

We are a leading provider of telecommunication services in Romanian and Hungarian markets based on number of revenue generating units (“RGUs”), have significant operations in Spain and are also present in Italy. Our offerings in our core market include pay-TV (cable and DTH television) services, fixed internet and data, mobile telephony and data as well as fixed-line telephony. Our fixed telecommunication and entertainment services are offered through our technologically advanced fiber optic network, covering approximately 84.3% and 46.3% of dwellings in Romania and Hungary, respectively, and both countries are entirely within the footprint of our DTH signal. 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 a technologically advanced mobile networks in Romania, which shares the backbone of our fixed fiber optic infrastructure. In addition, we provide mobile telecommunication services as a Mobile Virtual Network Operator (“MVNO”) in Spain and in Italy and starting from September 2018, in Spain we also offer fixed internet and data and fixed-line telephony services through Telefónica’s fixed line network and through our own GPON FTTH network.

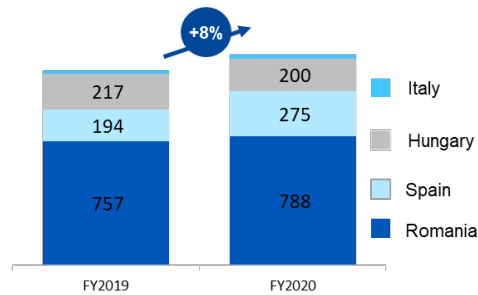
We have grown mainly organically from approximately 16.1 million RGUs as at December 31, 2019 to approximately 18.1 million RGUs as at December 31, 2020.

As at December 31, 2020, we had a total of approximately 5.7 million Pay TV RGUs, approximately 4.3 million fixed internet and data RGUs, approximately 6.4 million mobile telecommunication services RGUs, and approximately 1.8 million fixed-line telephony RGUs.



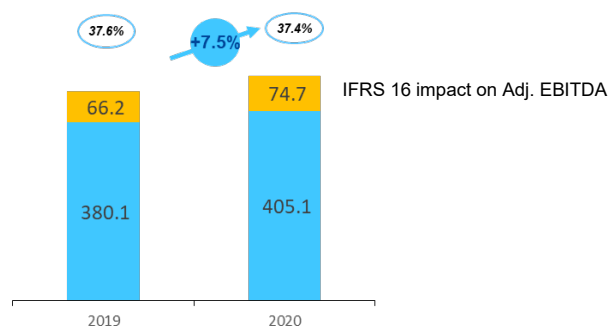
(1) Includes cable TV and DTH services

We have consistently generated strong revenue streams. We generated € 1.3 billion in year ended December 31, 2020, an increase of 8.1% compared to prior period.



The Group's operations generated €480 million Adjusted EBITDA in the year ended December 31, 2020, compared to €446 in prior period, an increase of 7.5%.

The Adjusted EBITDA margin was 37.4% in the year ended December 31, 2020, similar to prior period.



We have continued to pursue ambitious growth strategy that required us to undertake substantial capital expenditure. Consequently, our capital expenditures have been significant. In the year ended December 31, 2020, we had capital expenditure of €371 million (December 31, 2019: €318.7 million). This represented 28.9% of our total revenue for the year ended December 31, 2020 (December 31, 2019: 26.9%).

We have maintained prudent capital and liquidity structures with a leverage ratio of 2.6x for the years ended December 31, 2020 and 2019.



## OBJECTIVES AND STRATEGIC DIRECTIONS

### Strategy

Our mission is to provide our customers with high-quality telecommunications services at competitive prices. Specific components of our strategy include the following:

- ▶ ***Continue to leverage our advanced fixed networks, offering high-quality service, while maintaining competitive prices.*** The current technological state of our fixed networks allows us to offer a wide range of advanced high-quality services to customers at competitive prices, while maintaining low infrastructure operating expenses. In particular, our Romanian and Hungarian fixed networks are more than 90% fiber (excluding certain parts of Invitel's network, which we are currently upgrading) and are faster and more cost-effective than traditional networks operated by our competitors in those countries. We intend to continue leveraging existing network capabilities to further increase the number of cable TV and fixed internet and data subscribers. In 2020, in Romania we expanded our reach more towards rural area following the entering into force of the Networking agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunicatii S.R.L („Assignors”). Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange of the payments made by RCS & RDS to the Assignors. In both countries, we intend to also continue expanding our networks further (particularly, in rural areas) and we plan to finalize the upgrade of Invitel's Hungarian network to fiber in the near future, along with further upgrades to FTTH elsewhere.
- ▶ ***Continue to grow our RGU base in all business lines, both organically and through acquisitions.*** Growth in RGUs has always been the primary driver of increases in our revenue, both organically and through acquisitions, but primarily due to the expansion of our fixed networks, cross-selling of additional services to our existing customers and refocusing on our mobile telecommunication business. Our goal is to continue that RGU growth in all our business lines and geographies. We aim to grow organically by expanding our networks and increasing the penetration of our Pay TV, fixed internet and data, mobile telecommunication, and fixed-line telephony services through multiple service offers and cross-selling to existing and prospective customers. In addition to organic growth, we may choose to further expand our RGU base through acquisitions in line with, or complementary to, our current business. We regularly monitor potential acquisition targets, while assessing their attractiveness relative to other strategic alternatives available to us.
- ▶ ***Further grow our mobile telecommunication business by expanding the coverage of our mobile networks.*** As at December 31, 2020, our 3G (2G+4G in certain areas) and 4G mobile telecommunication services covered (outdoor voice coverage) approximately 99.5% and 98.1% of Romania's population, respectively. As at the same date, our 2G and 4G mobile telecommunication services covered (outdoor voice coverage) approximately 83.0% of Hungary's population. We have 2G, 3G and 4G licenses, as relevant, in both countries and have been able to introduce a 5G service in several Romanian cities based on our existing 3,700 MHz license. We believe that our dense fixed networks and existing licenses provide a solid foundation for further development of our mobile telecommunication infrastructure and offerings in these markets. We may also participate in additional frequency blocks/bandwidth tenders or auctions to complement our existing set of mobile telecommunication licenses as and when they get organized by relevant licensing authorities.
- ▶ ***Focus on Romanian and Spanish markets.*** We intend to focus primarily on Romania and to continue our expansion in Spain. Our advanced networks allow us to efficiently deliver multiple services in the areas covered and we believe there is scope for increase in uptake of our services in these areas with relatively low additional investment. Our large and growing customer base creates significant economies of scale. For example, it allows us to make use of common infrastructure design and centralized facilities, as well as exploit centralized purchasing opportunities with respect to programming, equipment, TV broadcast rights and other assets and services. We also see potential for growth of our mobile telecommunication and internet and data services, as we believe that the Romanian mobile market still offers opportunities for us to expand. In addition, we remain open to attractive opportunities in Spain and Italy, such as our expansion into Spain's fixed telecommunications market with an offering through Telefónica's local network and our own GPON FTTH network. We believe that Spain presents significant future growth opportunities for our business outside of the Romanian and Hungarian markets and expect our Spanish operations to continue gaining prominence relative to our other geographic segments.
- ▶ ***Offer premium content to increase the attractiveness of our product offerings.*** We intend to maintain and increase the attractiveness of our Pay TV (cable TV and DTH) services by continuing to offer sports, film and other premium content through our existing own channel line-up, which may be further developed or expanded in the future. Our large number of pay TV RGUs results in economies of scale enabling an attractive cost structure.





# **Management structure. Corporate Governance**



## MANAGEMENT STRUCTURE. CORPORATE GOVERNANCE

### Introduction

The Company is a public company with limited liability (*naamloze vennootschap*) organized under the laws of the Netherlands. The Company has its official seat in Amsterdam, the Netherlands, and its principal place of business in Bucharest, Romania. As a company with shares listed on the Regulated Spot Market of the Bucharest Stock Exchange (the “**BSE**”) (available through [www.bvb.ro](http://www.bvb.ro)), we are subject to the BSE Corporate Governance Code, in effect starting from January 4, 2016 (the “**BSE CGC**”). As a Dutch company, the Company is also subject to the Dutch Corporate Governance Code, current version in effect starting from January 1, 2017 (“**DCGC**”) (available through: [www.mccg.nl](http://www.mccg.nl)) that applies, on a ‘comply or explain’ basis, *inter alia*, to all companies which have their statutory seat in the Netherlands and whose shares are listed on a regulated market in the EU/EEA or a comparable system outside the EU/EEA.

However, with its shares listed on the Regulated Spot Market of the Bucharest Stock Exchange and with its principal place of business located also in Romania, the Company has chosen to primarily apply the BSE Corporate Governance Code. In addition, the Company aims to comply with as many principles of the DCGC as possible.

### Compliance with the Corporate Governance Code of the Bucharest Stock Exchange

During 2020, we continued our efforts to comply with the BSE CGC.

The main principles of the BSE CGC that we did not implement<sup>1</sup> are the following:

- ▶ the directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal made by a nomination committee consisting of non-executive directors. Although we do not follow the provisions of the BSE CGC when it comes to the nomination of directors, the corporate governance principles sought by the BSE CGC are achieved by ensuring that the nomination procedure at the Company’s level seeks to fulfil a series of requirements, the Class A Meeting upon making a proposal seeks to ensure that the board of directors (the “**Board of Directors**”) is composed by members that have the requisite expertise, background, competences and – as regards the non-executive directors – independence, allowing thus the Board of Directors to carry out its duties properly;
- ▶ the cash dividend distribution policy is approved by the General Meeting, rather than being approved at the level of the Board of Directors. This setup provides greater shareholder protection by escalating the decision to the General Meeting;
- ▶ the president of the Audit Committee is not an independent director, as required by the BSE CGC, however the majority of committee members are independent. In addition, the Audit Committee’s terms of reference are made up of a series of high standard provisions (these are available for consultation at <https://www.digi-communications.ro/en/corporate-governance>).

The Company is required to report its compliance with the BSE corporate governance requirements by filling in and attaching to its annual report the “comply or explain” statement imposed by the BSE’s rules, attached as Annex 2 to this report.

### Complementary compliance with the Dutch Corporate Governance Code

We acknowledge the importance of good corporate governance. In addition to its compliance with the corporate governance requirements under the BSE CGC (with the exceptions described above), the Company also ensures that it complies with the provisions DCGC, with some exceptions. In particular, the Company does not comply with the following best practice provisions of the DCGC<sup>2</sup>:

- ▶ best practice provision 2.1.5 of the DCGC: the Company does not have a diversity policy in relation to the Board of Directors. The desired expertise and background of the candidates are decisive when Board Members are appointed or reappointed. The members of the Board of Directors, as well as all employees of

<sup>1</sup> At the General Meeting of Shareholders on 21 April 2017 and in the Board of Directors meetings from 14 and 15 May 2017, the relevant corporate documentation and policies including these departures from the BSE CGC were put in vote and approved

<sup>2</sup> At the General Meeting of Shareholders on 21 April 2017 and in the Board of Directors meetings from 14 and 15 May 2017, the relevant corporate documentation and policies including these departures from the DCGC were put in vote and approved

the Company and of the Group companies are recruited and promoted primarily based on professional achievements, experience and performance within the Group, irrespective of gender, age, origin or any other personal or social feature. Although the Company does not have in place a formal diversity policy, in practice, the Company has not and does not discriminate between potential candidates for any available Board position due to their gender, age, origin or any other personal or social feature.

- ▶ best practice provisions 2.1.7 and 2.1.8 of the DCGC: the Company has 5 Non-executive Directors, of which 3 do not meet the independence criteria contained in the DCGC. Upon the appointment of the non-executive members of the Board of Directors, the general shareholders meeting aimed to set-up a Board of Directors whose members are selected individuals, with most extensive experience and insight into the Group's business. Therefore, Mr. Teszari Zoltan was reappointed as the Non-executive Board Director and as the President of the Board of Directors and Mr. Marius Varzaru (current general manager of Digi Spain) and Mr. Emil Jugaru (current Head of RCS & RDS Sales and Customer Care Business Unit) were reappointed as Non-executive members of the Board of Directors. Given the particularity of the business and operations of our Group companies and the need for business continuity and internal and industry awareness, the general shareholders meetings gave priority to these functionality needs. In order to ensure that proper corporate governance is observed by such non-executive members of the Board of Directors, they are under the obligation to observe the provisions of the Company's articles of association (the "Articles") and the corporate governance documents, which establish clear and detailed rules regarding independent behaviour and management of any conflict of interest that any member of the Board of Directors, and particularly all non-executive members of the Board of Directors are strictly required to comply with.
- ▶ best practice provision 2.1.9 of the DCGC: the president of the Board of Directors (the "President") does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari's reappointment as the President was voted by the general shareholders meeting of the Company held on 30 April 2020 and will continue to occupy this position for as long as he will be a member of the Board of Directors. The President is the principal shareholder of the Company. The President is not a member of the Audit Committee.
- ▶ best practice provision 2.2.2 of the DCGC: the President of the Board of Directors may be reappointed for an indefinite number of terms. For details regarding the expected applicability period of and rationale for the deviation, please see the explanations in relation to best practice provisions 2.1.7., 2.1.8 and 2.1.9 above.
- ▶ best practice provisions 2.2.4, 2.2.5 and 2.3.2 of the DCGC: the Company does not have a nomination committee. The Company has decided not to set up a nomination committee as referred to in the DCGC (and has not allocated such tasks to another board committee), since Class A Meeting currently performs the duties of a nomination committee. For details as to the reasoning for such deviation, please refer to the text above, where the same deviation is discussed when referring to compliance with the BSE CGC.
- ▶ best practice provision 2.3.1 and 2.7.2 of the DCGC: there are no rules in place for the Non-executive Directors. However, Chapter VII from the Articles include detailed provisions and rules regarding the Board of Directors, including on the composition, remuneration, the allocation of tasks and duties among the executive Directors (the "Executive Directors") and the Non-executive Directors, on the decision-making process and the management of any conflict of interest.
- ▶ best practice provision 2.3.4 of the DCGC: more than half of the members of the Remuneration Committee do not comply with the independence criteria contained in the DCGC. Please refer to the explanations regarding the deviations from the best practice provisions 2.1.7 and 2.1.8 of the DCGC, which apply here as well.
- ▶ best practice provisions 3.1.2 of the DCGC: if shares options are being awarded, share options can be exercised before three years have lapsed after they have been awarded (minimum term required by the DCGC), the minimum term of exercising share options is settled under the general shareholders or board of directors' meetings, under which the share options plans are approved.
- ▶ best practice provision 3.3.1 of the DCGC: Until the GSM from 30 April 2020 Non-executive Directors received the same fixed base salary as the Executive Directors and such fixed base salary was not related to the time spent by the Non executive Directors and the specific responsibilities of their role as required by the DCGC. At the GSM from 2020, the Company approved a new Remuneration Policy - <https://www.digi-communications.ro/en/see-file/Remuneration-Policy-of-the-Members-of-the-Board-of-Directors-1.pdf> and according to its provisions, the Executive Directors and the Non-Executives no longer receive the same fixed salary.
- ▶ best practice provision 3.3.2 of the DCGC: Non-executive Directors who are directors in other Group companies or employees of other Group companies may be awarded remuneration in the form of share options. Any such grant of shares as part of share option plans will need to be expressly decided by the Company's general shareholders resolutions and considering the activity under the functions occupied by the Non-executive Directors within the Group companies.



- ▶ best practice provision 4.3.3 of the DCGC: which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Director or to remove such a Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. Instead, such resolution can be adopted by the General Meeting with a majority of two-thirds of the votes, representing at least half of the issued share capital. This deviation is meant to avoid vote inefficiencies or blockages upon the appointment or dismissal of any relevant Director.
- ▶ best practice provision 3.4.2 of the DCGC: the main elements of the agreement of an Executive Director with the Company have not been published on the Company's website. However, sufficient information was disclosed regarding the remuneration of Directors (see Management - Compensation for directors and managers).

In order to ease your review with respect to the Company's status of compliance or deviation from the DCGC, we have prepared and included in Annex 3 to this report a descriptive table, similar to the explanations included in Annex 2 with respect to the Company's compliance with the BSE CGC.

#### **Publicly available corporate governance rules on the Company's website and in the Company's Prospectus**

The Company has made available since 2017 (with all subsequent updates) the relevant corporate information and corporate governance rules on the relevant sections of its website:

- ▶ identity and background information about the members of the Board of Directors: <https://www.digi-communications.ro/en/about-us> ;
- ▶ dedicated section to the documents regarding the General Shareholders' Meetings: <http://www.digi-communications.ro/en/general-share-holders>;
- ▶ internal corporate governance documents: <http://www.digi-communications.ro/en/corporate-governance>.

Any other details on relevant corporate and governance information regarding the Company are available in the relevant sections of the most recent Prospectuses of the Company and of its Romanian subsidiary (available on the Company's official website: [www.digi-communications.ro](http://www.digi-communications.ro)).

## Management

### Board of directors

The Company applies a one-tier board structure comprising of two Executive Directors and five Non-executive Directors, of which two are independent Non-executive Directors.

### Current Composition of the Board of Directors

As of April 2020 and until the date of this report, the Board of Directors is comprised of the Directors mentioned below.

Name	Age	Position
Zoltan Teszari	50	President (Non-executive Director)
Serghei Bulgac	44	Chief Executive Officer (Executive Director)
Valentin Popoviciu	46	Executive Director
Emil Jugaru	47	Non-executive Director
Marius Varzaru	41	Vice-President Non-executive Director
Bogdan Ciobotaru	42	Independent Non-executive Director
Piotr Rymaszewski	56	Independent Non-executive Director

### Biographical Details of the Directors

#### Zoltán Teszári (President and Non-Executive Director)

Mr. Teszari founded RCS & RDS in 1996 and is the controlling shareholder. Before starting Analog CATV (a precursor company to RCS & RDS), he founded TVS Holding Brasov in 1992, another large Romanian cable TV company that later was merged into RCS & RDS. Prior to founding TVS Holding Brasov, Mr. Teszari owned and ran his own business. Mr. Teszari has been a board member since 2000, in April 2020 he was re-appointed as President and Non-executive Director and his current term is due to expire in April 2024, though he can be re-appointed for an indefinite number of terms.

#### Serghei Bulgac (Chief Executive Officer and Executive Director)

Mr. Bulgac is a member of the Board of Directors and Chief Executive Officer. Mr. Bulgac was appointed the Chief Executive Officer of RCS & RDS in 2015. Prior to becoming Chief Executive Officer, he was Vicepresident of the Corporate Finance of RCS & RDS. Mr. Bulgac joined RCS & RDS in 2003. Prior to joining RCS & RDS, he worked as a corporate finance associate at EPIC (European Privatization and Investment Corporation) and as a research analyst at Eastbrokers, a brokerage company. Mr. Bulgac graduated from the Bucharest Academy of Economic Studies and holds an MBA degree from INSEAD. In April 2020 Mr. Bulgac was re-appointed as Chief Executive Officer and Executive Director and his current term is due to expire in April 2024.

#### Valentin Popoviciu (Executive Director)

Mr. Popoviciu is an executive member of the Board of Directors. He is also a executive member and Vice-President of the board of directors of RCS & RDS (since 2019, previously holding a non-executive membership and the vice-presidency of the Board, between 2015 – 2019). Prior to his appointment in the board of directors of RCS & RDS, Mr. Popoviciu had held the position of Business Development Manager of RCS & RDS since 1999, after joining the company in 1998 as a branch manager in the Constanta office. Mr. Popoviciu graduated from the economics faculty of the Constanta—Tomis University in 1997. Mr. Popoviciu was re-appointed as Executive Director in April 2020 and his current term is due to expire in April 2024.



**Mr. Emil Jugaru (Non-executive Director)**

Mr. Emil Jugaru is a non-executive member of the Board of Directors since April 30, 2019, when he replaced Dr. Sambor Ryszka. Mr. Emil Jugaru is a graduate of the Faculty of Automation and Computers Sciences of the Polytechnic University of Bucharest. Since 1997, Mr. Emil Jugaru has coordinated the start-up and development of the broadband Internet business line of RCS & RDS, the Romanian subsidiary of Digi Communications N.V., actively participating at the development of Group's successful Internet network and services. He currently holds also the position of Head of RCS & RDS Sales and Customer Care Business Unit. Mr. Emil Jugaru was re-appointed in April 2020 as a Non-executive Director and his current term is due to expire in April 2024.

**Marius Varzaru (Vice-President and Non-executive Director)**

Mr. Varzaru was appointed in 2013 as a Non-executive Director of the Company. Mr. Varzaru has been the Managing Director of Digi Spain since 2008. Mr. Varzaru joined RCS & RDS in 2005 as Reporting Manager and was shortly thereafter appointed to the position of Finance Director, a position he held up until 2008. Before joining RCS & RDS, Mr. Varzaru worked at KPMG. Mr. Varzaru graduated from the Bucharest Academy of Economic Studies in 2001. Mr. Varzaru was re-appointed as Vice-President and Non-executive Director in April 2020 and his current term is due to expire in April 2024.

**Bogdan Ciobotaru (Independent Non-executive Director)**

Bogdan Ciobotaru is an independent, non-executive member of the Board. He is also a non-executive member of the board of directors of RCS & RDS, a position he has held since 2013. Prior to joining RCS & RDS, Mr. Ciobotaru held the position of Head of Financing for Central and Eastern Europe, Middle East & Africa at Renaissance Capital and the position of Executive Director in the Global Capital Markets, at Morgan Stanley in London, where he worked for over 10 years. Mr. Ciobotaru graduated from the Bucharest Academy of Economic Studies and holds an Executive MBA from Oxford University. Mr. Ciobotaru was re-appointed as Independent Non-executive Director in April 2020 and his current term is due to expire in April 2024.

**Piotr Rymaszewski (Independent Non-executive Director)**

Mr. Rymaszewski is an independent, non-executive member of the Board of Directors. Mr. Rymaszewski also holds the position of CEO of Octava Asset Management, a Polish real- estate portfolio management company, part of the Elliott Group, a position he has held since 2014. Since 2007, Mr. Rymaszewski has also served as the CEO and president of the board of directors of Octava S.A., a Polish public company active in real estate and part of the Elliott Group. Mr. Rymaszewski's experience in advisory and supervisory roles includes serving on the Board of Nominees of Fondul Proprietatea S.A., a Romanian publicly traded AIF since 2012. Mr. Rymaszewski holds a Bachelor's degree in Physics from the University of Pennsylvania and a JD degree in International and Commercial Law from Cornell Law School. Mr. Rymaszewski was re-appointed as Independent Non-executive Director in April 2020 and his current term is due to expire in April 2024.

## Senior Management team

The Group's current senior management team, in addition to the Executive Directors listed above, is as follows:

Name	Age	Position
Dan Ionita	42	Non-executive director and co-Chief Financial Officer of RCS&RDS and co-Chief Financial Officer of the Company
Mihai Dinei	51	Non-executive Director of RCS&RDS
Smaranda Streanga	41	Co-Chief Financial Officer of RCS&RDS and of the Company
Silviu Georgescu	44	Technical Director for IP fixed services, software and security of RCS&RDS
Emil Grecu	44	Technical Director for TV services and broadcasting of RCS&RDS
Emil Jugaru	47	Head of RCS & RDS Sales and Customer Care Business Unit
Mihaela Toroman	40	Accounts Manager and Treasurer of RCS&RDS
Dragos Spataru	44	Managing Director of Digi Hungary and Invitel
Dragos Chivu	49	Managing Director of Digi Italy

## General provisions applicable to the activity of the Company's Board of Directors

Set out below is a summary of certain provisions of Dutch corporate law as at the date of this report, as well as relevant information concerning the BSE CGC, the Board of Directors and certain provisions of the Articles concerning the Board of Directors.

The Board of Directors is collectively responsible for the Company's general affairs. The Articles divide duties of the Board of Directors among its members. The Executive Directors are responsible for the continuity of the Company and its business, focusing on long-term value creation thereby taking into account the interests of the Company's stakeholders and should direct the day-to-day strategy of the Company. The Executive Directors are entrusted with managing the day-to-day affairs of the Company and are responsible to achieve the Company's objectives, strategy and the accompanying risk profile, the performance trend and results and for the corporate social responsibility issues relevant to the business of the Company and its subsidiaries. The Non-executive Directors are, *inter alia*, responsible for the supervision of the management of the Executive Directors and of the general affairs of the Company and the business connected with it and providing advice to the Executive Directors. In addition, both Executive Directors and Non-Executive Directors must perform such duties as are specifically assigned to them by the Articles. Each Director has a duty to properly perform the duties assigned to him or her and to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, and other stakeholders. The General Meeting will appoint a Director either as an Executive Director or as a Non-executive Director.

An Executive Director may not be allocated the tasks of: (i) serving as chairperson of the Board of Directors; (ii) determining the remuneration of the Executive Directors; or (iii) nominating Directors for appointment. An Executive Director may not participate in (i) the adoption of resolutions (including any deliberations in respect of such resolutions) relating to the remuneration of Executive Directors and (ii) the appointment of the statutory auditor in the case General Meeting has not done so.

Tasks that have not been specifically allocated fall within the power of the Board of Directors as a whole. All Directors remain collectively responsible for proper management as a whole regardless of the allocation of tasks. The Board of Directors is comprised of seven members of which two members are Executive Directors and five members are Non-executive Directors. Three Non-executive Directors are non-independent within the meaning of the BSE CGC.

The Articles provide that Directors are appointed by the General Meeting upon a binding nomination by the meeting of Class A shareholders. The General Meeting may at all times deprive such a nomination of its binding character with a two-thirds majority of the votes representing at least half of the issued share capital, following which the Class A Meeting shall draw up a new binding nomination. When making a nomination, the Class A

Meeting shall take into account that the Board of Directors shall be composed such that the requisite expertise, background, competences and – as regards certain of the Non-executive Directors – independence are present for them to carry out their duties.

In accordance with the Articles, the General Meeting from 30 April 2020 has reappointed Mr. Zoltán Teszári from among the Non-executive Directors as President of the Board of Directors and Mr. Marius Varzaru as Vice-President of the Board of Directors (the “**Vice-President**”). In addition, the Articles provide that the Board of Directors may grant titles to Executive Directors including, but not limited to, CEO and CFO. In accordance therewith, the Board of Directors has granted the title of Chief Executive Officer to Serghei Bulgac.

## Operation of the Board of Directors

### Rules regarding the meetings and the voting

The Non-executive Directors are to meet together with the Executive Directors, unless the Non-executive Directors wish to meet without the Executive Directors being present. As a rule, the Board of Directors shall meet at least once every quarter, and other meetings of the Board of Directors may be called at any time by (i) the President, (ii) the Vice-President or (iii) any three Directors, of which at least one Executive Director, acting jointly. Except when the Non-executive Directors wish to meet without the Executive Directors being present, at any meeting of the Board of Directors a quorum shall be present if all Directors have been invited and at least four members are present or represented, which must include the President being present or represented. Absent Directors shall be informed immediately of the resolutions adopted in their absence. Except in emergencies, matters of the field of responsibility of an absent Director shall only be discussed and decided on after the absent Director has been contacted. The Executive Directors and the Non-executive Directors respectively may separately adopt legally valid resolutions with regard to matters that fall within the scope of their respective duties.

The Board of Directors may also adopt resolutions outside a meeting (whether physical, by videoconference or by telephone), in writing or otherwise, provided that the proposal concerned is submitted to all relevant Directors then in office (and in respect of whom no conflict of interest exists) and provided that none of them objects to such decision-making process. Adoption of resolutions in writing shall be carried out by written statements from all relevant Directors then in office in respect of whom no conflict of interest exists.

The Board of Directors may only adopt resolutions by the favorable vote of the majority of the votes of the relevant Directors present or represented at the meeting of the Board of Directors. In a meeting of the Board of Directors, each Director, other than the President, is entitled to cast one vote. The President is entitled to cast as many votes as can be cast by all other Directors present or represented at that meeting in respect of whom no conflict of interest (as set out below) exists.

Dutch law provides that a Director may not participate in any discussions and decision making if he or she has a (potential) personal conflict of interest in the matter being discussed. The Articles provide that if for this reason no resolution can be taken by the Board of Directors, the General Meeting will resolve on the matter.

During 2020, starting with the date of the previous annual report and until the date of this report, the Board of Directors adopted a number of 13 resolutions, in writing. These resolutions mainly regarded, amongst others, operational decisions such as confirmation of the title of CEO and reappointment of the members of the Audit Committee and Remuneration Committee, the appointment of the new Company’s secretary, the approval of the quarterly and annual financial statements, the approval of a financial agreement entered into by the Group companies, including the Company and the extension of the amount of an existing facility, the implementation of a stock option plan and the amendment of another, the approval of the Romanian Subsidiary to execute the Term Sheet for a potential sale of its participation in Digi Hungary and the appointment of the Company’s representatives to attend the General Ordinary Meeting of the Shareholders of Digi’s Romanian subsidiary. With the few exceptional situations of particular objective conflict of interest, all Board of Directors decisions were adopted unanimously.

The Board of Directors is advised and supported by the Senior Management Team, formed by individuals playing key roles for the Company’s subsidiaries in Romania, Hungary, Spain and Italy, whom do not hold executive positions with the Company. The Senior Management Team is an operational decision-making body of the Company, which is responsible for operating performance of the business and making decisions on certain operational matters. The Senior Management Team comprises financial, accounting and legal specialists. The role of these specialists is to conduct the day-to-day operations and management of the Company, ensure compliance by the Company with applicable legal, financial, accounting, tax and any other relevant regulations, prepare the due filings and reporting incumbent on the Company, and advise the Board of Directors with respect to the daily operations during the Board of Director’s decision-making process. The financial and legal members of the Senior Management Team with specific roles within the Company provide continuous support to the Audit Committee



and have the duty to prepare and support the relationship and the meetings between the members of the Audit Committee and the external and internal auditors of the Company.

### Board committees

The Board of Directors has established two board committees: an audit committee (the “**Audit Committee**”) and a remuneration committee (the “**Remuneration Committee**”). The board committees have a preparatory and/or advisory role to the Board of Directors. The Board of Directors from 14 and 15 May 2017 have adopted rules on each board committee’s role, responsibilities and functioning. The board committees consist of Non-executive Directors only. They report their findings to the Board of Directors, which pursuant to Dutch law remains fully responsible for all actions undertaken by such committees. The Audit Committee is to report to the Non-executive Directors separately on its deliberations and findings.

### Audit Committee – the Audit Committee’s activity during 2020

The Audit Committee consists of three members: Mr. Marius Varzaru, Mr. Piotr Rymaszewski and Mr. Bogdan Ciobotaru, who are Non-executive Directors. The Audit Committee reports directly to the Non-executive Directors. The Audit Committee assists the Board of Directors with its oversight responsibilities regarding the quality and integrity of our Financial Statements, the Company’s compliance with legal and regulatory requirements, the auditors’ qualifications and independence, internal audits and other related matters.

### Terms of reference of the Audit Committee

Set out below is a summary of the terms of reference of the Audit Committee.

The Audit Committee assists, supervises, reviews, advises and challenges the Board of Directors with respect to, *inter alia*:

- (a) the integrity and quality of the financial reporting of the Company and its subsidiaries;
- (b) the operation of the internal risk-management and control systems;
- (c) the provision of financial information by the Company (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company’s annual accounts);
- (d) compliance with recommendations and observations of the Company’s internal and external auditors;
- (e) the role and functioning of the Company’s internal auditors;
- (f) the Company’s tax policy;
- (g) the Company’s relationship with its external auditor, including the independence and remuneration of the external auditor;
- (h) the funding of the Company;
- (i) the assessment of any situation that may generate a conflict of interest in transactions involving the Company, its subsidiaries and their respective related parties; and
- (j) matters relating to information and communication technology.

During 2020, the Audit Committee also cooperated and met with the Company’s external auditors and advised the Board of Directors and the Executive Directors in particular regarding the Company’s half-yearly figures and quarterly trading updates.

In addition, the Audit Committee assessed the management’s responsiveness and effectiveness in dealing with identified internal control deficiencies or weaknesses. The Audit Committee also evaluated the efficiency of the Company’s risk management system, as well as assessed the applicable situations of conflicts of interest.

The Audit Committee met four times during 2020, and once in 2021. Given the restrictions imposed in order to stop the spread of COVID 19 virus, all meetings were held by telephone conference and the attendance was of 100%. During these meetings, the Audit Committee heard and debated on the main findings of the internal and external audit process in 2020, as well as on compliance matters and also on a number of operational matters meant at improving the Company’s internal functions and activities. The Audit Committee met with the Company’s external auditors four times during 2020. Attendance during all meetings was of 100%, by telephone. Also, during 2020 until the date of this report, the Audit Committee was called to decide on several particular matters that were dealt by in writing, such as the pre- approval of audit services to be provided to the Company’s subsidiaries.

### Remuneration Committee – the Remuneration Committee’s activity during 2020

The Remuneration Committee is composed of three members, Mr. Zoltán Tesári, Mr. Emil Jugaru and Mr. Piotr Rymaszewski, who are Non-executive Directors. The Remuneration Committee assists the Board of Directors with the implementation and development of remuneration and benefits policies, including bonuses for the Directors and employees.

The Remuneration Committee is responsible for preparing the decision-making of the Non-executive Directors regarding the determination of remuneration. In addition, the Remuneration Committee is further responsible for reporting to the Non-executive Directors on the implementation of the remuneration in each financial year in light of corporate goals and objectives relevant to the remuneration.

#### Terms of reference of the Remuneration Committee

Set out below is a summary of the terms of reference of the Remuneration Committee.

The Remuneration Committee assists the Board of Directors in supervising with respect to, *inter alia*:

- (a) drafting a proposal to the Non-executive Directors for the remuneration policy to be pursued, which policy shall be adopted by the General Meeting;
- (b) recommending to the Non-executive Directors and making a proposal for the remuneration of each Director, within the limits of the remuneration policy. Such proposal shall, in any event, deal with:
  - (i) the remuneration structure; and
  - (ii) the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the Company and its affiliated enterprise.

When drafting the proposal for the remuneration of the Directors, the Remuneration Committee shall take note of individual Directors' views with regard to the amount and structure of their own remuneration. The Remuneration Committee shall ask the Directors to pay attention to the aspects as included in the remuneration policy.

- (c) preparing the remuneration report;
- (d) making it aware of and advising the Board of Directors on any major changes in employee benefit structures throughout the Company or its subsidiaries; and
- (e) administering all aspects of any executive share scheme operated by or to be established by the Company.

During 2020, the Company complied with the Remuneration Policy applicable to the Company's Directors as approved by the Company's shareholders' resolutions from 30 April 2020. Neither the Board of Directors nor the Remuneration Committee agreed for or implemented deviating rules or practices. The Remuneration Policy adopted at the Annual General Meeting 2020 was revised pursuant to the Revised European Shareholder's Rights Directive, which was implemented under Dutch law with effect as per 1 December 2019. The most important changes of the revised Remuneration Policy are amendments made according to the implementation of the EU Shareholders Rights Directive indicating the mission of the Company and the objective of the Policy, detailing the remuneration package of the Company's directors by categories of fixed and variable remuneration, as well as presenting the performance criteria and pay out levels of the variable remuneration. Going forward, the Remuneration Policy will need approval from the General Meeting every 4 years.

With the due oversight and confirmation from the Remuneration Committee, and in accordance with the resolutions of the Company's shareholder's resolutions from 21 April 2017 and the Company's Share Option Plan from 20 April 2017, the Board of Directors resolved in December 2017 upon implementing a stock option plan covering the Romanian employees of the Group and subsequently in May 2018 on the implementation of a stock option plan covering the Spanish employees of the Group, as well as of a stock option plan covering a limited number of Senior Managers of RCS&RDS (for more details regarding the stock option plans, see for reference section [Stock Option Plans](#) from this report). Part of these programs were terminated in 2020.

On 30 April 2020 the Board of Directors decided to grant stock options to the Executive Directors of the Company (the **SOP 6**). 130,000 Class B Shares were designated for the purposes of the SOP 6. SOP 6 may vest in 2021, in line with the vesting schedule established by the General Meeting and in compliance with the performance conditions established by the General Meeting on 30 April 2020.

On May 14, 2020, the Board of Directors decided to grant certain stock options to a limited number of key employees of RCS & RDS S.A. and DIGISOFT IT (the **SOP 7**). 185,500 Class B Shares were designated for the purposes of the SOP 7. SOP 7 may vest in 2021.

The members of the Remuneration Committee adopted a remuneration report from the rest of the Board of Directors in March 2021 when undertaking an analysis and preparing an overview on the remuneration standards, ratios and employment related regulatory requirements and conditions applicable at the level of the Company's subsidiaries in Romanian, Hungary, Spain and Italy, which has been reported to the Board of Directors.

The Board of Directors has, through its Remuneration Committee, prepared a remuneration report for 2020 in line with the new legal disclosure requirements – see Annex 5 of this report.

## Capital, shares and voting rights

As at December 31, 2020, the authorized share capital of the Company amounts to €11,000,000 (the “**Authorized Share Capital**”) and is divided into:

- ▶ 100,000,000 Class A Shares with a nominal value of €0.10 each in the share capital of the Company; and
- ▶ 100,000,000 Class B Shares with a nominal value of €0.01 each in the share capital of the Company.

Class A Shares have not been admitted to trading on the Bucharest Stock Exchange. Only Class B Shares are listed and have been admitted to trading on the Bucharest Stock Exchange.

The Shares are subject to and have been created under the laws of the Netherlands. All Class B Shares and all Class A Shares are registered shares and not in certificated form. No share certificates (*aandeelbewijzen*) are or may be issued.

As at December 31, 2020, the issued share capital of the Company amounted 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.

## General Meeting

### Annual General Meetings

An annual General Meeting must be held within six months from the end of the preceding financial year of the Company. The purpose of the annual General Meeting is to discuss, amongst other things, the Directors’ report, the remuneration policy and remuneration report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of the Executive Directors from liability for their management and the Non-executive Directors from liability for their supervision thereon, filling of any vacancies and other proposals brought up for discussion by the Board of Directors.

### Extraordinary General Meetings

Extraordinary General Meetings may be held as often as the Board of Directors deems such necessary or when the Class A Meeting makes use of any of its rights under the Articles to make a proposal to the General Meeting. In addition, Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital of the Company may request the Board of Directors that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within 8 weeks of the Shareholder(s) making such request, that/those Shareholder(s) may request in summary proceedings a Dutch District Court to be authorized to convene a General Meeting. In any event, a General Meeting will be held to discuss any requisite measures within three months of it becoming apparent to the Board of Directors that the shareholders’ equity of the Company has decreased to an amount equal to or lower than one-half of the issued and paid-up part of the capital.

### Place of General Meetings

General Meetings of the Company will be held in Amsterdam or at Schiphol Airport, municipality of Haarlemmermeer, the Netherlands.

In light of the public health risks caused by the COVID-19 pandemic and the restrictive measures implemented in the Netherlands and elsewhere concerning the gatherings of people, the Company recommended its shareholders not to attend the annual general meeting of shareholders from April 2020 in person, but to cast their votes by proxy or via the Evo-platform of ING Bank N.V. Taking into account the evolution of the pandemic in the world, the Company will do the same with the General Meeting that will take place in May 2021.

### Convocation notice and agenda

General Meetings can be convened by the Board of Directors by a notice which must be published through an announcement on the website of the Company. The notice must specify the subjects to be discussed, the place and the time of the meeting, the record date, the manner in which persons entitled to attend the General Meeting may register and exercise their rights, the time on which registration for the meeting must have occurred ultimately, as well as the place where the meeting documents may be obtained. The notice must be given by at least 42 days prior to the day of the General Meeting. All convocations, announcements, notifications and communications to Shareholders are made in accordance with the relevant provisions of Dutch law. If a proposal is made to amend the Articles, the convening notice will note this and a copy of the proposed amendment must be deposited at the office of the Company for inspection by the Shareholders until the end of the meeting.

The agenda for the annual General Meeting must contain certain subjects, including, among other things, the discussion of the directors’ report, the discussion of the applied remuneration, the discussion and adoption of the Company’s annual accounts and dividend proposal (if applicable), insofar as this is at the disposal of the General



Meeting. In addition, the agenda shall include such items as have been included therein by the Board of Directors or Shareholders (with due observance of the laws of the Netherlands as described below). If the agenda of the General Meeting contains the item of granting discharge to the Directors concerning the performance of their duties in the financial year in question, the matter of the discharge shall be mentioned on the agenda as separate items for the Executive Directors and the Non-executive Directors, respectively.

One or more Shareholders representing solely or jointly at least 3% of the Company's issued and outstanding share capital in value and the Class A Meeting are entitled to request the Board of Directors to include items on the agenda of the General Meeting. The Board of Directors must agree to such requests, provided that (a) the request was made in writing and (b) was received no later than the 60th calendar day before the date of the General Meeting. No resolutions will be adopted on items other than those which have been included in the agenda unless the resolution is adopted unanimously during a meeting where the entire issued capital of the Company is present or represented.

### **Admission and registration**

The General Meeting is usually chaired by the President or the Vice-President. Due to the restrictions pertaining to the COVID-19 pandemic, the 2020 General Meeting was chaired by a deputy civil law notary acting on behalf of the Board of Directors.

All Directors may attend a General Meeting. In these General Meetings, they have an advisory vote. The chairperson of the General Meeting may decide at his or her discretion to admit other persons to the General Meeting. Minutes of the meetings shall be prepared.

All Shareholders, and each usufructuary and pledgee to whom the right to vote on shares in the capital of the Company accrues, are entitled, in person or represented by a proxy authorized in writing, to attend and address the General Meeting and exercise voting rights pro rata to their shareholding. Shareholders may exercise their rights if they are the holders of shares in the Company on the record date as required by Dutch law, which is currently the 28th day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting in writing or by any other electronic means that can be reproduced on paper ultimately at a date set for that purpose by the Board of Directors which date may not be earlier than the seventh day prior to the General Meeting, specifying such person's name and the number of shares for which such person may exercise the voting rights and/or meeting rights at such General Meeting. The convocation notice shall state the record date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights.

### **Voting rights**

The Shares are denominated in euro. Each Share confers the right to cast one vote for each eurocent of nominal value. The Class B Shares have a nominal value of €0.01 and as such each Class B Share confers the right to cast 1 vote. The Class A Shares have a nominal value of €0.10 and as such each Class A Share confers the right to cast 10 votes. Under the Articles, blank and invalid votes shall not be counted as votes cast. Further, Shares in respect of which a blank or invalid vote has been cast and Shares in respect of which the person with meeting rights who is present or represented at the meeting has abstained from voting are counted when determining the part of the issued share capital that is present or represented at a General Meeting (for the avoidance of doubt, Shares held by the Company in its own share capital will not be counted when determining the part of the issued share capital that is present or represented at a General Meeting). The chairperson of the General Meeting shall determine the manner of voting and whether voting may take place by acclamation, subject to certain restrictions under the Articles. Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the part of the issued share capital that is present or represented at a General Meeting. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of shares in the Company which are held by the Company.

Valid resolutions of the General Meeting can only be adopted at a General Meeting for which notice is given, a quorum of 50% of the issued and outstanding share capital (excluding any Shares held by the Company in its own share capital) plus 1 Share is present or represented and which is held in accordance with the relevant provisions of the law and the Articles. There will not be the possibility to hold a meeting without the quorum of 50% of the issued and outstanding share capital plus 1 share being present or represented. Therefore, no resolutions can be taken in the General Meeting if the Principal Shareholder is not present or represented. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles prescribe a larger majority. The determination made by the chairperson of the General Meeting with regard to the results of a vote at a General Meeting shall be decisive. However, where the accuracy of the chairperson's determination is contested immediately after it has been made, a new vote shall take place if the majority of the General Meeting so requires or, where the original

vote did not take place by response to a roll call or in writing, if any party with voting rights present at the General Meeting so requires.

The Board of Directors will keep a record of the resolutions passed at each General Meeting. The record shall be available at the offices of the Company for inspection by any person entitled to attend General Meetings and upon request a copy of or extract from the record will be provided to such person at no more than the cost price.

### **Dividend and distributions**

The Shares are entitled to dividends and other distributions, if and when declared. Any such distributions will be made to each Share equally, irrespective of the class and nominal value. All Shares rank equally in all respects and will be eligible for any dividend distribution, if and when declared, in the future. Tax impact upon dividend distributions should be carefully considered.

### **Principal shareholder**

The Company is controlled by Mr. Zoltán Teszári, our President. He holds a direct stake of 2,280,122 Class A Shares, representing approximately 3.6% of the voting rights in the Company. In addition, Mr. Teszári holds a stake of approximately 86.4% of the voting rights in RCS Management S.A., which in turn holds a direct stake of 57,866,545 Class A Shares, representing approximately 91% of the voting rights in the Company. Mr. Teszári's direct holding represents approximately 2.4% of the economic interest in the Company and RCS Management S.A.'s holding represents approximately 61% of the economic interest in the Company.

The Company has implemented various corporate governance measures as described in section "*Conflict of interest*" from this report, to help avoid any potential conflicts of interest involving the Principal Shareholder as President of Digi Communications NV.

### **Conflict of interest**

During the financial year 2020 there were no (potential) conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties. Any potentially conflictual situation or incident will be solved by the non-conflicted members of the Audit Committee or by the non-conflicted independent Non-executive Directors in accordance with the corporate governance rules of the Company.

### **Risk management, risks and internal control systems**

#### **Risk management**

The Company's formal enterprise risk management system represents an ongoing process that is constantly expanded and improved. The system is designed to manage a variety of risks such as operational, financial, reputational and compliance risks by taking in the following activities:

- ▶ **Risks Identification:** The Company's exposure to business-related risks associated with the Company's and Group's daily operations and business activities is identified and aggregated in the Company's Risk and Control Evaluation Matrix. The risks are identified by managing business performance from a risk-return perspective.
- ▶ **Risks Evaluation / Measurement:** This process aims to evaluate and prioritize the risks. In this respect, risk evaluation is the combination of the probability of occurrence and its impact in relation to the achievement of the business' objectives, and there are identified actions to be taken. The evaluation additionally includes qualitative factors that could be important for Company's strategic positioning and reputation.
- ▶ **Monitoring and Controlling the risks:** The Company is constantly developing internal policies and procedures for the supervision and approval of decision for the major operational processes.
- ▶ Although there is no Risk Management Department in the Company, the enterprise risk assessment process is performed by Company's Internal Audit function with the support of process owners of major operational processes. The enterprise risk assessment system serves also at optimizing operational business process in terms of effectiveness and efficiency, assuring that critical Group assets are protected and monitoring activities in accordance with the applicable laws, regulation and corporate governance guidance and giving reasonable assurance on the reliability of the financial reporting.

The enterprise risk assessment process conducts to continuous improvement and the process will continue to hold attention of the Company's management and will be subject to regular discussion within the Internal Audit Department, the Audit Committee and the Board of Directors.

This report states and summarizes in the table below those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this report, and aims to provide reasonably sufficient insight into the most significant failings in the effectiveness of the relevant

internal risk management and control systems that the Company has put in place or that need to be further implemented.

### **Internal audit**

The internal audit function for the Company and the Group's business activities is ensured by a team of professionals across local markets that ensures local knowledge and experience. The function is composed by a team of members with different and appropriate professional qualifications and a wide range of relevant experience. There are designed and implemented relevant training programs for constantly increasing the team's skills and knowledge. During the year, the internal audit function had as focus continuing the strengthening of the insights and audit learnings through the business.

The internal audit function reports to the Company's Audit Committee, and administratively to the Group Chief Executive Officer.

The internal control framework of the Company is structured on three lines of defense, respectively the functions that present and manage risks (operational units), compliance function and the internal audit function that provides both the risk management and independent assurance. Thus, the first level is performed by the operational units which are responsible to ensure that at the level of each process/activity is created a control and prevention environment for the risk, as part of the daily operations, the second level is ensured by compliance function that monitors various specific risks such as noncompliance with laws, regulations and business ethical culture and the third level is performed through internal audit function.

The second and third line of defense are independent and reports directly to Audit Committee. The two levels have a cohesive, coordinated approach and work together to help the Company manage the risks, strengthen corporate governance framework and improve the operational processes.

The internal audit function provides the objective examination of the Company's overall activities, for the purpose of an independent evaluation of the internal control system, of the management and execution processes, in order to support the achievement of day-to-day operational and business objectives. It also issues recommendation for the improvement of operational processes and strengthening the internal control system.

The Audit Committee has a permanent agenda to cover Internal Audit related topics. For the year 2020 the Audit Committee reviewed and approved the annual audit plan and reviewed the operational initiatives for the continuous improvement of the internal audit function's effectiveness. The Audit Committee constantly reviews the progress against the approved audit plan and the results of internal audit activities, with strong focus on high risks identified and improvement areas that require attention. Audit results analyzed by risks identified and affected processes, to highlight the improvements in the internal control environment.

The general objective of the 2020 for internal audit function was to continue to update and enhance the formal enterprise risk assessment system and to suggest improvement paths for the major issues identified in connection with the activity of the Company. This process involved ongoing assessment of the overall Company's internal control system, covering the entire range of risks. The operational processes addressed were assessed for risk based on a combination of two criteria: their importance to the Company and the likelihood of a material error occurring in the respective process, as well as from the respective of the risk levels (high, moderate, low).

The assessment of the internal control system was performed based on the internal audit methodology through a risk-based approach, one of the main objectives being the assurance of operational and financial information reliability and integrity, as a result of an independent and objective evaluation of the internal control system.

The internal audit function was also committed to the execution of the approved annual audit plan in parallel with the process of updating and enhancing the formal enterprise risk assessment system.

During the year, Internal Audit coverage focused on principal risks such as credit control and client receivable recovery, users' access rights management, management of rent contracts. Considering the evolving pandemic situation the Internal Audit Plan was constantly reviewed to ensure that the main risks for the Group are captured and the audit work was adapted appropriately to the changing needs of the business.

Based on the work performed by Internal Audit function there was updated the watchlist of the main risks and issues identified that is reviewed on regular basis by internal audit, senior management and Audit Committee to monitor the changes.

The findings of internal audit missions are reported to the Audit Committee by including each relevant risk owner's position and response on how addressing each respective risk, which allows the Audit Committee to have an integrated view on the way the risks are managed. Follow-up missions are performed regularly by Internal Audit to monitor implementation stage of agreed action plans.



Management is responsible for ensuring that the issues and the risks identified by Internal Audit are addressed and mitigated within agreed terms and the compliance with the respective terms is monitored through follow-up missions performed by Internal Audit function.

The Internal Audit is responsible for conforming, by means of appropriate evidence, the adequate functioning of internal control system and detecting the possible inefficiencies or non-compliance with the controls points embedded in the Company's processes. This manner, internal audit function becomes an area independent from the Company's management that supports the Audit Committee in its competence on assurance, risk management and internal control system. The audit missions are carried in accordance with the International Standards for the Professional Practice of Internal Auditing, as issued by The Institute of Internal Auditors ("IIA") and translated into local legislation by the Chamber of Financial Auditors from Romania.

## **Risks**

In Annex 4 — Risk Factors from this report, as well as in the share and notes risk factors related to the most recent Prospectuses issued by the Company and by RCS&RDS, the Company and RCS&RDS summarizes the potential overall risk exposure that could prevent the Company and the Group from achieving their objectives. Through its assessment process so far, the Board of Directors has identified around 60 primary risk drivers systematized into 5 overall risk categories. The risk drivers refer to significant topics, such as regulatory compliance, legal and litigation risks, business operations or competitive factors.

The formal enterprise risk assessment framework allows the Company to identify, measure and monitor strategic and operational risks across all major processes within the Company. It provides management with a clear line of sight over risk to enable the decision-making process.

Defining the Company's principal risks is based on interviews with senior leaders of major process to gather their insights. The results are aggregated, and considered through the lens of strategic objectives and Company's risk appetite, to identify the main risks.

The Company is constantly developing and updating a formalized internal control environment to protect the business from the major risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over operational processes and financial reporting and the internal audit function has the responsibility for ensuring the effectiveness of these controls.

The assessment and the list of the risks are constantly updated to reflect the developments in the Company's strategic objectives and priorities as well as progress made in managing the risks.

A selective summary of main risks applicable for the year 2020 (and until the date of this report) is referenced below (however, for a complete and in-depth analysis with respect to the Company's risks and operational exposure, we kindly invite our investors and the market to read Annex 4 — Risk Factors from this report, as well as in the share and notes risk factors related to the most recent Prospectuses issued by the Company and by RCS&RDS, the Romanian subsidiary of the Company). The risk appetite of the Company is aligned with its strategy and priorities. Some of the risks and uncertainties the Company faces are outside its control, others may be influenced or mitigated. The Company has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols. This process is to a large extent ongoing and not finalized. The mentioning of these mitigating actions may not in any way be viewed as an implied or express guarantee that such mitigation will in practice be effective in limiting the risk exposure and/or the potential damage to the Company from any such risk materializing.

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
Preliminary note applicable to all risks mentioned below: The Group is not reasonably able to give clear or exact estimations on the likelihood of occurrence of any of the below risks. However, if materialized, each of the below are medium to high risks from the perspective of the potential (either relatively important or highly significant) impact on the Group's business and operations.		
Risk relating to our business and industry, and related to the countries where we operate	Strategic risks may affect the Group's strategic business plan performance targets and operational and development objectives.  The strategic risks to which our operations are continuously exposed relate to, amongst others:	The Group aims to have a (reasonably) responsible appetite concerning strategic and operational risks. By reference to the complexity, unpredictability of such risks and the inability for the Group to prevent the occurrence or ensure complete or successful reaction, for the future, the Company will continue to aim for a reasonably responsible appetite.
	Competition pressure and changes in the client demand, client churn, technological changes, average revenue per unit (ARPU) decrease, opportunistic growth, intensive capital needs, risks exposures for our energy supply business;	From a strategic and management perspective, the Group has so far proven to be relatively efficient in managing its growth and development expectations. However, we cannot guarantee that the significant competition that we face in all our markets and business lines will not encourage the movement of customers to our competitors and thereby adversely affect our revenue and profitability. We cannot benefit from same competitive advantages that our principal competitors in Romanian and Hungarian markets enjoy, such as greater economies of scale, easier access to financing and more comprehensive product offerings in certain business lines.  From a technological and development perspective, we invest significant amounts to implementing investments to upgrade our network offerings, adopt new technologies and increase the network coverage. However, there is no assurance that customers will accept these developments to the extent required to generate a rate of return that is acceptable to us. Additionally, our working capital needs have substantially increased in recent years and we may be required to limit our operations and expansion plans if, for

<sup>3</sup> This table does not describe the particular risks relating to the Shares and the Notes or other particular tax risks that are explained in detail in the Annex 4 — Risk Factors of this report, as well as in the risk factors related to the latest Prospectus issued by the Company and by RCS&RDS, the Romanian subsidiary of the Company. This table particularly focuses on the below referenced main operational, strategic, financial, regulatory and legal risk categories.

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
		<p>rate of return that is acceptable to us. Additionally, our working capital needs have substantially increased in recent years and we may be required to limit our operations and expansion plans if, for any reason, we are unable to obtain adequate funding to meet these requirements.</p> <p>Our success is closely tied to general economic developments in Romania, Hungary and Spain and any negative developments may not be offset by positive trends in other markets, potentially jeopardizing our growth targets and adversely affecting our business, prospects, results of operations and financial condition. We did not put in place a mitigation system in this respect.</p>
	<p>Rapid speed of disruptive innovations and/or new technologies within the industry may outpace the Group's ability to compete and/or manage the risk appropriately, without making significant changes to the business model.</p> <p>Failure to prioritize technology initiatives and effectively allocate resources in order to achieve the strategic Group's goals and objectives.</p> <p>The migration to new technologies is not sufficiently analyzed and documented in order to identify the compatibility with existing network elements. Thus, there may be a risk of network malfunctions and / or additional costs generated to fix the incompatibility.</p> <p>The rollout of 5G will require major investments in the future when the spectrum auction will take place.</p>	<p>The innovation, exploring the possibility to introduce new technologies and digitalization are front-and-center priorities of the Group.</p> <p>However, the capital constraints may adversely affect the Group's ability to innovate and reduce the pace of introducing new technologies.</p> <p>The Group implemented internal flows for analyzing and testing the proposals for new network development technologies to ensure compatibility with existing network elements.</p> <p>The Group has a competitive advantage as the percentage of core fiber coverage is high and it will not require material investments.</p>
	<p>Delays in organizing the spectrum auction in Romania may limit our ability to increase the network capacity and coverage.</p>	<p>The Group constantly implements new strategies for efficient use of available spectrum and increase the network coverage and service quality.</p>



Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	the general internal, European and international economic, political and social context, instability of the credit markets, currency risks, our credit rating, general tax matters;	Given its business profiles and presence on a reduced number of countries (Romania, Hungary Spain and Italy), the Group's exposure to these country, market and industry risks cannot be at all times reasonably anticipated or mitigated.
	system failure / shutdown, termination of main supplier agreements, failure to get sufficient / appropriate managerial resources, insufficient insurance coverage, failure of billing, credit control and other operational systems, health risks affecting the mobile site architecture and development, personal data leakage, logistics, quality control, labor relations, information technology, force majeure.	Customary contractual agreements are put in place to protect the Group. The Group aims to look for alternative supplies and partnership options. However, in some cases, the Group might not be able to have access to sufficient or substitute alternatives.  The Group is actively recruiting talent and is actively making use of experienced middle-management. However, given the high specialization of the industry and know-how of skilled professionals, replacing or increasing several functions might not be a timely or successful process.

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	<p>IT risks relating to malfunction or disruption in the operational and accounting systems, or cyber-security breaches, could adversely impact the Group’s ability to compete in a very active market.</p> <p>The risk of cyber-attacks will continue to trend as one of high to medium operational risks for the Group given the dependence on IT systems and technologies.</p> <p>Also, the cyber risk is constantly evolving in line with technological advances such as 5G launch.</p> <p>Failure to protect customer data and ensure service availability could have an adverse impact on customer experience and may lead to financial, reputational and regulatory risks.</p>	<p>The Group invests heavily in IT infrastructure and is actively recruiting highly specialized IT professionals.</p> <p>The majority of software applications were developed internally this offering the possibility to rapidly react to environment changes which ensure a competitive advantage. Additionally, lower prevalence of external business software and applications ensure control over application source and increased security.</p> <p>The Group constantly implements appropriate technical and organizational measures for ensuring a strong level of security to address the current cybersecurity threats.</p> <p>One of the main objectives is to ensure ongoing integrity, availability and resilience of data processing systems.</p> <p>The Group’s Information Security Department is comprised of highly-skilled personnel, being responsible for regularly testing the efficiency of the IT network and applications. The Group monitors the security incidents and security control effectiveness. An incident response procedure was designed and implemented.</p> <p>Nevertheless, we draw attention that such systems cannot provide absolute assurance considering the complex environment of cyber security threats and knowing that cyber fraudster continuously working to develop new and unusual ways to siphon money from Companies.</p>
	<p>Adoption of new software-based technologies and continuous digitalization of the Group’s process may involve increased cost in transformational projects. There may be encountered difficulties in attracting and retaining skilled software developers.</p>	<p>The majority of software applications are internally developed, this offering the possibility to rapidly react to environment changes which ensure a competitive advantage.</p> <p>The Software Department is composed of a team of experts in different programming languages and with wide relevant experience.</p>
	<p>Loss of mobile base stations, fixed stations, data center and other technologies used in providing services to customers could result in a material adverse impact on customers, revenues and reputation. Our resilience programme also</p>	<p>The Group implemented resilience and redundancy levels for the technologies used in providing services to customers. Ongoing monitoring systems are implemented for the entire network structure (backbone, fixed fiber optic, mobile and other</p>

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	<p>extend to wider service platform, including television, online services, energy.</p> <p>Our mobile base stations are subject to possible complaints from other residents from the area which may lead to possible fines from local authorities and the risk of being compelled to move the mobile base station to other location resulting in additional costs and possible adverse impact on service coverage.</p> <p>There should be considered the stringent environmental regulations to reduce radiation from base station may impede with infrastructure development.</p>	<p>technologies) in order to increase the resilience levels and to identify improvements opportunities based on lessons learned from past incidents. Back-up solution are implemented and updated.</p> <p>There are designed internal procedures and controls to ensure that all agreements required by the laws and regulations are obtain before mobile base station construction.</p> <p>Nevertheless, there may be situations when we will face complaints from other residents or instances when not being in full compliance with all applicable laws and regulations considering the complexity and diversity of legal framework.</p>
	<p>Reliance on suppliers for sourcing equipment, network devices, and other components and materials needed for infrastructure development may increase the concentration of risk and conduct to delays in rolling out plans and increased costs. Additionally, poor supply chain management and inefficiencies in managing the suppliers' financing may adversely impact the relations with critical suppliers. The sourcing risks increases during current pandemic crises.</p> <p>Changes to national and European regulation regarding security threats could result in increased operating costs determined by changing the sourcing of our main equipment for network development. Also, there may be the risk of being compelled to change part of our existing network that may need additional investments.</p>	<p>The Group negotiates agreements with alternative suppliers for reducing the reliance on a single supplier for critical equipment.</p> <p>The cash flow management is closely monitored. Nevertheless, there may be instances when the payment terms are not fully observed.</p> <p>During current pandemic crises the Group focused on obtaining in time the equipment and materials required for driving forward technological advances according with strategic plan. This was possible due to extensive suppliers' network and highly-skilled procurement specialists.</p> <p>Our subject matters experts closely monitor the changes in national and European regulations regarding security threats and the political situation around our key suppliers. There are developed alternative plans for each scenario aiming to cost optimization.</p>
	<p>Failure to deliver the planned technological advances, difficulties in maintaining the service quality delivered to clients, client churn and unrecoverable receivable due to current evolving pandemic situation and potential macro-</p>	<p>The Group's senior management and the Board was focused in delivering strong results even during pandemic crises by changing the way how the operations are performed in order to ensure a safe environment for employees, clients, suppliers and all other partners.</p>



Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	<p>economic downside risks arising as a result of COVID-19 outbreak.</p> <p>The COVID-19 pandemic situation has impacted and may continue to impact the way how the business is operated, the employees and all partners conducting to an increased risk of uncertainty in achieving the strategic objectives. Increased health and safety risks for Group's employees.</p>	<p>The complementary selling channels were maximized for consolidating the market share.</p> <p>The Group speed-up the process's digitalization and automation for increasing the efficiency and reducing the physical contact.</p> <p>There was rapidly implemented work from home solutions for reducing the health and safety risks.</p>
Risk relating to legal and regulatory matters and litigation	<p>Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures.</p> <p>The telecommunications and media sectors are under constant scrutiny by national competition regulators in the countries in which we operate and by the European Commission. We have been in the past, and may continue to be, the subject of competition investigations and claims in relation to our behavior in the markets of the jurisdictions where we operate.</p> <p>Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audiovisual, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Any increase in governmental regulation of our operations could increase our costs and could have a material adverse impact on our business, prospects, results of operations and financial condition.</p> <p>A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operation. Additionally, we are not in full compliance, and from time to time may not be in full compliance, with applicable laws and regulations regarding permitting the</p>	<p>The Group has an adverse risk appetite with respect to legal and compliance risks and requires full compliance. The Company will continue to keep the same (and work to enhance the) adverse risk appetite with respect to these risks.</p> <p>The Group aims to take appropriate measures in the event of a breach of applicable laws or the Group's corporate governance regulations.</p> <p>The Group endeavors to stay abreast of changes to legislation and to ensure compliance. The legal in-house teams at the level of all Group companies and the collaborations with independent legal counsels have been constantly increasing for the past years. The Group pursues to strengthen its legal and regulatory team, and to increase in-house and partner education on applicable compliance expectations.</p>

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	<p>construction of various components of our network. We have experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits.</p> <p>Certain agreements we have entered into for the purposes of developing our networks, including some of the agreements entered into with electricity distribution companies and public authorities for the lease of the majority of the poles that support our above-ground fixed fiber optic networks, have been entered into with persons whose title to the leased assets or authority and capacity to enter into such agreements were not fully verifiable or clear at the time they entered into the agreement. Additionally, certain agreements for the lease of poles from third parties are and continue to be arranged on an undocumented basis, creating a risk that they could be discontinued in the future. Termination or cancellation of the agreements may result in additional costs for re-execution of such agreements or for the implementation of an alternative solution or, in the worst case, in a loss of business.</p> <p>The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks by third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network or publish on our websites.</p>	
	<p>The Company is subject to insider trading risks and potential violations of financial supervision laws due to unauthorized sharing of price sensitive information. In the event that any person involved with the Group (whether internal or</p>	<p>The Group has implemented an insider trading policy and has concluded trainings for the handling of price sensitive information. The Company endeavors to increase awareness of applicable</p>

Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
	external) is (alleged of being) involved in insider trading, this might cause significant reputational damage to the Group.	insider trading prohibitions through dedicated non-disclosure agreement and acknowledgement correspondence. Awareness programs are periodically updated for the target groups.
	The Group's employees or any other independent partners or consultants may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on the Group's business. If any actions for violation of regulatory standards are instituted against the Group, and the Group is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of significant fines or other sanctions, and its reputation. If allegations of fraudulent conduct are made against the Group this may significantly impact the Group's reputation.	The Company and the Group subsidiaries is in process of redesigning and extending the compliance framework during 2018 – 2020 by working on the new Anti-bribery and Anti-corruption, Anti-Money Laundering and Conflict of Interest policies and procedures. The Company conducted training and awareness campaign for its employees from critical functions in “Code of Conduct”, “Conflict of Interest, Anti-Corruption and Anti-Money Laundering”; the training programs help in setting the ethical culture across the Company and ensures employees understand their role in ensuring compliance. The Group constantly worked in improving the ethical culture across the organization.
	Inadequate information classification standards may lead to security, privacy and data protection issues and failure to comply with GDPR requirements and to adhere to customer permission requirements.	The Group enhanced the internal framework for classifying, processing the personal data in order to ensure that the data is collected, processed and stored in line with applicable laws and regulations.
Risk relating to our financial position	Financial risks include uncertainty of financial return and the potential for financial loss due to capital structure imbalances, inadequate cash flows, asset impairments and the volatility of financial instruments related to foreign exchange and interest rate exposure.  Main financial risk drivers relate to: our substantial leverage and debt servicing obligations, applicable restrictive debt covenants, impairment of the ability to draw funds under the existing facilities agreements, ability to generate sufficient cash to service our debt, (in)ability to refinance maturing debt on favorable terms, exposure from derivative transactions.	The Group has a prudent risk appetite with respect to financial risks. The Group's desire is to keep the prudent risk appetite. The management aims to constantly monitor leverage ratios according to the covenants of the Group's facilities commitments and the Notes / Indenture documentation. The risk management systems described herein provide reasonable assurance that the financial reporting does not contain any material inaccuracies. Based on the current state of affairs, it is justified that the financial reporting is prepared on an ongoing concern basis. The management aims to constantly monitor the optimal financing alternatives for its business plans.



Risk type / category <sup>3</sup>	Description of main risk drivers	Risk appetite. Available mitigations, if any
		<p>The Group has started implementing periodical cash management controls and reconciliations in order to ensure an efficient utilization for daily business needs.</p> <p>The management aims to constantly monitor the efficiency of the derivative instrument and the associated risks.</p> <p>The Company's financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). The Company's financial reporting includes those policies that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with management's approval or oversight. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.</p>

## Code of Conduct

The Company adopted on 14 May 2017 its code of conduct in accordance with section 2.5.2 of the Dutch Corporate Governance Code (the “**Code of Conduct**”). The Code of Conduct summarizes the principles and standards that must guide the Group’s actions. The Group shall conduct its business with fairness, honesty, integrity and respect for the interests of its stakeholders in a wide variety of social, political and economic environments. The Code of Conduct includes internal rules regarding the management of confidential information, the public disclosure of data, financial and accounting information, general rules on insider trading, fair competition, the management of conflict of interest, compliance with the laws and regulations, the working environment, health and safety, ethics at work, relevant environmental matters, etc. The Company and its Group subsidiaries are currently working to put in place extended tools to enhance compliance with the Code of Conduct (more details with respect to compliance efforts regarding key topics regarded by the Code of Conduct are comprised in the Corporate Governance section herein). A copy of this Code of Conduct is published on the Company’s website. This Code of Conduct may be amended by a resolution of the Board of Directors. Any amendments will be published on the Company’s website.

## Insider trading policy

The Board of Directors adopted in May 2017 its insider trading policy (the “**Insider Trading Policy**”). The Insider Trading Policy is intended to ensure that all employees comply with rules on insider dealing and do not abuse nor place themselves under suspicion of abusing inside information that they may be thought to have, including in periods leading up to an announcement of the Company’s results. The Insider Trading Policy aims to promote compliance with the relevant obligations and restrictions under applicable securities laws, and beyond those imposed by law.

## Business Compliance Matters

### Compliance framework

In May 2017, we put in place a compliance framework (the “**Compliance Framework**”), which consists of the following:

- ▶ the Code of Conduct adopted in May 2017 (the “**Code of Conduct**”), which sets out the principles and standards for any of the Group’s activities;
- ▶ the Terms of Reference of the Audit Committee of the Issuer’s Board of Directors adopted in May 2017 (the “**Terms of Reference**”), which set out the guidance for the Audit Committee’s considerations of any related matters;
- ▶ the Whistleblowing Policy adopted in May 2017 (the “**Whistleblowing Policy**”), which sets out the framework under which an employee or other stakeholder can report concerns or complaints about any activity of a general, operational or financial nature, which in his opinion (i) is in violation of applicable law, regulation or any generally accepted Group practice; and (ii) may have significant negative impact on the operations of the Group;
- ▶ the Directors’ Conflict of Interest Policy adopted in May 2017 (the Board of directors “**Conflict of Interest Policy**”), which sets out principles regarding conflict of interest between the Group and any member of the Board of Directors and follows both the Bucharest Stock Exchange Corporate Governance Code dated 4 January 2016 (the BSE Code) and the Netherlands Corporate Governance Code dated 8 December 2016 (the Dutch Code).

We have a long-standing practice of including anti-corruption and anti-money laundering undertakings in employment and services agreements we enter into with our employees, directors and individual subcontractors.

In order to promote compliance by every Group employee, director or individual subcontractor with our Compliance Framework, we, among other things:

- (i) have established a designated global compliance function, comprised of individual representatives from the Group’s Legal Department, Internal Audit Department and the Group’s Compliance Officer. The global compliance function is responsible for: implementing and monitoring compliance with the Compliance Framework; providing advice to employees, directors and contractors in respect of their conduct, including how to comply with the Compliance Framework; investigating potential violations of the Compliance Framework and, where violations are substantiated recommending appropriate remediation steps; and periodically reviewing the Compliance Framework and making revisions where necessary. All employees, directors and contractors, together with the Group Internal Audit Department are required to report any suspected violation of the Compliance Framework to the global compliance function. Where appropriate, the global compliance function shall report a substantiated violation of the Compliance Framework to the Group’s Board of Directors;

- (ii) have established a centralized electronic procurement system, providing for prior approvals of any procurement activities by the Group's legal, accounting and internal control functions, as well as top management review and approval of major transactions and arrangements;
- (iii) by the same electronic centralized procurement system, the Group seeks to carefully account for, and monitor, any incoming and outgoing payments (including seeking to ensure that all such payments are properly documented); and
- (iv) require that any interactions with government officials be conducted in compliance with applicable law.

In 2019, we commenced a full redesign of our Compliance Framework with the assistance of a highly reputable international counsel and the following key documents were adopted in early 2020:

- **The Anti-corruption and Business Ethics Policy**, which is setting the standards for prevention of corruption and business ethics, require compliance with all applicable anti-corruption laws and regulations, ban bribery and corruption in any shape or form and permit engagement only with business partners with high integrity standards.

Key business ethics principles are: (a) the prohibition of the offer, payment, solicitation or acceptance of bribes (whether directly or indirectly) to public officials, business partners and any third parties; (b) prohibition of the offer or acceptance of gifts or hospitality to or from public officials and the allowance of only reasonable and proportionate offers or acceptance of gifts and hospitality from other third parties in the normal course of business; and (c) prohibition of political contributions and inappropriate corporate social responsibility contributions made on behalf of the Group.

Due to most general schemes of bribery and corruption are beginning with gifts and favours, we implemented an electronic Gifts and Hospitality Register where all employees with access to IT systems will record all gifts and hospitality provided to or received from Business Partners.

Prior to any engagement with a business partner, the Group takes certain steps to address issues, which have a potential of leading to a conflict of interest or unethical behaviour, as the following: (1) comprehensive "know your partner" checks and, where appropriate, risk-based due diligence procedures; (2) making the potential business partner aware of the Group's anti-corruption and business ethics principles and existing reporting channel for concerns about corruption or business ethics; (3) ensuring that the potential business partner adopts the Group's anti-corruption and business ethics principles or equivalent rules and procedures; and (4) ensuring that a set of anti-corruption, anti-money laundering and conflict of interest provisions is included in the relevant agreements

The Anti-Corruption and Business Ethics Policy requires any individual within the Group to report any suspected violations thereof to the Group's compliance function. Even before this policy was approved and implemented, Digi deployed during 2019 a pilot project under which were transmitted to business partners Digi's anticorruption and business ethics provisions and written notices containing the Group's anti-corruption principles.

In line with DIGI Group's Partner Anti-Corruption and Business Ethics Due Diligence Guidance, during 2020 we conducted the Know Your Partner (KYP) checks and commissioned the appropriate risk-based due diligence for Business Partners with whom the DIGI Group conclude contracts or purchase orders in amount of and exceeding €100k, and we implemented appropriate mitigation for potential identified risks for example, by carrying out a complete Legal Entity Partner Due Diligence Form and inserting Anti-Corruption and Business Ethics Clauses or by requesting more information or documents. We started monitoring KYP process for ongoing partners in amount of and exceeding €100k and covered about 42% of them and we will continue until the end of the process

- **Anti-Money Laundering Policy** requires compliance with all applicable laws and regulations regarding anti-money laundering and terrorism financing. The policy prohibits money laundering and terrorism financing in any shape or form and provides for a set of rules and procedures to be followed, which includes those relating to: (a) reporting cash transactions, where necessary, to the Group's compliance function; (b) appropriate, risk-based due diligence procedures applicable to customers and business partners; and (c) reporting any suspicious activity involving the Group, a customer or a business partner to the Group's compliance function. For the purposes of this policy, terrorism financing includes conducting any business relationship with individuals or entities who: (i) appear on the sanctions list published by the Financial Action Task Force (FATF); (ii) are identified as sanctioned or terrorist individuals or entities in any publication of the European Parliament or Council; and/or (iii) are located in countries subject to the European Union's international sanctions regime.
- **The Conflict of Interest Policy** prescribes the conduct expected from the Group's officers, directors, employees and contractors to ensure that all reasonable steps are taken to avoid and/or manage any actual,

potential or perceived conflict of interest related to personal financial interest, family members interest or previous, current or potential involvement in any external activity that might be in conflict with the Group interests.

During 2020 it was implemented the disclosure of conflict of interest in an electronic format in relation with family members and transactional conflict by developing the IT system.

The above-mentioned policies are applicable to all entities within the Group and mandatory for all our employees, officers and directors and we also plan to strongly recommend our business partners to adhere to their principles. These Policies are followed by detailed internal procedures and where appropriate, the procedures will be followed by subsequent documents approved at the level of the Company's subsidiaries in order to incorporate the requirements of local law provisions.

In addition to our global compliance function, every Group department, business unit and employee is tasked with identifying potential risks of violation of the Compliance Framework and preventing those if possible. Managers of those departments and business units periodically report on relevant issues to our global compliance function. Should any serious irregularity be identified, it is required to be elevated to the Group's top management in a prompt manner.

### **Compliance training and communications activities**

The Compliance Group support all employees in acting with integrity and proactively avoiding potential violations by implementing compliance training program that are structured on separately themes as anti-corruption and bribery, know your partner, conflict of interest and communications campaigns that are tailored to target groups and based on identified needs as KYP process for procurement employees.

- ▶ In 2018, employees from several key procurement departments within the Group received training designed to ensure that they understand the requirements of, and comply with, our Compliance Framework.
- ▶ In 2019 our global compliance function conducted a series of awareness campaign regarding insider trading, Code of Conduct principles and anti-corruption rules. All these concepts were presented to the Group's employees and officers in various events as management meetings or the annual technical meeting. In addition, during 2019, employees and officers of the Romanian subsidiary of the Company acting in departments considered to have a high compliance and integrity risk due to job responsibilities signed an integrity declaration confirming their adherence to the Compliance Framework. Our aim is to further extend the Compliance Framework and also the compliance activity, consisting in awareness campaigns, trainings and controls within the Group.
- ▶ In 2020, due to the pandemic restrictions, the aforementioned programs in an electronic format as webinar, with a trainer, with the purpose of informing the employees of the applicable rules and compliance procedures. The training programme was delivered to employees who were considered to have a risk exposure, taking into consideration the nature of the activity of each department and function. The training program delivery is ongoing.
- ▶ Furthermore, we launched a video training program about the Anticorruption rules applicable at the level of Digi Group. The employees are invited to watch and to listen to the training, and afterwards they have to answer a multiple-choice question quiz.
- ▶ During the reported period, a rate of 40% of the selected employees took part in the above-mentioned training program. All the selected employees have a risk exposure taking into consideration the nature of the activity of each department and function or are employees who has coordinating or guidance role.
- ▶ Also, in 2020 we inserted a brief of anti-corruption and conflict of interest principles and rules and how the new employees could report the incidents on induction program. The program is addressed to new employees from the Business Sales Department.

Any suspected or potential breaches of the above policies can be reported by the Group's officers, directors, employees and contractors by e-mail at [grup.conformitate@digi-communications.ro](mailto:grup.conformitate@digi-communications.ro). Furthermore, the Group encourages all of its business partners to report any concerns about business ethics by emailing to [grup.conformitate@digi-communications.ro](mailto:grup.conformitate@digi-communications.ro). In this respect, reports should be as detailed as possible in order to facilitate an appropriate decision about next steps, which may include further internal investigation and/or reporting of the matter to relevant external authorities.

Potential violations of these policies will be investigated as appropriate by DIGI Compliance Group (comprised of representatives from legal, compliance and internal audit department) and substantiated violations will result in remedial action. Where appropriate, the Group may also recommend to report potential violations to relevant law enforcement and/or regulatory authorities.



# Environmental and Social Responsibility



## INTRODUCTION

For 28 years, Digi Group has contributed to the increase of the digitization and development of the markets, by providing accessible connectivity to the European consumers. During this period, Digi Group, including its subsidiaries from Romania, Hungary, Spain and Italy, have established, with great responsibility, a sustainable vision on the future of connectivity, expressed by constant investment in infrastructure and in the latest technologies, by people empowerment, best quality of services provided at the most accessible prices on the market, as well as in customer care and citizenship.

Digi Group is defined by leadership, flexibility, efficiency, innovation and team spirit, characteristics that ensure our sustainable growth and develop the aspirations of our teams, regardless of the place where they operate – either rural or urban areas, small or big city, in Romania, Hungary, Spain or Italy.

Responsibility, care, forward-looking, trust, diversity, team spirit - these are not just magic words, but core values for our Group. During difficult times, we consider that it is most important to strengthen the values that drive our corporate culture. 2020 was a challenging year from both an economic perspective and from the perspective of the values that we strengthened during this period which, together with our projects, are presented transparently in this chapter. Most of all, last year allowed us to prove the essential economic and social role played by the telecommunications industry.

This non-financial section of Digi's Annual Report will provide for information and data about the way we create value for consumers, shareholders, employees, partners and communities, for both the present and the future generations, and even in difficult times. This material references specific disclosures from GRI Standards 2020, figured in GRI content index table, page 27.

## NON-FINANCIAL KEY FIGURES

		Measure	2020
<b>Environment</b>	Total energy consumption	GWh	250,413
	Energy saved from initiatives	Tons	N/A
	Total waste generated	Tons	311.08 Tons
	Waste recycled	%	100
<b>Our people</b>	Employees	number	14,933
	Average training hours	number	6,561
	Women in management	%	40
	Employees from vulnerable groups	number	50
<b>Our community</b>	Total Community Investments	EUR	2,086,976**
	Money	%	8.35%
	Time	Hours	4,455 ***
	In-kind	EUR	41,610****

\*RCS & RDS numbers only.

\*\*Cumulated sponsorships and donations signed in 2020 in Romania, Hungary and Spain.

\*\*\* Hours counted for employees involved in volunteering, including blood donations, in 2020 in Romania, Hungary and Spain.

\*\*\*\* Electronic communications services – mobile data, voice and fixed telephony – offered in-kind in 2020 in Romania and Spain.

## CORPORATE MANAGEMENT

### Cybersecurity

Digi Group is constantly improving its technical capacities, internal regulations and personnel skills in order to prevent cybersecurity violations.

Cybersecurity is critical and the management team is aware of its importance to our core-activities, but also of the role played by us on the market, as a leading provider of fixed internet services.

Since 2011, RCS & RDS, the Company's Romanian subsidiary, has been complying with the ISO/IEC 27001/2013, the international standard which sets out the specific expertise and requirements applied in Information Security Management Systems (ISMS).

In this respect, RCS & RDS has conducted the following types of actions:

- ▶ Providing constant information for employees and clients about cybersecurity alerts, contributing to attenuate risks related to the equipment, network and software through communication campaigns;
- ▶ Frequently sustaining and enforcing communication campaigns regarding: vulnerable ports, cybersecurity threats, malware, phishing scam, spyware campaigns aiming to collect personal and financial data of users, SPAM, spoofing attack, voice phishing;
- ▶ Always delivering technical solutions for optimizing projects to the internal team in charge with network and devices protection of cyber-attacks;
- ▶ Encouraging research and development teams involved in creation of future services and products;
- ▶ Continuous cooperation with authorities to set-up cybersecurity framework and ensure safe services for clients and employees.

---

*Our teams managed to prevent exposure of our network to attacks or malicious acts and supplied assistance to corporate clients who were confronted with different types of security threats (DDoS, for instance).*

---

The main useful information for the clients regarding the security of data and equipment are available on DIGI.ro website, such as: rules regarding the use of our network, IoT risks and threats, types of cyber-attacks, filtered/blocked or restricted ports, vulnerability device checking tool, FAQ.

InfoSec Department has been running communication campaigns targeting all kind of users such as residential clients, corporate clients and employees. The main

communication channels are: our website, the internal portal DigiOneVoice, internal and external newsletters, direct mailing and press releases. However, users can check the level of security for their equipment on DIGI.ro website and all public information about misleading/ fraud campaigns or cyber security threats are disclosed in the media section on DIGI.ro.

As the number of phishing and malware attacks increased, this trend being expected to be maintained for the future, Digi InfoSec Department from the Company's Romanian subsidiary developed simulations and prevention materials dedicated to internal users to improve awareness of this type of threats amongst the employees and to improve their reaction. Also, dedicated educational materials, e-learning supports and guides have been put in place and distributed to the personnel, along with the continuous communication through a dedicated internal cyber-security blog.

In 2020, in the context of the massive switch to work-from-home system, security for remote working was a priority, not only for Digi Group clients and teams, but also for the VPN corporate clients.



## CUSTOMER PRIVACY

In a period of revolution and huge technological progress in the telecommunications field, a period which allowed consumers to be more connected and constantly share their information through online channels, make purchases and/or use various online services and to share their preferences as a part of interactions on social networks and/or search websites, we struggled to develop a series of measures already implemented and we have adopted new ones to keep up with security measures both from a technical point of view as well as from a regulatory point of view.

Considering the services provided and the data collected and processed as a result of the provision and/or use of these services to/by the users, we are guided by a series of principles.

### Principle 1: Minimum data collection necessary for the provision of services

We collect only the minimum data necessary for contracting the services and necessary to supply them. These data are collected in compliance with data protections' law, incidental laws in the field of telecommunications and also, in compliance with our internal procedures.

### Principle 2: Privacy rights ensuring that we have control over the data

As persons we have always in mind that our data belongs to us and we must have control over it. As a company, we are not far from this idea, and we use and process the data with the same care with which we would like to believe that other would process our own. Privacy rights require that the data may be used only in the ways you have chosen and only for the purposes and on the basis for which we have collected it.

As persons, we know that lack of such control would make us feel weak and more vulnerable to potential attacks.

### Principle 3: Increasing and strengthening trust with privacy

In all relationships, whether we relate to Digi Group's relationship with its customers or Digi Group's relationship with its employees, trust is essential. When it comes to data processing, people need to feel confident that the information is safe and secure.

Respecting such principles and rights we will always increase this trust and, in addition, we will give people confidence that if these rights and principles are violated, the person infringing will bear the legal consequences and his moral integrity will be strongly affected.

---

*We have kept and take into account these aspects and each time we have updated and implemented new communication channels to streamline the access to a dialogue with people trained to resolve such situations and we constantly update, adapt and try to simplify our policies and explanations in order to be understood by all.*

---

### Principle 4: Privacy rights protect finances

Digi Group places a special emphasis on protecting all confidential information and/or data for our customers and/or employees and we always adapt according to the technological breakthrough to find solutions in a proper manner in order to prevent any kind of situation that may give rise to identity theft, unauthorized disclosure of data to third parties and so on.

Our main goal is to give full confidence to all those who entrust us with personal data, regardless of their category.

A basic risk management may always seem like an obvious answer as to why protecting customer and employee privacy is so important, but the approach is much more complex than that.

A correct approach to this subject can be a strong pillar for building corporate trust and reputation for any company regardless of the field in which they operate.

A high protection of the confidentiality of clients and employees can open new horizons from the perspective of a bigger consumer market.

More than half of global consumers believe that data privacy practices are the first to contribute to trust in a company, and this belief is outweighed only by the company's reliability and lower prices.

In data subjects' view, a trusted company tends to have very specific privacy practices and quick ways for customers to file complaints and/or to receive help for privacy issues and an easy-to-understand privacy policy and rules.

In addition to respecting all the principles, our approach was to always understand and be aware of the reasons why data subjects consider the data protection an important part for them.

At Digi Group, we believe that data protection is intrinsic to the services provided. Clients and partners expectations on confidentiality are beyond any doubt important and compliance with the laws is a certitude, even



though regulations applying do not always keep pace with technological advancement. In this age of new technologies and new practices related to marketing strategies, IoT, AI, Digi Group is committed to the dialogue with stakeholders, for the benefit of the customers underlining the benefits of the technological advance.

We believe that besides these aspects, it is very important to try to continuously educate all the involved persons (both data subjects and data controllers) about the principles of safety and data processing and their importance, regardless of field and expectations, and regarding the customers' expectations that are higher than the wishes of third parties to access and use their personal information.

Referring to the major importance of this subject, Digi Group has been taking a series of measures to incorporate good practices for the protection of the collected and processed data:

- ▶ Data processing within Digi Group, both at the level of end users (customers) and at the level of employees and/or collaborators;
- ▶ Data processing and retention in compliance with the requirements of data protections' law and the laws governing the Group's activity (both at the level of end users and at the level of employees and/or collaborators);
- ▶ Exercising the rights of the data subjects (both at the level of end users and at the level of employees and/or collaborators);
- ▶ Ensuring fast and efficient channels of answer to all questions, requests and/or complaints of end users as well as at the level of employees and/or collaborators);
- ▶ Maintaining a constant and transparent dialogue with the sectoral Supervisory Authority;
- ▶ Measures to prevent in time the occurrence of security incidents;
- ▶ Dealing with security incidents;
- ▶ Securing all the information transmitted to the end users, security measures which also allow a simple use and/or decryption of the transmitted information at end-user level.

Complementary, we have taken care to incorporate confidentiality not only at the policies level, but also directly in the products used and/or those addressing to end users.

Periodically or when the situation required it, Digi Group have offered end users and/or employees or collaborators tips on protecting their privacy when carrying out certain activities, when certain malicious campaigns appeared and/or they had a certain recurrence or when they were simply browsing the internet.

In 2020, Digi Group have not registered complaints concerning breaches of customer privacy and losses of customer data. In Hungary, Digi Kft. has been subject of an official administrative procedure conducted by Hungarian National Authority for Data Protection and Freedom of Information (NAIH), regarding a data privacy incident, in 2019. Digi Kft. became aware of a vulnerability in one of its testing databases, which could have led to a potential personal data leakage. The subsidiary took measures to avoid unintended exposure of personal information and immediately reported the situation to the Hungarian National Authority for Data Protection and Freedom of Information (NAIH). The evolution of the facts and NAIH decision in the matter are detailed in the Annual report, Annex 4 (Risk Factors).

## MATERIAL TOPICS (OR MATERIALITY ASSESSMENT)

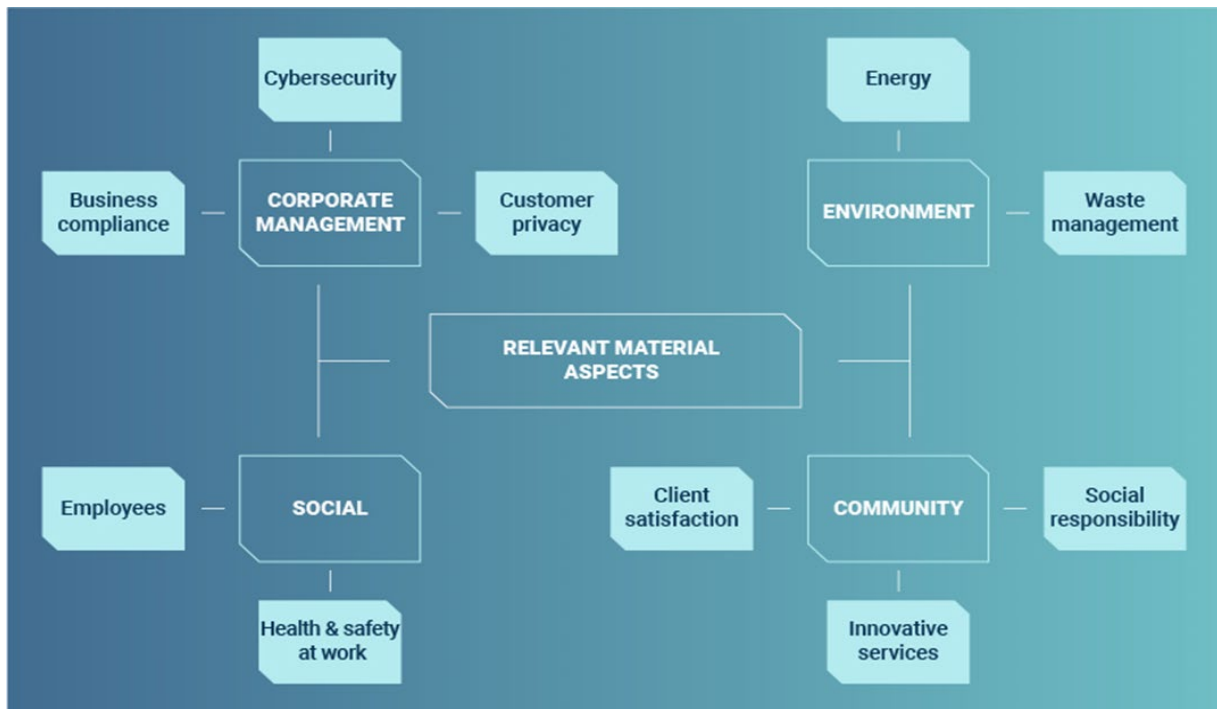
In order to determine its materiality topics, in line with its strategic business objectives, its vision about the sustainable development of the company and also the stakeholders' interests, Digi Group involved an independent consultant for sustainability matters to perform this analysis.

In the field of sustainability, materiality has become an integral component for companies assessing their environmental, economic and social impact, on corporate governance and / or regulatory issues that may affect the way they operate. Materiality analysis is the method used to determine whether a topic is important for the company and stakeholders. Some topics are of higher importance than others, depending on the industry, organization's type and dimension with major emphasis on company's contribution to the economic and social environment. Other important aspects are: market position, employee perception and community involvement. Among the main elements of the approach, we focused on: identifying relevant topics by analyzing general trends in the sector and also on analyzing the value chain and the risks and opportunities that each topic could have on the business. We classified these stages below:

**Stage 1:** 15 material aspects were initially identified during workshop with internal stakeholders, permitting to have a first set-up of relevant aspects. The relevant topics considering the stakeholders' expectations were analyzed and prioritized, emphasizing the actual or potential impact and the general approach that Digi Group has about these topics;

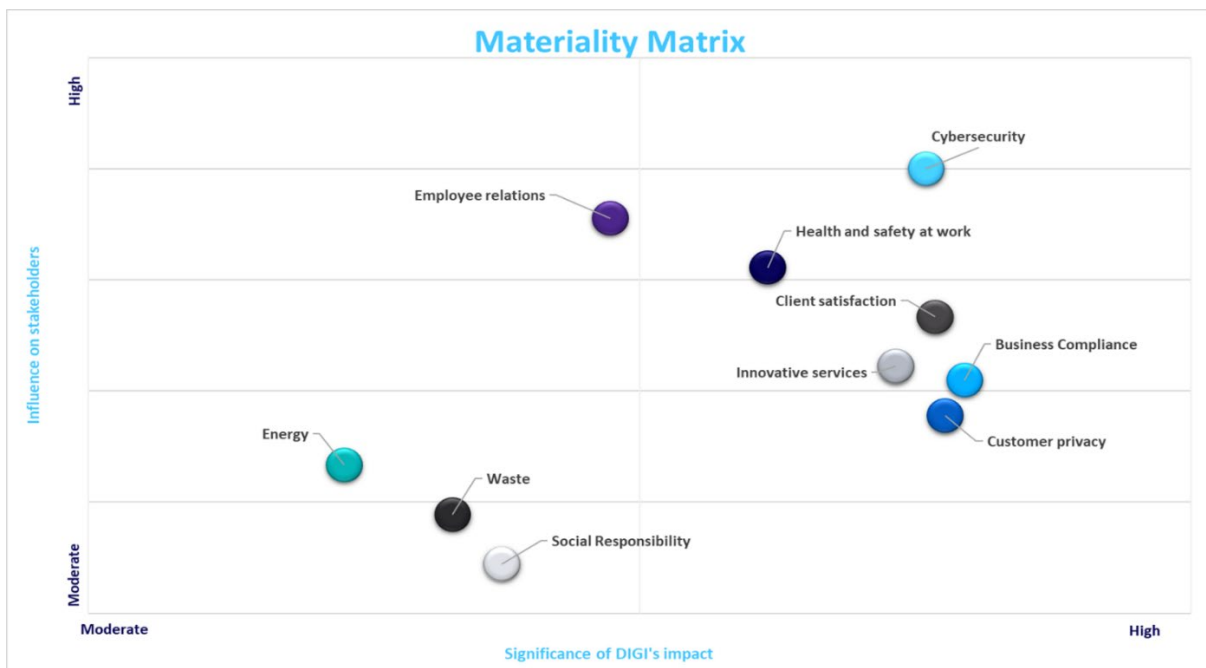
**Stage 2:** Out of the 15 material aspects identified, **10 most relevant material aspects** were prioritized, according to their **perceived impact on Digi Group activity and potential influence on stakeholders**.

These aspects were classified according to four strategic orientations:



**Stage 3:** Extended internal and external stakeholders' consultation through an online questionnaire evaluating their opinion on the retained relevant topics (798 replies).

**Stage 4:** Development of the materiality matrix. Each stakeholder was assigned a share based on the stakeholder matrix and the materiality matrix resulting has been refined according to the model below.



Once the process of stakeholders' consultation ended and materiality matrix, was established, the materiality topics relevant for Digi Group strategy can be classified as:

- ▶ very important (high impact and high concern: Client satisfaction, Customer privacy, Cybersecurity, Health & Safety at work),
- ▶ important (high impact and medium concern: Business compliance, Employees relations, Innovative services) and
- ▶ moderate (medium impact and high concern: Energy, Waste and Social responsibility).

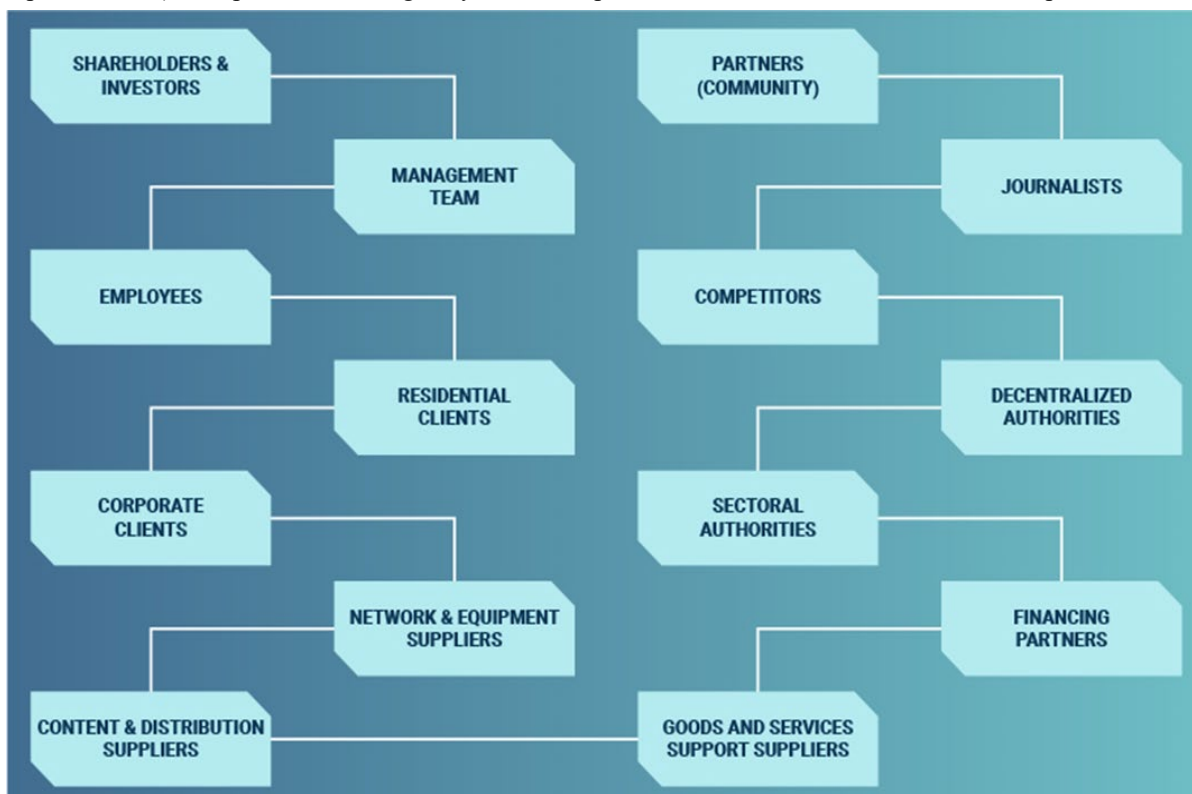
## STAKEHOLDERS

Based on the analysis, Digi Group drew up a map of stakeholders, whom the company invited to answer to a survey.

The survey was distributed to stakeholders in Romania, Hungary and Spain, given the prominence of Digi Group operations on these markets.

The dialogue with shareholders and investors is conducted by Investors Relations Department, mainly through email, phone, letters, reports, presentations, press releases and events participation (events organized by Digi Group or by Bucharest Stock Exchange and other capital market entities).

The employees are continuously informed about Digi Group activity and evolution through internal communications supports and tools (DigiOneVoice internal website, internal newsletters, internal flash info, reports, videos). The process is managed by the HR Department and Communications & CSR Department.



An annual survey regarding internal communications efficiency and feedback related to contents is conducted to collect outtakes from the internal stakeholders. An internal communication specialists (communication correspondents) network operates in Bucharest and the main cities in other regions in Romania, sustained by the company's administrative structure. At the same time, similar activities are carried out by HR and PR teams from Hungary and Spain. In 2020, HR and Communications teams created and coordinated extended communications campaigns dedicated to special health and safety rules and regulations in the context of the medical crisis.

The dialogue with clients is mainly organized by the Customer Care Department (call center, complaints department, point of purchase network, marketing campaigns, DIGI.ro, newsletters, invoices, press releases, events, partnerships and sponsorships). According to the study Customer Experience Excellence Report developed by KPMG, Digi is the leader of the telecom market in terms of customer excellence, for the second year in row, with a superior score compared to previous performance.

The dialogue with authorities is in part realized by the management team, with support from the regional management, Legal Department, Authorizations, Approval and Accords Department and others, depending on the topic and impact of the themes.

The dialogue with competitors is carried out within the framework of the transparent procedures initiated by sectoral authorities on topics related to the legal and authorizing framework, long-term decisions impacting the industry, projects of nation-wide coverage, infrastructure development and access to state resources like spectrum/national networks and grids etc.

Journalists and mass-media represent important stakeholders and the company has built, in the last period, a relationship based on transparency, pro-activity and constant cooperation. Digi Group published in Romania, last year, 37 press releases related to the company's operations, 4 releases regarding the financial results, 48 press

releases and announcements to the market, generating 2,546 articles (total coverage through traditional and online media was 9,161 mentions in 2020). Digi Group's officials (Mr. Serghei Bulgac – CEO, Mr. Valentin Popoviciu – Vice-President, members of the Board of Directors, representatives of subsidiaries: Digi Spain, Digi Kft Hungary and Digi Italy) or other relevant professionals participated to the main industry events (ZF Digital, ZF Mobilio, GoTech World 2020, Communications Day) and presented to the market and general public the company's position on different topics or the latest progress registered by the Group.

In Hungary and Spain, media relations activities and community relations have been consolidated through extensive communications campaigns on: portfolio diversity, mobile and fixed communications network development, commercial performance (public information such as market share, portability).

Community dialogue is coordinated by the Communications and CSR Department, in cooperation with regional management and with support from Customer Care Department, Legal Department, Media Division management, Accounting Department. Since 2018, Digi Group has established an open and supportive relationship with NGO's, foundations and local authorities, participating in events, summits and work-groups on different sustainability and social responsibility themes (diversity, social environment and education, positive business, community welfare).

## AWARDS AND RECOGNITION

RCS & RDS's position in the economic environment in Romania is acknowledged by numerous independent rankings and studies conducted by different media financial outlets and analysts.





## ENVIRONMENTAL MATTERS

Digi Group is subject to a number of environmental laws and regulations and the company is constantly trying to reduce the environmental impact of its operations on all the markets. These laws and regulations govern, among other things, the management and disposal of hazardous materials and waste, air emissions and water discharge, the clean-up of contaminated sites and health and safety matters.

Digi Group has not identified any material cases of non-compliance with applicable legislation, last year. Our teams have worked to put in place and improve effective general internal environment policies and procedures targeting compliance with local regulations and, where necessary, EU regulations, as follows:

- ▶ *Procedure on the identification of the environmental aspects and the associated impacts* that mainly focuses on exhaustively identifying the environment aspects that are related to the ongoing activities of operations, on collecting data about any relevant environmental aspect, setting up proper documentation and mechanism to enhance compliance and conducting internal investigations to verify compliance. RCS & RDS has drawn up and adopted an Environmental Management Program under which were established objectives regarding the reduction of the impact of the company's activity on the environment. Based on this program the company is monitoring the environmental aspects and keeps them under control.
- ▶ *Procedure on the Emergency Situations and the Capacity to Respond to Emergency Situations* that identifies the critical points that are able to generate harmful impact over the environment, by reference to the environmental challenges identified through the Procedure on the identification of the environmental aspects and the associated impacts;
- ▶ *Procedure on waste management and removal* that mainly focuses on identifying significant waste that connects to our activities and instructing our employees to follow the approved Plan for the waste management. Based on this procedure, equipment that are no longer in use and returned by our customers are gathered and handed over for recycling. RCS & RDS also notifies on a monthly basis the National Environmental Fund Administration in Romania the quantity of equipment that we market, as well as the several notifiable categories of ancillary packaging.

### Energy

The above-mentioned internal procedures follow the SR EN ISO 14001:2015 recognized management system. We have worked to update and fulfil such procedures starting from the beginning of 2018. RCS & RDS, the Group's main subsidiary, has an internal department particularly dedicated to preparing due environmental procedures and putting into effect compliance activities.

Digi Group is required to obtain environmental permits, licenses and/or authorizations or provide prior notification to the appropriate authorities when building parts of our network, importing electronic equipment or opening new shops.

---

*In Romania, the operations were not subject to any material fines or legal, regulatory action involving non-compliance with applicable environmental regulations. We are not aware of any non-compliant action regarding relevant environmental protection regulations.*

---

Other relevant environmental considerations arising from our operations also include the potential risk for electromagnetic pollution. RCS & RDS uses various network infrastructure strategies in order to achieve radiation emission ranges that are lower than the maximum levels permitted by applicable Romanian regulations. Where requested under the relevant planning certificates, we have also obtained or are in the process of obtaining certificates from

the public health authorities of each county where we install mobile telecommunication base stations that we are complying with accepted electromagnetic radiation standards in our mobile telecommunication activity. As a result of these activities or operations at our sites, Digi Group could in the future incur costs or additional liability. See Annual report, "Annex 4 —Risk Factors—Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial additional compliance costs or various sanctions or court judgments."

### Policy and guidelines for environmental management

#### Energy

Because our core activities are using energy, in order to ensure the continuity of our services, our teams are aware of the impact of our energy consumption, therefore, we are using technologies that allow an improvement our technical capacities related to the electricity consumption.

## Energy consumption

### Indicators:

	Measure	2020
<b>Non-renewable fuel</b>		
Diesel	GWh	74.33
Petrol	GWh	6.23
Natural gas	GWh	8.88
<b>Electricity, heating and cooling</b>		
Electricity **	GWh	349,763
Heating & cooling	GWh	NA
<b>Electricity sold ***</b>		144,233
<b>Total energy consumption*</b>	<b>GWh</b>	<b>250,413</b>

\*Sum of total energy consumption from non-renewable fuel and electricity, heating and cooling, minus electricity sold.

\*\*Total energy purchased, parks production and total energy purchased by parks.

\*\*\*Sale to customers and suppliers

### Energy efficiency

Regarding the special national context brought by the medical crisis and taking into consideration the big number of operations deployed by RCS & RDS in Romania, the energy efficiency initiatives have focused on specific projects for the maintenance and upkeep of the large offices in the country.

Digi Spain was involved in 2 important projects carried out to improve the energy systems functions and reduce consumption: installment of LED sources in the central office and in DIGI's delegations in Madrid Office and centralize the heating and cooling system of offices and warehouses to avoid unnecessary expenses.

### Employees mobility

Mobility is very important for Digi Group teams involved in installation and network development, helping our technical team to achieve their performance indicators, in safe conditions and in the right time for the clients. Our technical, maintenance, installation and infrastructure development or sales teams have access to an enterprise fleet of 4,200 passengers and commercial vehicles from different segments. The dimensions of our fleet are directly influenced by the expansion of our networks, the increasing needs of the clients and the diversity of professions and operations on our main market, Romania.

*In 2020, Digi Group continued to replace vehicles approaching life cycle and, in the same time, to adopt technologies with a lower impact on the environment (CO<sup>2</sup> emissions and fuel consumption). Last year, 7 hybrid cars entered our fleet in Romania.*

Our media division also is dependent of mobility infrastructure and, consequently, a part of the enterprise fleet is used by the journalists, reporters and broadcasting teams.

Our commitment to reduce the impact on environment is reflected by the fact that 50% of our fleet is represented by vehicles meeting EURO 6 standards and 75% of the fleet is counting between 9 and less than a year (18% less than 1 year).

### Waste management

Waste management is a priority in our activities and the Group is committed to contribute to the change of our society towards waste collection, recycling and reuse. In 2020, many projects started on the environmental area, regarding especially waste management and gathering of the corresponding information in order to report to the authorities.

Out of all the 2020 projects, the most important are:

- ▶ the registration of RCS & RDS in the National Register of Producers of Electrical and Electronic Equipment (EEE) for EEE that we put on the market;
- ▶ in the first six months of 2020 we carried out an elaborated process to establish legal requirements for EEE and batteries and accumulators' producers and to find proper measures to comply with. The process involved personnel from the environmental department, audit department, legal department and also members of the board;

- ▶ the conclusion of agreements to fulfil the obligations that are incumbent upon the producer - for handing over the responsibility for the management of equipment and batteries placed on the domestic market when their life cycle ends and also in order to achieve the collection rate for WEEE (Waste of Electrical and Electronic Equipment) and WBA (Waste Batteries and Accumulators);
- ▶ developing and starting the implementation of a project that involves collection of small WEEE and WBA in Digi shops and, in the same time, creating awareness campaigns about the negative impact of these types of waste on the environment;
- ▶ updating and renewing agreements for the collection and the recycling of WEEE and WBA that we generate in order to achieve the individual objectives imposed by law and to protect the environment;
- ▶ starting campaigns for checking, cleaning and releasing the warehouses of waste and unnecessary materials and making market research for authorized collectors who can take over the identified waste;
- ▶ developing projects for registration in electronic systems of all packaging, EEE, batteries and accumulators placed on market, in order to have detailed reports and evidences required by the authorities;
- ▶ establishing evidence recording flows for delivered and collected waste for fulfilling our legal objectives established by law.

#### Indicators:

Waste Code	Description	Total Waste
15 01 01	Paper and cardboard packaging	23.4 Tons
15 01 02	Plastic packaging	8.54 Tons
15 01 03	Wooden packaging	1.28 Tons
16 02 11	Discarded equipment containing chlorofluorocarbons, HCFC, HFC	1.44 Tons
16 02 13	Discarded equipment containing hazardous components other than those mentioned in 16 02 09 to 16 02 12 (CRT TV, equipment containing hazardous components)	1.30 Tons
16 02 14	Discarded equipment other than those mentioned in 16 02 09 to 16 02 13 (Telephones, Electric devices)	180.93 Tons
16 06 05	Other batteries and accumulators	20 Tons
17 04 01	Copper, bronze, brass	6.18 Tons
17 04 05	Iron and steel	25.71 Tons
19 02 03	Premixed wastes composed only of non-hazardous wastes (non-ferrous metals)	0.5 Tons
19 12 03	Non-ferrous metal (AL non-ferrous metal)	1.1 Tons
20 01 01	Paper and cardboard packaging	13.26 Tons
20 01 33	Batteries and accumulators included in 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries and accumulators containing these batteries	11.49 Tons
17 04 11	Cables other than those mentioned in 17 04 10 (Data cable, power cable)	15.95 Tons
<b>Grand total:</b>		<b>311.08 Tons</b>

*\*use 1,000 kilograms as the measure for a metric ton.*

*The waste was delivered to an external specialized recycling company.*

*All waste was delivered to the final recycler. The data is available only for Romania.*

## EMPLOYEES

Our people represent the core of Digi Group. As an organization, we identify ourselves the best through each of our employee and we encourage and sustain the individual intake in particular for all of our employees. We really appreciate the potential of our employees, their experiences and passions, as well as their initiatives and development, all of which actively and directly contribute to increasing organizational efficiency and effectiveness. Having motivated people in the suitable roles, considerably amplifies the effect of using the other resources engaged in our mission, decisively influencing the final economic result.

2020 highlighted once more, how important and how vulnerable is the most valuable resource of a Company: people. Therefore, under the unusual circumstances, we had to reconsider the way of working of our teams, both for those who had to continue working on the field and also for those who instantly adopted the work from home solution. More than ever, the health and safety at work of our people has become crucial, requiring proper actions and quick suitable solutions.

All of our people developed new work skills, having to look at everything related to the job from a completely different perspective, therefore, we automated activities, we simplified processes, adapted workflows in a record time and, most importantly, to care for each other. Communication with the managers and all employees was a decisive element in maintaining the balance and continuity of our operations which at this time, retrospectively, we can declare it was a huge success.

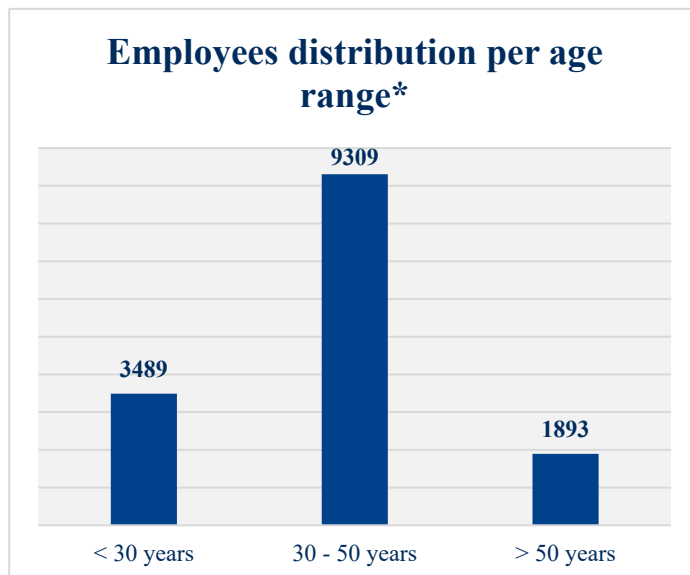
### Our people

For Digi Group, principles like equal opportunity and diversity represent the pillar of strong respect, regardless of the type of: ethnicity, national origin, gender, age, disability, sexual orientation, education or religion. We reinforce our commitment to recognize and respect differences between people while valuing the contribution everyone can make to our business.

Considering the technical profile of our business, our objective is to ensure an appropriate workforce distribution based on gender, thus women now represent about 30.72% of the total number of employees from Romania. There are functions dominated by male employees like the technical ones, but also areas where the female employees are the majority, like in the customer care function.

Encouraging diversity, we have other employees' nationalities in our companies, which is worth noticing for any company with local roots.

In terms of age distribution of our employees, at RCS & RDS, we are nearly on a Gauss curve.



*\*data only for Romania*

Regarding people with disabilities, in Romania we considerably increased the number of people belonging to this category, having at this moment a total of 50 employees out of which 20 female and 30 male employees. In terms of inclusion, we always look for the proper workplace for each of our employees who face different kind of difficulties, so that the rate of dismissal for medical or other type of issues is zero. More to this, during 2020 we have run several internal campaigns to support some of our employees who had to manage critical personal problems like medical issues, or having their houses destroyed by fire.

There is more to do – but the success of our work on diversity and inclusion is enhanced by our belief in making the best use of people's talent and capabilities and providing real opportunities for their development.

While recruiting, the main criteria used within DIGI Group, are exclusively professional: experience, performance and specialization. We never consider information about sexual orientation, religion, ethnic origin or other non-work-related features of our employees' private life. These rules are mandatory and they are clearly mentioned in our Internal Set of Rules.



In terms of opportunities to grow internally, during 2020 in Romania, **a total number of 605 open positions** were occupied by internal employees as a result of internal recruitment processes. This is one of the most valuable characteristics of our employer brand - the multiple and various internal opportunities.

Regarding **Learning and performance area**, we moved online all of the training sessions and we managed to run some valuable projects according to the specific needs of 2020. At the beginning of the year, in Romania, we launched for our employees a *helpline* for emotional support, provided for free, by psychologists. We also offered our managers and employees few webinars as support at the beginning of the pandemic period, addressing topics such as: working remotely, parenting in times of crisis, solution-oriented personal training, the effects of stress in difficult times. During a period of three months (September-November) we ran an online learning campaign named **Choose to develop yourself**, where 296 participants were presented topics like: emotional intelligence, conflict management techniques, productivity, motivation, working remotely, the effects of stress, feedback, negotiation techniques.

We sustained the leadership and development section by publishing **44 dedicated articles in our bi-monthly news-letter**, delivered to all of our employees, with topics like: objectives, values, productivity and people connection.

We started the first session of a big learning project named **Voice academy** in Romania, whose purpose was to develop specific skills of **27 internal trainees during 6 months**, involving 7 mentors for technical and soft modules and 2 coaches. There were **590 training hours** dedicated exclusively to this project and we expect the trainees, at the end of this program, to be able to offer support to the technical teams (fix and mobile communications) and to be promoted within these teams. We've also managed to run this year the **Digi Awards**, in its second edition, a program addressed at national level to all employees, through which we wanted to highlight and offer recognition to individual and team efforts, especially in a difficult year, like 2020.

We do not have any trade union in our Group. Based on the legal requirements on this topic, we offer the employees, on a yearly basis, the chances to gather in order to start the collective negotiations. Until now, our employees did not express such interest.

#### Indicators:

##### *Total number of employees by country*

Country	2020	2019
Romania	14,933	12,945
Hungary	3,035	2,771
Spain	2,200	1,126
Italy	74	70
<b>Total</b>	<b>20,242</b>	<b>16,912</b>

##### *Total number of employees by function*

Department	2020	2019
Customer Service	2,854	2,377
Administrative, Purchasing, Logistics	1,586	1,509
Technical	11,122	8,735
Sales and marketing	3,889	3,448
TV	791	843
<b>Total</b>	<b>20,242</b>	<b>16,912</b>

Employee training		Total number
Average hours of training that the organization's employees have undertaken during the reporting period by gender (Hours per FTE)*		
Average hours/FTE		0.87
Total hours of training that the organization's employees have undertaken during the reporting period (2020) by category*		
Sales		189
Call Center		11,694
Technical		3
Complaints		427
Other		534
<b>Total</b>		<b>12,847</b>
*data refers only to Romania		
Employees by gender and by employee category who received a regular performance review during the reporting period*	Total number	%
Employees by gender who received a regular performance and career development review during the reporting period		
Female	845	18.7%
Male	3,852	37.9%
<b>Total</b>	<b>4,697</b>	<b>32.0%</b>
Employees by category who received a regular performance and career development review during the reporting period		
Technical		3,520
Call center		1,046
Complaints		131
<b>Total</b>		<b>4,697</b>
*data refers only to Romania		

## Human rights

In terms of human rights, there are detailed and clear statements referring to employees' rights and obligations both in the Internal set of rules and in the individual employment contracts, the employees having at their disposal a direct communication channel with the Digi Group ethics manager to whom they can report any possible human rights violations. In its 28 years of existence, Digi Group has built its journey from a local entrepreneurial company to a European player in the field of electronic communications, relying on respect for its employees, customers and partners. The Company's success would not have been possible if its development plans had not shown that one of the priorities was to be a citizen company, which has built the future for hundreds of thousands of families and has offered a better life to thousands of employees.

*The brand promise – unlimited connectivity for all – springs from the organizational values of the Group, whose foundations lay even in the aspiration of the people (employees, clients, partners, regulators) towards improved quality of living.*

The Company has always treated with respect and in a balanced manner the employees and the clients. The principles of The Universal Declaration of Human Rights (UDHR) are transposed into the European and national legislation, according to which the Code of Conduct, Internal Set of Rules and other internal regulations are designed.

Our people have always been treated with respect and fairness. Digi Group way has been based on values like entrepreneurship, free speech and free will, diversity of gender, age, religion, nationality, background, empowerment, trust and inclusion. Consistent with its vision, RCS & RDS has been one of the signatories of Diversity Chapter in Romania, since 2019.

In 2020, during the sanitary crisis COVID-19, our top management took all the measure to secure the life and health of Digi's employees in all the territories, to protect their families and loved ones and to provide safe and quality services to clients, no matter in which areas they lived.

As soon as the lockdown was imposed, starting mid-March 2020, the authorities, companies and brands urged the population to #stayhome. But, in our case, as the teams had to provide constantly electronic communications services of first necessity to the people working from home, we had to identify a better approach to the specificity of our operations. In fact, only 25% of our teams could continue to do their job remotely, the rest of the teams were on the field (maintenance, infrastructure, installation, front office and sales personnel, TV reporters). In this new reality, #amgrijă (#Itakecare) was a call to action for all those working on frontline providing basic goods and services to all population during the medical crisis.

Our teams had to be well trained and motivated in order to respect the new health and safety rules and convey to our clients the same caring attitude and collaborative approach, despite the general frightening context. All our teams proved their dedication to public interest and shared positive and socially responsible attitude and behaviour. Our message became one of general interest. Under these circumstances, #amgrijă (#Itakecare) was the most appropriate message to communicate the idea of solidarity, trust, empathy and professionalism.

### **Benefits offered to employees**

Being aware of the importance and impact that the health and well-being of our employees has on labor productivity, we intend to develop more and more the benefits regarding this area.

In seven of our biggest cities, **we offer the employees working from the offices or on field, a fresh cooked lunch.** In terms of health, our employees can purchase **medical services at preferential prices**, as well as better offers for sport activities, which unfortunately, during the pandemic period were difficult to access considering the social distance restrictions.

## HEALTH AND SAFETY AT WORK

We routinely carry out the following work activities either through direct employees or contactors in the course of their operations: ground disturbance / excavation / trenching, working with or in close proximity to live electrical conductors, entering and / or working inside substantially enclosed areas / confined spaces, movement of mobile work equipment and work vehicles, accessing areas or working at height greater than 1m from ground level, carrying out mechanical lifting operations with loads.

During 2020, we have done further steps to update safety and health procedures at work place.

Our Romanian subsidiary, RCS & RCS continued to improve SSO and environmental protection procedures according to SR ISO 45001:2018 (recognized management system on healthy and occupational) and SR ISO 14001: 2008 in environmental management. Risk assessment is a continuous process that is the basis for preventing work accidents and occupational diseases. These permanent reassessments help us identify both the most exposed employees to the physical factors at the workplace (ex. high or low temperatures, working at height, working in the vicinity of the electric current, etc.), as well as to develop adapted risk mitigation plans for the protection of employees.

---

*The implementation of the new health and safety procedures according to SR ISO 45001:2018 (recognized management system on occupational health and safety) is effective as of 2020*

---

The department that coordinates the occupational safety and health activity supports in this way the best quality occupational medicine clinic exam for the Romanian subsidiary RCS & RDS, to identify the necessity of occupational medicine examinations for all employees and for granting the individual protective equipment according to the risks identified for each workplace.

The approach of Digi Group regarding the prevention of accidents is also based on the processes of identification and management of the risks that are found in carrying out training on employment, on the workplace, periodically, additionally (after the occurrence of an event in the organization) and on the occasion of the mandatory internal authorizations specific to the electrotechnical fields and the use of machines. These trainings are intended to prevent incidents, to empower and encourage employees to perform their activity in a safety manner. Thus, we train our employees and we invest in technology programs and processes, to guarantee the safety of our facilities and operations, for employees, external stakeholders and the environment.

---

*Digi Group pays special attention to monitoring labour incidents and closely analyse their causes. As a result of the employee awareness measures, we managed to keep at a low level the severity of the effects of the accidents that occurred during 2020.*

---

Based on existing internal procedures, we have worked to prevent labour incidents by closely monitoring the management of exposed operations and activities such as fixed and mobile network development and servicing departments.

There were four major accidents that involved four of the employees. All of these cases are under investigation by the territorial labour inspectorate and it is very likely that they will be solved with no fault of the Company's Romanian subsidiary. In all the

cases, RCS & RDS provided all the financial, medical and psychological support to the employees and their families, confronted to an unpredictable and regrettable situation.

The measures that RCS & RDS took were first to train all employee regarding the causes of the accidents and the safety labour regulation through monthly trainings with work team coordinators and OHS Inspectors and then to increase the number of the field inspections to verify whether the employees wear personal protective equipment and to verify the level of compliance with the safety and health rules at work.

During 2020, RCS & RDS reviewed the emergency and crisis management system that requires the clear definition of people, workflows, call flows and responsibilities through emergency plans. The Company's Romanian subsidiary prepared simulations for testing the alarm systems and the training of the first intervention teams, the evaluation of the capacity of the auxiliary services cooperation, the organization of the crises management team and its good functioning and the communication lines.

---

*Digi Group is constantly improving its procedures for managing occupational safety and health, to mitigate the risks and improve their management.*

---



In Romania, during 2020, due to the alert status activated by the authorities at national level, the Company's Romanian subsidiary took the following measures at national level to effectively reduce / eliminate the spread of the SARS-COV-2 virus:

- ▶ adoption of the IPSSM procedure no. 41 - updated - containing instructions for safety and health at work to avoid the spread of SARS CoV-2 virus, when resuming the activity after the emergency situation at national level (updated on October 15, 2020);
- ▶ ensuring the protective equipment (respiratory protective masks, visors and disposable gloves), as well as the provision of disinfectants throughout the activity at its headquarters, as well as for the development in the best possible conditions for the protection of the activity in the field;
- ▶ arranging the work from home and making the work schedule more flexible, offering the possibility for the employees to start the activity at 7, 8, 9 or 10 o'clock;
- ▶ measurement of body temperature at the entrance to the company's headquarters and points-of-presence (shops), for the fast and automatic performance of the epidemiological triage;
- ▶ training of all employees and managers in the supervision of subordinate personnel for the preventive detection of any symptoms that can be identified as specific to SARS CoV-2 virus infection, so as to prevent infection and / or spread of the virus;
- ▶ carrying out the mandatory sanitation at least once a week with external services that ensure the specialized disinfection, as well as daily sanitizations with own resources by cleaning every 1 hour all door handles and common surfaces exposed to frequent use by employees;
- ▶ ensuring PCR tests for employees with symptoms or who have been contacts of potentially infected people - carrying out an average of 20 tests per day in Bucharest and depending on the need at national level, in order to isolate potential sources of infection, resulting 14% of total effectives being tested in Romania, in 2020;
- ▶ the field activity is carried out by mobile teams consisting of 2 people, using service machines that are disinfected on a daily basis, the teams having the obligation to wear protective equipment consisting of protective mask, visor, gloves / use alcohol and having the obligation to disinfect before and after each intervention at the client.
- ▶ RCS&RDS put in place all the recommendations suggested by the health authorities (safety distance marked and traffic flows indications in Digi's points-of-presence and in office buildings, plexiglass protection for the clients and front-office personnel).

	Measure
<b>Occupational health &amp; safety</b>	
Injury rate (per 200,000 hours worked)	0.23
Occupational disease rate (per 200,000 hours worked)	0
Lost day rate (per 200,000 hours worked)	9
Absentee rate (% of total workdays)	0.03 %
Work-related fatalities	3

<b>Employee training on occupational health and safety</b>	Total number
Average training hours (Hours per FTE)	11.19 h
Average training investment (EUR per FTE)	175.9

## OUR COMMUNITY

### Client satisfaction

Digi Group's orientation towards its clients is the first principle from the quality management system ISO 9001.

For Digi Group, customer satisfaction has always been a value which stands at the core of its activity. This matter became even more important during 2020, in the context of the current global health crisis generated by the COVID-19 pandemic, which brought significant changes in the way employees work. Given the fact that a very high percentage of our customers started working in the work-from-home system, customers' satisfaction with our services become increasingly important for us and under constant monitoring. We are dependent on our customers' feedback which provides us valuable information regarding the way in which we can improve the quality our services and also leads to the creation of long-term fidelity.

For example, the Company's Romanian subsidiary RCS & RDS monitors clients' satisfaction mainly through two of its internal departments: Customer Relations Department and the Complaints Department.

During 2020, within the Customer Relations Department, RCS & RDS continued the „Welcome Call”, a project through which newly installed customers are contacted through a survey and asked for a short feedback in order to analyze the degree of satisfaction related to the installation of services.

RCS & RDS also has an ongoing project - Customer Satisfaction Survey - related to the interaction between customers and the Customer Relations department. Because customer profiles are different, these surveys are conducted both "manually", by call from a human operator and also "automatically" through the IVR application.

The 2 survey methods complement each other and help gaining an overview of the quality of the services we offer:

- ▶ „CSS manually”- allows RCS & RDS Customer Relations Department to obtain complex information and to make a more detailed analysis;
- ▶ „CSS automatically” - although the information provided is simpler, more basic, due to the fact that it is done completely automatic, without the intervention of an operator, it allows RCS & RDS Customer Relations Department to contact a much larger number of customers.

In parallel, there is a constant focus on training of employees in the Customer Relations department, because they are in the first line of interaction with customers.

### Measures taken by us to increase operational efficiency

At the beginning of 2020, in the context of the COVID-19 pandemic, Digi Group offered the possibility to all employees to be able to work from home (except for employees from the essential departments who could not carry their activity in an on-line environment).

In Romania, for the departments in charge with surveying customer satisfaction, such as the Customer Service department of RCS & RDS, it was a rather difficult process, given that the Customer Service team had exclusively worked from the office until 2020 and there was no work-from-home procedure put in place. In order to continue to offer the same high-level quality services to customers, we have accelerated the digitization process of contracts, for instance. We have guided all our clients/potential clients to our site DIGI.ro and we have encouraged online payment.

We have also taken into account the information that we receive from our clients through the complaints that they make regarding the products/services provided. The customers' complaints are solved, according to their complexity and they are informed about the answer given to their complaints either by phone, or by text, e-mail or formal letter.

During 2020, the number of complaints registered a slightly increase after the first half of 2020, mostly due to the work-from-home system and online home schooling. In Romania, the complaints made by customers are usually divided into categories, depending on the type of service that they relate to.

The Complaints Department adopted measures to increase operational efficiency such as:

- ▶ monitoring the time needed for solving a customer claim;
- ▶ asking for feed-back from its customers;
- ▶ monitoring the progress of our mobile network coverage for the products and services provided by the Group, by implementing new technologies for customers that have become customers of the Group through acquisition of other businesses.

Digi Group customer orientation and the fact that we take into account our customers' feedback is proved by the following:

- ▶ clients are able to be informed of the products and the services offered, by accessing the website of the provider,

- ▶ customers take into account the information which is available on-line or offered by our sales persons;
- ▶ our customers trust the proficiency of the Group's representatives with whom they interact.

### Accessibility to services

Digi Group's fixed infrastructure in Romania, Hungary and Spain continued to expand, in 2020, in line with the Group's strategy, and also as a response to the increasing need of broadband internet for millions of users working from home or remotely.

In the segment of mobile communications, Digi Group is involved in further network development, expanding its coverage and using latest technology and solutions to improve the quality and density.

As the year 2020 was marked by digital transformation and safe means of interaction with customers, all subsidiaries of Digi Group have implemented measures to make the customer experience even easier, and with reduced health risks. In Romania, electronic invoice activation increased by 181% compared to 2019 along with the online orders which also increased. In Spain, the design of the invoice has been improved so that it is easier to read and the essential information is more visible. Digi Italy launched new offers, at the end of June, consisting of unlimited minutes for calls to national numbers and Digi numbers in Italy, Romania and Spain, and more mobile data at the maximum speed provided by 4G technology.

Our network quality and reliability have been confirmed by the ability to absorb increasing traffic, both during the lock-down and in the subsequent period. For instance, our fixed and mobile networks successfully supported the traffic increase, with total throughputs up to 30% on fixed broadband (peak time) and a normal trend of increase in mobile traffic of 11%, in March compared to February, in Romania. For details about our network coverage and services portfolio, you can also see the chapter **Business Overview**.

### Innovative services

#### Ultra-HD programs for CATV subscribers

In 2020, Digi Group launched **4K TV extra-option** that offers to subscribers' access to a broad variety of sports programs and broadcasts in the Ultra HD standard, through its own Digi 4K channel and Eurosport 4K channel. Digi 4K broadcasts a mix of content consisting of premium sports (UEFA Champions League, UEFA Europa League, La Liga, Bundesliga, Formula 1 and others) and documentaries. On Eurosport 4K, viewers can watch Grand Slam tennis tournaments, major cycling tours, Summer Olympics, snooker, winter sports and more.

#### 5G connectivity roll-out and new devices

Since July 2019, RCS&RDS – the Company's Romanian subsidiary has made possible the users' access to the most advanced technology of the moment, in the field of mobile electronic communications -the 5G technology. Digi Mobil 5G Smart network reached in 2020 more areas in Bucharest and 12 other cities in the country, including the coast and areas such the Prahova Valley. In parallel, RCS & RDS diversified its offer of 5G compatible terminals, proposing a portfolio of 13 models, at the end of 2020, from various brands of mobile devices. At the same time, in November 2020, RCS & RDS launched the most affordable 5G offer on the market, consisting of Digi Optim 2, 3 and Unlimited subscriptions and the 5G **Moto g** phone, introduced immediately after the global launch.

#### Up-to-date solutions for corporate clients

In the new context created by COVID-19 pandemic wave, corporate clients' needs have changed, generating new challenges for the development teams within Digi Group. New cybersecurity risks appeared, threatening the integrity and continuity of corporate clients' activities. To prevent this, we conceived and proposed to B2B clients two solutions developed to prevent and reject DDoS (Distributed Denial of Service) or DoS (Denial of Service) attacks.

Digi Internet Protected DDoS is an integrated solution that provides protection against complex DoS or DDoS attacks up to Layer 7, while Digi Cloud DDoS Protection is a complementary solution to fixed data services, which protects against volumetric DDoS attacks of very high capacities.

The two solutions resulted from the collaboration between the teams of network, security and software engineers and are based on research and development efforts inspired by customer needs and the analysis of cyber-security phenomena recorded recently. It is a service whose usefulness has already been proven in several critical areas for the economy and we expect it to be even more necessary in the next period in other industries (retail, financial-banking, logistics, remote metrology / smart metering, outsourcing, security, IoT etc).

Another application launched in 2020 for corporate clients was **Digi CarTracs for mobile devices**. This solution is designed for monitoring, locating and managing the fleet of the Company's Romanian subsidiary vehicles that complements the functionalities of the already existing service, Digi Car Tracs, proposed to B2B customers. The

application can be downloaded from the Google Play and App Store (Android and IOS), being available free of charge for customers who have already contracted the Digi CarTracs service.

## Social Responsibility

In the social environment due to the uncertainty brought by the sanitary crisis, Digi Group focused on its main markets on supporting communities in need and the most vulnerable categories – children, families in rural and isolated communities, hospitals and patients affected by COVID-19. 2020 was, definitely, the year of solidarity.

Although the pandemic context changed priorities, Digi Group followed its social responsibility goals, as most areas of intervention have overlapped with the company's CSR axes: **health, education, digitization to increase the quality of life and social inclusion, volunteering and spirit of initiative.**

Confronted with a massive switch to online home schooling and work-from-home, vulnerable communities needed a more specific intervention and support from the electronic communications providers. Digi Group joined the general effort to support public hospitals and schools and the central social mission has become the continuity in delivering the services that all citizens needed to stay connected with their loved ones, with their businesses.

Digi's progress on its path to achieve improved results in corporate social responsibility reporting is highlighted by:

1. Adoption of *Internal Instructions on CSR projects implementation*; a complementary *Procedure for CSR projects assessment and selection* is in the last stages of internal approval;
2. Independent assessment of Digi's CSR initiatives (Romania CSR Index 2020);
3. Rethinking and reorganizing of the non-financial report section in the Annual Report, according to GRI standards and in coherence with the Company's mission and evolving organizational environment. The structure of the non-financial section of the Annual Report 2020 was redesigned with input from an independent consultant.

In November 2020, RCS & RDS conducted, for the second year consecutively, a study regarding Romanian's perception on responsibility and areas that company's should support through social responsibility activities – **"What does RESPONSIBILITY mean to you?"**.

Romanians acquire information and form responsible attitudes towards society in **family (48%), at school (15%), in the community (14%)** or in **all these situations of social interaction (16%)**, the survey shows. For **32%** of respondents, socially responsible companies are involved in **mass education**, for **26%** in **health**, for **17%** in **environmental protection** and for **9%** in the **community**.

---

*Health, education and environment are the three main themes that a company should target if it wants to prove a sustainable development strategy, focused on responsibility towards the society, in Romania. This is the first conclusion of the study, to which 1,250 participants responded online between October 26 - November 5, at the initiative of RCS & RDS.*

---

Therefore, regarding the **areas** in which **companies should be involved in the future**, the respondents nominated in the first place, once again, the **mass education (39%)**, followed by **environmental protection (37%)**, **health (19%)**, **art-culture (3%)**, **sport (2%)**.

Given the actions that RCS & RDS undertook during the pandemic, **78% of the respondents** to the company's study considered that **Digi provided significant support in the fight against COVID-19**, and **81%** rated RCS & RDS as a **"definitely responsible"** or **"rather responsible"** company. Compared to 2019, public perception of involvement in the CSR field activities improved substantially.

This is shown beyond doubt by the rankings generated by the spontaneous mentions of the company's corporate socially responsible projects. The respondents mentioned the following campaigns: **Solidarity for health** (medical equipment donations for ICU, in the fight against COVID-19, **20%**), **Digi #EDU. The school of the future** (equipment donations and connectivity services for children from disadvantaged areas or from isolated communities/ rural areas, **16%**), **Digi donates life (8%)**. The ranking also includes the campaigns **Mov Crăciun (Purple Klaus, 6%)**, **#amgrijă (#Itakecare, 5%)**, **Casiopeea - Pink Race against Breast Cancer** (yearly race and march for the women who suffered from breast cancer, **3%**) and **Support for the children affected by the pandemic**, at the end of the year, implemented by PRO FM și SOS Children Villages (NGO). These results show that our actions met the communities needs and expectations, profiling an involved company, with a significant presence in the community.

## Social actions and campaigns

In Romania, Spain and Hungary, Digi Group's CSR activities were mainly focused on efforts to reduce the impact of the health crisis on disadvantaged communities and vulnerable categories. Donations of medical equipment and



tablets, mobile phones or services for connectivity to the children in communities, helplines and call center technical support for NGO's providing social services and assistance to isolated or quarantined people, psychological advice to families confronted with panic and fear of uncertainty.

### **Support for mass education - #DigiEdu**

**DigiEdu. The school of the future** was the pivotal project in mass-education implemented in 2020 in Romania. RCS & RDS opened the door for the children from disadvantaged backgrounds to a future in which they can trust their qualities, talent and their chance. The project has been implemented in cooperation with local authorities, with focus on two objectives: supporting school access for children from rural communities affected by COVID-19 and reducing school drop-outs among vulnerable groups during online homeschooling by preventing courses absenteeism. Similar measures have been adopted by the Company's Spanish subsidiary - Digi Spain, in Madrid region.

#### **Actions:**

- ▶ over 1,200 tablets and mobile devices donated to students in over 86 localities across the country in Romania;
- ▶ 1,170 mobile data subscriptions for 1 year to students in vulnerable communities in Romania;
- ▶ 20 laptops donated **to students** in Arganda del Rey (Madrid, Spain) school;

#### **Beneficiaries:**

- ▶ 1,200 students in Romania
- ▶ 430 students in Spain

### **Digitization for increasing quality of life and social inclusion #DigiActiv**

The future of our society is determined by the level of digitization and the reduction gaps between rural and urban areas in terms of access to information. In long term, RCS & RDS **aims to increase the number of Romanians with digital skills**, but also **to support social inclusive projects through connectivity services**. During COVID-19 pandemic context, the exposed categories were even more affected by the lack of technology, connectivity services and devices, and Digi Group subsidiaries approached communities and authorities in order to help families and people in need for social, medical or educational services.

#### **Actions:**

- ▶ 700 schools connected to fixed internet network free of charge for 1 year;
- ▶ 11,500 minutes of psychological support provided to families confronted to panic and fear in the context of the pandemic wave through 2 helplines implemented with Save the Children (Salvați copiii) and ProACTA EDU, in partnership with the Department for Emergency Situations Romania;
- ▶ Connectivity support to volunteers providing social and health services to COVID-19 quarantined population in Cluj Napoca, Timișoara, Arad, during the emergency state (March 15th, 2020 – May 15th, 2020). 105 mobile phone subscriptions offered by RCS & RDS;
- ▶ Connectivity support to local authorities during the emergency state - Centre of Communication and Monitoring Galați Call-center (RCS & RDS has provided to the center internet broadband services, fixed and mobile phone services and smart-phones);
- ▶ Connectivity services provided in-kind to SOS Children Villages NGO in Romania and Christmas donation to 20 families in Hungary;
- ▶ Connectivity services and devices donated to several micro-initiatives across Spain, donating more than 600 DIGI SIM cards with 100 GB a month, 200 tablets to different associations and hospitals around the country;

#### **Beneficiaries:**

- ▶ + 1,200 **children** and + 3,000 adult (disadvantaged families, persons with special needs, victims of abuse/violence etc.) in Romania
- ▶ 705 communities in Romania
- ▶ 11 NGO's in Romania
- ▶ 800 people in Spain

### **Encouraging volunteering and supporting the initiatives #DigiBenefit**

Digi Group believes that a responsible company should invest in a better world and take care of everything around us. Companies shall rationally use resources in their activity and try to reduce as much as possible the environmental impact. The work in this area is divided between stimulating Digi Group employees to volunteer and supporting volunteering projects in which they are willing to invest time and energy.

### **Actions:**

- ▶ Blood donation campaigns in Romania and Hungary - A drop of Courage campaign – involving over 500 employees;
- ▶ Employees fundraising for Hope Home (Casa Speranța) to finance renovation works of the building sheltering HIV/ AIDS patients in Constanta;
- ▶ Donating 125,000 euros to Cruz Roja (Red Cross) Organization for the delivery of food to needy families in several cities around Madrid;
- ▶ Digi Forest project in Alcobendas (Spain), a reforestation initiative of Digi Spain, aiming to plant 240 trees and more than 4,000 pollinating bushes by the end of 2030.

### **Beneficiaries:**

- ▶ + 3,000 patients in Romania and Hungary
- ▶ + 50 persons in need in Romania
- ▶ 3,174 families in Spain
- ▶ + 110,000 habitants in Alcobendas (Spain)

### **Health and wellbeing #DigiWell**

Health is a priority for Digi Group. The Group invests continuously in improving working conditions and ensuring a healthy workplace. Employees are encouraged to adopt preventive attitudes and a healthy lifestyle through blood donation campaigns and participation in sport activities. Moreover, during the sanitary crisis caused by the COVID-19 pandemic, the Company's Romanian subsidiary supported the health system confronted to an emergency state without precedent.

### **Actions:**

- ▶ Solidarity for health (Solidaritate pentru sănătate): Medical equipment for Intensive Care Units, consisting in complete kits of mechanical ventilation and maintenance services, was donated by RCS & RDS in response to the COVID-19 epidemic, as part of the EUR 1,7 million sponsorship directed to the public health system in this country. The donation consisted in 60 mechanical ventilators and ICU accessories that were provided to hospitals and that helped hundreds of lives affected by COVID-19 to be saved with equipment donated to medical centers in Bucharest, Braşov, Constanța, Craiova, Iași, Oradea, Timișoara;
- ▶ Give life (Dăruiește viața): sponsorship for the first Pediatric Oncology Clinic with Integrated Services in Romania;
- ▶ 120 employees participating to Casiopeea Pink Cross (running race to support breast cancer patients);
- ▶ Child vaccination campaign in Africa, supported by Digi Spain and La Caixa;
- ▶ 50 employees of Digi Kft Hungary running in Color Run and Crazy 5 races in Budapest;
- ▶ Hero of the day project – project initiated by Digi Sport to support young athletes in Hungary;

### **Beneficiaries:**

- ▶ + 700 COVID-19 patients in Romania
- ▶ 200 breast cancer patients in Romania
- ▶ 170 employees in Romania and Hungary
- ▶ 260 young athletes in Hungary

The steps taken by Digi Group in the last two years to increase its presence in the community and the relevance of its involvement led also to the improvement of the public perception of our Company's image. RCS & RDS' progress in meeting social responsibility commitments was also appreciated by the organizers of CSR Index Romania, who awarded the company, at its first participation to the index, with Bronze Level Recognition.

The challenges of 2020 have made Digi Group more united and responsible, and also more confident in the Company's mission as a significant social contributor in the markets where it activates.

## GRI CONTENT INDEX

GRI	Disclosure	Page
<b>Corporate management</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4
102-42	Identifying and selecting stakeholders	7
102-43	Approach to stakeholder engagement	7
102-44	Key topics and concerns raised	6
102-47	List of material topics	6
102-55	GRI content index	26
<b>Environment</b>		
302-1	Energy consumption	10-11
306-3	Total weight of waste generated in metric tons	11
307-1	Non-compliance with environmental laws and regulations	9
<b>Employees</b>		
102-8	Information on employees and other workers	13
405-1	Diversity of governance bodies and employees	13
404-2	Programs for upgrading employee skills and transition assistance programs	14
404-3	Percentage of employees receiving regular performance and career development reviews	14-15
102-41	Collective bargaining agreements	14
403-1	Occupational health and safety management system	17
403-5	Worker training on occupational health and safety	18-19
403-6	Promotion of worker health	18
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	18
403-8	Workers covered by the occupational health and safety management system	19
403-9	Work-related injuries	19
<b>Community</b>		
413-1	Percentage of operations with implemented local community engagement, impact assessment, and development programs	1, 20-25



# Share Capital Structure and Shares



## SHARE CAPITAL STRUCTURE AND SHARES

The issued and paid-up capital as at 31 December 2020 in amount of €6,810,042.52, divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 35,443,972 class B shares, with nominal value of one eurocent (€ 0.01) each.

For details, please see section *Corporate Governance-Capital, Shares and Voting Rights*, included in this Annual report.

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

	31 December 2020	31 December 2019
<b>Class A:</b>		
Ordinary Shares – Issued and Paid (No.)	64,556,028	64,556,028
Ordinary Shares – Unissued (No.)	35,443,972	35,443,972
Nominal Value	0.10 EUR per share	0.10 EUR per share
<b>Class B:</b>		
Ordinary Shares – Issued and Paid (No.)	35,443,972	35,443,972
Ordinary Shares – Unissued (No.)	64,556,028	64,556,028
Nominal Value	0.01 EUR per share	0.01 EUR per share
Share Capital Value (EUR)	€6,810,042.52	€6,810,042.52

At 31 December 2020, the shareholders of DIGI are as follows:

	31 December 2020		31 December 2019	
Shareholder name	No. of shares	%	No. of shares	%
<b>Class A:</b>				
RCS Management S.A.	57,866,545	57.87%	57,866,545	57.87%
Zoltan Teszari	2,280,122	2.28%	2,280,122	2.28%
DIGI-treasury shares	4,409,361	4.41%	4,409,361	4.41%
Total class A	64,556,028		64,556,028	
<b>Class B:</b>				
Shares listed on BVB	34,572,246	34.57%	34,116,833	34.12%
DIGI - treasury shares	871,726	0.87%	1,327,139	1.33%
<b>Total class B</b>	<b>35,443,972</b>		<b>35,443,972</b>	
<b>TOTAL</b>	<b>100,000,000</b>		<b>100,000,000</b>	

The ultimate beneficial shareholder of the Group is Mr. Zoltan Teszari. Mr. Zoltan Teszari is the controlling shareholder of the Group, being the controlling shareholder of RCSM (the controlling parent of DIGI) and minority shareholder of DIGI and RCS&RDS.

# Dividend Policy



## DIVIDEND POLICY

The Company intends to retain earnings and reinvest cashflows to capitalize on growth opportunities in its core markets.

The Company's ability and intention to return capital to shareholders in the future will depend on the Company's available investment opportunities, financial condition, results of operation, undertakings to creditors and other factors that the Board may deem relevant. Returns of capital to shareholders may be performed, at the discretion of the Company, through dividends.

At the Annual General Meeting of Shareholders, to be held on 18 May 2021, a gross dividend of RON 0.75 per share (EUR 0.15 equivalent) will be proposed in respect of 2020. For the calculation of dividends, treasury shares of the Company were not treated as outstanding ordinary shares and were excluded from the number of issued ordinary shares.

For details regarding profits distribution, please see excerpt from the Articles of Association in Chapter *Other information* included in the Annual report.



# Group Overview



## BUSINESS

### Overview

#### Introduction

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Source: Group and peer reporting*). We are a leading provider of telecommunication services in Romanian and Hungarian markets, have significant operations in Spain and are also present in Italy.

- ▶ Romania. Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. As at December 31, 2020, our technologically-advanced fixed network in the country covered 84.3% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently reported by ANCOM). We also operate a technologically-advanced mobile network, which shares the backbone of our fixed infrastructure. In addition, Romania is entirely within the footprint of our DTH signal.
- ▶ Hungary. We provide cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH services in Hungary. As at December 31, 2020, our technologically-advanced fixed network in the country covered 46.3% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently reported by the Hungarian Central Statistical Office). We are building and rolling out a mobile network in Hungary and starting from the January 1, 2021, the commercial mobile subscriptions offering entered into force. Like Romania, Hungary is entirely within the footprint of our DTH signal.
- ▶ Spain. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica. We also offer fixed internet and data and fixed-line telephony services through Telefónica's fixed network and through our own GPON FTTH network.
- ▶ Italy. We provide mobile telecommunication services as an MVNO through the mobile network of TIM. Our service offerings in Italy primarily target the large local Romanian community.

For the year ended December 31, 2020, our four geographies accounted for the following portions of our total revenue: Romania for €785.0 million, or 61.3%; Spain for €274.0 million, or 21.4%; Hungary for €199.6 million, or 15.6%; and Italy for €23.0 million, or 1.8%.

As at December 31, 2020, we had a total of 18.1 million RGUs, of which 5.7 million were Pay TV RGUs, approximately 4.3 million were fixed internet and data RGUs, approximately 6.4 million were mobile telecommunication services RGUs, approximately 1.8 million were fixed-line telephony RGUs.

We have historically generated strong revenue streams. Our total revenue amounted to €1,281.6 million for the year ended December 31, 2020. We have reported Adjusted EBITDA and Adjusted EBITDA margins for continuing operations of €479.8 million and 37.4%, respectively, for the year ended December 31, 2020.



We offer five principal types of services:

- ▶ **Pay TV** (cable TV and DTH) is our original line of business. As at December 31, 2020, we had approximately 4.7 million Romanian and approximately 933,000 Hungarian RGUs for Pay TV services.
- ▶ We offer **fixed internet and data** services through our technologically-advanced fixed networks in Romania, Hungary and in Spain through Telefónica's fixed line network and through our own GPON FTTH network. As at December 31, 2020, we had approximately 3.3 million, 749,000 and 204,000 fixed internet and data RGUs in Romania, Hungary and Spain, respectively.





- ▶ We provide **mobile telecommunication services** using our own 3G (2G+4G in certain areas) and 4G networks in Romania, our own 2G and 4G network in Hungary and as an MVNO in Spain and Italy. Following the launch of 5G mobile telecommunication services in 2019 in certain Romanian cities, we have added more locations during 2020, based on our existing 3,700 MHz license. As at December 31, 2020, we had approximately 3.7 million, 173,000, 2.3 million and 251,000 mobile telecommunication services RGUs in Romania, Hungary, Spain and Italy, respectively.
- ▶ We offer **fixed-line telephony** services through our technologically-advanced fixed networks in Romania, Hungary and in Spain through Telefónica's fixed line network and through our own GPON FTTH network. As at December 31, 2020, we had approximately 1.0 million, 650,000 and 72,000 fixed-line telephony RGUs in Romania, Hungary and Spain, respectively.



## Key Strengths

We consider our key strengths to include the following:

- ▶ **Attractive local markets with stable structural growth.** We focus our telecommunication offerings in Romania, Spain and Hungary. These economies have been experiencing strong positive developments in recent years, outperforming the EU's overall GDP growth rate, and their respective telecommunication services markets have been growing steadily. Our operations in Romania and Spain accounted for approximately 61.3% and 21.4%, respectively, of our consolidated revenue for the year ended December 31, 2020.
- ▶ **Market leadership in core business lines and robust RGU growth.** We are the leading provider of pay TV services in Romania and second largest in Hungary, in each case, by number of RGUs. We also lead Romania's fixed internet and data market, while being second in Hungary as at December 31, 2020. In addition, we are the second-largest provider of fixed-line telephony services in Romania and are second in Hungary as at December 31, 2020. Finally, we are the second-largest provider of post-paid mobile telecommunication services in Romania as at December 31, 2020. We are focused on increasing market penetration in our existing markets by further expansion and cross-selling multiple service offerings to our current and prospective subscribers. Capitalizing on our high-quality technical infrastructure, competitive pricing and attractive content, we have achieved substantial, mainly organic growth; which led to a total number of RGUs across all business lines to approximately 18.1 million as at December 31, 2020.
- ▶ **Advanced fixed and mobile infrastructure in Romania and Hungary.** Our fixed networks in Romania and Hungary are technologically advanced and, as at December 31, 2020, covered 84.3% and 46.3% of dwellings in those countries, respectively (*Sources: Group reporting; ANCOM and Hungarian Central Statistical Office*). We have upgraded more than 90% of our Romanian and Hungarian fixed networks to GPON or comparable technology (excluding certain parts of Invitel's network, which we are currently upgrading to fiber) and are currently able to offer transmission speeds of up to 1,000 Mbps for internet and data services, the fastest available to residential users in those markets. As at December 31, 2020, our 3G (2G+4G in certain areas) and 4G mobile telecommunication services in Romania covered (outdoor voice coverage) approximately 99.5% and 98.1% of the country's population, respectively, and were provided via approximately 5,900 base stations (approximately 99% of which were used to provide 4G connectivity). In June 2019, we launched 5G mobile telecommunication services in certain Romanian cities based on our existing 3,700 MHz license. We have been offering mobile telecommunication services in Hungary through our own network since May 2019. As at December 31, 2020, our 2G and 4G offerings in the country covered (outdoor voice coverage) approximately 84.0% of Hungary's population and were provided via approximately 2,100 base stations.
- ▶ **Leading commercial proposition for customers.** Our technical capabilities, wide network coverage and multiple service offerings enable us to provide customers with a wide range of services at competitive prices. Our ability to offer multiple services is a central element of our strategy and allows us to attract new customers who wish to benefit from our varied product offerings, to expand the uptake of our service offerings within our existing customer base and increase customer loyalty by offering multiple services at cost-effective prices. For example, we have a flexible customer proposition in Romania, which include a comprehensive cable TV offering (including analog and digital packages with optional add-ons for HBO, MAXPAK, Adult, Film NOW and DIGI 4K), superfast fixed internet and data (at speeds of 300 Mbps, 500 Mbps or 1,000 Mbps), fixed-line telephony and mobile packages (with solutions offering various call minutes allowances and generous mobile traffic of up to 50 GB per month at 4G speeds or up to 80 GB per month at 5G speeds).

- ▶ **Robust financial performance and a prudent approach to capital expenditure.** Our business has consistently generated strong revenue streams. For the years ended December 31, 2019 and 2020 our total revenue was €1,186.0 million and €1,281.6 million, respectively. We have historically had robust Adjusted EBITDA and a prudent approach to capital expenditure. Our Adjusted EBITDA was €446.3 million and €479.8 million for the years ended December 31, 2019 and 2020, respectively. Our total capital expenditure was €318 million and €371 million for the years ended December 31, 2019 and 2020, respectively. This represented 26.8% and 28.9% of our total revenue for the years ended December 31, 2019 and 2020, respectively. In addition, we have historically maintained prudent capital and liquidity structures with a leverage ratio of 2.6x for the years ended December 31, 2019 and 2020, respectively, and an interest coverage ratio of 7.4x and 9.7x, respectively, for the same periods.
- ▶ **Highly experienced management team.** Our senior management team is made up of professionals who have, on average, more than 20 years of experience in the telecommunication industry and the Group. Our controlling shareholder, Mr. Zoltán Teszári, has been, and continues to be, involved in all key management decisions in relation to the Group since its foundation in 1992. Our Chief Executive Officer, Mr. Serghei Bulgac, joined the Group in 2003 as its Chief Financial Officer and became the Chief Executive Officer in 2015. The majority of our experienced management team members have been with us for more than 10 years and made significant contributions to our transformation from a small cable TV business to a leading provider of telecommunication services in our core markets. We believe that the collective industry knowledge and leadership capabilities of our senior management team will enable them to continue a successful execution of our strategy.

## Areas of Operations

We operate in Romania, Hungary, Spain and Italy. The scope of our services varies from country to country. The table below sets out our current business lines available in each of our geographies:

	Pay TV <sup>(3)</sup>	Fixed Internet and Data	Mobile Telecommunication services	Fixed-line Telephony
Romania	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hungary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spain		✓ <sup>(1)</sup>	✓ <sup>(2)</sup>	✓ <sup>(1)</sup>
Italy			✓ <sup>(2)</sup>	

(1) Through Telefonica's network and through our own GPON FTTH network.

(2) As an MVNO.

(3) Includes cable TV and DTH operations.

## Products and Services

### Business Lines

We offer five principal types of service: three fixed-line products, mobile telecommunication services and DTH.

To customers in Romania and Hungary whose homes or businesses are covered by our fixed network, we offer our branded cable TV, fixed internet and data and fixed-line telephony products (and in Hungary, we also offer certain Invitel-branded products), either individually or in combination. Since September 2018, we offer fixed internet and data and fixed-line telephony services in Spain through Telefonica's network and through our own GPON FTTH network.

We offer mobile telecommunication services in Romania and Hungary through our own networks, which share the backbone of fixed infrastructure we have in those countries. We also offer mobile telecommunication services in Spain and Italy as an MVNO.

Finally, we offer DTH services to customers in Romania and Hungary.

The table below sets out the number of RGUs per business line and per geographic segment as at December 31, 2020:

	Romania	Hungary	Spain	Italy	Total RGUs per service (thousands)
Pay TV <sup>(1)</sup>	4,733	933	—	—	5,666
Fixed Internet and Data	3,313	749	204 <sup>(2)</sup>	—	4,266
Mobile Telecommunication Services	3,680	173	2,334 <sup>(3)</sup>	251 <sup>(3)</sup>	6,438
Fixed-line Telephony	1,044	650	72 <sup>(2)</sup>	—	1,766
<b>Total RGUs per country</b>	<b>12,770</b>	<b>2,505</b>	<b>2,610</b>	<b>251</b>	<b>18,136</b>

(1) Includes cable TV and DTH operations.

(2) Through Telefonica's network and through our own GPON FTTH network.

(3) As an MVNO.

## Cable TV Services



Our cable TV services consist of distributing local and international programming content through our cable TV networks. We offer cable TV services in Romania and Hungary, where we are the largest and the second largest pay TV operator, respectively, by number of RGUs (*Source: Group and peer reporting, ANCOM, NMHH*).

Since 2009, we have been expanding our services into areas that were already covered by cable TV networks of our competitors or were not covered by cable TV or internet and data networks at all. This has generated most of our growth in this period as our competitive prices, our multiple-service offerings, the quality of our services provided through technologically advanced networks and our ability to offer

premium programming content have proved to be attractive to customers.

Our cable TV services have historically generated stable revenue, have low maintenance and other operational costs due to our recent investment in the fixed network and provide a stable and growing base of customers.

### Cable TV product packages

Our packages of cable TV services vary from country to country.

In Romania, we offer two main packages—an analog package and a digital package. Each package has two further versions: a standard version, which is addressed to all customers, and a reduced version, which is addressed to customers in rural areas. As at December 31, 2020, approximately 60.0% of our cable TV customers were subscribed to the analog package and approximately 40.0% of our cable TV customers were subscribed to the digital package. We believe that our standard packages are attractive to customers in terms of content offered for the price and as they provide access to our own channels (other than Film NOW and DIGI 4K, our premium pay TV channels) for no additional fee. In combination with the standard version of the digital package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV markets in Romania, with certain local variations regarding the number and composition of channels included in each package.

In Hungary, we offer three packages of cable TV services, each for a monthly fee. Firstly, due to local “must carry” regulations, we offer a limited package, including all the channels we are required to carry under the “must carry” regulations, with a minimum of four national channels, plus local channels of public interest. Secondly, we offer a “Mini” package consisting of up to 38-56 channels. Thirdly, we offer the basic package “DIGITV,” which is made up of over 100 local and international solely digital channels. We believe that our “DIGITV” package is attractive to customers in terms of content offered for the price and as it provides access to our own 3 DIGI Sport channels for no additional fee. In combination with the “DIGITV” package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV markets in Hungary, with certain local variations regarding the number and composition of channels included in each package.

## DTH



Our DTH services consist of distributing programming content via satellite transmission primarily to rural or small town residential subscribers who receive our services through satellite dish receivers and set-top boxes installed in their homes. To provide this service in Romania and Hungary, we lease from Intelsat Global Sales & Marketing Ltd (“Intelsat”) certain transponders installed on satellites operated by Intelsat and Telenor. Our current leases will be in effect at least until 2022.

We are a leading DTH operator in Romania and Hungary and both countries are entirely within the footprint of our signal.



## DTH product packages

We offer “**Popular**” and “**Basic**” packages in Romania and “**DIGIMINI**” and “**DIGITV**” packages in Hungary. In addition to these packages, we offer premium movie channels such as Film NOW, HBO, MAXPAK, an Adult option, as well as an option for Hungarian channels in Romania. Our offers in each country have certain local, country-specific variations regarding the number and composition of channels included in each package. These variations are mainly driven by local demand and competition.

As at December 31, 2020, we had approximately 4.7 million and 933,000 pay TV RGUs in Romania and Hungary, respectively, and served approximately 9.7 million homes passed in the two countries.

## Fixed Internet and Data



We provide fixed internet and data services through our fixed network in Romania and Hungary to both corporate and residential users in a variety of packages. We offer fixed internet and data access by subscription to all customers as part of our multiple service offerings in Romania and Hungary, as well as on a standalone basis. We also offer fixed internet and data services in Spain through Telefónica’s local network and through our own GPON FTTH network.

As at December 31, 2020, we had approximately 3.3 million (business and residential), 749,000 and 204,000 fixed internet and data RGUs in Romania, Hungary and Spain, respectively. Business subscribers represent an important part of our fixed internet and data business in Romania, as they generate a

significant part of our revenue, although they are much fewer in number than residential subscribers.

We consider our fixed internet and data offering to be a premium service and a potential major growth driver for our overall business.

### Fixed internet and data product packages

We offer several residential fixed internet and data services packages at competitive prices in Romania, Hungary and Spain. The differentiation between our packages is based on access speeds, which vary from entry to advanced levels. Our fixed internet and data package offerings are designed to increase the value we provide to our customers while at the same time increasing our ARPU by leveraging our existing infrastructure.

We offer the following packages to residential customers:

- ▶ “**Fiberlink 300**,” “**Fiberlink 500**” and “**Fiberlink 1,000**” are our main residential fixed internet and data offerings in Romania. “Fiberlink 300” allows unlimited traffic at speeds of up to 300 Mbps. “Fiberlink 500” and “Fiberlink 1,000” allow unlimited traffic at speeds of up to 500 Mbps and 1,000 Mbps, respectively, the fastest internet service currently offered to residential users in Romania. We also offer “**Fiberlink Popular**” and “**Fiberlink Popular Gigabit**” packages to certain of our rural customers, which allow unlimited traffic at speeds of up to 300 Mbps and up to 1,000 Mbps, respectively.
- ▶ “**DIGINet 100**” and “**DIGINet 500**” are our main residential fixed internet and data offerings in Hungary. “DIGINet 100” allows unlimited traffic at speeds of up to 100 Mbps, “DIGINet 500” allows unlimited traffic at speeds of up to 500 Mbps. In addition, we offer “**DIGINet 1,000**” (our fastest internet service in Hungary) which allows unlimited traffic at speeds of up to 1,000 Mbps.
- ▶ We offer fixed internet and data in Spain under “**Digi Net 100 MB**” and “**Digi Net 500 MB**” packages. “Digi Net 100 MB” allows unlimited traffic at speeds of up to 100 Mbps, while “Digi Net 500 MB” allows unlimited traffic at speeds of up to 500 Mbps.

In addition, we offer certain custom premium fixed internet and data communication services to our business users in Romania.

## Mobile Telecommunication Services

**Digi Mobil**

**4G**



As at December 31, 2020, we were one of four licensed providers of mobile services in Romania and one of four licensed providers of mobile services in Hungary. We provide mobile telecommunication services, which include both voice and data services, using our own 3G (2G+4G in certain areas) and 4G networks in Romania and our own 2G and 4G networks in Hungary. In addition, we provide mobile telecommunication services as an MVNO in Spain and Italy.

As at December 31, 2020, our 3G (2G+4G in certain areas) and 4G networks' coverage (outdoor voice coverage) in Romania extended to approximately 99.5% and 98.1% of the country's population, respectively. We have frequency blocks in the bandwidths of 900 MHz; 2,100 MHz; 2,600 MHz and 3,700 MHz in Romania. We are the leader in inbound number porting in mobile, with approximately 2.4 million numbers

ported between 2008 and December 31, 2020. In 2020, there were approximately 378,000 mobile numbers were ported to us, the largest share of approximately 874,000 mobile telephony numbers ported in Romania during this period (Source: ANCOM). As at December 31, 2020, our 2G and 4G networks' coverage (outdoor voice coverage) in Hungary extended to approximately 84.0% of the country's population. We have frequency blocks in the bandwidths of 1,800 MHz and 3,800 MHz in Hungary. We are building and rolling out a mobile network in Hungary and starting from the January 1, 2021, the commercial mobile subscriptions offering entered into force.

As at December 31, 2020, we had approximately 3.7 million, 173,000, 2.3 million and 251,000 mobile telecommunication services RGUs in Romania, Hungary, Spain and Italy, respectively.

We intend to continue increasing the coverage of our mobile telecommunication service and achieve growth in subscriber numbers and revenue.

### Mobile telecommunications product packages in Romania and Hungary

In Romania, we offer mobile telecommunications product packages in the form of service plans structured to meet the needs of our subscribers. These service plans provide for flat rates allowing either generous or unlimited number of minutes of voice communications across the main networks, as well as mobile internet traffic up to 50 GB per month at 4G speeds and up to 80 GB per month at 5G speeds (5G service is currently available in several Romanian cities). We have also implemented 2G+4G solutions instead of 3G in rural areas to improve indoor coverage.

In Romania, we offer three main types of packages, with several variations:

- ▶ **“Digi Mobil Optim”** offers a range of packages that target customers who wish to have unlimited minutes inside and/or outside of the network and a generous monthly mobile data allowance of up to 10 GB mobile internet data traffic at 3G speeds, up to 50 GB mobile internet data traffic at 4G speeds and up to 80 GB mobile internet data traffic at 5G speeds.
- ▶ **“Digi Mobil Avantaj”** offers three types of subscriptions together with a handset. The subscriptions include from 200 to 500 minutes with national and selected international networks and up to 5 GB mobile internet data traffic at 3G speeds, up to 50 GB mobile internet data traffic at 4G speeds and up to 80 GB mobile internet data traffic at 5G speeds.
- ▶ **“Digi Mobil Pre-paid”** offers include unlimited free minutes and SMS within our network, plus national minutes ranging from 150 to 450 and up to 6 GB of mobile internet data traffic. The options have a validity period of up to three months.

We also offer mobile internet and data services on a stand-alone basis in two different price plans with data traffic from 10 to 20 GB monthly.

### Mobile telecommunications product packages in Hungary

Starting from 2019 until the end of 2020, we tested our mobile network in Hungary with a promotional mobile telecommunication services offering for our customers, consisting of unlimited call and data traffic within our network and a very competitive pricing for third-party traffic.

Starting from 1<sup>st</sup> of January 2021, two residential monthly packages were introduced at an attractive price: **“DIGIMOBIL PLUSZ”** with 200 minutes and 15GB and **“DIGIMOBIL MAX”** with 30GB. **“DIGI JUNIOR”** with 10GB is available only with DIGIPLUSZ or DIGIMAX packages.

## Mobile telecommunications product packages in Spain and Italy

We offer voice and data mobile services in Spain under the brand name “**Digi**” using Telefónica’s network. We offer prepaid and post-paid tariff packages for voice, SMS and mobile data. In October 2020, we introduced improved customer propositions, which include higher data volumes and the same competitive prices. These products have been very well received by the market.

We offer MVNO voice and data mobile service in Italy under the brand name “**Digi Mobil**” using TIM’s network (Vodafone’s network starting 2021). The service is primarily targeted at the large local Romanian community. We offer prepaid packages for voice, SMS and data in Italy, which are distinguished by varying mixes of predefined options on top of our standard tariffs. In 2020 we have introduced new customer propositions in Italy, with unlimited voice traffic bundles.

## Fixed-line telephony



As at December 31, 2020, we were the second largest fixed-line telephony operator in Romania and the second largest operator in Hungary, in each case, by total number of RGUs (*Sources: Group and peer reporting; ANCOM; NMHH*). We also offer fixed-line telephony services in Spain through Telefónica’s local network and through our own GPON FTTH network.

As at December 31, 2020, we had approximately 1.0 million (business and residential), 650,000 and 72,000 fixed-line telephony RGUs in Romania, Hungary and Spain, respectively.

## Fixed-line telephony product packages

We offer fixed-line telephony services in Romania, Hungary and Spain in the form of service plans structured to meet the needs of our subscribers. We believe that our fixed-line telephony service offering helps increase customer retention on our networks in those countries.

We offer two main types of packages for residential customers in Romania:

- ▶ “**Digi Tel Family**” is our basic package that targets customers who prefer a lower monthly fee. It includes unlimited free minutes for calls with our other fixed-line and mobile telecommunication subscribers and 100 minutes for calls to other national fixed networks.
- ▶ “**Digi Tel National**” is a package that includes a fixed-line telephony subscription and unlimited free minutes for calls with our other fixed-line and mobile telecommunication subscribers, as well as other national fixed-line telephony networks and 100 minutes for calls to other national mobile operators.

In addition to these residential packages, we offer a wide range of services and tariff plans for our business users in Romania, including optional, value-added services to all our fixed-line telephony customers, over POTS lines but also over PRI E1s, which include extended numbering, preferred numbers, short numbering, CLIP/ CLIR, call barring, call forward and call-on-hold services.

In Hungary, our primary offering is “**Digitel 250**,” which is a package available to customers that also subscribe to cable TV and fixed internet and data and includes unlimited free minutes for calls within our own network in Hungary, both fixed-line and mobile, and our fixed network in Romania.

In Spain, we offer “**Digi Tel**” and “**Digi Tel 500 min**” packages to our fixed internet and data customers. We offer the fixed-line telephony services within the footprint of the wholesale indirect access NEBA agreement with Telefonica and our own built GPON FTTH network.

## Content



## Own TV channels

We offer our proprietary TV channels through our cable TV and DTH packages.

Our first such channel was the premium content sports channel, “**DIGI Sport**.” Our own channel offerings now include sports channels “**DIGI Sport 1**,” “**DIGI Sport 2**,” “**DIGI Sport 3**” and “**DIGI Sport 4**” (each in Romania)

and “**DIGI Sport 1**,” “**DIGI Sport 2**” and “**DIGI Sport 3**” (each in Hungary), a pay TV movie channel “**Film NOW**,” a news channel “**DIGI 24**,” documentary channels “**DIGI World**,” “**DIGI Life**” and “**DIGI Animal World**,” music channels “**U Televiziune Interactiva**,” “**Music Channel**,” “**H!T Music Channel**” and “**Hora TV**” and the first ultra-HD channel in Romania “**DIGI 4K**,” which we have been offering since December 2018.

All our own channels are broadcast in standard definition and HD (except “Music Channel” and “Hora TV”, which are only broadcast in standard definition and “DIGI 4K”, which is only broadcast in Ultra HD). Our premium sports channels own exclusive TV rights to broadcast the Women’s Tennis Association’s (“**WTA**”) tournaments, Spanish Super Cup and English Football League Cup in Romania and Hungary. We also have exclusive TV rights to broadcast the Italian Serie A, the French Ligue 1 and certain UEFA Europa League matches in Hungary. In addition, we have non-exclusive rights to broadcast Premier League in Hungary and the following major competitions in Romania: the UEFA Champions League, the UEFA Super Cup, the UEFA Europa League, the Romanian Football Leagues 1 and 2, the Romanian Cup and Super Cup, the Spanish La Liga, the German Bundesliga, the Italian Serie A, the French Ligue 1, the Formula One, the Moto GP, the European Handball Federation (“**EHF**”) Champions League, World and European Handball Championships and the Romanian Basketball League.

The table below sets out the main broadcasting rights we have through our premium TV sport channels:

Sport	Competition	Romania	Hungary	Period
Football	Romanian League 1	✓		2019 – 2024
Football	Romanian League 2	✓		2018 – 2021
Football	Romanian Cup	✓		2018 – 2021
Football	Romanian Super Cup	✓		2018 – 2021
Football	UEFA Champions League	✓	✓	2018 – 2021
Football	UEFA Super Cup	✓		2018 – 2021
Football	UEFA Europa League	✓	✓	2018 – 2021
Football	Premier League		✓	2019 – 2022
Football	Spanish La Liga	✓		2018 – 2021
Football	Italian Serie A	✓	✓	2018 – 2021
Football	French Ligue 1	✓	✓	2018 – 2021
Football	German Bundesliga	✓		2018 – 2021
Football	English Football League Competition	✓	✓	2020 – 2022
Football	Spanish Super Cup	✓	✓	2020 – 2022
Handball	EHF Champions League	✓		2020 – 2021
Handball	European Handballs Championships	✓		2019 – 2021
Racing	Formula One	✓		2020 – 2022
Racing	Moto GP	✓		2020 – 2023
Tennis	WTA	✓	✓	2019 – 2021
Basketball	Romanian Basketball League	✓		2020 – 2023



The aggregate value of the licensing fees under these agreements was €125.9 million as at December 31, 2020. In addition to licensing fees, some of these agreements require us to bear certain technical costs, such as costs related to up-and down-linking.

We also plan to acquire additional broadcasting rights in the future in order to renew or further upgrade our content offering. In addition to broadcasting them through our Pay TV platforms, we offer our own TV channels to certain other cable TV operators in Romania for a fee. At the end of 2015, we introduced advertising on our own channels to allow for additional monetization of our channel portfolio.

### Own radio channels



We also operate the following radio stations in Romania: “Pro FM,” “Chill FM,” “Dance FM” and “Digi FM.”

### Third-party content

Separately from the channels that we own, we acquire the rights to distribute TV channels from local and international programming content providers. In the case of all international and most local providers, we down-link and retransmit these channels as originally packaged (or with subtitles or dubbed), while with certain local providers we receive the channel via terrestrial fiber transmission. As at December 31, 2020, we had distribution agreements in place with 48 content providers. In Romania and Hungary, we were entitled to retransmit 319 pass-through channels. Our pass-through channel providers assume full responsibility for programming content and ensuring compliance with applicable rules, including those on the protection of minors. The programming content generally consists of films, sports, general entertainment, documentaries, children’s programs, news and music.

Third-party TV channels are generally purchased on a per-subscriber basis or on a flat-fee basis. Prices paid for these TV channels are sometimes subject to minimum guaranteed fees that are based on a specified minimum subscriber level, with a number of agreements providing for volume discounts in the fee per subscriber as the total number of subscribers increases.

The programming content acquired is retransmitted as part of the packages offered both through our cable TV service and our DTH service. The costs are allocated on a contract-by-contract basis between cable TV subscribers and DTH subscribers.

Our most important pass-through channels in Romania are: “Pro TV,” “Antena,” “Kanal D,” “HBO,” “Discovery,” “Eurosport,” “Disney” and “NGC.” Our most important pass-through channels in Hungary are: “TV2,” “RTL,” “Sport 1,” “Hir TV,” “ATV,” “VIASAT 3,” “VIASAT 6” and “HBO.”



### Multiple Offerings

A majority of our customers subscribe to two or more of our services. This is particularly true in relation to our network-based services, which use the same infrastructure in the delivery of all our services. Accordingly, we divide our customers between those who utilize our network-based services, in which we include our cable TV, fixed internet and data, fixed-line telephony and mobile telecommunication services (network customers), and customers who subscribe to our DTH service.

As the geographical coverage of our mobile network has increased in recent years, so has the number of customers who subscribe to multiple services. In Romania, the average number of services per one residential network customer was 2.1 and the percentage of network customers using more than one service was approximately 72.0% of all our base subscribers in the country, in each case, as at December 31, 2020. In Hungary, the average number of services per one network customer was 2.4 and the percentage of network customers using more than one service was approximately 81.0% of all our base subscribers in the country, as at the same date (this excludes mobile telecommunication customers, as the service was still in the testing phase at year end).

The table below sets out the percentage of network customers that subscribe to multiple services in Romania and Hungary, as a percentage of our base subscribers as at December 31, 2020:

	Romania	Hungary
Single-play	28.0 %	19.0 %
2 or more	72.0 %	81.0 %
<i>Of which 3 or more</i>	31.0 %	57.0 %
<i>Of which quad-play</i>	8.0 %	7.0 %

Although we focus on increasing the number of services to which each customer subscribes and develop our infrastructure with this objective in mind, we also analyze our business based on our five distinct business lines. We believe that customers who subscribe to multiple services are less likely to leave our services.

### Electricity generation and supply



Since 2012, we have acquired several developmental stage solar energy projects as a means to reduce or partially offset our costs for electricity. As at December 31, 2020, these projects have an aggregate installed capacity of 15.72 MW, all of them being fully operational.

Under incentives promulgated by the Romanian government, producers of electricity from renewable sources (e.g., solar) that are accredited by the Romanian energy regulator are entitled to receive green certificates that can be subsequently sold to suppliers and other entities that have a legal obligation to acquire them. As at December 31, 2020, we accumulated

€6.9 million of green certificates generated by our solar energy production activities. We intend to sell those green certificates when they become tradable.

We operate an electricity supply business for business and residential customers. Electricity supply is not a core activity for us.

### Operations

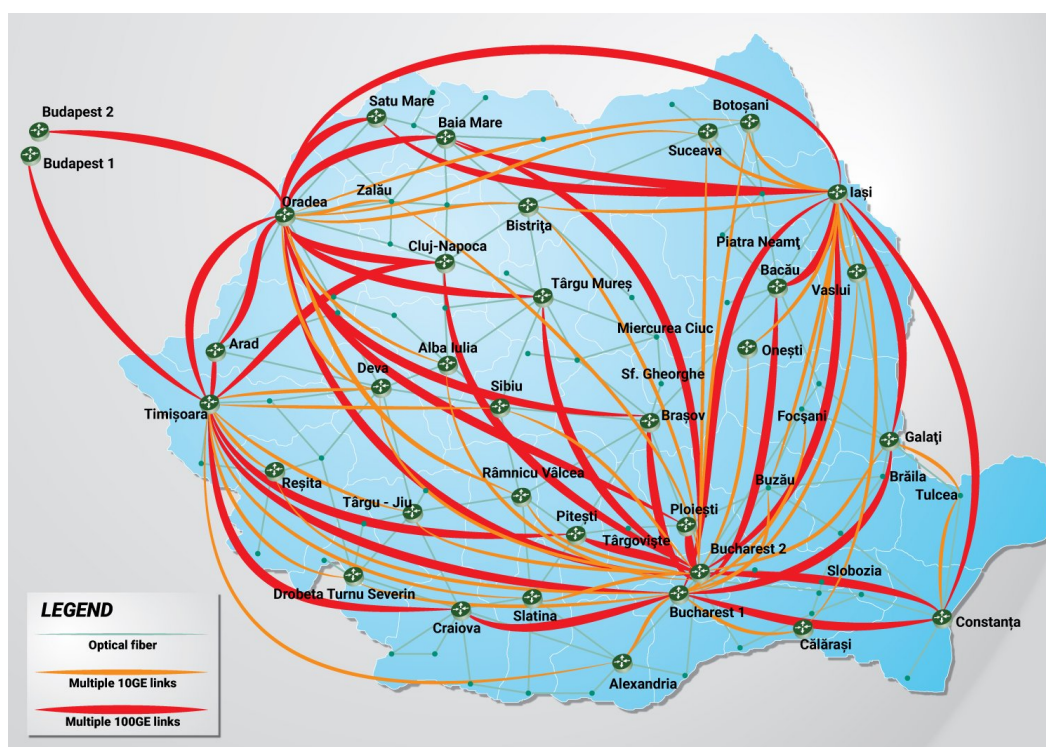
#### *Fixed Fiber Networks*

##### *Romania*

In Romania, we own and operate an advanced, fully digitalized and two-way capable fixed network. The network architecture provides approximately 92.4% FTTB/FTTH coverage based on GPON or comparable technology, with the rest (located in rural areas composed primarily of single family homes) being hybrid fiber-coaxial networks, giving us the highest fiber share among similar cable operators in Europe.

We have an intercity fixed backbone network of approximately 39,600 kilometers. Our backbone network covers, in addition to the capital city of Bucharest, all 41 county capital cities and numerous smaller cities and towns. Our fixed network in Romania passed a total of approximately 7.7 million homes as at December 31, 2020. In addition to residential customers, we service business customers in all counties and major cities of Romania. As at December 31, 2020, approximately 70.0% of this network was aerial, with the remaining approximately 30.0% underground. Most of our intercity aerial network is built along the power lines of the national electricity distribution and public transportation companies on the basis of leases. For our metropolitan networks we lease poles or underground rights of way from private or state-owned transportation companies (such as Metrorex Bucuresti S.A., the Bucharest underground operator, and certain overground municipal transportation operators in various locations of the country). Starting from 2011 (and earlier in certain towns and cities), Romanian authorities had implemented a series of regulatory measures, which led to a virtual prohibition on building aerial networks in certain cities on public property (in particular, in urban areas) and imposed pressure to relocate our existing aerial networks there. Although in recent years urban regulations were partially relaxed to allow above-ground infrastructure building in rural areas, this regulatory trend is continuing and may lead to forced change in network building practices, as well as to obligations to change existing network locations.

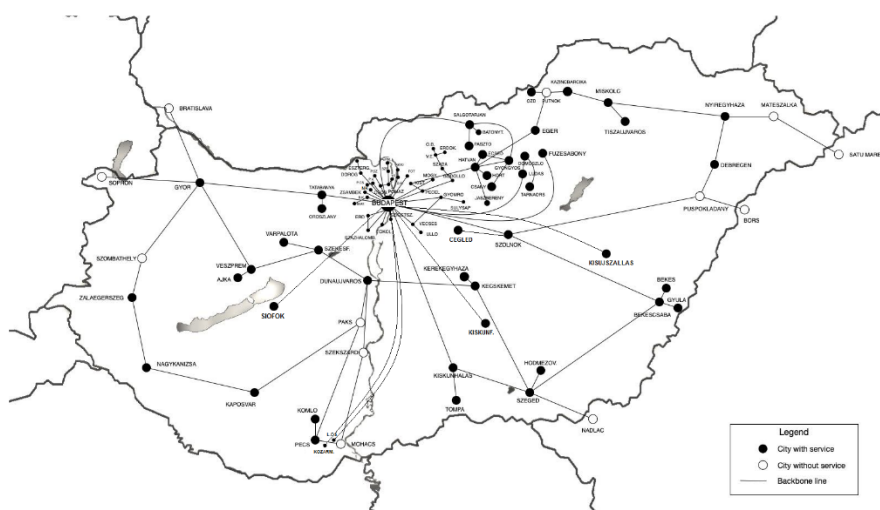
The map below sets out our fixed backbone network in Romania as at December 31, 2020:



### Hungary

In Hungary, our FTTB/FTTH network has similar technical capabilities to our Romanian network. Our Hungarian fixed network passes approximately 2.1 million homes. We use approximately 10,600 km of backbone fixed network, approximately 48.0% of which is owned by us, approximately 29.0% is subject to long-term leases and the remaining approximately 23.0% is subject to regular lease contracts.

The map below sets out our fixed backbone in Hungary as at December 31, 2020:



The table below sets out the number of homes passed and percentages of dwellings covered, by jurisdiction, as at the dates indicated:

	As at December, 31	
	2019	2020
<b>Romania</b>		
Number of homes passed (millions)	6.3	7.7



Percentage of dwellings covered <sup>(1)</sup>	70%	84%
<b>Hungary</b>		
Number of homes passed (millions)	2.1 <sup>(2)</sup>	2.1 <sup>(2)</sup>
Percentage of dwellings covered <sup>(1)</sup>	47% <sup>(2)</sup>	46% <sup>(2)</sup>

(1) Calculated based on data by ANCOM for Romania and by the Hungarian Central Statistical Office for Hungary.

(2) Includes homes covered by Invitel's network.

In Romania and Hungary, we continue to pursue technological improvements of our network, as well as expansion of our coverage. We believe that our network provides the opportunity to market attractive fixed internet and data and fixed-line telephony services, offering significant growth opportunities in terms of subscribers and revenue with limited additional investment. Nevertheless, we plan to continue to expand our FTTB/FTTH network to areas not covered by our cable TV operations and to upgrade all of Invitel's network to fiber, as well as to upgrade smaller networks in Romania to FTTB/FTTH standard using GPON technology to allow higher penetration of fixed internet and data and fixed-line telephony services.

### Spain

We offer fixed broadband services in 39 provinces in Spain based on a wholesale indirect access NEBA agreement with Telefónica. Additionally, in certain areas, we offer the same fixed services through our own built GPON FTTH network.

### Mobile Telecommunication Services Networks

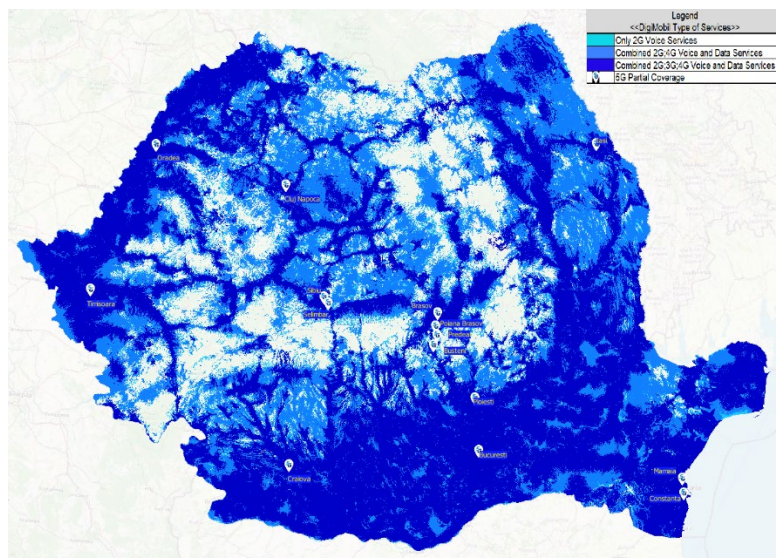
#### Romania

Our mobile telecommunication network in Romania is based on the equipment and solutions provided by leading vendors (Ericsson, Nokia and Huawei). We lease or buy access to rooftops (or other structures), plots of land and antenna supports from a larger number of land and premises owners, typically based on long-term leases, in order to build the necessary grid of sites for the deployment of our mobile network.

As at December 31, 2020, our 3G (2G+4G in certain areas) and 4G mobile telecommunication services covered (outdoor voice coverage) approximately 99.5% and 98.1% of Romania's population, respectively. As at the same date, our mobile telecommunication services were provided through approximately 5,900 base stations (approximately 99% of which were used to provide 4G connectivity).

The mobile telecommunication network is integrated with our fixed long haul and access backbone to take advantage of the high available capacity and resiliency. We have our own teams of employees that undertake the radio design, construction, operation, maintenance, network optimization and drive-test of the network, for an end-to-end control of the service delivery process.

The map below sets out the territorial coverage of our own 3G (2G+4G in certain areas) and 4G mobile telecommunication network in Romania as at December 31, 2020:





In June 2019, we have launched 5G mobile telecommunication services in certain important Romanian cities based on our existing 3.5 Ghz license. We are waiting for the Romanian authorities to launch an additional tender for supplementary frequency blocks/bandwidths that would enable further development of the service.

In order to minimize the potential for a system failure in our mobile telecommunication network, we have agreements in place with our suppliers for technical support to help ensure continuous operation of the network.

### *Hungary*

We launched our own mobile telecommunication network in Hungary in May 2019. The service was in the testing phase up to December 2020 and was only available to our existing customers in the country. As at December 31, 2020, our 2G and 4G networks' coverage (outdoor voice coverage) in Hungary extended to approximately 84.0% of the country's population. We lease technical premises and antenna supports from many land and premises owners, primarily, based on long-term leases. In addition, we have acquired ownership rights over numerous small plots of land in order to build the necessary communication towers for the deployment of our mobile network.

We are able to provide a high level of mobile services to our customers, but we are still working on system developments, part of which is our ability of participating in future frequency tenders and acquiring further frequency. The 5G auction was organized in Hungary in 2019 and NMHH rejected the Company's participation in the tender. The auction was finalized in 2020 without the Company's participation. We have filed statement of claim regarding the ability to participate in the auction and also a statement of claim by which it challenged the decision awarded in the 5G Tender on its merits.

For details about the legal actions regarding 5G auction from Hungary, please see Note 28 from the [Consolidated Financial Statements as at 31 December 2020](#), included in this Report.

### ***MVNO operations in Spain and Italy***

We offer mobile telecommunication services in Spain using Telefónica's network based on the Spanish MVNO Agreement.

We currently offer mobile telecommunication services in Italy using TIM's network based on the Italian MVNO Agreement.

In 2020 we have signed a MoU for MVNO services with Vodafone Italy. As of 2021 we will offer mobile telecommunication services using Vodafone's network.

### ***Fixed-line Telephony***

Our fixed-line telephony network in Romania and Hungary is using the same IP network like the broadband internet, for additional reliability. We are interconnected at national and international level with major carriers, as we are established in the fixed telephony market since 2003.

Our new IMS platform enables us to migrate the fixed-line services to a new state of the art technology, allowing us to develop new and innovative services and integrations with the mobile or internet fixed services.

We offer fixed-line telephony services in Spain based on a wholesale indirect access NEBA agreement with Telefónica and through our own GPON FTTH network.

### ***DTH Operations***

We manage our DTH satellite retransmission operation using the up-link infrastructure we own. International turnaround channels are received via our dishes, digitized and sent to the single turnaround center. Channels from some local terrestrial broadcasters are received via fiber cables and re-broadcast without modification. In the turnaround center channels are then compressed, encrypted and multiplexed (thus combining few channels in a single signal). The equipment required to carry out this process is collectively called the "head end." We operate two head ends in Bucharest and one in Budapest.

From these locations, the broadcast feed is transmitted to the geostationary satellite operated by Intelsat, which is located 35,800 km above the equator at 1 degree West longitude and to the geostationary satellite operated by Telenor on a neighboring orbital position at 0.8 degrees West. We have six large-diameter satellite dishes for up-linking signals (and an additional two redundant antennas). All up-linking to the satellites is at 13,777 MHz and 13,893 MHz frequencies. From those satellites, the feed is transmitted back down to individual subscribers across Romania and Hungary. All down-linking from the satellites is at 12,527 MHz and 12,643 MHz frequencies. A dish mounted externally at subscribers' premises receives the signal. The dish is connected to a set-top box that decodes the signal and converts it into video, sound and data information.

Most of our subscriber management activities, including call centers and services activation and deactivation, are done in-house.

### ***Satellites and transponders***

As at December 31, 2020, we use nine high-powered transponders: two on the Intelsat satellite and six on the Telenor satellite to transmit our DTH signal; and one additional transponder on the Intelsat satellite to transmit non-DTH signals. The lease agreement with Intelsat (which covers all transponders that we use) is currently valid until 2022. The number of television channels that can be broadcast to subscribers is dictated by the amount of transponder space available. Currently, we are using nearly all our available transponder capacity. We also use simulcrypt agreements.

The eight satellite transponders used for DTH signal transmission receive video, audio and data signals transmitted from our up-link facilities, convert the frequency of those signals, amplify them and retransmit them back to Earth in a manner that allows individual subscribers to receive the signals using a small satellite dish.

If, for any reason, the satellites that we currently use become unavailable for further service, we estimate that alternatives are available in the same orbital position, and more could become available later.

### **Disaster recovery facilities**

We operate three redundant teleport stations with six large antennas (and an additional two redundant antennas) at different locations allowing up-link of our DTH signal to the satellites. The three teleport facilities are interconnected via our fiber network and have access to all programs which are distributed via satellites.

### **Set-top boxes and encryption**

We use an encryption solution and smart-cards for our DTH operations supplied by Nagravision, which is a leading supplier of security solutions for the television industry. We believe the quality of the encryption technology we use is consistent with market standards.

## **DISTRIBUTION AND SALES**



We employ four primary sales channels: (i) our own retail network; (ii) agents providing door-to-door sales; (iii) retail sales partners; and (iv) inbound and outbound telesales. These channels use our own, as well as external, sales force.

As at December 31, 2020, we had 460 sales and collection points and a sales force of 3,436 individuals in Romania; 56 sales and collection points and a sales force of 150 individuals in Hungary; approximately 5,800 external sales and collection

points in Spain and approximately 3,000 external and collection sales points in Italy.

We differentiate marketing and sales depending on the target customers. We differentiate between residential customers and business customers mainly on the basis of the type of services they subscribe to, especially with regard to internet and data and fixed-line telephony services.

## **CUSTOMER SERVICE AND RETENTION**



We believe that the quality of our customer service is critical to attracting and retaining customers. While we focus on providing high-quality after-sale services, we also pay particular attention to other key processes, such as monitoring the overall quality of the services provided to our customers and receiving and resolving customer queries (whether commercial, financial or technical in nature).

As at December 31, 2020, our customer service department in Romania consisted of 1,510 employees spread across our physical service centers and seven call centers (servicing our

Romanian, Spanish and Italian clients). As at the same date, our customer service department in Hungary consisted of 793 employees spread across our physical service centers and six call centers. In Spain, our customer service department consisted of 551 employees and one call center.

As at December 31, 2020, our customer service department had 1,706 call center employees, of whom 930 were based in Romania, 263 in Hungary and 513 in Spain.

We also have after-sale and service teams dedicated to our various services. Our mobile telecommunication business line is serviced directly at our retail locations. We generally aim for a targeted service, and we provide different contact numbers for each type of customers. Our business customers are granted special attention and they each have designated account managers.

We actively monitor our customer satisfaction and seek customer feedback in connection with our service offerings and customer service efforts and routinely provide customers with questionnaires or other requests for feedback through which they describe their level of satisfaction with our service offerings and quality of service, provide comments and requests or order additional services.

## MARKETING



We believe that we enjoy strong recognition among consumers in our traditional markets of Romania and Hungary. We generally market our services under the brand “**DIGI**,” with variations depending on the type of service, including the following: “**DIGI TV**” for cable TV and DTH, “**DIGI Tel**” for fixed-line telephony, “**DIGI Net**” for our fixed internet and data services, “**DIGI Mobil**” for our mobile telecommunication services, “**DIGI Animal World**,” “**DIGI Life**,” “**DIGI Sport**,” “**Film NOW**,” “**DIGI World**,” “**DIGI 24**” and “**DIGI 4K**” for our TV channels, “**DIGI FM**” for our radio channels and “**DIGI Online**” for our online platform.

Our general marketing strategy aims to position us as a provider with a high quality-to-price ratio addressing the mass market. We also aim to encourage the uptake of multiple-play services by offering competitive prices for each of our services, as well as single invoices and a single point of contact for various services.

In all the markets in which we operate, we use a variety of advertising and campaigning channels to promote our services and brand names. Traditionally we have preferred to advertise through “below-the-line” marketing (e.g., targeted local marketing through flyers, stickers, local billboards and local or national press), as we believe these fit better with the nature of most of our service offerings. However, we also use TV channels (our own and third-party) to promote our service offerings. Promotions are addressed to both new and existing customers and focus on increasing awareness of new services and cross-selling. The campaigns also emphasize our brand and the high quality of our products at low prices. In the markets where we offer multiple services, we have actively promoted our image as an integrated telecommunications and media provider.

Customers can obtain information related to our services and products at our customer sales offices, through our call centers and from our website.

## BILLING

Our billing system is based on invoices issued monthly. Prices for most of our services provided to residential subscribers (except telephony and business internet and data services) are set in local currencies. For mobile and fixed-line telephony to residential and business customers, as well as fixed internet and data services for business customers, our prices are determined in euro. For prices not determined in the local currency, customers pay their invoices in local currency using the exchange rate from the date when the invoice was issued. We usually bill our services on a post-paid basis. Generally, we require individual post-paid subscribers to settle their accounts on a monthly basis. Subscribers may pay in person at our retail locations or through various payment outlets (including by postal order in Hungary) or at ATMs of certain banks, on our website using e-commerce or by payment order. The terms of payment are by the end of the service month for services with flat subscription fees. Disconnection periods for non-payment vary by service and market depending on our customer relationship strategy.

For our multiple-service customers, we issue a single invoice for all services. The billing software is developed in-house and is used in all the countries where we operate, except for Hungary. In Hungary, we rely on a software solution provided by a third-party vendor.

In addition to maintaining financial information for each customer, our billing software keeps detailed, non-financial customer and contract related information. This information is used by our customer service representatives to address various issues and needs of our customers.

We believe our billing and collection systems are appropriate for our business needs, and we constantly seek to improve them. We are also aiming to improve our physical presence by increasing the number of sales/collection points and bringing them closer to clients, including in rural areas (the so called “**DIGI Boxes**”). Additionally, we send notifications (via SMS, dedicated website, internet pop-up messages and TV messages for our DTH subscribers) to our customers alerting them of overdue invoices.

## EQUIPMENT SUPPLIERS

In our cable TV business line, our principal supplier for video receivers and modulators is Junzhou. Nagravision supplies the encryption and subscriber management system. For fixed internet and data services, our main suppliers

are Cisco, Juniper and Huawei for high end routers and ECI for DWDM transmissions. Our GPON infrastructure relies on equipment provided by Fiberhome, Huawei and ZTE.

In our fixed-line telephony business line, our main supplier is Nokia (we also use switches supplied by Alcatel, which is currently part of Nokia).

The equipment for our mobile telecommunication services is provided by Nokia, Huawei and Ericsson. We focus on Android-based smartphones, due to better affordability for our customers. The main producers for mobile handsets are Samsung, Huawei, Lenovo and Xiaomi.

Most of our equipment is supplied directly by its manufacturers. In nearly all cases, we believe alternate providers are readily available and only in rare occasions would replacing such providers be a lengthy process.

## **SERVICE SUPPLIERS**

We purchase our content from both local producers and international providers. Some of our major content suppliers are Eurosport, NGC, HBO, Universal, Disney, Viacom and Viasat.

Our main suppliers for global internet interconnection and IP transit services are the leading industry operators Telia Carrier and GTT Europe.

Our main suppliers of interconnection services in telephony are major telecommunications operators present in Romania and Europe. These include Telekom Romania, Orange, Vodafone, Telecom Italia, Telefónica, Proximus, Deutsche Telekom (through Combridge SRL), Telekom Austria, Telia Company, Türk Telekom and Tata.

Our supplier of DTH satellite services is Intelsat.

Sub-contractors are used to install equipment for our customers.

## **INTELLECTUAL PROPERTY**

We own a relatively large number of trademarks including verbal trademarks (protecting words) and combined trademarks (protecting both words and image), including: "RCS & RDS," "DIGI," "DIGI TV," "Film NOW," "DIGI SPORT," "DIGI MOBIL," "DIGI LINK," "DIGI TEL," "DIGI NET," "DIGI 24 HD," "DIGI 4K," "DIGI LIFE," "DIGI WORLD," "UTV," "DIGI Oriunde," "DIGI Online," "DIGI PLAY," "DIGI Energy," "Pro FM," "DIGI FM," "DANCE FM," "CHILL FM," "DIGI COMMUNICATIONS N.V.," "ROMANIA FURATA" and "DIGI One Voice." These trademarks are registered for the territories, in which they are used, and certain trademarks are also registered for additional territories or on a national or European basis.

In all the above cases, the protection offered by the registration of the trademarks lasts for ten years and can be extended for another ten years based on a specific request. We regularly renew our trademarks and register new trademarks (most of the later relate to our TV and radio broadcast activities).

We are generally do not license our trademarks. As an exception, we provided certain licenses for the use of our trademarks by third parties as a post-closing covenant at the disposal of our subsidiaries in Croatia, Slovakia and the Czech Republic. Each such temporary arrangement was limited to the relevant territory(ies), with no impact on our business in the countries where we have continued to operate. The license agreement applicable to the trademarks used in the Czech Republic it was in force until April 2020, without being extended, while the Croatian trademark agreement has expired. In addition, in Slovakia, we entered into a new trademark license agreement in 2016, which was subsequently extended until December 2020.

## **LITIGATIONS AND LEGAL PROCEDURES**

For details please see note Note 28 from the Consolidated Financial Statements as at 31 December 2020.



# Financial Results



Investment  
339 970  
56 969  
817  
58  
6

Investment  
Value at Year  
end  
373 967  
804 029  
1 296 731  
1 859 317  
2 499 808  
3 227 076  
4 050 935  
R 28 331

Start  
Con

## 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 consolidated financial statements of the Group as of December 31, 2020.

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 European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Source: Group and peer reporting*). We are a leading provider of telecommunication services in the Romanian and Hungarian markets, have significant operations in Spain and are also present in Italy.

- ▶ Romania. Our offerings in Romania include pay-TV (cable TV and DTH), fixed internet and data, mobile telecommunication services, fixed-line telephony.
- ▶ Hungary. We provide pay-TV (cable TV and DTH), fixed internet and data, mobile telecommunication services and fixed-line telephony services in Hungary.
- ▶ Spain. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica and we offer fixed internet and data and fixed-line telephony services through Telefónica's fixed network and through our own GPON FTTH network.
- ▶ Italy. We provide mobile telecommunication services as an MVNO through the mobile network of Vodafone. Our service offerings in Italy primarily target the large local Romanian community.

For more details please see section *Business* section.

For the year ended December 31, 2020, we had revenue (excluding intersegment revenue and other income) of €1,281.6 million, net profit of €7.8 million and Adjusted EBITDA of €480 million.

### Recent Developments

On March 29, 2021, RCS&RDS and 4iG Plc. entered into a preliminary, non-binding agreement regarding the acquisition of 100% of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and its subsidiaries, Invitel Ltd. and I TV Ltd. The acquisition is aimed to be completed by September 2021, subject to the due diligence of Digi Hungary and its subsidiaries, the signing of a sale and purchase agreement, and the necessary competition authority approvals.

In August 2019, we submitted a bid in Hungary for certain additional frequency bands. However, on September 13, 2019 the NMHH rejected our participation in the tender. We believe this decision to lacks any legal ground and we have challenged it in court.

On 4 February 2021, the Supreme Court of Hungary dismissed the Company's appeal and thus upheld the first instance court's judgement, which maintained as lawful the decision issued by the Hungarian Media and Informations Authority (NMHH) to reject the Company's participation in the tender related to wireless broadband services supporting the introduction of 5G in Hungary (5G Tender).

The Company filed, amongst other legal means it used, this statement of claim challenging the authority's refusal to register the Company in the 5G Tender which has now been settled in favour of NMHH and also a statement of claim by which it challenged the decision awarded in the 5G Tender on its merits. The second litigation is still pending in front of the Metropolitan Regional Court.

For details regarding our current litigations please see *Note 28 from the Consolidated Financial Statements as at December 31, 2020*.

### 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 continuing operations are further broken down into the following geographic segments: Romania, Hungary, Spain and Other.



The revenue for each of our geographic segments for the years ended December 31, 2019 and 2020 was as follows:

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Romania	753.4	785.0
Hungary	217.0	199.6
Spain	193.2	274.0
Other <sup>(1)</sup>	22.4	23.0
<b>Total revenue</b>	<b>1,186.0</b>	<b>1,281.6</b>

(1) Includes revenue from operations in Italy.

The operating expenses for each of our geographic segments for the years ended December 31, 2019 and 2020 were as follows:

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Romania	409.5	414.5
Hungary	156.1	145.6
Spain	149.8	216.5
Other <sup>(1)</sup>	24.3	25.2
Depreciation, amortization and impairment of tangible and intangible assets and rights of use assets	298.9	309.8
<b>Total operating expenses</b>	<b>1,038.5</b>	<b>1,111.6</b>

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

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

### Revenue and Expenses structure of our principal lines of business

In general, for each of our five principal lines of business, we earn revenue from flat-rate subscription fees received from our customers and incur expenses that include licensing, programming and content fees, customer service, as well as network operation and maintenance. However, the structure of our revenue and expenses differs in each of our principal lines of business. See "*Business*."

#### Pay TV

##### Cable TV

The revenue we receive for cable TV services in Romania and Hungary consists principally of flat-rate monthly subscription fees. The level of subscription fees depends on the programming package chosen by the particular customer.

The expenses we record for cable TV services consist principally of fees that we pay to providers of third-party TV channels, license fees that we pay for content on our own TV channels and personnel expenses (consisting in large part of the salaries we pay to personnel that operate and maintain our network, personnel used to operate our own channels and our sales personnel). We also incur expenses for copyright payments to the national bodies representing collective artists' rights under relevant local laws, rights of way for our cables (which we record as "network rents"), maintenance and repair of our network, transportation and fuel expenses of our cable TV staff, collection and other miscellaneous expenses. We capitalize the expenses related to installing and upgrading our fixed network (except for maintenance and repairs). We also capitalize the expenses related to acquiring third-party programming for our own channels and amortize those assets over the period they relate to on a straight-line basis. Such third-party programming expenses are accounted for as a capital expenditure because the underlying rights are generally either exclusive or shared with one other party and we acquire them to attract and retain customers. We expense the cost of acquiring third-party channels and other content not used in the production of our own channels. Third-party programming costs that are accounted for as operating expenses generally vary



directly with our number of RGUs, as a significant part of our programming agreements for third-party channels link programming fees paid to content owners to the number of our subscribers in the relevant territory.

#### *DTH*

The revenue we receive from our DTH services in Romania and Hungary consists principally of flat-rate monthly subscription fees from customers and, to a lesser extent, activation and other fees. The level of subscription fees depends on the programming package chosen by the particular customer.

The expenses incurred in connection with our DTH services consist principally of the cost of the programming content offered to our subscribers, rental expenses payable to Intelsat relating to transmission capacity on the Intelsat and Telenor satellites, license fees paid to the holders of transmission/retransmission rights for sporting events that are broadcasted on our sports channels and the expense of operating customer care call centers. Our treatment of expenses related to third-party programming is the same as in our cable TV business line. See “—*Cable TV*” above.

#### *Fixed internet and data*

The revenue we receive for fixed internet and data services in Romania, Hungary and Spain consists principally of flat-rate monthly subscription fees. We service both residential and business customers. The market for business customers is more competitive, and, as a result, ARPU for our business customers can vary significantly over time.

The expenses recorded for fixed internet and data services consist principally of personnel expenses and related expenses of our service and maintenance staff, as well as interconnection and transmission fees. We also incur expenses for maintenance and repair of the network and rights of way for the network, energy expenses related to the operation of the network and collection expenses. Our treatment of expenses related to installing and upgrading our fixed network is the same across all business lines offering services via such network. See “—*Cable TV*” above.

#### *Mobile telecommunication services*

The revenue that we receive for mobile telephony services in Romania consists of flat-rate monthly subscription fees, per-minute telephone charges and, to a lesser extent, interconnection fees that we receive from other service providers whose customers call our customers, as well as charges for text and video messages to, or from, third-party numbers. We do not charge for calls or messages to, or from, other customers within our own fixed-line and mobile telephony networks. The revenue that we receive for mobile internet and data services in Romania consists principally of flat-rate monthly subscription fees.

During 2020, our mobile telecommunications offering in Hungary was still in the testing phase and was only available to our existing customers in the country. Therefore, the revenue that we received in 2020 for mobile telephony and mobile internet and data services in Hungary consists of payments that such customers make for voice and data traffic actually used. Starting from the January, 1 2021, the commercial offering entered into force, consisting mainly of flat-rate monthly subscription fees and per-minute telephone charges.

In Spain and Italy, we generate revenue from mobile telephony services and mobile internet and data primarily via sale of pre-paid packages as an MVNO. Such revenue consists of pre-paid telephone, text and video charges and, to a lesser extent, interconnection fees that we receive from other service providers whose customers call our customers.

The expenses incurred in connection with our mobile telecommunication services consist principally of interconnection fees paid to other network operators whose customers are called by our customers. Mobile telephony interconnection fees charged by operators during the periods under review by geographic segment are set out in the table below:

<b>Mobile telephony interconnection fees</b>	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	(eurocents/minute)	
Romania	0.84	0.76
Hungary	0.005	0.005
Spain	0.67	0.64
Italy	0.90	0.76 <sup>(1)</sup>

(1) Starting from January 2021, the interconnection fees in Italy decreased to 0.67 eurocents/minute.

Our expenses also include rental of sites necessary for the operation of our mobile network in Romania and Hungary (not in scope for IFRS 16 accounting treatment), energy consumed by the network, personnel expenses

and related expenses of our maintenance and customer service staff, radio spectrum fees payable to communications authorities in Romania and Hungary and service carry fees that we pay to Telefónica in Spain and to TIM (Vodafone, starting with December 2020) in Italy.

We also generate revenue and incur expenses in relation to sales of third-party manufactured handsets and accessories.

### ***Fixed-line telephony***

The revenue we receive for fixed-line telephony services in Romania, Hungary and Spain consists principally of flat-rate monthly subscription fees and per-minute telephone charges. We also derive revenue from interconnection fees that we receive from other service providers whose customers call our customers. We do not charge for calls to other telephone numbers within our fixed-line and mobile telephony networks in the same country.

The expenses incurred in relation to fixed-line telephony services consist principally of interconnection fees paid to other service providers whose customers are called by our customers. We also incur personnel expenses related to sales, installation and customer support services. Our treatment of expenses related to installing and upgrading our fixed network is the same across all business lines offering services via such network. See “[Cable TV](#)” above.

### ***Other operations***

We also generated revenue and incurred expenses in relation to sales of third-party manufactured mobile handsets and pay TV accessories (such as satellite signal receivers and decoders in Romania and Hungary), which are sold directly to our customers. Those sales were generally conducted at a low margin, or no margin at all, as part of new customer acquisition or as an incentive for existing customers to renew or upgrade their subscriptions. The cost of equipment that we provide to customers is capitalized as CPE.

In addition to our principal revenue generation streams, in Romania and Hungary we sell advertising time on all our own TV channels and we operate four local radio stations in Romania.

These operations are relatively small and are not reported as separate business lines.

## **Trends and Other Key Factors Impacting Our Results of Operations**

The following are the key factors that have significantly affected our results of operations and financial condition during the periods under review, or which we expect will significantly affect our operations in the future.

### **General economic environment in our key markets**

The markets in which we operate were materially and adversely impacted by global crisis. The main markets on which we operate have shown significant economic growth in recent years. In particular, Romania, which accounted for 61.3% and 63.5% of our total revenue for the year ended December 31, 2020 and the December 31, 2019, respectively, had one of the highest real GDP growth rates in Europe (*Source: Eurostat*).

The general economic environment in our key markets may be materially adversely impacted by the ongoing COVID-19 pandemic which may result in future disruption of market conditions globally and in the markets in which we operate.

Given the economic history of the regions of Eastern and Southern Europe that we serve, our enhanced television, data and telephony services are generally viewed as desirable, but not indispensable in times of economic difficulty. By contrast, we believe that basic television, internet and telephony services are perceived as necessities, rather than discretionary items.

### **Competition**

Our results of operations are affected by competition, as we operate in intensely competitive industries and compete with a growing number of companies that provide a broad range of communications products and services and entertainment, news and information content to consumers.

We believe that our focus on Romania, Spain and Hungary, as well as synergies generated by our convergent fixed and mobile offerings and our advanced infrastructure, currently allow us to compete efficiently in our core markets. However, intense competition creates pressure to maintain low prices on our service and product offerings thus affecting our revenue growth potential.

### **Regulation**

#### ***Mobile telecommunication licenses in Romania and Hungary***

We can only develop our mobile telecommunication offerings in Romania and Hungary if we have appropriate licenses and bandwidth. For a list of our current mobile telecommunications licenses, see “[Business](#).” If we are unsuccessful in obtaining such licenses, the growth of our business may be curtailed, as we may be unable to generate new RGUs or increase our ARPU.

License acquisition is a complex process, which is subject to extensive regulation in both countries. Licenses are granted at public auctions and relevant licensing authorities establish criteria that participants therein need to satisfy. If we are unable to meet those criteria, or otherwise unable to compete for such licenses, our results of operations could be significantly and materially affected.

In addition, in order to participate in auctions for mobile telecommunications licenses, we may be required to provide significant third party guarantees (which, in accordance with IFRS, will not be recorded on our consolidated statement of financial position) of our ability to pay corresponding license fees should the license sought be granted to us. If we are successful in our bids, we may need to attract additional financing to ensure that we have sufficient funds to pay those license fees. If we do, that will increase our balance sheet liabilities and finance expenses recorded on our statement of profit or loss.

We were not allowed to participate in the spectrum auction from Hungary which started in 2019 and finalized in 2020. We have filed legal claims against these actions. For details, please see [Note 28 from Consolidated Financial Statements as at 31 December 2020](#) included in this Report.

### **Taxation**

The ongoing COVID-19 pandemic and an economic downturn or recession caused by it may lead to an increase in tax rates and exceptional one-off taxes to compensate for decreasing budget revenues.

### **Growth in business, RGUs and ARPU**

Our revenue is most directly 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. We use RGU to designate a subscriber account of a customer in relation to one of our services. RGUs are measured at the end of the relevant period. As our definition of RGU is different for our different business lines, you should use caution when trying to compare RGUs and ARPU between our business lines. We calculate ARPU in a geographic segment or the Group as a whole, for a period by dividing the total revenue of such geographic segment or the Group, for such period, (a) if such period is a calendar month, by the total number of relevant 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. ARPU is a measure we use to evaluate how effectively we are realising potential revenues from customers.

Our total RGU base has grown from 16.1 million RGUs as at December 31, 2019 to 18.1 million RGUs as at December 31, 2020, representing an increase of 12%.

The following table shows our RGUs by geographic segment and business line and monthly ARPU by geographic segment as at and for the years ended December 31, 2019 and 2020:

	As at and for the year ended 31 December	
(RGUs: thousands; ARPU: €/period)	2020	2019
<b>Group</b>		
<b>RGUs</b>	<b>18,136</b>	<b>16,142</b>
<b>ARPU</b>	<b>5.7</b>	<b>5.7</b>
<b>Romania</b>		
<b>RGUs</b>		
Pay TV <sup>(1)</sup>	4,733	4,097
Fixed internet and data <sup>(2)</sup>	3,313	2,775
Mobile telecommunication services <sup>(3)</sup>	3,680	3,442
Fixed-line telephony <sup>(2)</sup>	1,044	1,091
<b>ARPU<sup>(4)</sup></b>	<b>4.9</b>	<b>4.9</b>
<b>Hungary</b>		
<b>RGUs</b>		
Pay TV <sup>(1)</sup>	933	959
Fixed internet and data	749	750
Mobile telecommunication services <sup>(3)</sup>	173	99
Fixed-line telephony	650	681
<b>ARPU<sup>(4)</sup></b>	<b>5.9</b>	<b>6.5</b>
<b>Spain</b>		
<b>RGUs</b>		
Fixed internet and data	204	81
Mobile telecommunication services <sup>(3)</sup>	2,334	1,894
Fixed-line telephony	72	31
<b>ARPU<sup>(4)</sup></b>	<b>9.9</b>	<b>9.6</b>
<b>Other<sup>(5)</sup></b>		
<b>RGUs</b>		
Mobile telecommunication services <sup>(3)</sup>	251	242
<b>ARPU<sup>(4)</sup></b>	<b>7.8</b>	<b>8.7</b>

(1) Includes RGUs for Cable television and DTH services.

(2) Includes residential and business RGUs.

(3) Includes mobile telephony and mobile internet and data RGUs.

(4) ARPU refers to the average revenue per RGU in a geographic segment or the Group as a whole, for a period by dividing the total revenue of such geographic segment, or the Group, for such period to the RGUs number.

(5) Includes Italy.



Our revenue may not always grow in direct proportion with the increase in our RGUs. In part, these variations reflect the fact that ARPU differs. We try to increase profitability in each business line by careful management of expenses through negotiation of content fees, interconnection costs and similar expenses, use of newer technologies for improved results of operations and, where possible, by conducting certain operations and investment related activities in-house to achieve cost efficiencies. In all our business lines we have focused, and continue to focus, on increasing the number of RGUs by acquiring new customers and by cross-selling more services to our existing customers while maintaining our Adjusted EBITDA Margin. Our approach reflects the relatively wide range of our business and our ability to offer multiple services to our customer base. For example, as at December 31, 2020, each of our residential customers in Romania (excluding DTH customers) subscribed to an average of 2.1 services (as compared with an average of 2.2 as at December 31, 2019). Currently, there is a trend towards subscribers discontinuing fixed-telephony services altogether, which has an impact on the average number of services per subscriber.

The following table shows the evolution of our total RGUs by business line for 2019 and 2020:

	As at December 31,	
	2019	2020
	(thousands)	
Pay-TV	5,056	5,666
Fixed internet and data	3,606	4,266
Mobile telecommunication services	5,677	6,438
Fixed-line telephony	1,803	1,766
<b>Total</b>	<b>16,142</b>	<b>18,136</b>

## Technical capabilities and limitations of our networks

### Fixed offerings

We offer cable TV, fixed internet and data and fixed-line telephony through our fixed networks in Romania and Hungary, which, as at December 31, 2020, covered 84.3% and 46.3% of dwellings in those countries, respectively (*Sources: Group reporting; ANCOM and Hungarian Central Statistical Office*). Our ability to expand our reach, attract new customers and migrate existing customers to higher levels of service depends on the capabilities and limitations of these networks. In the periods under review, we have continued to pursue a network expansion strategy and have also focused on upgrading our networks in principal coverage areas to GPON or comparable technology. As at the date of this report, we have completed an upgrade of more than 90.0% of our networks (excluding parts of Invitel's network) and are currently able to offer transmission speeds of up to 1,000 Mbps for internet and data services, the fastest available to residential users in those markets. As a result of those upgrades, we anticipate that our own fixed network in both countries (excluding parts of Invitel's network, which we are still upgrading to fiber) will require relatively low maintenance capital expenditure over the short and medium term. We believe that growth from cable TV, fixed internet and data and fixed-line telephony services will principally come from increasing penetration in the areas that we already cover, expanding our fixed networks to areas not currently covered, cross-selling services to existing customers and migrating our existing customers to higher levels of service.

In Spain we offer fixed internet and data and fixed-line telephony services mainly as a reseller on the basis of a NEBA agreement with Telefónica through their local FTTH GPON network.

### Mobile offerings

#### Romania

We currently hold spectrum licenses in 2,100 MHz, 900 MHz, 2,600 MHz and 3,700 MHz bandwidth. As at December 31, 2020, we had approximately 5,900 mobile network base stations (out of which approximately 99% were used to provide 4G connectivity) covering approximately 99.5% (outdoor voice coverage) of the country's population to provide our 3G service (2G+4G in certain areas) and 98.1% coverage (outdoor voice coverage) for 4G services (population). We offer 5G mobile telecommunication services in certain Romanian cities based on our existing 3,700 MHz license and intend to continue the roll-out of our mobile networks in the country.

### *Hungary*

We currently hold a 1,800 MHz mobile telephony license and a 3,800 MHz mobile telephony license in Hungary. In May 2019, we launched a mobile telecommunication services promotional offering in Hungary which ended in December 2020. Mobile subscriptions were commercially launched starting from January 2021. As at December 31, 2020, we had approximately 2,100 mobile network base stations covering approximately 84% of the country's population. In August 2019, we submitted a bid in Hungary for certain additional frequency bands. However, on September 13, 2019 the NMHH rejected our participation in the tender. We believe this decision to lacks any legal ground and we have challenged it in court. In November 2020 NMHH organized the auction for the licenses of 900 Mhz and 1,800 Mhz frequencies which included criteria that made impossible for DIGI Group to participate in the tender.

### *Spain and Italy*

Our MVNO businesses currently rely on Telefónica's network in Spain. Our current full MVNO agreement with Telefónica is effective until September 30, 2026.

In Italy, the MVNO agreement with TIM ended in December 2020. On 24 December 2020, Digi Italy and Vodafone concluded an agreement regarding Digi Italy's access to Vodafone's radio spectrum and mobile communication network and infrastructure for a 3 year term.

### **DTH**

Our DTH satellite television services are not geographically constrained, as the footprint of our existing satellite coverage encompasses the entire territories of Romania and Hungary. Only in rare circumstances are customers unable to install the equipment necessary to receive our satellite signal, typically where no alternative position for the antenna facing south-west can be found.

### **Rapid development of our mobile business line and impact on our Adjusted EBITDA and Adjusted EBITDA Margin**

EBITDA is a widely recognized benchmark for measuring profitability and cashflows in the telecommunication industry. Therefore, our Board of Directors closely monitors the Group's EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin as key measures of its financial performance.

We calculate EBITDA by adding back to our consolidated operating profit or loss charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items. Finally, our Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to our total revenue.

None of these are measures of financial performance under IFRS; they are solely derived from our management's accounts and estimates and as such may not be comparable to similarly titled measures used by other companies. Therefore you should not consider our reported EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities reported in the Financial Statements.

Our EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2019 and 2020:

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(€ millions, unless otherwise stated)</b>	
<b>Revenue<sup>(1)</sup></b>	<b>1,186.0</b>	<b>1,281.6</b>
Operating profit	145.0	167.3
Depreciation, amortization and impairment <sup>(2)</sup>	298.9	309.8
<b>EBITDA<sup>(3)</sup></b>	<b>443.9</b>	<b>477.1</b>
Other expenses	2.5 <sup>(5)</sup>	2.7 <sup>(4)</sup>
<b>Adjusted EBITDA</b>	<b>446.3</b>	<b>479.8</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>37.6%</b>	<b>37.4%</b>

(1) Excludes intersegment revenue.

(2) Includes impact of revaluation of property, plant and equipment recognized in profit and loss account in amount of €2.4 million.

(3) EBITDA is consolidated operating profit or loss plus charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items. EBITDA and Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA."

(4) Includes (i) the net result from the sales of Invitel's operations in selected locations in amount of €3.5 million, and (ii) the net result related to share option plans vested and are expected to be one-time events in amount of €0.8 million.

(5) Includes (i) €1.6 million non-cash expenses related to the Stock Option Plans; (ii) €0.9 million costs represents mark-to-market unrealized loss from fair value assessment of energy supply contracts

The change in our Adjusted EBITDA and Adjusted EBITDA Margin from €446.3 million and 37.6%, respectively, for the year ended December 31, 2019 to €479.8 million and 37.4% respectively, for the year ended December 31, 2020 was primarily due to the strong growth of the fixed services, development of our mobile business line in Romania, strong results from the Spanish operations. The Adjusted EBITDA Margin was similar to prior period. The operational performance was reflected in the increase in our operating profit from €145.0 million for the year ended December 31, 2019 to €167.3 million for the year ended December 31, 2020.

## Exchange rates

### *Conversion into euros for presentation in the Financial Statements*

Our operating subsidiaries in Romania and Hungary generate revenue and record their financial results in the Romanian leu and the Hungarian forint, respectively. However, our consolidated financial results are reported in euros. See “—*Basis of Financial Presentation—Functional Currencies and Presentation Currency.*” Therefore, a significant depreciation of one of our functional currencies in relation to the euro could significantly reduce our financial results as reported in euros and could have a significant negative impact on our financial position and cash flows.

### *Liabilities denominated in the euro and the U.S. Dollar*

In addition, we have significant exposure to the euro as a significant portion of our outstanding financial debt is denominated in that currency, and we also have certain limited exposure to the U.S. dollar, in which we purchase certain content for our cable TV and DTH businesses and certain CPE. As at December 31, 2020, we had €1,025 million of obligations denominated in euros and US\$60.8 million of obligations denominated in U.S. dollars, (2019: €748.8 million and US\$74.4 million). See “—*Liquidity and Capital Resources—Financial Obligations.*” Our euro exposure is partially mitigated by euro-denominated revenue from our MVNO operations in Spain and Italy, which, together with revenue collected in local functional currencies, but denominated in euros, accounted for 43.7% of our total revenue for the year ended December 31, 2020. However, we still pay a significant portion of our euro- and U.S. dollar-denominated expenses out of revenue generated in our principal functional currencies.

### **Historic performance of our functional currencies against the euro and the U.S. Dollar**

In the periods under review the Romanian leu and the Hungarian forint have declined compared to the euro, with approximately 1.9% and 7.9% respectively. Our obligations denominated in U.S. dollars are significantly smaller, so the appreciation of the U.S. dollar did not have a major effect on the Group. See “—*Quantitative and Qualitative Disclosures About Market Risks—Currency Risk.*”

The following table sets out, where applicable, the period end and average exchange rates for the years ended December 31, 2019 and 2020 of the euro against each of our principal functional currencies and the U.S. dollar:

Value of one euro in the relevant currency	As at and for the year ended December 31,	
	2019	2020
<b>Romanian leu (RON)<sup>(1)</sup></b>		
Period end rate	4.78	4.87
Average rate	4.74	4.84
<b>Hungarian forint (HUF)<sup>(2)</sup></b>		
Period end rate	330.52	365.1
Average rate	325.35	351.2
<b>U.S. dollar (USD)<sup>(1)</sup></b>		
Period end rate	1.12	1.23
Average rate	1.12	1.14

(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 year ended December 31, 2020, we had a net foreign exchange loss of €37.4 million (year ended December 31, 2019: net loss of €18.2 million). In each of those periods, our net foreign exchange loss was primarily due to the depreciation of the leu/HUF against the euro and the U.S. dollar. See “—*Liquidity and Capital Resources—Financial Obligations.*” Borrowings in foreign currencies are recorded in the functional currency of the relevant entity at the rate of exchange prevailing on the date of the transaction and re-evaluated to reflect changes in the exchange rate each month.

## Depreciation, amortization and impairment of assets

As we have invested, and continue to invest, significantly in the development of our fixed and mobile networks and customer acquisition through investment in CPE, our expenses relating to depreciation, amortization and impairment of tangible and intangible assets have remained consistently high during the periods under review.

The following table shows the evolution of our depreciation, amortization and impairment of assets expenses for the years ended December 31, 2019 and 2020:

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Depreciation of property, plant and equipment	135.7	138.6
Amortization of non-current intangible assets	52.3	63.7
Amortization of programme assets	42.0	41.7
Depreciation of right of use asset	65.9	61.6
Impairment of property, plant and equipment and non-current intangible assets	3.0	1.7
Revaluation impact	-	2.5
<b>Total</b>	<b>298.9</b>	<b>309.8</b>

## Churn

Loss of our customers (an effect known as “churn”) is a factor which could negatively affect our growth in RGUs and revenue. The pay TV, fixed internet and fixed-line and mobile telecommunication services industries encounter churn as a result of high levels of competition. In addition to competitive alternatives, churn levels may be affected by changes in our competitors’ prices, our level of customer satisfaction relocation of subscribers and any reduction of expenses by our customers in the context of a potential economic downturn. Increases in churn may lead to increased costs and reduced revenue. We believe that the following factors help to reduce our level of churn:

- *Cross-selling.* We believe that customers who subscribe to multiple services are less likely to leave our services. In Romania, our average number of services per residential customer was 2.1 (excluding DTH) and the percentage of customers using more than one service was approximately 72.0% as at December 31, 2020. In Hungary, our average number of services per network customer was 2.4 (excluding DTH) and the percentage of customers using more than one service was approximately 81.0% as at the same date.
- *Quality of offerings and pricing.* Our attractive pricing and relatively advanced technology compared to our competitors in Romania and Hungary and our premium content offerings often make it unattractive to replace our services with those offered by our competitors.

Although churn may have a negative effect on our business, we focus on growth in total number of RGUs, ARPU, revenue, Adjusted EBITDA and Adjusted EBITDA Margin as key indicators rather than churn.

## Capital expenditure

Historically, we have pursued an ambitious growth strategy that required us to undertake substantial capital expenditure. The primary focus of our investment spending over the periods under review has been (i) the upgrade and expansion of our fixed network in Romania and Hungary; (ii) the expansion of our 3G and 4G mobile networks, and the development of our 5G mobile network, in Romania and the building of a 2G and 4G mobile networks in Hungary; (iii) the creation and development of our own television channels; (iv) the creation and expansion of our MVNO services in Spain and Italy; (v) the launch of fixed line services offered in Spain; and (vi) costs to obtain a contract in all our business lines.

Consequently, our capital expenditures have been significant. In the year ended December 31, 2020, we had capital expenditure of €371 million and represented 28.9% of our revenue for this period. In the year ended December 31, 2019, we had capital expenditure of €318.7 million and represented 26.9% of our revenue for this period.



Going forward we expect our capital expenditure to consist principally of amounts paid for:

- ▶ further expansion of our fixed networks;
- ▶ further expansion and development of our mobile network, as permitted by our existing licenses;
- ▶ payments for the acquisition of television content rights;
- ▶ payments for the acquisition of new telecommunication licenses or renewal of existing telecommunication licenses;
- ▶ expansion of our fixed internet and data and fixed telephony business in Spain;
- ▶ the acquisition of CPE, including certain network equipment such as GPON terminals (which may not generally be treated as CPE by other members of our industry), and other equipment, such as set-top boxes, mobile data devices and fixed-line telephone handsets, satellite dishes, satellite receivers and smartcards; and
- ▶ potential acquisitions.

The majority of these capital expenditures (with the exception of certain obligations under content agreements that we have already entered into) are discretionary, and we will revise these plans as required to ensure the best possible alignment with our business strategies, opportunities and continuity. We believe that our ability to finance our capital expenditures largely from internal resources has strongly improved as our investment plan for the short to medium term is largely discretionary, thus giving us significant flexibility to adjust our capital expenditure plan.

### **Payments to third-party service and content providers**

In all of our business lines, a key cost item is payments to service and content providers. In the case of television services (both cable TV and DTH), this includes fees paid to third-party providers of channels that we carry. In the case of our own channels, we pay license fees to the holders of transmission/retransmission rights for sporting events, films and certain other programming. In the case of DTH services, these fees also include fees paid to the providers of satellite transmission services. In the case of internet and data, fixed-line telephony and mobile services, fees consist principally of interconnection fees paid to other network operators and, in the case of internet and data, international connectivity fees.

We carry both our own channels and channels produced by third parties over our DTH and cable TV services. Fees paid for channels produced by third parties are accounted for as operating expenses. Fees paid for content carried on our own channels is accounted for as capital expenditure and consist primarily of flat fees for the right to broadcast the relevant content.

Television programming fees, television license fees and internet and data connectivity fees are not determined by regulators and are subject to commercial negotiations. Our backbone networks in Romania and Hungary (both for national communications and for our internet connection with the global internet network) allow us to realize significant cost savings, as we only have to pay limited lease or transit fees for the use of other networks. Moreover, we benefit from competition among leading providers of global internet interconnection services, which tends to keep prices low.

Our current contract with Intelsat (which covers both satellites used to transmit our DTH signal) is effective until November 30, 2022. As at December 31, 2020, under this agreement we leased nine transponders. The contract allows us to reduce the number of dedicated transponders.

Telephone interconnection charges are regulated by national authorities and the European Union, and are capped at certain amounts, which have decreased over the past few years. In all our markets we pay fees to third-party service providers, such as banks, to help us collect revenue from customers, but also use our own network of collection points in Romania and Hungary.

Our operations require us to purchase significant amounts of electricity from utility companies in Romania and Hungary. In an effort to manage our future energy costs, in 2012 we started to invest in renewable energy by acquiring several companies developing solar energy projects. These projects are currently fully operational and have a combined installed capacity of 15.72 MW.

### **Acquisitions and disposals**

Our historical growth has been due in part to our acquisitions of cable and/or internet operations.

The main addition in the current period is related to the Networking agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunications S.R.L. (“Assignors”). On July 24, 2020, the Competition Council issued the authorisation for the economic concentration accomplished by RCS&RDS through gaining sole control over certain assets pursuant to the agreements entered into on 28 November 2019 between RCS & RDS and the Assignors.

Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange for the payments made by RCS & RDS to the Assignors (rent). The Agreements are concluded for an initial duration of 3 years, which can be extended at the option of either party for a new term

of 3 years. At the end of the rental period there is an option to buy and an option to sell the underlying assets. The total amount due as rent (as defined in the contract) or price by RCS&RDS under the Agreements are in maximum amount of EUR 77 million excluding VAT.

During the periods under review we also acquired a number of other small telecommunication operators in Romania and Hungary. See “—*Liquidity and Capital Resources—Historical cash flows—Cash flows used in investing activities.*”

As part of our strategy, we may undertake additional acquisitions in the future in our existing business lines or complementary to them as, and if, appropriate opportunities become available. We regularly monitor potential acquisition targets, while assessing their attractiveness relative to other strategic alternatives available to us. We believe that acquisition opportunities in Romania could be significant, including in the short term, in light of recent publicly reported developments in the local competitive landscape and the resulting potential for further market consolidation or new entrants. We also may acquire smaller businesses on an opportunistic basis. However, a decision to proceed with any such acquisition will be subject to a number of conditions that may or may not materialize, including regulatory support and availability of third-party financing. See “—*Capital expenditure.*”

### Revaluation of property, plant and equipment

Management has revalued certain categories of property, plant and equipment from Romania and Hungary as at December 31, 2020. The fair value of property, plant and equipment was determined by an accredited independent appraiser. Assets from Spain are still in building and development phase, therefore were not considered in scope for revaluation.

The fair value of the assets was determined by reference to market-based evidence, using the market comparable method, the cost and income approach. The valuation techniques were selected by the independent appraiser, in accordance with International Valuation Standards.

The total revaluation difference was in amount of EUR 324.5 million. The difference was recorded in the revaluation reserve in amount of EUR 327.0 million and the amount of EUR 2.5 million was recorded in the profit and loss account.

The main differences were:

Net book value (“NBV”) 31 decembrie 2020			
	NBV before revaluation	NBV after revaluation	Revaluation differences
Land	25.2	29.3	4.0
Building	79.8	82.7	2.9
Cable plant	597.2	821.5	224.3
Customer premises equipment	115.9	137.0	21.1
Equipment	196.9	269.1	72.2
<b>Total</b>	<b>1,015.1</b>	<b>1,339.6</b>	<b>324.5</b>

## Historical Results of Operations

### Results of operations for the years ended December 31, 2019 and 2020.

#### Revenue

Our revenue (excluding intersegment revenue and other income) for the year ended December 31, 2020 was €1,281.6 million, compared with €1,186.0 million for the year ended December 31, 2019, an increase of 8.1%.

The following table shows the distribution of revenue by geographic segment and business line for the years ended December 31, 2019 and 2020:

Segment	For the year ended December 31,		% change
	2019	2020	2019 v 2020
			(€ millions)
Romania	753.4	785.0	4.2%
Hungary	217.0	199.6	(8.0%)
Spain	193.2	274.0	41.8%
Other <sup>(1)</sup>	22.4	23.0	2.7%
<b>Total revenue</b>	<b>1,186.0</b>	<b>1,281.6</b>	<b>8.1%</b>

Category	2019	2020	2019 v 2020
Fixed services <sup>(2)</sup>	667.2	714.0	7.0%
Mobile services	400.7	464.4	15.9%
Other <sup>(3)</sup>	118.1	103.2	(12.6%)
<b>Total</b>	<b>1,186.0</b>	<b>1,281.6</b>	<b>8.1%</b>

(1) Includes revenue from operations in Italy.

(2) Includes mainly revenues from subscriptions for fixed, mobile and DTH services, interconnection and roaming revenues.

(3) Includes mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

**Revenue in Romania** for the year ended December 31, 2020 was €785.0 million, compared with €753.4 million for the year ended December 31, 2019, an increase of 4.2%. Revenue growth in Romania was primarily driven by increases in our pay TV and fixed internet and data RGUs.

ARPU growth in Romania, in constant currency, was partially offset by currency depreciation in the period (RON/EUR foreign exchange rate increased with 1.9% in 2020 compared to 2019, which impacted negatively the revenues translated from RON in EUR).

Our Pay TV RGUs increased from approximately 4.1 million as at December 31, 2019 to approximately 4.7 million as at December 31, 2020, an increase of approximately 15.5%, and our fixed internet and data RGUs (residential and business) increased from approximately 2.8 million as at December 31, 2019 to approximately 3.3 million as at December 31, 2020, an increase of approximately 19.4%. This growth was primarily due to organic growth and secondly, due to acquisitions (please see *“Acquisitions and disposals”*).

Mobile telecommunication services RGUs increased from approximately 3.4 million as at December 31, 2019 to approximately 3.7 million as at December 31, 2020, an increase of approximately 6.9%.

Other revenues include mainly sales of equipment, but also contains services of filming sport events and advertising revenue. Sales of equipment includes mainly mobile handsets and other equipment.

Fixed-line telephony RGUs (residential and business) decreased from approximately 1.1 million as at December 31, 2019 to approximately 1.0 million as at December 31, 2020, a decrease of approximately 4.3%, as a result of the general trend away from fixed-line telephony and towards mobile telecommunication services.

**Revenue in Hungary** for the year ended December 31, 2020 was €199.6 million, compared with €217.0 million (€201.0 million in constant currency) for the year ended December 31, 2019, a decrease of 8%.

Average exchange rate for 2020 compared to 2019 increased with 7.9%, which impacted negatively the revenues translated from HUF in EUR. In constant currency, there is only a slight variation of 0.7% mainly as a result of the natural churn of Invitel’s customers.

Our Pay TV RGUs decreased from approximately 959 thousand as at December 31, 2019 to approximately 933 thousand as at December 31, 2020, a decrease of approximately 2.7%. Our fixed internet and data RGUs decreased slightly from approximately 750 thousand at December 31, 2019 to approximately 749 thousand as at December 31, 2020, a decrease of approximately 0.1%.

Our fixed-line telephony RGUs decreased from approximately 681 thousand as at December 31, 2019 to approximately 650 thousand as at December 31, 2020, a decrease of approximately 4.6%. We continue to investment in expanding and upgrading our fixed fiber optic network in Hungary.

Our mobile RGUs increased from 99 thousand as at December 31, 2019 to 173 thousand as at December 31, 2020, an increase of 74.7%. We continue to invest in building and rolling out our mobile network in Hungary.

**Revenue in Spain** for the year ended December 31, 2020 was €274.0 million, compared with €193.2 million for the year ended December 31, 2019, an increase of 41.8%. The increase in revenue was principally due to an increase in the number of our mobile telecommunication services RGUs from approximately 1.9 million as at December 31, 2019 to approximately 2.3 million as at December 31, 2020, an increase of 23.2%. This was primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings.

As at December 31, 2020 we had 204 thousand fixed internet and data RGUs and 72 thousand fixed line telephony RGUs, an increase of 151.9% and 132.3%, respectively, compared to December 31, 2019.

**Revenue in Other** represented revenue from our operations in Italy and for the year ended December 31, 2020 and was €23 million, compared with €22.4 million for the year ended December 31, 2019, a slight variation of 2.7%. The decrease in ARPU was driven by significant increases of mobile data allowances included in our packages with little additional cost to customers. We had an increase of RGUs from approximately 242 thousand as at December 31, 2019 to approximately 251 thousand as at December 31, 2020, an increase of 3.7%.

### **Total operating expenses**

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the year ended December 31, 2020 were €1,111.6 million, compared with €1,038.5 million for the year ended December 31, 2019, an increase of 7.0%.



## Operating expenses

The table below sets out our expenses (excluding intersegment expenses, other expenses and depreciation, amortization and impairment) per geographic segment for the years ended December 31, 2019 and 2020.

	For the year ended December 31,			
	2019	2020		
	(€ millions)	(% of revenue)	(€ millions)	(% of revenue)
Romania	409.5	54.4%	414.5	52.8%
Hungary	156.1	71.9%	145.6	72.9%
Spain	149.8	77.5%	216.5	79.0%
Other <sup>(1)</sup>	24.3	108.5%	25.2	109.6%
<b>Total</b>	<b>739.7</b>	<b>62.4%</b>	<b>801.8</b>	<b>62.6%</b>

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

**Operating expenses in Romania** for the year ended December 31, 2020 were €414.5 million, compared with €409.5 million for the year ended December 31, 2019, an increase of 1.2%. This was primarily due to increases in salaries and utilities expenses during the period.

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

**Operating expenses in Hungary** for the year ended December 31, 2020 were €145.6 million, compared with €156.1 million (€144.6 million in constant currency) for the year ended December 31, 2019, a decrease of 6.7%. The HUF/EUR average exchange rate depreciated in 2020 compared to 2019 with 7.9%, resulting in a decrease in HUF expenses translated in EUR. The variation is mainly due to increase in salaries and allowances.

**Operating expenses in Spain** for the year ended December 31, 2020 were €216.5 million, compared with €149.8 million for the year ended December 31, 2019, an increase of 44.5%. This significant increase was primarily due to fixed telephony, internet and data and mobile interconnection expenses due to increased mobile and fixed RGUs and roll-out of our fixed line services. Salary expenses increased significantly due to a larger employee base.

**Operating expenses in Other** represented expenses of our operations in Italy and expenses of the Company and for the year ended December 31, 2020 were €25.2 million, compared with €24.3 million for the year ended December 31, 2019, an increase of 3.7%.

## 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 years ended December 31, 2019 and 2020.

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Depreciation of property, plant and equipment	135.7	138.6
Amortization of non-current intangible assets	52.3	63.7
Amortization of program assets	42.0	41.7
Depreciation of right of use asset	65.9	61.6
Impairment of property, plant and equipment	3.0	1.7
Revaluation impact	-	2.5
<b>Total</b>	<b>298.9</b>	<b>309.8</b>

### Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €138.6 million for the year ended December 31, 2020, compared with €135.7 million for the year ended December 31, 2019, an increase of 2.1%. This increase was primarily due to the continued development of our networks.

### Amortization of non-current intangible assets

Amortization of non-current intangible assets was €63.7 million for the year ended December 31, 2020, compared with €52.3 million for the year ended December 31, 2019, an increase of 21.8%, his increase was primarily due to an increase in subscriber acquisition costs, as well as customer relationships.

**Amortization of program assets**

Amortization of program assets was €41.7 million for the year ended December 31, 2020, compared with €42.0 million for the year ended December 31, 2019, a slight decrease of 0.7%.

**Depreciation of right of use asset** was €61.6 million for the year ended December 31, 2020 compared to €65.9 million for the year ended December 31, 2019, a decrease of 6.5%.

**Other income/expense**

We recorded €2.7 million of other expenses in the year ended December 31, 2020, compared to €2.5 million in the year ended December 31, 2019.

For the year ended December 31, 2020, Other expenses include the net result from the sales of Invitel's operations in selected locations, and the net result related to share option plans vested and are expected to be one-time events.

For the year ended December 31, 2019, Other expenses include accrued expenses for the period related to the share option plans from 2017 and 2018 which are expected to be one-time events and the impact from the derecognition of the fair value assessment of energy trading contracts.

**Operating profit**

For the reasons set forth above, our operating profit was €167.3 million for the year ended December 31, 2020, compared with €145.0 million for the year ended December 31, 2019.

**Net finance expense**

We recognized net finance expense of €142.7 million in the year ended December 31, 2020, compared with net finance expense of €83.9 million in the year ended December 31, 2019, an increase of 70.1%.

The net loss from foreign exchange in amount of €37.4 million in the year ended December 31, 2020 (compared to a foreign exchange loss of €18.2 million from previous period) has contributed to the net finance loss.

On 5 February 2020 we issued Senior Secured Notes in amount of €850 million. The proceeds were used to repay 2016 Senior Secured Notes of €550 million, partially prepay SFA 2016 and repay SFA 2018 respectively. We recorded expenses for early prepayment and accrued interest up to the repayment date of the 2016 Senior Secured Notes in amount of €16.6 million. At repayment date, upon exercise of call option, the fair value of the related embedded derivative assets was derecognized through profit and loss account and impacted finance expenses in amount of €40.0 million. These financial expenses were partially offset by finance revenues in amount of €3 million, mainly due to fair value movement of embedded derivative assets related to 2020 Senior Secured Notes.

Interest expenses decreased in the current period mainly because of the reduction in coupon related to the Senior Secured Notes issuance from 2020 (2.5% and 3.25%) compared to the 2016 Senior Secured Notes (5%). In February 2020, we fully repaid or prepaid Senior Facilities Agreements from 2018 and 2016, which resulted in a decrease of interest expense in the period.

**Profit before taxation**

For the reasons set forth above, our profit before taxation was €24.7 million for the year ended December 31, 2020, compared with a profit of €61.1 million for the year ended December 31, 2019.

**Income tax expense**

An income tax expense of €16.8 million was recognized in the year ended December 31, 2020 compared to a tax expense of €20.5 million recognized in the year ended December 31, 2019.

**Profit for the year**

For the reasons set forth above, our net profit for the year ended December 31, 2020 was €7.8 million, compared with a profit of €40.6 million for the year ended December 31, 2019.

## LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of liquidity have been our operating cash flows, as well as debt financing. 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 and fixed networks, acquiring new and renewing existing content rights, procuring CPE which we provide to our customers and exploring other investment opportunities 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.

We also believe that, for the coming 12 months, our operating cash flows will be adequate to fund our working capital and capital requirements.

### Historical cash flows

The following table sets forth, for the years ended December 31, 2019 and 2020, our consolidated cash flows from operating activities, cash flows used in investing activities and cash flows from (used in) financing activities.

	For the year ended December 31,	
	2019	2020
	(€ millions)	
<b>Cash flows from operations before working capital changes</b>	<b>446.2</b>	<b>481.2</b>
Cash flows from changes in working capital <sup>(1)</sup>	(51.5)	(20.1)
<b>Cash flows from operations</b>	<b>394.7</b>	<b>461.1</b>
Interest paid	(51.1)	(44.7)
Income tax paid	(9.2)	(9.4)
<b>Net cash flows from operating activities</b>	<b>334.4</b>	<b>407.0</b>
<b>Net cash flows used in investing activities</b>	<b>(318.5)</b>	<b>(370.7)</b>
<b>Net cash flows from (used in) financing activities</b>	<b>(18.7)</b>	<b>(36.7)</b>
Net increase/(decrease) in cash and cash equivalents	(2.8)	(0.4)
Cash and cash equivalents at the beginning of the period	13.8	11.0
Effect of exchange rate fluctuation on cash and cash equivalent held	0.0	0.0
<b>Cash and cash equivalents at the closing of the period</b>	<b>11.0</b>	<b>10.6</b>

(1) Cash flows from changes in working capital includes the sum of the (Increase)/decrease in trade receivables and other assets, (Increase)/decrease in inventories, Increase/(decrease) in trade payables and other current liabilities, Increase/(decrease) in deferred revenue.

Cash flows from operations before working capital changes were €481.2 million in the year ended December 31, 2020 and €446.2 million in the year ended December 31, 2019. The increase from 2019 to 2020 were due to the reasons discussed in “—Historical Results of Operations—Results of operations for the years ended December 31, 2019 and 2020.”

The following table shows changes in our working capital:

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Increase in trade receivables, other and contract assets	(44.1)	(28.1)
Decrease/ (increase) in inventories	0.4	(3.7)
(Decrease)/increase in trade payables and other current liabilities	(12.2)	14.2
(Decrease)/increase in deferred revenue/contract liabilities	4.5	(2.5)
<b>Total</b>	<b>(51.5)</b>	<b>(20.1)</b>

We had a negative working capital of €20.1 million in the year ended December 31, 2020. The negative working capital is lower than previous year due to decrease of trade receivable balance and increase of trade payables balance.

**Cash flows from operating activities** were €407.0 million in the year ended December 31, 2020 and €334.4 million in the year ended December 31, 2019. Interest paid was €44.7 million in the year ended December 31, 2020, compared with net interest paid of €51.1 million in the year ended December 31, 2019. Income tax paid was €9.4 million in the year ended December 31, 2020, compared with €9.2 million in the year ended December 31, 2019. The increase in cash flows from operating activities in the year ended December 31, 2020, as compared to the year ended December 31, 2019, was due to an increase in our subscriber's base and the improved performance of certain business lines.

**Cash flows used in investing activities** were €370.7 million in the year ended December 31, 2020, €318.5 million in the year ended December 31, 2019.



The following table shows our capital expenditures by category for the years ended December 31, 2019 and 2020:

	For the year ended December 31,	
	2019	2020
	(€ millions)	
Network and equipment <sup>(1)</sup>	216.4	283.9
Customer Premises Equipment (CPE) <sup>(2)</sup>	41.9	43.9
Program assets—content for our own channels <sup>(3)</sup>	38.6	42.9
License and software <sup>(4)</sup>	26.3	27.6
Customer relationships <sup>(5)</sup>	18.2	51.7
Other additions to tangible assets <sup>(6)</sup>	29.1	46.6
Other additions to intangible assets <sup>(7)</sup>	36.3	44.3
<b>Total additions to tangible and intangible assets</b>	<b>406.8</b>	<b>540.9</b>
Differences between capital expenditures for tangible and intangible assets and additions to tangible and intangible assets <sup>(8)</sup>	(88.2)	(169.8)
<b>Capital expenditures for the acquisition of tangible and intangible assets</b>	<b>318.5</b>	<b>371.1</b>
Acquisitions of shares <sup>(9)</sup>	0.2	-
<b>Total</b>	<b>318.7</b>	<b>371.1</b>

(1) Composed primarily of costs incurred for additions of materials and equipment to expand and upgrade our fiber optic networks; costs incurred for our personnel and subcontractors related to the expansion and upgrade of our fiber optic and mobile networks; costs incurred for materials and equipment to expand and maintain our mobile networks; costs incurred for equipment needed to operate our own channels; costs for acquisitions through business combinations, and allocated costs of construction in progress.

(2) Composed of costs incurred for additions to CPE, including certain network equipment such as GPON terminals (which may not generally be treated as CPE-related costs by other members of our industry), and other equipment such as set-top boxes, mobile data devices, fixed-line telephone handsets, satellite dishes and satellite receivers and smartcards, and allocated costs of construction in progress.

(3) Composed of costs incurred for additions of content for our own channels.

(4) Composed primarily of mobile network software licenses acquired in Romania and Hungary.

(5) Composed primarily of costs incurred when acquiring customer contracts from other companies directly by purchasing the assets of those companies.

(6) Composed primarily of costs incurred for additions to our land, buildings, vehicles and furniture, and allocated costs of construction in progress.

(7) Composed primarily of subscriber acquisition costs incurred to acquire new subscribers in Romania, Hungary, Spain and Italy.

(8) This is primarily composed of changes in trade payables owed to fixed asset suppliers. Changes in trade payables owed to fixed asset suppliers is composed of payments for additions to tangible and intangible assets recognized in prior periods, advance payments for additions to tangible and intangible assets which we expect will be recognized in future periods and accruals for additions to tangible and intangible assets for which we are obligated to make payments in future periods.

(9) Composed of cash spent to acquire controlling and non-controlling interests in subsidiaries and associates and to make payments for shares acquired in current or prior periods.

During the year ended December 31, 2020, we acquired tangible and intangible assets for €540.9 million. We had €283.9 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber optic and mobile networks in Romania, Hungary and Spain. We had €42.9 million in additions to our program assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions for contracts entered into in this and prior years. We had €27.6 million in additions to our intangible assets, primarily to recognize software licenses for equipment for our mobile networks in Romania and Hungary. We had additions of €43.9 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We also had additions to customer relationships of €51.7 million, reflecting amounts incurred for the acquisition of customers from other cable and internet providers in Romania. Capital expenditures for the acquisition of tangible and intangible assets were €169.8 million lower than accounting additions to tangible and intangible assets during the year. This was primarily due to longer payment terms, especially for part of the network, as well as equipment and CPE additions.

**Cash flows used in financing activities** were a €36.7 million outflow for the year ended December 31, 2020.

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850 million, in two tranches: (i) EUR 450 million 2.50% senior secured notes due 2025 and (ii) EUR 400 million 3.25% senior secured notes due 2028.

On the same date, the entire aggregate principal amount outstanding of EUR 550 million was redeemed including the corresponding costs, the 2016 Senior Facility Agreement was prepaid or repaid partially, the 2018 Senior Facility Agreement was prepaid in full and certain overdraft facilities were repaid (without cancelling).

### Planned Cash Requirements and Capital Expenditure Plan

We anticipate that our cash requirements in the near to medium term will consist principally of expenditures to service our debt, to upgrade and build expansions to our fixed and mobile networks, to further develop our mobile telecommunication services business, to purchase further broadcasting rights for our premium TV channels and

finance acquisitions. We evaluate acquisition opportunities in line with, or complementary to, our current business as and when they become available. We believe that such opportunities may be significant in the territories where we operate in the near-to medium term perspective. The following discussion sets out our principal cash needs based, among other things, on our existing capital expenditure plan, our outstanding bank loans and other contractual commitments.

Beyond our contractually committed capital expenditures (relating to broadcasting rights) and our expected network-related capital expenditures (relating to maintenance capital expenditures), our investment plan for the near to medium term is largely discretionary. These expenditures could include:

- ▶ expansion of our fixed network;
- ▶ expansion and further development of our mobile network;
- ▶ acquisition of additional television content rights and licenses;
- ▶ costs associated with CPE and the acquisition of new customers;
- ▶ payments for the acquisition of new telecommunication licenses or renewal of existing telecommunication licenses; and
- ▶ potential acquisitions.

As at December 31, 2020, our commitments to incur additional capital expenditures (consisting primarily of payments for content rights, and commitments to purchase of equipment and CPE) amounted to approximately €82.2 million.

### Contractual obligations

Our principal contractual obligations consist of our obligations in respect of financial indebtedness that is owed under the Notes, our credit facilities, rent for network pillars, the annual radio spectrum fees for our mobile telecommunication licenses in Romania and Hungary, payments for broadcasting rights and lease arrangements.

The table below sets out the maturities of our financial liabilities and other major contractual commitments, including estimated payments and excluding the impact of netting agreements as at December 31, 2020, based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in the table below.

	Carrying amount as at December 31, 2020	Contractual cash flows as at December 31, 2020	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
(€ millions)							
<b>Non-derivative financial liabilities</b>							
Interest bearing loans and borrowings, including bonds	1,028.6	1,173.6	79.2	36.2	72.2	558.6	427.4
Lease liabilities	226.8	227.0	32.1	31.5	49.6	70.6	43.2
Trade and other payables and other liabilities	526.6	526.6	458.6	32.3	30.3	5.4	-
Capital expenditure and operating expenditure contractual commitments <sup>(1)</sup>	177.3	177.3	37.9	37.9	31.7	44.9	24.9
<b>Total</b>	<b>1,959.2</b>	<b>2,104.5</b>	<b>607.8</b>	<b>137.9</b>	<b>183.7</b>	<b>679.5</b>	<b>495.5</b>

(1) Includes committed capital expenditures and committed operating expenditures.

### Financial obligations

#### Senior Secured Notes due 2025 & 2028 (the Notes)

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850 million, in two tranches: (i) EUR 450 million 2.50% senior secured notes due 2025 and (ii) EUR 400 million 3.25% senior secured notes due 2028 (collectively, the “Notes”).

The gross proceeds of the Offering were used (a) to redeem the entire aggregate principal amount outstanding of EUR 550 million senior secured notes due 2023 issued by the Company and pay redemption premium and accrued, but unpaid, interest to holders thereof; (b) to prepay or repay partially the outstanding amounts under 2016 Senior Facility Agreement; (c) to prepay the entire aggregate principal amount 2018 Senior Facility Agreement; (d) to repay (without cancelling) certain overdraft facilities; (e) to pay costs, expenses and fees in connection with the Refinancing; and (f) for general corporate purposes (which may include acquisitions).

The Notes are guaranteed by the Company, DIGI Hungary, Invitel and Digi Spain and were secured by the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

### **2020 Senior Facilities Agreement (“SFA 2020”)**

On 15 December 2020, RCS & RDS, as borrower and original guarantor, DIGI Tavkozlesi es Szolgáltato Korlatolt Felelossegu Tarsasag as original guarantor, INVITEL Tavkozlesi Zrt as Original Guarantor, the Company, as original guarantor, DIGI Spain Telecom S.L.U., as original guarantor and Citigroup Europe plc, Dublin Romanian Branch, ING Bank N.V. Amsterdam, Bucharest Branch and Unicredit Bank S.A. as original lenders and ING Bank N.V. as the facility agent of the other Finance Parties have concluded a senior facility agreement consisting in

- (i) a term loan facility in a total aggregate amount representing the RON equivalent of EUR 100,000,000;
- (ii) a revolving credit facility in a total aggregate amount representing the RON equivalent of EUR 50,000,000.

SFA 2020 is a 3 year facility. It also permits the establishment from time to time of incremental facilities to be made available in accordance with the terms and within the limits of the Senior Facilities Agreement.

The term loan facility under the Senior Facility Agreement was used for the purposes of refinancing the amounts made available under the Facilities Agreement dated 7 October 2016. The term loan in amount of RON487,830,000 was drawn on 23 December 2020 and we repaid Facility A from SFA 2016.

The revolving facility may be used for capital expenditure, investments, general corporate, and working capital purposes (including intra-group loans) of the Digi group.

The interest rate under the SFA 2020 is composed of a margin of 2% per annum plus ROBOR. There are monthly repayments of principal and interest for the term loan.

The net debt leverage covenant is 3.50 times and interest cover is at 4.25 times.

The 2020 Senior Facilities Agreement is secured by the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

As at December 31, 2020, the outstanding balances were in amount of €100.2 million equivalent.

### **2016 Senior Facilities Agreement (“SFA 2016”)**

On October 7, 2016, the Company, as original guarantor, and RCS & RDS, as borrower, entered into the 2016 Senior Facilities Agreement.

The 2016 Senior Facilities Agreement originally provided for the following facilities: (i) RON930,000,000 Facility A1 (term loan facility); (ii) RON600,000,000 Facility A2 (term loan facility); and (iii) RON157,000,000 Facility B (revolving facility).

On December 15, 2020 this facility was refinanced through 2020 Senior Facilities Agreement. On December 23, 2020 we fully prepaid Facility A in amount of RON688.500.000. Facility B was repaid in November 2020.

SFA 2016 was terminated in December 2020.

### **2018 Senior Facilities Agreement**

On February 1, 2018, RCS & RDS and DIGI Hungary, as borrowers, and the Company, as guarantor, entered into the 2018 Senior Facilities Agreement.

The 2018 Senior Facilities Agreement originally provided for the following facilities: (i) HUF 26,299,850,000 Facility A1; (ii) RON153,884,000 Facility B1; and (iii) €45,000,000 Facility B2. On March 9, 2018, DIGI Hungary exercised this option to increase the commitment under Facility A1 to HUF 31,299,850,000.

The entire aggregate principal amount outstanding under 2018 Senior Facilities Agreement was fully prepaid on February 5, 2020 using the proceeds of the new Senior Secured Notes offering due 2025 and 2028 and the facility was closed.

### **2019 Bridge Facilities Agreement**

On July 31, 2019, the RCS & RDS, as borrower and original guarantor, DIGI Hungary as borrower and original guarantor, the Company, as borrower and original guarantor, and Invitel, as original guarantor, entered into an up to €150.0 million equivalent 2019 Bridge Facilities Agreement with a syndicate of banks (Citibank, N.A., London Branch, ING Bank N.V. and Unicredit Bank S.A.).

The Facility was not drawn and it was closed during 2020.

### ***Short term and working capital facilities***

RCS & RDS entered into short term and working capital facilities with ING Bank N.V-Bucharest Branch, Citibank Europe Plc, Dublin – Romania Branch, BRD and Unicredit. These facilities include uncommitted overdraft facilities, uncommitted facilities for letters of guarantee and letters of credit issuance.

As at December 31, 2020, the outstanding balances were in amount of €24.1 million equivalent (December 31, 2019: €48.3 million equivalent).

### ***Other facilities***

On December 17, 2019, RCS & RDS, as borrower and the Company, as guarantor, entered into the 2019 UniCredit Equipment Financing Agreement for the acquisition of equipment from Nokia. All amounts drawn under the 2019 UniCredit Equipment Financing Agreement are subject to an interest rate of 0.85% per annum plus EURIBOR and interest is payable every six months.

As at December 31, 2020, the outstanding balances were in amount of €8.8 million equivalent (December 31, 2019: €10.8 million equivalent).

On February 25, 2016, RCS & RDS entered into the Libra Loan Agreement for the aggregate amount of RON32.0 million repayable in five years with Libra Bank.

As at December 31, 2020, € 0.3 million equivalent was outstanding under the Libra Loan Agreement (December 31, 2019: €1.8 million equivalent).

### ***DIGI Hungary financings***

On August 5, 2019, DIGI Hungary entered into the Sberbank Facility Agreement in the aggregate principal amount of HUF640.0 million. DIGI Hungary's obligations under the Sberbank Facility Agreement are guaranteed by the RCS & RDS and are secured by pledges of certain real estate.

The outstanding amount as at December 31, 2020 was € 5.0 million equivalent (December 31, 2019: €5.6 million).

### ***DIGI Spain financings***

DIGI Spain is party to several credit facilities with Banco Santander, Caixabank and BBVA. As at December 31, 2020, the aggregate principal amount outstanding under these facilities was €32.9 million (December 31, 2019: €12.6 million).

### ***Lease liabilities***

As at December 31, 2020, we had lease liabilities as per IFRS 16, in place for a total outstanding aggregate amount of € 226.8 million (December 31, 2019: €198.3 million).

### ***Contingent obligations***

Apart from the commitments described under the section “—*Contractual Obligations*” we have no material contingent obligations. For details regarding commitments offered by RCS & RDS to the Competition Council regarding the Network Agreements between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunicatii S.R.L., please see public reports issued on 27 July 2020.

See also [Note 28 from the Consolidated Financial Statements as at December 31, 2020](#).

### ***OFF-BALANCE SHEET ARRANGEMENTS***

Other than commitments described under the caption “—*Contractual Obligations*” (including letters of guarantees in the aggregate amount of €29.8 million), we did not have any material off-balance sheet arrangements as at December 31, 2020. See also [Note 28 from the Consolidated Financial Statements as at December 31, 2020](#).



## Main variations of assets and liabilities as at DECEMBER 31, 2020

Main variations for the consolidated financial position captions as at December 31, 2020 are presented below (for details, please see [Consolidated Financial Statements for the year ended 31 December 2020](#) included in this Annual report):

### ASSETS

#### *Financial assets at fair value through OCI*

The available for sale financial assets at fair value through OCI of €40.8 million as at December 31, 2020 (December 31, 2019: €39.6 million) comprise of shares in RCSM obtained as result of the Share swap contracts between the Company and minority shareholders. The fair value assessment at year end was made based on the quoted price/share as of the valuation date, which is a relevant method of estimating the market value of a minority ownership in its equity.

For details, please see [Note 25 from the Consolidated Financial Statements as at December 31, 2020](#).

#### *Inventories*

As at December 31, 2020 inventories were €20.4 million (December 31, 2019: €15.6 million). The increase is due mainly to inventories from the Spanish operations.

#### *Trade and other receivables and contract assets*

As at December 31, 2020 trade and other receivables were €88.5 million and contract assets were €53.3 (December 31, 2019: trade and other receivables €69.7 million; contract assets were €50.7), increase due to normal business development, mainly coming from Spain and Romania.

#### *Derivative financial assets*

As at December 31, 2020 derivative assets included embedded derivative assets for the Senior Notes measured at fair value, in amount of €21.6 million (December 31, 2019: €40.1 million) For details, please see [Note 27 from the Consolidated Financial Statements for year ended December 31, 2020](#).

### LIABILITIES

#### *Interest bearing loans and borrowings*

As at December 31, 2020 the non-current portion of the interest bearing loans and borrowings were in amount of €941.5 million (December 31, 2019: €811.4 million) and the current portion was in amount of €87.2 million (December 31, 2019: €130.7 million) including the effect of borrowing costs. The total increase in non-current portion of interest bearing loans and borrowings is mainly due to the €850 million Bonds issued in February 2020. For details, please see caption "[Financial obligations](#)" from above.

### FINANCIAL INDICATORS

Below are presented consolidated financial indicators for the year ended 31 December 2020:

Financial Indicator	As at 31 December 2019	As at 31 December 2020
Current ratio		
Current assets/Current liabilities	0.31	0.33
Debt to equity ratio		
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	502%	217%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	83%	68%
Trade receivables turnover		
Average receivables/Revenues	34.07 days	36.82 days
Non-current assets turnover (Revenues/Non-current assets)	0.69	0.59

## BOARD OF DIRECTORS' STATEMENTS

The Board of Directors is responsible for preparing the annual accounts and management board report, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("EU-IFRS").

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the annual accounts prepared in accordance with applicable accounting standards provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year for the Company and its subsidiaries and that the board report provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and its group face.

In accordance with the Dutch Decree Implementing Article 10 EU-Directive on Takeovers (Besluit artikel 10 overnamerichtlijn) the Company makes the following disclosures:

- a. for information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Corporate Governance in this annual report. For information on the rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. For information on the rights attached to the Class B Shares, please refer to the Articles which can be found on the Company's website. As at 31 December 2020, the issued share capital of the Company amounted to €6,810,042.52 divided into 64,556,028 Class A Shares representing 64.56% of the total issued share capital and 35,443,972 Class B Shares representing 35.44% of the total issued share capital.
- b. the Company has imposed no limitations on the transfer of Class A Shares and Class B Shares (with the exception of the Relationship Agreement). The Company is not aware of any depository receipts having been issued for shares in its capital.
- c. for information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (Wet op het financieel toezicht) notification requirements apply, please refer to Corporate Governance of this annual report. There you will also find a list of shareholders who are known to the Company to have holdings of 3% or more.
- d. Mr. Zoltán Teszári directly and indirectly, exercises control over 100% of the Company's Class A Shares. Mr. Zoltán Teszári owns 2.4% of the Class A Shares directly and controls the rest of the Class A Shares through his 87% share ownership of RCS Management S.A (economic interest). The Class A Shares have special rights in the Company. For information on the special rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. To summarize, each Class A Share confers the right to cast 10 votes, members of the Board of Directors are appointed and dismissed on nomination of the meeting of holders of Class A Shares, the meeting of holders of Class A Shares holds the right to make proposals to the general meeting of shareholders for remuneration of members of the Board of Directors in the form of shares, certain decisions of the Board of Directors concerning disposal or encumbrance of assets requires the approval from the meeting of holders of Class A Shares and amendment of the Articles of association of the Company which affect the rights of the Class A Shares, require the prior approval of the meeting of holders of Class A Shares.
- e. current equity incentive plans adopted by the Company are administered by the Remuneration Committee.
- f. no restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles do not allow the Company to cooperate with the issue of depository receipts for shares.
- g. the Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights (with the exception of the Relationship Agreement).
- h. the rules governing the appointment and dismissal of members of the Board of Directors of the Company are stated in the Articles of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders upon a binding nomination by the meeting of holders of Class A Shares. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles are stated in the Articles and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company. Any amendment of the Articles which affect the rights of the Class A Shares, requires the prior approval of the meeting of holders of Class A Shares.
- i. the general powers of the Board of Directors are stated in the Articles of the Company which can be found on the Company's website. The Board of Directors does not hold the authority to resolve upon the issuance of shares. The Board of Directors is authorized to acquire shares in the capital of the Company

for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 5 of the Articles.

- j. the Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (Wet op het financieel toezicht), provided that certain financing and bonds agreements entered into by the Company do contain provisions that, as is customary for such documentation, may require early repayment or termination in the event of a change of control of the Company which in fact would mean that Mr. Zoltán Teszári would cease to control the Company Class A Shares. The Company's subsidiaries are also parties to a number of agreements concluded in the ordinary course of business that contain customary change of control clauses able to lead to the termination of the respective agreements.
- k. the Company is not a party to any agreement with a Director or employee providing for payments upon termination of directorship or employment as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (Wet op het financieel toezicht)

In accordance with best practices 1.4.3 from the DCGC, with due consideration of the aforementioned inherent limitations and scope for improvement, the Board of Directors is of the opinion that:

- ▶ the management board report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- ▶ the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- ▶ based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis;
- ▶ the report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.



# **Consolidated Financial Statements for the year ended 31 December 2020**





**GENERAL INFORMATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**



---

## **General Information**

### **Directors:**

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Emil Jugaru

Marius Catalin Varzaru

Zoltan Teszari

### **Registered Office:**

#### **Digi Communications N.V.**

Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania

### **Auditors:**

Ernst & Young Accountants LLP.

**DIGI COMMUNICATIONS N.V.**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2020**
*(all amounts are in thousand EUR, unless specified otherwise)*

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,562,471	1,188,394
Right of use assets	6	242,969	197,930
Intangible assets	7	317,048	268,928
Financial assets at fair value through OCI	8	40,821	39,592
Investment in associates		974	969
Long term receivables		2,493	2,642
Other non-current assets		6,853	5,943
Deferred tax assets	22	1,000	2,620
<b>Total non-current assets</b>		<b>2,174,629</b>	<b>1,707,018</b>
<b>Current assets</b>			
Inventories	10	20,381	15,560
Programme assets	7	18,383	17,557
Trade and other receivables	11	88,473	69,680
Contract assets	19,11	53,274	50,715
Income tax receivable		-	9
Other assets	12	12,222	11,884
Derivative financial assets	27	21,578	40,095
Cash and cash equivalents	13	10,584	10,998
<b>Total current assets</b>		<b>224,895</b>	<b>216,498</b>
<b>Total assets</b>		<b>2,399,524</b>	<b>1,923,516</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	6,810	6,810
Share premium		3,406	3,406
Treasury shares		(15,556)	(16,806)
Reserves	14	237,286	(18,536)
Retained earnings		192,900	188,679
<b>Equity attributable to equity holders of the parent</b>		<b>424,846</b>	<b>163,553</b>
Non-controlling interest		26,430	6,224
<b>Total equity</b>		<b>451,276</b>	<b>169,777</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings, including bonds	15	941,451	811,363
Lease liabilities	16	163,291	133,537
Deferred tax liabilities	22	122,801	69,746
Decommissioning provision		9,840	7,180
Other long term liabilities	17.2	35,656	40,312
<b>Total non-current liabilities</b>		<b>1,273,039</b>	<b>1,062,138</b>
<b>Current liabilities</b>			
Trade and other payables	17.1	490,905	460,294
Interest-bearing loans and borrowings	15	87,191	130,667
Lease liabilities	16	63,464	64,721
Income tax payable		2,645	1,498
Derivative financial liabilities	27	-	785
Provisions		6,005	6,118
Contract liabilities	19	24,999	27,518
<b>Total current liabilities</b>		<b>675,209</b>	<b>691,601</b>
<b>Total liabilities</b>		<b>1,948,248</b>	<b>1,753,739</b>
<b>Total equity and liabilities</b>		<b>2,399,524</b>	<b>1,923,516</b>

**DIGI COMMUNICATIONS N.V.**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED AS AT 31 DECEMBER 2020**
*(all amounts are in thousand EUR, unless specified otherwise)*

		<b>2020</b>	<b>2019</b>
	Notes		
Revenues	19	1,281,569	1,186,026
Operating expenses	20	(1,111,543)	(1,038,530)
Other expenses	30	(2,678)	(2,496)
<b>Operating profit</b>		<b>167,348</b>	<b>145,000</b>
Finance income	21	3,801	9,984
Finance expenses	21	(146,480)	(93,867)
<b>Net finance costs</b>		<b>(142,679)</b>	<b>(83,883)</b>
<b>Profit / (loss) before taxation</b>		<b>24,669</b>	<b>61,117</b>
Income tax	22	(16,833)	(20,533)
<b>Net profit / (loss) for the year</b>		<b>7,836</b>	<b>40,584</b>
<i>Attributable to non-controlling interests</i>		<i>464</i>	<i>2,459</i>
<i>Attributable to owners</i>		<i>7,372</i>	<i>38,125</i>
<b>Basic earnings per share</b>	9	0.078	0.406
<b>Diluted earnings per share</b>	9	0.078	0.404
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss, net of income tax</i>			
Foreign operations – foreign currency translation differences		(6,729)	(2,648)
Cash Flow hedge reserves	14	6	(93)
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of equity instruments measured at fair value through OCI	8	1,551	7,535
Revaluation of Property, Plant and Equipment	5,22	277,224	-
<b>Other comprehensive income for the year, net of income tax</b>		<b>272,052</b>	<b>4,794</b>
<b>Total comprehensive income for the year</b>		<b>279,888</b>	<b>45,378</b>
<i>Attributable to non-controlling interests</i>		<i>12,498</i>	<i>2,271</i>
<i>Attributable to owners</i>		<i>267,390</i>	<i>43,107</i>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>24,669</b>	<b>61,117</b>
<b>Adjustments for:</b>			
Depreciation, amortization and impairment	5, 6, 7	307,303	298,850
Revaluation decrease recognised in profit or loss	5	2,456	-
Interest expense	21	49,095	62,478
Interest revenue		-	(3,240)
Finance cost		13,750	-
Impairment of trade and other receivables	20	7,923	10,397
Losses/(gains) on derivative financial instruments	27	36,733	(5,621)
Equity settled share-based payments expense	26	123	2,382
Unrealised foreign exchange loss		42,029	19,688
(Gain)/loss on sale of assets		(2,903)	126
<b>Cash flows from operations before working capital changes</b>		<b>481,178</b>	<b>446,177</b>
<b>Changes in:</b>			
Increase) in trade receivables, other assets and contract assets		(28,051)	(44,104)
Decrease/(increase) in inventories		(3,747)	366
(Decrease)/increase in trade payables and other current liabilities		14,247	(12,192)
(Decrease)/increase in contract liabilities		(2,519)	4,480
<b>Cash flows from operations</b>		<b>461,108</b>	<b>394,727</b>
Interest paid		(44,697)	(54,320)
Interest received		-	3,240
Income tax paid		(9,369)	(9,246)
<b>Net cash flows from operating activities</b>		<b>407,042</b>	<b>334,401</b>
<b>Cash flow used in investing activities</b>			
Purchases of property, plant and equipment	5	(268,363)	(208,315)
Purchases of intangibles	7, 14	(101,891)	(110,045)
Acquisition of subsidiaries, net of cash and acquisition of NCI	24	(825)	(340)
Proceeds from sale of property, plant and equipment		340	208
<b>Net cash flows used in investing activities</b>		<b>(370,739)</b>	<b>(318,492)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	14	(11,536)	(4,517)
Cash outflows from acquisition of treasury shares		(166)	(6,194)
Proceeds from borrowings	15	1,001,209	267,332
Repayment of borrowings	15	(911,996)	(202,345)
Repayment of borrowings from related parties	18	-	(1,089)
Transaction costs paid	15	(33,214)	(5,967)
Payment of lease obligations	16	(81,019)	(65,967)
<b>Net cash flows (used in)/from financing activities</b>		<b>(36,722)</b>	<b>(18,747)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(419)</b>	<b>(2,838)</b>
Cash and cash equivalents at the beginning of the year	13	<b>10,998</b>	<b>13,832</b>
Effect of exchange rate fluctuations of cash and cash equivalents held		5	4
<b>Cash and cash equivalents at the end of the year</b>	13	<b>10,584</b>	<b>10,998</b>



**DIGI COMMUNICATIONS N.V.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**
*(all amounts are in thousand EUR, unless specified otherwise)*

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non- controlling interest	Total equity
<b>Balance at 1 January 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,806)</b>	<b>(36,708)</b>	<b>24,385</b>	<b>(6,220)</b>	<b>7</b>	<b>188,679</b>	<b>163,553</b>	<b>6,224</b>	<b>169,777</b>
<b>Comprehensive income for the year</b>											
Profit/(loss) for the year	-	-	-	-	-	-	-	7,372	<b>7,372</b>	464	<b>7,836</b>
Foreign currency translation differences	-	-	-	(6,497)	-	-	-	-	<b>(6,497)</b>	(232)	<b>(6,729)</b>
Revaluation of Property, Plant and Equipment (Notes 5, 22)	-	-	-	-	264,958	-	-	-	<b>264,958</b>	12,266	<b>277,224</b>
Revaluation of equity instruments measured at fair value through OCI (Note 8)	-	-	-	-	-	1,551	-	-	<b>1,551</b>	-	<b>1,551</b>
Cash Flow hedge reserves <sup>(1)</sup>	-	-	-	-	-	-	6	-	<b>6</b>	-	<b>6</b>
Transfer of revaluation reserve (depreciation)	-	-	-	-	(4,196)	-	-	4,196	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,497)</b>	<b>260,762</b>	<b>1,551</b>	<b>6</b>	<b>11,568</b>	<b>267,390</b>	<b>12,498</b>	<b>279,888</b>
<b>Transactions with owners, recognised directly in equity</b>											
<i>Contributions by and distributions to owners</i>											
Purchase of treasury shares (Note 14)	-	-	(166)	-	-	-	-	-	<b>(166)</b>	-	<b>(166)</b>
Equity-settled share-based payment transactions (Note 26)	-	-	1,416	-	-	-	-	(1,255)	<b>161</b>	(38)	<b>123</b>
Dividends distributed (Note 14)	-	-	-	-	-	-	-	(12,630)	<b>(12,630)</b>	(457)	<b>(13,087)</b>
<i>Total contributions by and distributions to owners</i>	<b>-</b>	<b>-</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,885)</b>	<b>(12,635)</b>	<b>(495)</b>	<b>(13,130)</b>
<i>Changes in ownership interests in subsidiaries</i>											
Changes in ownership interests in subsidiaries (Note 24)	-	-	-	-	-	-	-	6,538	<b>6,538</b>	8,203	<b>14,741</b>
<i>Total changes in ownership interests in subsidiaries</i>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,538</b>	<b>6,538</b>	<b>8,203</b>	<b>14,741</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,347)</b>	<b>(6,097)</b>	<b>7,708</b>	<b>1,611</b>
<b>Balance at 31 December 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,556)</b>	<b>(43,205)</b>	<b>285,147</b>	<b>(4,669)</b>	<b>13</b>	<b>192,900</b>	<b>424,846</b>	<b>26,430</b>	<b>451,276</b>

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

**DIGI COMMUNICATIONS N.V.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**
*(all amounts are in thousand EUR, unless specified otherwise)*

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non- controlling interest	Total equity
<b>Balance at 1 January 2019</b>	<b>6,918</b>	<b>3,406</b>	<b>(14,527)</b>	<b>(34,242)</b>	<b>29,320</b>	<b>(13,755)</b>	<b>94</b>	<b>168,825</b>	<b>146,039</b>	<b>7,306</b>	<b>153,345</b>
<b>Comprehensive income for the year</b>											
Profit/(loss) for the year	-	-	-	-	-	-	-	38,125	38,125	2,459	40,584
Foreign currency translation differences	-	-	-	(2,466)	-	-	-	-	(2,466)	(182)	(2,649)
Revaluation of equity instruments measured at fair value through OCI (Note 8)	-	-	-	-	-	7,535	-	-	7,535	-	7,535
Cash Flow hedge reserves	-	-	-	-	-	-	(87)	-	(87)	(6)	(93)
Transfer of revaluation reserve (depreciation)	-	-	-	-	(4,935)	-	-	4,935	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,466)</b>	<b>(4,935)</b>	<b>7,535</b>	<b>(87)</b>	<b>43,060</b>	<b>43,107</b>	<b>2,271</b>	<b>45,378</b>
<b>Transactions with owners, recognised directly in equity</b>											
<i>Contributions by and distributions to owners</i>											
Conversion of class A shares to class B shares (Note 14)	(108)	-	-	-	-	-	-	108	-	-	-
Purchase of treasury shares (Note 14)	-	-	(6,194)	-	-	-	-	-	(6,194)	-	(6,194)
Equity-settled share-based payment transactions (Note 26)	-	-	3,915	-	-	-	-	(1,635)	2,280	102	2,382
Dividends distributed (Note 14)	-	-	-	-	-	-	-	(9,959)	(9,959)	(675)	(10,634)
<b>Total contributions by and distributions to owners</b>	<b>(108)</b>	<b>-</b>	<b>(2,279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,486)</b>	<b>(13,873)</b>	<b>(573)</b>	<b>(14,446)</b>
<i>Changes in ownership interests in subsidiaries</i>											
Changes in ownership interests in subsidiaries (Note 24)	-	-	-	-	-	-	-	(11,719)	(11,719)	(2,780)	(14,499)
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,719)</b>	<b>(11,719)</b>	<b>(2,780)</b>	<b>(14,499)</b>
<b>Total transactions with owners</b>	<b>(108)</b>	<b>-</b>	<b>(2,279)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,205)</b>	<b>(25,592)</b>	<b>(3,353)</b>	<b>(28,945)</b>
<b>Balance at 31 December 2019</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,806)</b>	<b>(36,708)</b>	<b>24,385</b>	<b>(6,220)</b>	<b>7</b>	<b>188,679</b>	<b>163,553</b>	<b>6,224</b>	<b>169,777</b>

**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, Chamber of Commerce registration number 34132532/29.03.2000 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), Invitel Távközlési Zrt. (Hungary), Digi Spain Telecom SLU and Digi Italy SL.

DIGI registered office is located in Str. Dr. Nicolae Staicovici, no. 75, - Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania.

RCS&RDS is a company incorporated in Romania and its registered office is located at Dr. Staicovici 75, Forum 2000 Building, sect. 5, 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. At the end of 2020, DIGI Group had a 20,242 total of employees (2019: 16,912 employees).

The controlling shareholder of DIGI is RCS Management (“RCSM”) a company incorporated in Romania. The ultimate controlling 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 asset is the ownership of RCS&RDS and respectively DIGI.

The consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 6 April 2021.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **2.1 BASIS OF PREPARATION**

#### ***(a) Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and Part 9 of book 2 of the Dutch civil code.

#### ***(b) Consolidated financial statements***

These financial statements (consolidate and stand-alone) are the legal financial statements of DIGI, to be filed with the The Dutch Authority for the Financial Markets (“AFM”) and serve as a basis for determining distributions to shareholders.

#### ***(c) Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis, except for buildings, land, network, 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 as described in the accounting policies under Note 2.2 below.

#### ***(d) Going concern assumption***

Management believes that the Group will continue as a going concern for the foreseeable future. In recent years the Group operated in an environment of exchange rate volatility whereby the functional currencies (RON, HUF, etc.) fluctuated against the EUR and USD. The unfavourable evolution of the exchange rates has impacted the financial result. However, it did not affect the operations of the Group.

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.

Please refer to Note 25 for a discussion of how management addresses liquidity risks.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

During 2020, the Group's operations have been largely resilient to the effects of the restrictions imposed following the COVID-19 pandemic. The impact of the economical restrictions imposed during the year are difficult to be quantified. During the second quarter of 2020, insignificant trends were noticed certain areas, but starting with the end of the second quarter, all these trends returned gradually to levels recorded in normal business periods and had insignificant impact in the Group's overall annual results. Cash management and liquidity were not impacted. At present the impact and consequences of the COVID-19 outbreak are still difficult to predict.

Please refer to Note 23 for details.

***(e) Functional and presentation currency***

The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates (the local currency), or in which the main economic transactions are undertaken.

In February 2020, the Company has repaid the outstanding 2016 Notes which were denominated in EUR. Management has performed an analysis of the main transactions of the Company following the repayment of the 2016 Bonds and concluded that the functional currency of the Company going forward should be lei ("RON"). Consequently, starting with the second quarter of 2020, the financial information of the Company (for stand-alone financial statements and for consolidation purposes) is prepared in RON, as functional currency. The impact to the consolidated financial statements is not material.

The 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 consolidated financial statements 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;
- The Group's Senior Notes are denominated in EUR.

The translation into presentation currency of the financial statements of each entity is described under Note 2.2 below.



**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****(f) Significant estimates and judgments***

In the process of applying the Group's accounting policies, management has made the following significant judgements and estimates, including assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the estimates affect that period only, and future periods, if the change affects both

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 2.2 (d): recognition and classification of programme assets;
- Notes 2.2 (c) and Note 5: recognition of customer premises equipment;

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 7: key assumptions used in discounted cash flow projections in relation to goodwill impairment testing;
- Note 2.2 (c) and Note 5: significant judgement in determining the lease term of contracts with or without explicit renewal options (IFRS 16); assessment of useful lives of property, plant and equipment; decommissioning provision;
- Notes 3 (a) and 5: revaluation of land, buildings, network, equipment and devices and customer premises equipment;
- Note 25 i): assessment of allowance for expected credit losses;
- Notes 3 and 25 iv): determination of fair value of financial instruments, in particular financial assets at fair value through OCI (Note 3 (f) and Note 8);
- Note 28: contingencies;
- Note 15 and 25 iv): determination of fair value of bonds embedded derivatives;
- Note 22: recognition and measurement of deferred tax assets;
- Note 23: analysis of the COVID-19 impact on the results.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)****2.2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Parent has prepared the consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances for all Group entities.

***a) Basis of consolidation***

The consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in associates as at 31 December 2020. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using consistent accounting policies. Upon consolidation adjustments are recorded in order to align the few inconsistent accounting policies.

***Business combinations***

The Group accounts for business combinations using the acquisition method. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. If the business combination in effect settles a pre-existing relationship, the acquirer recognises a gain or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

***Non-controlling interests***

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

*Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*Investments in associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity, unless it can be clearly demonstrated that the Group lacks the ability to exercise such influence over its investee.

Investments in associates are accounted for using the equity method (equity-accounted investees). Under the equity method, the investment in an associate is initially recognised at cost. The cost of the investment includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**b) Foreign currency***Foreign currency - Transactions and balances*

Transactions in foreign currencies have been recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been retranslated into the functional currency at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising from the translation of the following items are recognised in OCI:

- financial assets at fair value through OCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- qualifying cash flow hedges to the extent that the hedges are effective.

*Foreign operations - Translation to presentation currency*

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 through OCI 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. The equity items are translated using historical exchange rates.

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.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

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

Currency	2020			2019		
	Jan – 1	Average for the year	Dec – 31	Jan – 1	Average for the year	Dec – 31
RON per 1EUR	4.7793	4.8371	4.8694	4.6639	4.7452	4.7793
HUF per 1EUR	330.52	351.17	365.13	321.51	325.35	330.52
USD per 1EUR	1.1234	1.1413	1.2271	1.1450	1.1196	1.1234

**c) Property, plant and equipment**

Property, plant and equipment is carried:

- using the cost model, at purchase or construction cost less accumulated depreciation and accumulated impairment losses: vehicles, furniture and office equipment; or
- using the revaluation model, at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land, buildings, network, equipment and devices and customer premises equipment (“CPE”).

*Property, plant and equipment using the cost model*

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use, and capitalised borrowing costs, when applicable. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. In case of volume discounts received from suppliers, the estimated value of the discount is applied to the cost of all similar items purchased and the carrying value is depreciated over their individual useful lives.

The costs of internally developed networks include direct material and labour costs, as well as costs relating to subcontracting the development services.

Cost includes the cost of replacing part of the plant or equipment when that cost meets the recognition criteria. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

### *Property, plant and equipment using the revaluation model*

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Revaluation of property, plant and equipment from Romania and Hungary was performed as at 31 December 2020, by an independent evaluator, using revaluation methods such as Market Approach, Income Approach and Cost Approach.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in the profit or loss. A revaluation deficit is recognized in profit or loss, except where a deficit is directly offsetting a previous surplus on the same asset in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation reserve is transferred to retained earnings as the assets are depreciated or upon disposal.

For details regarding the revaluation performed and differences recorded, please see Note 5.

Property, plant and equipment includes customer premises equipment, such as direct to home ("DTH"), cable, internet and mobile radio equipment in custody with customer, when the Group retains control over such assets.

The carrying values of property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of customer premises equipment in custody of customers with suspended services as at the reporting date is fully impaired.

The residual values, useful lives and the depreciation method of the assets are reviewed at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

Depreciation is calculated on a straight-line basis to write off recorded cost of the assets over their estimated useful lives.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

The estimated useful lives applied are as follows:

	<b>Useful life</b>
Buildings	40-50 years
Fixed Network	up to 25 years
Mobile Radio Network (sites)	20 years
Equipment and devices	3-10 years
Customer premises equipment	5-10 years
Vehicles	5 years
Furniture and office equipment	3-9 years

Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year when the asset is derecognized.

*Decommissioning*

The present value of the expected cost for the decommissioning of the mobile radio network sites after their use, is included in the cost of the respective assets if the recognition criteria for a provision are met.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****d) Intangible assets***

Intangible assets acquired separately are measured on initial recognition at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use. In case of volume discounts received from suppliers, the estimated value of the discount is applied to the cost of all similar items purchased and the carrying value is depreciated over their individual useful lives.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss.

***Customer relationships***

Customer relationships represent the cost incurred by the Group to acquire customer contracts from other companies directly or by acquiring control of those companies. Customer relationships acquired directly from other companies are recognized at the cost of acquisition, which is the fair value of the consideration paid.

In 2020, the Networking agreements between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunications S.R.L. ("Assignors") entered into force. Based on the substance of the transaction, the customer services acquired as per the agreements were classified as customer relationships. Customer relationships acquired as per the agreement are recognized at the cost of acquisition, which is the fair value of the consideration paid. For details regarding the assessment of the fair value, please see Note 7.

Customer relationships obtained by acquiring control of certain companies are recognized at their fair value at the date of the acquisition and are presented separately from any goodwill resulting in the acquisition.

Management determines the useful life for the amortization of customer relationships based on management analysis and past experience. The useful life for amortizing customer relationships is of 7 years (straight line method is used).

***Cost to obtain a contract***

Cost to obtain a contract represent the costs for acquiring and connecting new subscribers of the Group companies, consisting of commissions paid to third parties for contracting a new subscriber at the point at which the contract is signed with the customer.

These are amortized over the related contract period, being a two-year period, as generally a contract has a lock-up period of two years.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.2 (a). Goodwill is subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment.

Where goodwill forms part of cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

*Programme assets*

The Group is concluding multi-annual contracts for the acquisition of broadcasting rights for national and international sports competitions ("sports rights"), as well as contracts for the acquisition of film and television broadcasting rights. When entering into such contracts, the rights acquired are classified as contractual commitments. They are recognised in the statement of financial position and classified as current intangible assets (programme assets) as follows:

- Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season. Sports rights are amortized over the broadcasting period on a straight line basis. Any rights not expected to be utilized are written off;
- Film and television broadcasting rights are recognised at their acquisition cost, when the programme is available for screening, and are amortised over their broadcasting period.

Advance payments for sports rights related to future seasons and for film and television rights are also presented as current intangible assets (programme assets).

The Group classifies the cash outflows for the purchase of programme assets as cash flows used in investing activities in the Consolidated Statement of Cash Flows, based on the long-term nature of the contribution of these assets to the subscriber acquisition, subscriber retention and consequent revenue generation, based on the comprehensive strategy of the Group.

*Other intangible assets*

Other intangible assets that are acquired by the Group (the 2100 MHz the 900 MHz, the 2600 MHz and the 3700 MHz mobile telephony licenses in Romania, the 1800 MHz and 3800 MHz mobile telephony license in Hungary, software and other intangible assets) have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of the mobile telephony licences is charged on a straight line basis over the period of each license.

Estimated useful lives for mobile telephony licenses are between 15-25 years.

Software licenses (including software related to telecommunication equipment) are amortized on a straight line over their estimated useful life which is generally 3 to 10 years. Other contractual intangible assets are amortized over their underlying contract period.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

### ***e) Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### ***i) Financial assets***

##### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.1) Revenues.

In order for a financial asset to be classified as debt instrument and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.



## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

### ***Classification***

The Group classifies non-derivative financial assets into the following categories: cash and cash equivalents, financial assets at amortised cost, financial assets designated at fair value through OCI (equity instruments) and financial assets at fair value through profit or loss.

#### ***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits at banks.

Cash and cash equivalents in the consolidated statement of cash flows comprise cash at bank and in hand and short-term deposits at banks with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### ***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes, mainly, trade and other receivables.

#### ***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group elected to classify irrevocably its unquoted equity investments as equity instruments designated at fair value through OCI. This category only includes equity instruments which the Group intends to hold for the foreseeable future. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

***Derecognition***

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***ii) Financial liabilities****Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as interest-bearing loans and borrowings, payables, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, payables and other financial liabilities net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, issued bonds and derivative financial instruments.

***Subsequent measurement***

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Group established vendor financing and reverse factoring agreements with suppliers. In some cases, payment terms are extended in agreements between the supplier and the Group. Liabilities from vendor financing and reverse factoring agreements represents liabilities to pay for goods or services which are invoiced following a formal agreement with the supplier. If these agreements imply payment terms beyond one year, these are classified as non-current liabilities. Corresponding cash flows are presented as Cash flow from operating activities, as applicable.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****Offsetting***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

***(iii) Share capital******Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Transactions with the Company's A shares between shareholders are considered completed at the date when the transfer of ownership has been agreed upon by the parties in a written contract. Transactions with B shares are trading on the stock exchange and are considered completed at the transaction date.

***Repurchase, disposal and reissue of share capital (treasury shares)***

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium. Transactions with non-controlling interest which result in surplus or deficit on the transaction are credited or debited to retained earnings. When treasury shares are cancelled the excess of cost above nominal value is debited to retained earnings.

Share and repurchase agreements related to treasury shares do not result in derecognition of the respective treasury shares and do not affect their cost.

***Earnings per share***

The Group discloses both basic earnings per share and diluted earnings per share for continuing operations:

- basic earnings per share are calculated by dividing net profit/(loss) for the year attributable to the equity holders of the Group, by the weighted average number of ordinary shares outstanding during the period;
- diluted earnings per share are calculated based on the net profit/(loss). Average number of outstanding shares are adjusted by the dilutive effect of employee stock-options, net of the related tax effect.

Earnings per share are adjusted retrospectively for increases in the number of shares resulting from capitalisation, bonus issues or share splits, as well as for decreases resulting from reverse share splits, including when such changes occur subsequent to the reporting period but before the financial statements are authorized for issue.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### *f) Impairment*

#### *i) Non-financial assets*

##### ***Property, plant and equipment and intangible assets other than goodwill***

The carrying amount of the Group's property, plant and equipment and intangible assets other than goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An asset's or cash generating unit's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset. In determining fair value less costs of disposals, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss, except for property, plant and equipment previously revalued where the revaluation was recognised in other comprehensive income. In this case the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless that asset is carried at revalued amount, in which case the reversal in excess of previous impairment loss recognised in profit or loss is treated as a revaluation increase.

After recording impairment losses or reversals the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****Goodwill***

Goodwill is tested, at least annually, for impairment, based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lower level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized in profit or loss.

Impairment losses recognized for goodwill cannot be subsequently reversed.

***ii) Financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

For trade receivables, contract assets and other current financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established two provision matrices that comprise of the grouping of customers, in accordance with similar loss patterns (namely by geography, type of service and type of customer, namely residential and business clients). The provision rates are initially based on the Group's observed historical credit loss experience and default rates, adjusted for specific factors referring to the debtors, such as reciprocal payments and offsets of debts. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed, if the case. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the telecommunication sector, the historical default rates are adjusted.

Trade receivables overdue by more than 6 months are impaired. The Group considers a financial asset in default when contractual payments are 60 days past due. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 12 and Note 23.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Trade and other receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in profit or loss.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

### ***g) Inventories***

Inventories are stated at the lower of cost and net realizable value.

Cost is determined on a first-in first-out basis, and it comprises all costs of purchase, costs of conversion and other costs in bringing the inventories to their current location and condition.

Net realizable value of the equipment sold is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### ***h) Employee benefits***

#### ***Short-term employee benefits***

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses as services are rendered.

#### ***Pensions and other post-employment benefits***

Under the regulatory regimes applicable in the countries where it operates, the Group is required to make payments to national social security funds for the benefit of its employees (defined contribution plans financed on a pay-as-you go basis). The Group has no legal or constructive obligation to pay future contributions if the state managed funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Its only obligation is to pay the contributions as they fall due and if it ceases to employ members of the state plan, it will have no obligation to pay the benefits earned by its own employees in previous years.

Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

The Group does not operate any other pension schemes or post employment benefit plans.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### *i) Provisions*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as a finance cost.

### *Decommissioning provision*

The Company records a provision for decommissioning costs of its telecom sites. Decommissioning costs are provided for at the present value of expected costs of dismantling using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at the risk-free rate. In determining the value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the site and the expected timing of those costs.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****j) Leases******The Group as a lessee***

The Group transitioned to IFRS 16 in accordance with the modified retrospective approach as at 1 January 2019.

***Right-of-use asset***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, following the same principle as the property, plant and equipment. Refer to the accounting policies in section 2.2 (c) Property, plant and equipment.

***Lease liabilities***

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The incremental borrowing rates were assessed by an external valuator.

The ranges used as incremental borrowing rates depend on type of assets rented and country:

- Romania: range between 1.7%-5.8%
- Hungary: range between 1.2%-6.1%
- Spain: range between 1.3%-2.0%.

As the incremental borrowing rates take into account a 10-year maturity, an adjustment of the discount rates was considered in order to align them with contracts maturities using the yield spread for sovereign bonds. The incremental borrowing rates used by the Group also include inflation rate for each currency in which contracts are denominated.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****k) Contingencies***

Management applies its judgment to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable or not or remote. This judgment application is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

Contingent liabilities are not recognized in the accompanying consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the accompanying consolidated financial statements, but disclosed when an inflow of economic benefits is probable.

***l) Revenue and other income***

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

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

***Revenue from services***

The Group's main sources of revenue from contracts with customers are:

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

***Subscription fees and voice traffic services***

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



**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****Customer loyalty programme***

The Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The stand-alone selling price of the consideration is deducted from the future subscription values and recognized as revenue when it is redeemed, or at expiration.

***Variable consideration***

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

***Equipment sales***

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

***Sales of mobile, CTV and DTH devices***

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

***Bundled services***

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

Where a promotional offer includes a period of free service, the respective discount is allocated proportionally to each distinct performance obligation. Payment terms are, usually, up to 30 days since the invoice is issued.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****Advertising***

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized over time, when the relating advertising is performed. Payment terms are, usually, up to 30 days since the invoice is issued.

***Supply of electricity***

Revenues from electricity production are recognized in the period when these have been delivered into the Romanian national electric grid and / or to customers. Payment terms are, usually, up to 30 days since the invoice is issued.

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

***Contract balances******Contract assets***

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

***Trade receivables***

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

***Contract liabilities***

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

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)***Costs of obtaining the contract and/or costs to fulfil a contract*

We recognise incremental costs of obtaining the contract and costs to fulfil, as contract assets, and we disclose these in the notes to the financial statements, as follows:

- **Costs to obtain a contract** are represented by the incremental costs, such as sales commissions, incurred to obtain a contract with a customer which would not have been incurred if the contract had not been obtained. The subscriber acquisition costs ("SAC") already met the criteria described in the new standard and continue to be accounted in accordance with IAS 38. These are presented as a separate class of intangible assets in the notes to the financial statements. The amortization period was also analysed and found to be compliant with IFRS 15 requirements, therefore no change was necessary following the implementation of the new standard. For details, please see Note 2 d) Intangible assets.
- **Costs to fulfil a contract** are considered to be direct costs which are mandatory for providing the service to customers, such as direct labour costs with the installation of equipment at customer premises, materials for CPEs installation, direct fuel expenses for CPE installation. These are capitalized, part of Property, plant and equipment category of assets and amortized over a period of up to 25 years. Costs to fulfil a contract are presented within the Networks category, in the notes to the financial statements. For details, please see Note 5. Property, plant and equipment.

*m) Finance income and finance expense*

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on derivative financial instruments that are recognised in profit or loss and reclassifications of net losses on hedging instruments previously recognised in other comprehensive income. Unamortised borrowing fees are expensed upon termination of related borrowings.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

*n) Related parties*

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties include individuals that are principal owners, management and members of the Board of Directors and members of their families, or any company that is related party to Group's entities.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****o) Income tax****Current tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or are recognized when their utilisation has become probable.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)*****p) Dividends***

Dividends are recognized as distributions within equity in the period in which they are declared to shareholders (at the date of the approval by the shareholders). Dividends for the year are declared after the reporting date.

***q) Share-based payment transactions***

Certain members of the management team and certain employees of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date on which they are granted, as evidenced by their market price.

The cost of equity-settled transactions is recognized as "Salaries and related taxes" expense, together with a corresponding increase in retained earnings, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting period'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed by the Group as best estimate of the number of equity instruments that will ultimately vest. Market conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service / performance conditions.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided that the original terms of the award are met. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately through profit or loss. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

***r) Segment reporting***

The information by operating segment is based on internal reporting to the Board of Directors, identified as "Chief Operating Decision-Maker", as defined by IFRS 8 *Operating Segments*. The Board of Directors reviews segment information on revenue and non-current assets on a monthly basis and segment EBITDA (earnings before interest, taxes, depreciation and amortization) on a quarterly basis.

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of comprehensive income is disclosed in Note 30. All other information included in the disclosure per segment is prepared under IFRSs as adopted by EU applicable to the consolidated financial statements.

The Chief Operating Decision-Maker has chosen to review geographical operating segments because the Group's risks and rates of return are affected predominantly by the fact that it operates in different countries.

As part of our "Other" segment we reported (i) revenue from, and expenses of, our Italian operations and (ii) expenses of the Company.



## **2.3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020:

- **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. Management has assessed there is no impact on the Group's financial statements.

- **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. Management has assessed there is no impact on the Group's financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed there is no impact on the Group's financial statements.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)****2.4 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. Management has assessed there is no impact on the Group's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendment is not applicable for the Group's financial statements.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments have not yet been endorsed by the EU. Management has assessed there is no impact on the Group's financial statements.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Management has assessed that this amendment is not applicable for the Group's financial statements.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management has assessed that this amendment is not applicable for the Group's financial statements.

### **3. DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods when applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### ***a) Property, plant and equipment***

The fair value of property, plant and equipment recognised as a result of a business combination and of property, plant and equipment carried under the revaluation model is the estimated amount for which property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, on the date of acquisition and respectively on the revaluation date. The fair value of items of property, plant and equipment is based on the market approach and, where market approach cannot be used given the high degree of specialization of the asset being valued, cost approach. Market approach relies on quoted market prices for similar items when available, or on valuation models that use inputs observable or unobservable on the market (such as the income approach for certain buildings). The cost approach relies on the determination of the depreciated replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

#### ***b) Intangible assets***

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that contributed to the related cash flows. Main assumptions used are the churn rate, EBITDA % and the discount rate.

#### ***c) Derivatives***

The fair value of the derivative financial instruments is based on generally accepted valuation techniques. It reflects the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Please refer to Notes 25 and 27 for additional disclosures regarding fair values of derivatives.

#### ***d) Non-derivative financial assets and liabilities***

Non-derivative financial assets and liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

Please refer to Note 25 for additional disclosures regarding fair values of non-derivative financial instruments.

**3. DETERMINATION OF FAIR VALUES (CONTINUED)**

***e) Equity-settled share-based payment transactions***

The fair value of the options granted to employees is measured using a generally accepted valuation technique, in which the main input is the market price of shares at the grant date (please refer to Note 26 for additional details). Given the short life of the options and the low volatility in the market value of the Group's shares, management estimates that the time value of the share options is not significant.

Please refer to Note 26 for additional disclosures regarding share-based payments.

***f) Financial assets at fair value through OCI***

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of these shares held in RCSM at the end of each reporting period was performed based on the quoted price/share of the shares of the Company as of the valuation date, 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.

Please refer to Note 25 for additional disclosures regarding the fair valuation of financial assets at fair value through OCI.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**4. SEGMENT REPORTING**

<b>31 December 2020</b>	<b>Romania</b>	<b>Hungary</b>	<b>Spain</b>	<b>Other</b>	<b>Eliminations</b>	<b>Reconciling item</b>	<b>Group</b>
Segment revenue	785,033	199,555	273,962	23,019	-	-	<b>1,281,569</b>
Inter-segment revenues	2,957	-	640	398	(3,995)	-	-
Segment operating expenses	(415,588)	(145,600)	(218,727)	(25,862)	3,995	-	<b>(801,782)</b>
<b>Adjusted EBITDA (Note 30)</b>	<b>372,402</b>	<b>53,955</b>	<b>55,875</b>	<b>(2,445)</b>	-	-	<b>479,787</b>
Depreciation, amortization and impairment of non-current assets						(307,305)	<b>(307,305)</b>
Impairment arising from revaluation impact recognized in the consolidated statement of profit or loss (Note 5)	-	-	-	-	-	(2,456)	<b>(2,456)</b>
Other expenses (Note 30)	832	(3,510)	-	-	-	-	<b>(2,678)</b>
<b>Operating profit</b>							<b>167,348</b>
Additions to non-current assets	342,984	48,443	102,262	4,243	-	-	<b>497,932</b>
<i>Carrying amount of:</i>							
Non-current assets	1,576,862	402,746	140,528	2,352	-	-	<b>2,122,488</b>
Investments in associates and financial assets at fair value through OCI	974	-	-	40,821	-	-	<b>41,795</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**4. SEGMENT REPORTING (CONTINUED)**

31 December 2019	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	753,427	217,001	193,204	22,394	-	-	<b>1,186,026</b>
Inter-segment revenues	3,220	-	690	559	(4,469)	-	-
Segment operating expenses	(410,743)	(156,116)	(152,142)	(25,148)	4,469	-	<b>(739,680)</b>
<b>Adjusted EBITDA (Note 30)</b>	<b>345,904</b>	<b>60,885</b>	<b>41,752</b>	<b>(2,195)</b>	<b>-</b>	<b>-</b>	<b>446,346</b>
Depreciation, amortization and impairment of non-current assets						(298,850)	<b>(298,850)</b>
Other income (Note 30)	-	-	-	-	-	-	-
Other expenses (Note 30)	(2,496)	-	-	-	-	-	<b>(2,496)</b>
<b>Operating profit</b>							<b>145,000</b>
Additions to non-current assets	246,767	56,457	59,887	5,039	-	-	<b>368,151</b>
<i>Carrying amount of:</i>							
Non-current assets	1,160,446	427,104	65,081	2,621	-	-	<b>1,655,252</b>
Investments in associates and financial assets at fair value through OCI	969	-	-	39,592	-	-	<b>40,561</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**
*(all amounts in EUR '000, unless specified otherwise)*
**5. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
<b>Cost</b>									
<b>At 31 December 2019</b>	<b>23,288</b>	<b>108,444</b>	<b>904,694</b>	<b>107,492</b>	<b>171,690</b>	<b>466,735</b>	<b>46,468</b>	<b>31,341</b>	<b>1,860,152</b>
Additions	656	2,224	38,060	185,170	992	23,473	6,236	2,275	<b>259,086</b>
Transfer from construction in progress ("CIP")/reallocation (assets taken into use)	181	533	114,893	(167,104)	40,769	8,736	120	832	<b>(1,040)</b>
Disposals	-	(67)	(7,401)	(103)	(1,460)	(2,834)	(1,975)	(7)	<b>(13,847)</b>
Other transfers*	-	-	-	-	-	(24,421)	-	-	<b>(24,421)</b>
Revaluation impact (accumulated depreciation and impairment eliminated against cost)	-	(27,142)	(340,934)	-	(75,788)	(233,479)	-	-	<b>(677,343)</b>
Revaluation impact recognised in OCI	4,392	4,957	224,294	-	21,138	72,198	-	-	<b>326,979</b>
Impairment arising from revaluation, impact recognized in the consolidated statement of profit or loss	(367)	(2,089)	-	-	-	-	-	-	<b>(2,456)</b>
Effect of movements in exchange rates	(924)	(2,886)	(34,108)	(3,532)	(5,247)	(22,144)	(1,533)	(985)	<b>(71,359)</b>
<b>At 31 December 2020</b>	<b>27,226</b>	<b>83,974</b>	<b>899,498</b>	<b>121,923</b>	<b>152,094</b>	<b>288,264</b>	<b>49,317</b>	<b>33,456</b>	<b>1,655,753</b>
<b>Depreciation and impairment</b>									
<b>At 31 December 2019</b>	-	<b>22,386</b>	<b>304,137</b>	<b>(108)</b>	<b>59,733</b>	<b>226,743</b>	<b>34,863</b>	<b>24,005</b>	<b>671,759</b>
Depreciation charge	-	5,144	66,956	-	22,132	35,201	6,205	3,001	<b>138,639</b>
Impairment	-	-	-	-	929	-	-	-	<b>929</b>
Disposals	-	(7)	(3,138)	-	(566)	(838)	(1,970)	(7)	<b>(6,526)</b>
Other transfers*	-	-	-	-	-	(8,253)	-	-	<b>(8,253)</b>
Revaluation impact (accumulated depreciation and impairment eliminated against cost)	-	(27,142)	(340,934)	-	(75,788)	(233,479)	-	-	<b>(677,343)</b>
Effect of movements in exchange rates	-	(381)	(11,566)	-	(1,863)	(10,730)	(680)	(704)	<b>(25,924)</b>
<b>At 31 December 2020</b>	-	-	<b>15,454</b>	<b>(108)</b>	<b>4,578</b>	<b>8,644</b>	<b>38,418</b>	<b>26,296</b>	<b>93,281</b>
<b>Net book value</b>									
<b>At 31 December 2019</b>	<b>23,288</b>	<b>86,059</b>	<b>600,557</b>	<b>107,600</b>	<b>111,957</b>	<b>239,991</b>	<b>11,605</b>	<b>7,336</b>	<b>1,188,394</b>
<b>At 31 December 2020</b>	<b>27,226</b>	<b>83,974</b>	<b>884,043</b>	<b>122,031</b>	<b>147,517</b>	<b>279,620</b>	<b>10,898</b>	<b>7,161</b>	<b>1,562,471</b>

(\*) Discounts received from suppliers with respect to property, plant and equipment were recognized as deduction from liabilities (in trade payables) in 2019 and deferred in the income statement on a straightline basis over the useful life of the respective asset. In 2020, these amounts are reclassified and presented as deduction of the historical cost of property, plant and equipment. There is no impact in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**
*(all amounts in EUR '000, unless specified otherwise)*
**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
<b>Cost</b>									
<b>At 31 December 2018</b>	<b>26,084</b>	<b>106,780</b>	<b>802,477</b>	<b>153,514</b>	<b>145,942</b>	<b>376,917</b>	<b>50,042</b>	<b>29,663</b>	<b>1,691,419</b>
Transfer to Right of Use Asset <sup>(1)</sup>	(2,534)	(10,849)	-	-	(2,156)	(332)	(7,445)	-	(23,317)
Additions	58	719	21,100	197,128	327	4,635	190	636	224,793
Transfer back from Right of Use Asset <sup>(2)</sup>	-	10,588	-	-	-	181	3,768	-	14,537
Transfer from construction in progress ("CIP")/reallocation (assets taken into use)	275	3,681	102,420	(239,909)	32,339	97,076	2,282	1,834	-
Disposals	-	(36)	(6)	(223)	(920)	(935)	(1,186)	(90)	(3,397)
Effect of movements in exchange rates	(595)	(2,438)	(21,296)	(3,019)	(3,841)	(10,807)	(1,185)	(702)	(43,881)
<b>At 31 December 2019</b>	<b>23,288</b>	<b>108,444</b>	<b>904,694</b>	<b>107,492</b>	<b>171,690</b>	<b>466,735</b>	<b>46,468</b>	<b>31,341</b>	<b>1,860,152</b>
<b>Depreciation and impairment</b>									
<b>At 31 December 2018</b>	<b>-</b>	<b>16,952</b>	<b>245,728</b>	<b>124</b>	<b>38,185</b>	<b>196,883</b>	<b>32,444</b>	<b>22,111</b>	<b>552,427</b>
Transfer to Right of Use Asset <sup>(1)</sup>	-	(705)	-	-	(12)	(26)	(2,179)	-	(2,922)
Depreciation charge	-	5,818	65,411	-	20,455	35,908	5,119	2,995	135,707
Impairment	-	-	-	-	2,758	-	-	-	2,758
Transfer back from Right of Use Asset <sup>(2)</sup>	-	845	-	-	-	15	1,090	-	1,950
Disposals	-	(5)	-	-	(729)	(802)	(1,127)	(59)	(2,721)
Effect of movements in exchange rates	-	(520)	(7,002)	(232)	(924)	(5,235)	(485)	(1,043)	(15,441)
<b>At 31 December 2019</b>	<b>-</b>	<b>22,385</b>	<b>304,137</b>	<b>(108)</b>	<b>59,733</b>	<b>226,743</b>	<b>34,863</b>	<b>24,005</b>	<b>671,758</b>
<b>Net book value</b>									
<b>At 31 December 2018</b>	<b>26,084</b>	<b>89,828</b>	<b>556,749</b>	<b>153,390</b>	<b>107,757</b>	<b>180,034</b>	<b>17,598</b>	<b>7,552</b>	<b>1,138,992</b>
<b>At 31 December 2019</b>	<b>23,288</b>	<b>86,059</b>	<b>600,557</b>	<b>107,600</b>	<b>111,957</b>	<b>239,991</b>	<b>11,605</b>	<b>7,336</b>	<b>1,188,394</b>

(1) Represents cost and accumulated depreciation for assets held previously as financial leasing (as at 31 December 2018), and which as at 31 December 2019, are presented as Right of use asset.

(2) Represents cost and accumulated depreciation for assets for which the term of the financial lease ended during 2019 and the ownership of the underlying asset was transferred to the Group. Consequently, they are presented as property, plant and equipment, instead of right of use asset at year end.

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)*****Property, plant and equipment additions***

Most of the additions in 2020 relate to the triple play network, as the Group has continued to invest in expanding to new areas but also has continued the upgrade of the existing networks. Other additions relate to continued investment in the mobile radio network coverage in Romania and the development of fixed internet and data and fixed-line telephony services in Spain, as well as the construction and commissioning of the mobile radio network in Hungary.

***Revaluation of property, plant and equipment***

The Group engaged an accredited independent appraiser to determine the fair value of certain categories of property, plant and equipment from Romania and Hungary as of 31 December 2020. The total revaluation difference was in amount of EUR 324,523. The difference was recorded in the revaluation reserve in amount of EUR 326,979 as a surplus and the amount of EUR 2,456 expense was recorded in the consolidated statement of profit or loss.

The following steps were taken to estimate the market value of the assets:

- analysis of assets subject to valuation
- the division of assets by categories and subcategories, the evaluation being carried out separately by category, the evaluation approaches and the valuation methods applied based on: the category of assets analyzed, their location, their characteristics, specific market information
- application of appropriate valuation methods for each asset category subject to evaluation
- estimation of the fair value of the assets analyzed at the valuation date, i.e. 31 December 2020.

The fair value was determined by reference to market-based evidence, using the market comparable method, the cost and income approach. The valuation techniques are selected by the independent appraiser, in accordance with International Valuation Standards.

The fair value is overall determined to be Level 3 in the fair value measurement hierarchy. The inputs used in the valuation were either:

- Level 2 inputs based on the IFRS 13 classification (e.g. current rents, prices per sqm, yields, occupancy rates, etc. publicly available on the market for similar assets and other market-corroborated inputs), or
- Level 3 (unobservable) inputs representing for example assumptions in respect to operational costs, replacement costs, depreciation adjustments - most of them derived based on publicly available technical studies (rather than direct inputs from the market), with orderly adjustments performed by the appraiser in order to determine fair value.

***Revaluation of land and buildings***

Land and buildings were revalued using several methods:

**The market approach**, i.e. the Direct Comparison Method (DCM) was applied to some of the real estate assets (free land, properties). This method was considered appropriate due to the nature of the assets valued, which have an active market. An active market is a market that simultaneously meets the following three conditions: goods traded on the market are homogeneous, buyers and sellers can be found at any time on the market and prices are available to the public.

In estimating the value, it was taken into account the physical condition indicated by the company's representatives and found at the time of the field valuation of the assets, as well as the information available in relation to the analyzed assets and data extracted from the market analysis. Assets were compared with other similar assets and adjustments were made accordingly to indicate the current value. Thus, the information on the offer prices of similar goods on the secondary market or the offers to which they are exposed on the market was analyzed and some adjustments were made (if any).



**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**The income approach**, i.e. the Revenue Capitalization Method (RCM) has been applied to most real estate assets, commercial real estate (office buildings, TV studio, cashiers, etc.). The value obtained by applying the income approach has been compared with the specific market information (global values for apartment properties and unit values for commercial real estate). Thus the value of the real estate consisting of land and construction was estimated, and the value thus obtained was allocated on the component elements of the property (land and construction). The allocation was made, generally based on the net replacement cost of the buildings, and the value of the land resulting in residual value after deducting the value of the building from the value of the real estate.

The valuation is sensitive to its main inputs, being the sales value per sqm (which was in the range of 673 EUR/sqm to 3,030 EUR/sqm for real estates located in different cities in Romania and 35 EUR/sqm to 1,365 EUR/sqm for market values estimated for the main land plots), the estimated replacement cost per unit for buildings in Romania ranging from 497 EUR/sqm to 3,024 EUR/sqm.

***Revaluation of network, equipment and devices and customer premises equipment***

Network, equipment and devices, and customer premises equipment from Romania and Hungary were revalued as of 31 December 2020 on the basis of their depreciated replacement cost (fair value is classified as Level 3 in the fair value measurement hierarchy, since this valuation was performed using a non-observable input).

**The cost approach**, i.e. the Net Replacement / Reconstruction Cost method (direct and indirect methodology) was applied to all valued tangible assets for which we could not apply the Market or Income Approach.

Direct methodology involves estimating the Gross Replacement Cost ("GRC") using technical information, manufacturers' estimates and estimates derived from various studies or market information.

The direct method for GRC estimation methodology (GRC-direct) has been applied to most of the assets such as: networks, equipment and customer premises equipment.

For a small number of tangible assets, for which information was not available to apply the direct method for the GRC, an indirect estimation was made, which consists in updating the historical cost using a relevant index.

In estimating the cumulative depreciation, the physical depreciation of the assets was taken into consideration, estimated on the basis of the useful life for classes and subclasses of assets and/or information collected at the field inspection, etc. Also an external depreciation test was performed for the assets valued under cost approach and no external depreciation was observed.

Network, equipment and devices, and customer premises equipment are part of cash generating units containing goodwill, which are tested annually for impairment (refer to Note 7).

***Cable plant***

In the case of **fixed networks** from Romania and Hungary, the majority of assets in Romania was evaluated by applying the direct method (GRC-direct) to determine the cost of gross replacement, while the assets in Hungary were evaluated using indirect method. Thus, the type of networks owned by the Company and the capitalized amounts was taken into account and the gross replacement cost was estimated for all networks and installations owned (urban networks, Intercity networks, business and retail installations). The total gross replacement cost for each category (Urban, Intercity and Installation) based on technical data (lengths and network types, number of installations and types) and a network cost breakdown. For networks for which we did not have estimated the direct-GRC we used discount indices resulting from the exchange rate difference.

In the case of **mobile network** from Romania, the majority was evaluated by applying the direct method (GRC-direct) to determine the cost of gross replacement.

Fixed assets from Spain are newly commissioned (starting 2019 onwards) and these were not considered in scope for revaluation purposes, given that their cost approximates market value.

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)***Equipment and devices and Customer premises equipment*

In the case of equipment, measuring and control devices and customer premises equipment from Romania and Hungary, most of them were evaluated by using the direct method of estimating the GRC (either from public information or from information obtained directly from suppliers).

In the case of equipment, measuring and control devices and customer premises equipment for which a replacement cost could not be determined by using direct method, the indirect method of the determination of the GRC was applied: respectively updating (discounting) the historical cost/script values with an update index (calculated from the application of the direct method for subclasses of similar assets as an average index or the index resulting from the variation of the currency difference to EUR).

Physical wear has been estimated based on the remaining useful life from the date of commissioning and the total duration of operational life. For all assets with obsolete initial useful life, the 12 or 24 months remaining useful life was considered based on their type and technical characteristics.

Vehicles, furniture and office equipment categories of assets were not included in the scope of the revaluation, as they are carried at cost.

*Revaluation differences*

Net book value ("NBV") 31 December 2020			
	NBV before revaluation	NBV after revaluation	Revaluation differences
Land	25,245	29,269	4,024
Building	79,806	82,675	2,869
Cable plant	597,220	821,514	224,294
Customer premises equipment	115,867	137,005	21,138
Equipment	196,949	269,147	72,198
<b>Total</b>	<b>1,015,086</b>	<b>1,339,609</b>	<b>324,523</b>

*Decommissioning provision*

Provision for decommissioning costs for the telecom sites was recognized as at 31 December 2020 in amount of EUR 9,840 (31 December 2019: EUR 7,180). Decommissioning costs are measured at the present value of expected costs of dismantling using estimated future cash flows. The provision is recognized as part of the cost of the relevant asset. The estimated cash flows were discounted rate based on Romanian Bond yield of 2.27%, adjusted on yearly basis.

*Collateral*

For details regarding the pledges placed on the Group assets refer to Note 15 (v).

*Commitments for property, plant and equipment*

For details regarding commitments for property, plant and equipment please see Note 28.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**6. RIGHT OF USE ASSETS**

The Group has lease contracts for various items of land, commercial spaces, network, vehicles and equipment used in its operations.

The carrying amounts of right-of-use assets recognised and the movements during the period are presented below:

	Land	Buildings	Network	Customer premises equipment	Equipment and devices	Vehicles	Total
<b>Cost</b>							
<b>As at 1 January 2020</b>	<b>2,473</b>	<b>46,399</b>	<b>196,940</b>	<b>4,242</b>	<b>476</b>	<b>14,187</b>	<b>264,717</b>
Additions	-	17,680	78,130	3,025	(467)	16,922	<b>115,289</b>
Effect of movement in exchange rates	(46)	(1,692)	(10,259)	-	(9)	(509)	<b>(12,515)</b>
<b>At 31 December 2020</b>	<b>2,428</b>	<b>62,386</b>	<b>264,812</b>	<b>7,267</b>	<b>-</b>	<b>30,599</b>	<b>367,491</b>
<b>Depreciation</b>							
<b>As at 1 January 2020</b>	<b>-</b>	<b>13,613</b>	<b>49,197</b>	<b>314</b>	<b>54</b>	<b>3,609</b>	<b>66,786</b>
Depreciation	-	12,838	46,487	782	(53)	1,552	<b>61,606</b>
Effect of movement in exchange rates	-	(698)	(2,969)	-	(1)	(202)	<b>(3,870)</b>
<b>At 31 December 2020</b>	<b>-</b>	<b>25,753</b>	<b>92,714</b>	<b>1,096</b>	<b>-</b>	<b>4,959</b>	<b>124,522</b>
<b>Net Book Value</b>							
<b>At 31 December 2020</b>	<b>2,428</b>	<b>36,634</b>	<b>172,098</b>	<b>6,171</b>	<b>-</b>	<b>25,640</b>	<b>242,969</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**
*(all amounts in EUR '000, unless specified otherwise)*
**6. RIGHT OF USE ASSETS (CONTINUED)**

	Land	Buildings	Network	Customer premises equipment	Equipment and devices	Vehicles	Total
<b>Cost</b>							
As at 1 January 2019	-	34,335	156,534	-	-	3,558	194,427
Reclassification from previous financial leases	2,534	10,849	-	2,156	332	7,445	23,317
<b>Total as at 1 January 2019</b>	<b>2,534</b>	<b>45,185</b>	<b>156,534</b>	<b>2,156</b>	<b>332</b>	<b>11,003</b>	<b>217,744</b>
Additions	-	12,064	40,956	2,086	332	7,132	62,569
Transfer to Property, Plant and Equipment (Note 5)	-	(10,588)	-	-	(181)	(3,768)	(14,537)
Disposals	-	-	(550)	-	-	-	(550)
Effect of movement in exchange rates	(61)	(262)	-	-	(8)	(179)	(511)
<b>At 31 December 2019</b>	<b>2,473</b>	<b>46,399</b>	<b>196,940</b>	<b>4,242</b>	<b>476</b>	<b>14,187</b>	<b>264,717</b>
<b>Depreciation</b>							
As at 1 January 2019	-	-	-	-	-	-	-
Reclassification from previous financial leases	-	705	-	12	26	2,179	2,922
<b>Total as at 1 January 2019</b>	<b>-</b>	<b>705</b>	<b>-</b>	<b>12</b>	<b>26</b>	<b>2,179</b>	<b>2,922</b>
Depreciation	-	13,770	49,746	302	43	2,578	66,439
Transfer to Property, Plant and Equipment (Note 5)	-	(845)	-	-	(15)	(1,090)	(1,950)
Disposals	-	-	(550)	-	-	-	(550)
Effect of movement in exchange rates	-	(17)	-	-	(1)	(58)	(75)
<b>At 31 December 2019</b>	<b>-</b>	<b>13,613</b>	<b>49,197</b>	<b>314</b>	<b>54</b>	<b>3,609</b>	<b>66,786</b>
<b>Net Book Value</b>							
<b>At 31 December 2019</b>	<b>2,473</b>	<b>32,785</b>	<b>147,743</b>	<b>3,929</b>	<b>422</b>	<b>10,578</b>	<b>197,930</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**
*(all amounts in EUR '000, unless specified otherwise)*
**7. INTANGIBLE ASSETS**

	Goodwill	Customer relationships	Trade marks	Costs to obtain a contract	Licences and software	Total non-current intangible assets
<b>Cost</b>						
<b>At 31 December 2019</b>	<b>80,844</b>	<b>107,194</b>	<b>8,449</b>	<b>161,379</b>	<b>226,925</b>	<b>584,791</b>
Additions	-	51,748	-	44,255	27,553	<b>123,556</b>
Disposals	(440)	(594)	-	-	(16)	<b>(1,050)</b>
Transfers	-	-	-	-	1,040	<b>1,040</b>
Other transfers *	-	-	-	-	(9,443)	<b>(9,443)</b>
Effect of movement in exchange rates	(2,655)	(2,224)	-	(4,125)	(8,152)	<b>(17,156)</b>
<b>At 31 December 2020</b>	<b>77,749</b>	<b>156,124</b>	<b>8,449</b>	<b>201,509</b>	<b>237,907</b>	<b>681,738</b>
<b>Depreciation</b>						
<b>At 31 December 2019</b>	<b>-</b>	<b>82,167</b>	<b>3,185</b>	<b>126,704</b>	<b>103,807</b>	<b>315,863</b>
Amortization	-	13,504	905	37,873	11,394	<b>63,676</b>
Impairment	-	-	-	744	-	<b>744</b>
Disposals	-	(176)	-	-	(10)	<b>(186)</b>
Other transfers*	-	-	-	-	(6,752)	<b>(6,752)</b>
Effect of movement in exchange rates	-	(1,828)	(42)	(3,785)	(3,000)	<b>(8,655)</b>
<b>At 31 December 2020</b>	<b>-</b>	<b>93,667</b>	<b>4,048</b>	<b>161,536</b>	<b>105,439</b>	<b>364,690</b>
<b>Net Book Value</b>						
<b>At 31 December 2019</b>	<b>80,844</b>	<b>25,027</b>	<b>5,264</b>	<b>34,675</b>	<b>123,118</b>	<b>268,928</b>
<b>At 31 December 2020</b>	<b>77,749</b>	<b>62,457</b>	<b>4,401</b>	<b>39,973</b>	<b>132,468</b>	<b>317,048</b>

(\*) Discounts received from suppliers with respect to Licenses and Software were recognized as deduction from liabilities (in trade payables) in 2019 and deferred in the income statement on a straightline basis over the useful life of the respective asset. In 2020, these amounts are reclassified and presented as deduction of the cost Licenses and Software. There is no impact in the income statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 7. INTANGIBLE ASSETS (CONTINUED)

	Goodwill	Customer relationships	Trade marks	Costs to obtain a contract	Licences and software	Total non-current intangible assets
<b>Cost</b>						
<b>At 31 December 2018</b>	<b>82,903</b>	<b>91,043</b>	<b>8,503</b>	<b>127,427</b>	<b>206,219</b>	<b>516,095</b>
Additions	-	18,172	-	36,322	26,296	<b>80,790</b>
Disposals	-	-	-	-	(557)	<b>(557)</b>
Effect of movement in exchange rates	(2,059)	(2,021)	(54)	(2,370)	(5,033)	<b>(11,537)</b>
<b>At 31 December 2019</b>	<b>80,844</b>	<b>107,194</b>	<b>8,449</b>	<b>161,379</b>	<b>226,925</b>	<b>584,791</b>
<b>Depreciation</b>						
<b>At 31 December 2018</b>	<b>-</b>	<b>77,834</b>	<b>2,286</b>	<b>98,828</b>	<b>91,295</b>	<b>270,243</b>
Amortization	-	6,248	942	29,619	15,522	<b>52,331</b>
Impairment	-	-	-	212	-	<b>212</b>
Disposals	-	-	-	-	(479)	<b>(479)</b>
Effect of movement in exchange rates	-	(1,915)	(43)	(1,955)	(2,531)	<b>(6,444)</b>
<b>At 31 December 2019</b>	<b>-</b>	<b>82,167</b>	<b>3,185</b>	<b>126,704</b>	<b>103,807</b>	<b>315,863</b>
<b>Net Book Value</b>						
<b>At 31 December 2018</b>	<b>82,903</b>	<b>13,209</b>	<b>6,217</b>	<b>28,599</b>	<b>114,924</b>	<b>245,852</b>
<b>At 31 December 2019</b>	<b>80,844</b>	<b>25,027</b>	<b>5,264</b>	<b>34,675</b>	<b>123,118</b>	<b>268,928</b>

**7. INTANGIBLE ASSETS (CONTINUED)***i) Customer relationships*

The main additions of Customer relationships in the period ended 31 December 2020 relate to the additions resulting from acquisition of customer contracts in Romania, following the Networking agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunications S.R.L. ("Assignors"). On 24 July 2020, the Competition Council issued the authorisation for the economic concentration accomplished by RCS&RDS through gaining sole control over certain assets pursuant to the agreements entered into on 28 November 2019 between RCS & RDS and the Assignors.

Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange for the payments made by RCS & RDS to the Assignors. The Agreements are concluded for an initial duration of 3 years, which can be extended at the option of either party for a new term of 3 years. At the end of the contract period, RCS & RDS has a call option to buy and the Assignors have a put option to sell the underlying assets and for RCS & RDS to buy the assets, using the same pricing mechanism defined in the agreement. The strike price is the same for both the put and the call options and therefore the substance of the transaction is a purchase rather than a lease. The total amount due by RCS&RDS under the Agreements are maximum EUR 77 million (taking into consideration the estimated total number of RGUs to be transferred until the closure of the transactions). The transfer of the RGUs is made gradually, in steps. RGUs' transfers were not finalized until year end. Up to 31 December 2020 only part of the RGUs were transferred to RCS & RDS.

In accordance with IFRS requirements, for financial reporting purposes only, this transaction was treated as asset deal (customer relationships). A third party independent valuator has assessed the fair value of the acquired intangible asset, as of the acquisition date, using the MEEM method, as per ANEVAR standards. The fair value of the asset was considered to be the net present value of the discounted cash flows (over a period of 6 years) attributable to the RGUs transferred during 2020, discounted at an estimated WACC for the Group of 8.21%.

Consequently, for RGUs transferred until 31 December 2020, customer relationships acquired were recognized as intangible asset, with a fair value of EUR 42,987 and a corresponding liability recognised as Trade and other payables.

*ii) Impairment testing for cash-generating units containing goodwill*

The Group defines cash-generating units (CGUs) based on three criteria:

- country;
- infrastructure used in providing the services;
- bundling of services affecting independence of cash flows.

The Group's cash-generating units ("CGUs") with allocated goodwill are:

- CBT Romania;
- CBT Hungary;
- Mobile Spain;
- DTH Romania.

Goodwill allocated to Mobile Spain and DTH Romania is not material and is included in category "Other".

Goodwill	31 December 2020	31 December 2019
CBT Romania	52,239	53,199
CBT Hungary	25,095	27,204
Other	415	441
<b>Total</b>	<b>77,749</b>	<b>80,844</b>

Recoverable amounts for the CGUs have been determined on the basis of fair value less cost to sell based on discounted cashflows using cash flow projections based on financial budgets approved by the board of directors covering a five-year period.

**7. INTANGIBLE ASSETS (CONTINUED)*****Key Assumptions used in the calculations of the recoverable amounts from Romania and Spain***

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

<b>Country</b>	<b><i>Discount rate (post –tax)</i></b>		<b><i>Discount rate (pre –tax)</i></b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b><i>Romania</i></b>	<b>8.73%</b>	<b>8.44%</b>	<b>9.14%</b>	<b>8.66%</b>
<b><i>Spain</i></b>	<b>6.72%</b>	<b>7.19%</b>	<b>7.36%</b>	<b>7.54%</b>

The discount rate applied to the cash flows of each CGU is based in the Group's Weighted Average Cost of Capital (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use in the market.

Key inputs to the WACC calculation are the risk-free rate, beta (reflecting the risk of the Group relative to the market as a whole) as well as assumptions regarding the spread for credit risk and the market risk premium for the cost of equity. Group WACC is adjusted for risk relative to the country in which the CGU operates.

***Terminal growth rates***

The terminal growth rate for all CGUs was considered to be 2% p.a (2019: 2% p.a.).

The growth rate in perpetuity has been determined based on the long-term compounded annual growth rate in EBITDA estimated by management considering market maturity and market share in Romania and Spain, being also in line with publicly available market expectations.

***EBITDA margins***

For the Romanian CBT CGU, budgeted EBITDA is based on past experience and incremental increase in future years generated from incremental increase in revenues from new subscribers to our cable Tv, internet and mobile telephony business; budgeted EBITDA for the Spanish Mobile CGU is based on past experience and growth expectation and additional revenue from new subscribers connected to the fixed network.

***Capital expenditure***

Budgeted capital expenditure (tangible and intangible assets including programme assets) is based on past experience, forecasted growth of subscribers (new subscribers connected to the network) and other business drivers.

Management believes that as of 31 December 2020 no reasonable possible change in main assumptions would result in an impairment charge (31 December 2019: no reasonable change).

For analysis of the COVID-19 impact on the results, please see Note 23.

***Revenues***

Budgeted revenues are based on forecasted growth of subscribers (new subscribers connected to the network) and ARPU levels based on experience and other business drivers.

## 7. INTANGIBLE ASSETS (CONTINUED)

### *Key Assumptions for CBT Hungary used in the calculations of the recoverable amounts and sensitivity analysis*

Hungary has recorded a decrease in EBITDA of 11% compared to prior year and decrease in revenues of 8% compared to prior year. The operational performance of this segment has been mainly impacted by the result of integrating Invitel's operations and the status of building and rolling out the mobile network for which the commercial launch took place in 2021. Consequently, forecasted revenue and EBITDA margins in the goodwill impairment test were also revised. The 2021 goodwill impairment test did not result in impairment, but headroom was limited.

Therefore, sensitivity analysis was performed and the results of these sensitivity analyses are disclosed.

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

Country	Discount rate (post –tax)		Discount rate (pre –tax)	
	2020	2019	2020	2019
Hungary	8.16%	7.92%	8.39%	8.04%

### *Terminal growth rates and WACC*

The terminal growth rate for this CGUs was considered to be 2% p.a (2019: 2% p.a).

The growth rate in perpetuity has been determined based on the long-term compounded annual growth rate in EBITDA estimated by management considering market maturity and market share in Hungary, being also in line with publicly available market expectations.

If the growth rate would decrease with 0.5%, an impairment adjustment of approximately 19 million EUR would need to be recognized for this CGU.

If WACC would increase with 1%, an impairment adjustment of approximately 50 million EUR would need to be recognized for this CGU.

### *EBITDA margins*

For the Hungarian CBT CGU, budgeted EBITDA is based on past experience and growth expectation from tighter cost control and additional revenue from new subscribers connected to the fixed and mobile network.

If EBITDA margins would decrease with 1%, an impairment adjustment of approximately 17 million EUR would need to be recognized for this CGU.

### *Capital expenditure*

Budgeted capital expenditure (tangible and intangible assets including programme assets) is based on past experience, forecasted growth of subscribers (new subscribers connected to the network) and other business drivers.

If Capital expenditure would increase with 5%, an impairment adjustment of approximately 5 million EUR would need to be recognized for this CGU.

### *Revenues*

Budgeted revenues are based on forecasted growth of subscribers (new subscribers connected to the network) and ARPU levels based on experience and other business drivers.

There is no impact coming from sensitivity analysis for this key driver.

**7. INTANGIBLE ASSETS (CONTINUED)****iii) Costs to obtain contracts with customers (Subscriber acquisition costs "SAC")**

Cost to obtain the contracts with customers represents third party costs for acquiring and connecting customers of the Group. In 2020 SAC was recognized in relation with contracting customers in Romania (EUR 19,397), Spain (EUR 21,688), Hungary (EUR 1,454) and Italy (EUR 1,717). In 2019 SAC was recognized in relation with contracting customers in Romania (EUR 14,614), Spain (EUR 18,928), Hungary (EUR 892) and Italy (EUR 1,888).

**iv) Licences and software****2100 MHz license (Romania)**

In January 2007 the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") granted to RCS&RDS a 2100 MHz license for a period of 15 years which may be extended at the request of the Company for another 10 years, for a total consideration of EUR 27,056 (equivalent of USD 35,000), entirely paid as of 31 December 2014. The cost of the 2100 MHz license was EUR 23,110 and was determined at inception date by discounting the future payments using effective interest method at the date the license was granted to RCS&RDS. The carrying amount of the 2100 MHz license as of 31 December 2020 is EUR 4,489 (2019: EUR 4,986).

**900 MHz license (Romania)**

In September 2012 IGCTI granted to RCS&RDS 1 spectrum block in the 5 MHz broadband to be used starting with April 2014 for a period of 15 years, for a total consideration of EUR 40,000 out of which EUR 26,000 was paid in 2012. The remaining amount of EUR 14,000 was paid in June 2013. The carrying amount of the 900 MHz license as of 31 December 2020 is EUR 20,197 (2019: EUR 23,072).

The coverage obligations were fulfilled.

**1800 MHz license (Hungary)**

In September 2014 NMHH granted to Digi Hungary 1 spectrum block in the 5 MHz for a period of 15 years, for a total consideration of HUF 10 billion (EUR 32,600) which was fully paid in October 2014. The carrying amount of the 1800 MHz license as of 31 December 2020 is EUR 18,970 (2019: EUR 22,475). The license has no coverage obligations assumed.

**2600 MHz license (Romania)**

In August 2015 the purchase of a 2600 MHz license from 2K Telecom for a total consideration of EUR 6,600 was approved by the Romanian General Inspectorate for Communication and Information Technology ("IGCTI"). The carrying amount of the 2600 MHz license as of 31 December 2020 is EUR 3,722 (2019: EUR 4,333).

**3700 MHz license (Romania)**

In October 2015 RCS&RDS has participated in an auction and acquired from the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") a 3700 MHz license for a total consideration of EUR 1,880. The license was granted and came into effect starting with December 2015 and its carrying amount as of 31 December 2020 is EUR 858 (2019: EUR 1,049).

**3800 MHz license (Hungary)**

The 3800 MHz license obtained for a total consideration of EUR 820 by Digi Hungary has a carrying amount as of 31 December 2020 of EUR 531 (2019: EUR 630).

**FM Radio frequency licenses (Romania)**

In 2015 RCS&RDS obtained the right of use of several audiovisual licences, through a transfer of licenses approved by the National Audiovisual Council of Romania. These licences are currently used to broadcast the Digi FM, Pro FM, Dance FM and Music FM radio stations.



**7. INTANGIBLE ASSETS (CONTINUED)***Other*

Included in “Licenses and software” category is also the software required for the operation and maintenance of communication equipment.

*Collateral*

For details on the pledges placed on the Group assets refer to Note 15 (v).

*Current intangible assets - programme assets*

	31 December 2020	31 December 2019
<b>Balance at 1 January</b>	<b>17,557</b>	<b>21,379</b>
Additions	42,883	38,630
Amortization	(41,711)	(41,953)
Effect of movement in exchange rates	(346)	(499)
<b>Balance at 31 December</b>	<b>18,383</b>	<b>17,557</b>

Included in “Additions” is an amount of EUR 34,413 representing broadcasting rights for sports competitions for 2020/2021 season (2019: EUR 31,620 for 2019/2020 season) and related advance payments for future seasons, the difference representing movies and documentaries rights. Contractual obligations related to future seasons are presented as commitments in Note 28.

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI**

	31 December 2020	31 December 2019
<b>Balance at 1 January</b>	<b>39,592</b>	<b>32,058</b>
Fair value adjustment – OCI	1,551	7,534
Effect of movements in exchange rates	(322)	-
<b>Balance at 31 December</b>	<b>40,821</b>	<b>39,592</b>

The above financial assets at fair value through OCI comprise shares in RCSM (which is the parent of the Company). As at 31 December 2020 the percentage of ownership of DIGI in RCSM is 10%, similar to previous period. For additional disclosures on the fair values of the financial assets at fair value through OCI refer to Note 25 (iv).

**9. EARNINGS PER SHARE (EPS)**

	2020	2019
<b>Net profit/(loss) for the year</b>	<b>7,836</b>	<b>40,584</b>
Non-controlling interests	(464)	(2,459)
<b>Net profit/(loss) attributable to equity holders of the parent</b>	<b>7,372</b>	<b>38,125</b>
<b>Weighted average number of ordinary shares outstanding – basic*</b>	<b>94,491,207</b>	<b>93,874,761</b>
Share option plan	315,500	436,000
<b>Weighted average number of shares outstanding – diluted*</b>	<b>94,806,707</b>	<b>94,310,761</b>
<b>Earnings/(loss) per share (EUR/share) basic</b>	<b>0.078</b>	<b>0.406</b>
<b>Earnings/(loss) per share (EUR/share) diluted</b>	<b>0.078</b>	<b>0.404</b>

\* The number of outstanding shares excludes treasury shares

During 2019 and 2020, several share option plans have been implemented for management and key employees. These share options have a dilutive effect on earnings. For details, please see Note 26.

**10. INVENTORIES**

	31 December 2020	31 December 2019
Merchandise and equipment	3,069	1,138
Materials and consumables	17,312	14,422
<b>Total inventories</b>	<b>20,381</b>	<b>15,560</b>

**Merchandise and equipment**

This category includes terminal equipment sold to customers. Such equipment includes mostly mobile phones.

**Materials and consumables**

This category mainly includes inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

**Collateral**

For details regarding the pledges placed on the Group's assets refer to Note 15 (v).

**11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS**

	31 December 2020	31 December 2019
Trade receivables	84,923	64,935
Contract assets (Note 19)	53,274	50,715
Receivable from related parties (refer to Note 18)	796	774
Other taxes receivable	1,586	1,756
Other receivables	1,168	2,215
<b>Total trade and other receivables</b>	<b>141,747</b>	<b>120,395</b>

For details in movement in Contract assets, please see Note 19.

For details regarding credit risk please refer to Note 25.

**Collateral**

For details regarding the pledges placed on the Group's assets refer to Note 15 (v).

**12. OTHER ASSETS**

	31 December 2020	31 December 2019
Advances to suppliers	4,872	6,990
Prepayments	7,350	4,894
<b>Total other assets</b>	<b>12,222</b>	<b>11,884</b>

**13. CASH AND CASH EQUIVALENTS**

	31 December 2020	31 December 2019
Bank accounts	10,186	10,576
Petty cash	398	422
<b>Total cash and cash equivalents</b>	<b>10,584</b>	<b>10,998</b>

Cash and cash equivalents as at 31 December 2020 include cash equivalents regarding cash in transit from payment intermediaries in amount of EUR 4,045 (31 December 2019: EUR 3,144).

**Collateral**

For details regarding the pledges placed on the Group's assets and restricted cash please refer to Note 15 (v).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

**14. EQUITY**

The issued and paid-up capital as at 31 December 2020 and 31 December 2019 was in amount of EUR 6,810, divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 35,443,972 class B shares, with a nominal value of one eurocent (EUR 0.01) each.

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

	31 December 2020	31 December 2019
<b>Class A:</b>		
Ordinary Shares – Issued and Paid (No.)	64,556,028	64,556,028
Ordinary Shares – Unissued (No.)	35,443,972	35,443,972
Nominal Value	0.10 EUR per share	0.10 EUR per share
<b>Class B:</b>		
Ordinary Shares – Issued and Paid (No.)	35,443,972	35,443,972
Ordinary Shares – Unissued (No.)	64,556,028	64,556,028
Nominal Value	0.01 EUR per share	0.01 EUR per share
Share Capital Value (EUR) thousand	6,810	6,810

The rights attaching to class B shares are uniform in all respects except for the voting rights attached to class A shares.

***Treasury shares buy-back***

In June 2018, the Board of Directors of the Company decided upon the initiation of the class B shares buy-back program in accordance with the resolutions of the general shareholders meeting of the Company from 2 May 2018 (the AGM), to be used for the purpose of several stock option programs. During year ended 31 December 2020, a total of 27,877 class B shares were repurchased through the buy-back program. Please also see Note 26 for Stock Option Plan vested in 2019 and 2020.

***Proposed appropriation of the result***

The board of directors proposed to add the result for the year to retained earnings. This has been reflected in the statement of financial position. At the annual general meeting in 2021, the board of directors shall propose to pay-out from retained earnings a dividend per share of RON 0.75, totaling EUR 14.5 million (using 31 December 2020 foreign exchange rate). This dividend payment shall only be reflected in the statement of financial position when it is approved by the annual general meeting.

## **14. EQUITY (CONTINUED)**

### ***Dividends***

The profit available for distribution is the profit for the year and retained earnings recorded in the IFRS stand-alone statutory financial statements, which differs from the result in these financial statements.

The AGM from 30 April 2020 approved the distribution of a gross dividend of RON 0.65 per share (EUR 0.14 per share) for 2019, which resulted in a total dividend of EUR 12.8 million (using 31 December 2019 fx rate).

### ***Nature and purpose of reserves***

#### ***Translation reserve***

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### ***Fair value reserve***

The fair value reserve comprises the cumulative net change in the fair value of financial assets designated at fair value through other comprehensive income.

#### ***Cash flow hedges***

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument. For the amount that was reclassified in Profit or Loss, please see Note 24.

#### ***Revaluation reserve***

The revaluation reserve relates to the revaluation of certain categories of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 15. INTEREST BEARING LOANS AND BORROWINGS

Long term portion		Nominal interest rate	31 December 2020	31 December 2019
Senior Secured Bonds	(i)	2.5% & 3.25% p.a. / 5% p.a.	851,165	552,433
2020 Senior Facilities Agreement	(ii)	1M ROBOR + 2% p.a.	64,824	-
2016 Senior Facilities Agreement <sup>(1)</sup>	(iii)	3M ROBOR + 2.65% p.a.	-	175,964
2018 Senior Facilities Agreement <sup>(2)</sup>	(iv)	3M ROBOR/EURIBOR/BUBOR + 2.65% p.a.	-	70,803
Other			25,462	12,163
<b>Total long term portion</b>			<b>941,451</b>	<b>811,363</b>
Current portion		Nominal interest rate	31 December 2020	31 December 2019
2020 Senior Facilities Agreement	(ii)	1M ROBOR + 2% p.a.	31,979	-
2016 Senior Facilities Agreement <sup>(1)</sup>	(iii)	3M ROBOR + 2.65% p.a.	-	54,237
Overdrafts		Variable linked to EURIBOR/ROBOR/LIBOR+ respective margin	32,117	53,874
Other			23,095	22,556
<b>Total current portion</b>			<b>87,191</b>	<b>130,667</b>

(1) SFA 2016 was fully repaid in December 2020 and refinanced by SFA 2020.

(2) SFA 2018 was fully repaid and terminated in February 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

For details regarding cash inflows and outflows for interest bearing borrowings please see the table below:

	Long term loans	Bonds	Short term loan	Interest	Total
<b>Balance as at 1 January 2020</b>	<b>320,107</b>	<b>552,433</b>	<b>61,005</b>	<b>8,486</b>	<b>942,031</b>
Proceeds from borrowings	149,519	850,000	1,690	-	<b>1,001,209</b>
Repayment of borrowings	(337,015)	(550,000)	(24,981)	-	<b>(911,996)</b>
Interest expense	-	-	-	37,772	<b>37,772</b>
Interest paid	-	-	-	(36,191)	<b>(36,191)</b>
Finance cost <sup>(1)</sup>	(2,166)	(17,037)	-	-	<b>(19,203)</b>
Embedded derivative recognized at inception	-	18,362	-	-	<b>18,362</b>
Amortisation of deferred finance costs <sup>(2)</sup>	4,549	(2,592)	-	-	<b>1,956</b>
Effects of movements in exchange rates	(4,116)	-	(1,079)	(102)	<b>(5,297)</b>
<b>Balance as at 31 December 2020</b>	<b>130,878</b>	<b>851,166</b>	<b>36,635</b>	<b>9,965</b>	<b>1,028,643</b>

(1) In the Cashflow statement, the amount of EUR 33,214 represents borrowing costs paid in 2020 related to Groups's borrowings of EUR 19,203 (presented in the table above) and early bond-prepayment fee of EUR 13,786 (not subject of being included in the amortized cost of borrowings, therefore not affecting the balance of borrowing and not presented in the table above) and EUR 225 related to borrowing cost paid from previous years).

(2) The amortisation of deferred finance cost may be higher than finance costs due to previous capitalization of finance costs.

	Long term loans	Bonds	Short term loan	Interest	Total
<b>Balance as at 1 January 2019</b>	<b>475,705</b>	<b>349,490</b>	<b>44,241</b>	<b>7,417</b>	<b>876,853</b>
Proceeds from borrowings <sup>(1)</sup>	48,823	200,000	24,512	-	<b>273,335</b>
Repayment of borrowings	(195,578)	-	(6,767)	-	<b>(202,345)</b>
Interest expense	-	-	-	49,564	<b>49,564</b>
Interest paid	-	-	-	(48,423)	<b>(48,423)</b>
Finance cost <sup>(2)</sup>	(3,071)	3,482	-	-	<b>411</b>
Amortisation of deferred finance costs and inception value of embedded derivative	1,978	(540)	-	-	<b>1,438</b>
Effects of movements in exchange rates	(7,750)	-	(982)	(72)	<b>(8,803)</b>
<b>Balance as at 31 December 2019</b>	<b>320,107</b>	<b>552,433</b>	<b>61,005</b>	<b>8,486</b>	<b>942,031</b>

(1) The difference between Proceeds from borrowings presented above and the Cashflow Statements represents reclassification of letter of credits variance which was included as movement in Trade payables, for Cashflow presentation purposes.

(2) Finance cost presented above in amount of EUR 411 includes additional borrowing cost during the period of EUR 6,329, bond premium from February 2019 of EUR 3,500 and fair value of the embedded derivative at inception date in February 2019 of EUR 3,240. In the Cashflow statements, the amount of EUR 5,967 represents finance cost paid in 2019 related to Group's borrowings.

**15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)****i) Senior Secured Notes due 2025 & 2028 (Bonds)**

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850,000, in two tranches: (i) EUR 450,000 2.50% senior secured notes due 2025 and (ii) EUR 400,000 3.25% senior secured notes due 2028 (collectively, the “Notes”).

The gross proceeds of the Offering were used:

(a) to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company (2016 Bonds) and pay redemption premium and accrued interest to holders thereof. Other financial expenses in the period include redemption penalties in amount of EUR 13,786. Interest expense in the period include related accrued interest of EUR 2,817.

(b) to prepay or repay partially the outstanding amounts under 2016 Senior Facility Agreement;

(c) to prepay the entire aggregate principal amount 2018 Senior Facility Agreement;

(d) to repay (without cancelling) certain overdraft facilities;

(e) to pay costs, expenses and fees in connection with the Refinancing; and

(f) for general corporate purposes (which may include acquisitions).

***Arrangement fees***

The total cost of concluding the 2020 Bonds is amortised using the effective interest method over the life of the Bonds.

As of 31 December 2020 the unamortized balance of bond issuance related fees was EUR 14,502 (2019: EUR 6,555). During the year, there were net borrowing costs recognized as a decrease in expenses in amount of EUR 160, including fair value adjustment at inception of EUR 18,362 related to the embedded derivative of the Bonds (2019: EUR 3,240). For details, please see table above.

***Drawings***

As of 31 December 2020, the nominal balance is EUR 850,000 (EUR 851,165 presented net of borrowing fees and including fair value of embedded derivative at inception date, i.e February 2020).

***Pledges***

Details on pledges are presented further in section (v) of the Note 15.

***Covenants***

The Group has agreed to certain covenants with respect to the Bonds, including, among other things, limitations on its ability to: incur or guarantee additional indebtedness; make investments or other restricted payments; sell assets and subsidiary stock; enter into certain transactions with affiliates; create liens; consolidate, merge or sell all or substantially all of our assets; enter into agreements that restrict our restricted subsidiaries' ability to pay dividends; sell or issue capital stock of restricted subsidiaries; engage in any business other than a permitted business; and impair the security interests with respect to the Collateral. Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Bonds receive investment grade ratings from the relevant credit rating agencies.

In accordance with the terms of the Bonds, the Group is required to compute the Consolidated Leverage Ratio if certain events take place. The Consolidated Leverage Ratio means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA (computed in accordance with the terms of the Bonds, being adjusted with certain items such as share option plan expense and net fixed assets sale) for the most recent four full consecutive fiscal quarters for which internal consolidated financial statements of the Company are available at the time of such determination.

The Covenants of the New Bonds issued on 5 February 2020 require a Consolidated Leverage Ratio not exceeding 4.25 to 1. A calculation of covenants is specified in section (vi) of this disclosure note.

**15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)*****ii) 2020 Senior Facilities Agreement (“2020 SFA”)***

On 15 December 2020, RCS & RDS, as borrower and original guarantor, DIGI Tavkozlesi es Szolgaltato Korlatolt Felelossegu Tarsasag as original guarantor, INVITEL Tavkozlesi Zrt as Original Guarantor, the Company, as original guarantor, DIGI Spain Telecom S.L.U., as original guarantor and Citigroup Europe plc, Dublin Romanian Branch, ING Bank N.V. Amsterdam, Bucharest Branch and Unicredit Bank S.A. as original lenders and ING Bank N.V. as the facility agent of the other Finance Parties have concluded a senior facility agreement consisting in

- (i) a term loan facility in a total aggregate amount representing the RON equivalent of EUR 100,000,000;
- (ii) a revolving credit facility in a total aggregate amount representing the RON equivalent of EUR 50,000,000.

SFA 2020 is a 3- year facility. It also permits the establishment from time to time of incremental facilities to be made available in accordance with the terms and within the limits of the Senior Facilities Agreement.

The revolving facility may be used for capital expenditure, investments, general corporate, and working capital purposes (including intra-group loans) of the Digi group.

The interest rate under the SFA 2020 is composed of a margin of 2% per annum plus ROBOR.

***Drawing***

The term loan facility under the Senior Facility Agreement was used for the purposes of refinancing the amounts made available under the Facilities Agreement dated 7 October 2016. The term loan in amount of RON 487,830,000 (approximately 100,000 EUR equivalent) was drawn on 23 December 2020 and the amounts were used to repay Facility A from SFA 2016 (which was partially repaid using SFA 2020 drawing and partially using own funds).

***Maturities***

There are monthly equal repayments of principal and interest for the term loan.

***Arrangement fees***

The total cost of concluding the loan was amortised using the effective interest method over the remaining term of the Senior Facilities Agreement. As of 31 December 2020 the unamortized balance of borrowings related fees incurred in 2020 was EUR 2,967.

***Pledges***

The Senior Facilities Agreement was unconditionally guaranteed by the Company on a parri-passu basis, and shares in the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

***Covenants***

The Group has agreed under the Senior Facilities Agreement to comply with two financial ratio covenants regarding leverage (“total net debt to EBITDA ratio) and interest cover and certain qualitative covenants, mainly related to authorisations, compliance with corporate legislation in force, preservation of assets, negative pledge, limitations on disposals, mergers, acquisitions, arm’s length transaction, change in nature of business, limitation on subsidiary indebtedness, events of default and others.

The financial ratio covenants included in Senior Facilities Agreement include maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of a maximum consolidated total net indebtedness to EBITDA ratio of 3.50; and (ii) a minimum EBITDA to net total interest ratio of 4.25.

An approximate calculation of covenants is specified in section vi of this disclosure note.

**15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)*****iii) 2016 Senior Facilities Agreement (“2016 SFA”)***

On 7 October 2016, RCS & RDS, as borrower, entered into the Senior Facilities Agreement with, among others, BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Bank, as lead arrangers. The Senior Facilities Agreement consists of (i) the SFA Facility A1; (ii) the SFA Facility A2; and (iii) the SFA Facility B. The SFA Facility A1 was drawn for the purposes of funding the refinancing of the 2015 Senior Facilities Agreement and capital expenditure requirements of the Group. The SFA Facility A2 was drawn for the purpose of funding the refinancing of the 2013 Bonds. The SFA Facility B was drawn for the general corporate and working capital purposes of the Group.

***Drawing***

On 26 October 2016, the Company drew (a) RON 930.0 million under the SFA Facility A1 and repaid the 2015 Senior Facilities Agreement in full; and (b) RON 600.0 million under the SFA Facility A2. During 2020, RON 100 million were drawn from Facility B and then repaid. The maximum available amount under Facility B was RON 157 million.

The interest rate swaps concluded for the 2015 Senior Facilities Agreement were valid until April 2020, when they were discontinued.

***Maturities & repayments***

On December 15, 2020 this facility was refinanced through 2020 Senior Facilities Agreement. On December 23, 2020 we fully prepaid Facility A in amount of RON 688,500,000. Facility B was repaid in November 2020.

SFA 2016 was terminated in December 2020.

***Arrangement fees***

The total cost of concluding the loan was amortised using the effective interest method over the remaining term of the Senior Facilities Agreement. As of 31 December 2020 the unamortized balance of borrowings related fees was EUR 768 (31 December 2019: EUR 1,254).

The Senior Facilities Agreement concluded on October 2016 was accounted for as a modification of the previous 2015 Senior Facilities Agreement, therefore the unamortized borrowing costs of the 2015 Senior Facilities Agreement in amount of EUR 329 (31 December 2019: EUR 737) as at 31 December 2020 will continue to be amortised.

The 2020 SFA was accounted as a modification of the 2016 SFA, therefore, the total unamortised borrowing cost of EUR 1,097 as at 31 December 2020 will continue to be amortised, over the life of the 2020 SFA using the effective interest method.

***Pledges***

The Senior Facilities Agreement was unconditionally guaranteed by the Company on a senior secured basis, and shares in the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

**15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)*****iv) 2018 Senior Facilities Agreement (“2018 SFA”)***

On 1 February 2018, RCS & RDS S.A. (the Company’s subsidiary in Romania – „RCS&RDS”), DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság (RCS & RDS S.A.’s subsidiary in Hungary – „Digi Kft.”), as the borrowers, the Company, as a guarantor, Citibank N.A., London Branch and ING Bank N.V. as the arrangers, ING Bank N.V. as the facility agent, and several other financial institutions as the lenders have concluded a syndicated loan providing for three facilities in HUF, RON and EUR currencies (the „2018 Syndicated Facility”).

The facility was fully repaid and closed on 5 February 2020, using the proceeds from the 2020 Bonds.

Besides the Senior Facilities and the Bonds, the Group has several short term loans and working capital facilities (overdrafts, facilities for issuing letters of guarantees, letters of credit, etc.) in Romania (31 December 2020: EUR 32,325; 31 December 2019: EUR 61,180), in Spain (31 December 2020: EUR 32,921; 31 December 2019: EUR 12,617) and in Hungary (31 December 2020: EUR 5,048; 31 December 2019: EUR 5,569).

***v) Collateral***

The obligations of the Group under the Bonds, as well as their obligations under the Senior Facilities Agreement and other bank facilities, on a pari passu basis pursuant to the terms of the Intercreditor Agreement dated 4 November 2013 and amended on 26 October 2016, are secured by a first-ranking security interest in the following:

(a) Certain Capital Stock that DIGI holds in RCS& RDS, which as at 31 December 2020 accounted for 93.58% of the issued Capital Stock of RCS&RDS, as per Trade Register;

(b) All bank accounts of DIGI, including any new bank accounts;

(c) 100% of the quota in DIGI T.S. Kft Hungary;

(d) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(e) All DIGI T.S Kft Hungary’s shares owned currently in Invitel representing 99.998395%.

(f) subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account monies, trade and other receivables, intragroup receivables, inventories, movable tangible property (including networks, machinery, equipment, vehicles, furniture and other similar assets), intangible assets, intellectual property rights, insurance and proceeds related to any of the foregoing as described in the General Movable Mortgage Agreement between RCS&RDS and Wilmington Trust (London) Limited.

In February 2020, Digi Spain became additional guarantor for the Collateral, pursuant to the terms of the Intercreditor Agreement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

## vi) Covenants

As at 31 December 2020 the Group is in compliance with all covenants from all facilities presented above.

The table below presents an approximate of the net leverage ratio and interest cover ratio, as computed based on data excerpted from the financial statements, not as per the specific covenants from the facilities:

	31 December 2020	31 December 2019
Total Debt <sup>(1)</sup>	1,291,053	1,181,385
Cash and cash equivalents	10,584	10,998
<b>Total Net Debt</b>	<b>1,280,469</b>	<b>1,170,387</b>
Adjusted EBITDA (Note 30)	479,787	446,346
<b>Total Net Debt to EBITDA:</b>	<b>2.7</b>	<b>2.6</b>

(1) Includes Interest bearing loans and borrowings including Bonds, Lease Liabilities, Other long term liabilities, Derivative financial liabilities.

	31 December 2020	31 December 2019
Adjusted EBITDA (Note 30)	479,787	446,346
Total Net Interest <sup>(1)</sup>	49,003	59,137
<b>EBITDA to Net Total Interest:</b>	<b>9.8</b>	<b>7.5</b>

(1) Includes interest from banks, interest expense, interest lease liability and loss on derivative financial instruments.

The Consolidated net debt and Adjusted EBITDA used for the leverage ratio in accordance with the Senior Facilities Agreements and Senior Notes requirements, might vary according to the specific definitions included in the clauses of the respective contracts. Therefore, the current leverage ratio for the Senior Facilities Agreement is 2.6 (2019: 2.8), similar to the current leverage ratio in accordance with the Senior Notes' requirements which is 2.6 (2019: 2.6).

The breach of these ratios may constitute an event of default that can lead, unless waived or cured under the terms of the applicable instruments, to early repayment of indebtedness.

**16. LEASE LIABILITIES**

The Group leases mainly network pillars, land, commercial spaces, cars and equipment. Set out below are the carrying amounts of lease liabilities and the movements during the period ended 31 December 2020.

	31 December 2020	31 December 2019
<b>As at 1 January</b>	<b>198,258</b>	<b>193,786</b>
Reclassification from previously finance lease liability	-	7,967
Additions	117,488	62,471
Interest expense	7,103	7,884
Interest paid	(7,103)	(7,884)
Payments of principal portion of lease liabilities	(81,019)	(65,967)
Translation	(7,972)	-
<b>As at 31 December</b>	<b>226,755</b>	<b>198,258</b>
Current	<b>63,464</b>	<b>64,721</b>
Non-current	<b>163,291</b>	<b>133,537</b>

The maturity analysis of lease liabilities are disclosed in Note 25.

The following are the amounts recognised in Consolidated statement of profit or loss:

	2020	2019
Depreciation expense of right-of-use assets	61,606	65,889
Interest expense on lease liabilities	7,103	7,884
<b>Total amount recognised in Consolidated statement of profit or loss</b>	<b>68,709</b>	<b>73,773</b>

For the rent contracts which include a renewal clause, the lease liability computation was made based on the estimation that these clauses will be enforced up to a date which falls after the reporting date.

For details about the right of use asset, please see Note 6.

**17. TRADE AND OTHER PAYABLES, OTHER LONG TERM LIABILITIES****17.1 TRADE AND OTHER PAYABLES**

	31 December 2020	31 December 2019
Trade payables and payables to fixed assets suppliers	269,239	296,063
Accruals	113,720	78,798
Value added tax ("VAT")	27,713	15,614
Other payables related to investments	562	1,382
Salary and related taxes	51,021	28,767
Amounts payable to related parties (Note 18)	9	238
Dividends payable (Note 18)	12,617	10,881
Other	16,024	28,551
<b>Total trade and other payables</b>	<b>490,905</b>	<b>460,294</b>

Included in payables to suppliers and accruals above is EUR 134,508 (31 December 2019: EUR 141,133) representing amounts due for property, plant and equipment and EUR 58,857 (31 December 2019: EUR 21,186) representing payment obligations for intangible assets.

For details regarding the deferred consideration payable for customer relationship acquired, please see Note 7.

Other payables related to investments refer mostly to scheduled payments for purchase of shares of subsidiaries and non controlling interests.

Other include mainly payables related to taxes.

**17.2 OTHER LONG TERM LIABILITIES**

	31 December 2020	31 December 2019
Other long-term liabilities	35,656	40,312

Included in Other long term liabilities and Trade payables and other payables there are payables recorded under vendor financing agreements with our suppliers, according to which we have negotiated longer payment terms especially for network and equipment as well as customer premises equipment (CPE) in total amount of EUR 85,499 (2019: EUR 79,601).

Our vendors obtain factoring financing facilities from banks in order to be able to accommodate different commercial terms in relation with the Group. These do not represent financing liabilities for the Group, since liabilities arise as part of the commercial negotiations with the vendors. Therefore, they are classified as trade payable (current) and respectively long-term liabilities (depending on the payment terms negotiated with the vendors which are currently for maximum 3 years).

**18. RELATED PARTY DISCLOSURES**

The consolidated financial statements include the financial statements of DIGI and its subsidiaries (the main subsidiaries are included in Note 24(a)); RCSM is the Group's ultimate holding company. Ultimate beneficial shareholder is Mr. Zoltan Teszari.

The following tables provide the total amount of balances with related parties:

<b>Receivables from related parties</b>			
		<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Party</b>			
Ager Imobiliare S.R.L.	(ii)	785	763
RCSM	(i)	2	1
Other		9	10
<b>Total</b>		<b>796</b>	<b>774</b>

<b>Payables to related parties</b>			
		<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Party</b>			
RCSM	(i)	12,183	10,520
Mr. Zoltan Teszari	(iii)	409	242
Other		35	358
<b>Total</b>		<b>12,627</b>	<b>11,119</b>
<i>Of which: dividends payable (Note 17.1)</i>		<i>12,617</i>	<i>10,881</i>

(i) Shareholder of DIGI

(ii) Entities affiliated to a shareholder of the parent

(iii) Ultimate beneficial shareholder

Outstanding balances at year-end are interest free. For details regarding the guarantees and pledges between Group's companies please refer to Note 15 (v). For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2019: nil).

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

In May 2020, RCS & RDS declared dividends in amount of 50 million RON (EUR 10,268 equivalent), from 2019 profit.

For dividends distributed by the Company, please refer to Note 14.

**18. RELATED PARTY DISCLOSURES (CONTINUED)***Compensation of key management personnel of the Group*

	<b>2020</b>	<b>2019</b>
Gross Salary expense	3,989	3,601
Share-based payments	4,206	1,324
Other taxes	94	122
<b>Total</b>	<b>8,289</b>	<b>5,047</b>

In 2019 and 2020 several share option plans were implemented for certain members of management and employees. Several shares option plans vested in 2019 and 2020. For details, please refer to Note 26.

During 2019 and 2020, the Company distributed dividends to its shareholders. For details, please see Note 14.

For details regarding remuneration of the board of directors, please see Remuneration report included in the 2020 Annual Report.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 19. REVENUES

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

	2020	2019
<b>Country</b>		
Romania	785,033	753,427
Hungary	199,555	216,999
Spain	273,962	193,204
Other <sup>(1)</sup>	23,019	22,396
<b>Total Revenues</b>	<b>1,281,569</b>	<b>1,186,026</b>
<b>Category</b>		
Fixed services <sup>(2)</sup>	713,998	667,180
Mobile services	464,385	400,749
Other <sup>(3)</sup>	103,186	118,097
<b>Total Revenues</b>	<b>1,281,569</b>	<b>1,186,026</b>

(1) Includes revenue from operations in Italy.

(2) Includes mainly revenues from subscriptions for fixed, mobile and DTH services, interconnection and roaming revenues.

(3) Includes mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

Revenues from services include mainly subscription fees for fixed and mobile services, revenues from interconnection and roaming services.

Other revenues as at 31 December 2020 include mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

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

Timing of revenue recognition	2020	2019
Goods transferred at a point in time	31,529	37,805
Services transferred over time	1,250,040	1,148,221
<b>Total revenues</b>	<b>1,281,569</b>	<b>1,186,026</b>

The transfer of goods to the customer at a point in time are presented in the first table above as "Other revenues".

Revenues recognised in the period ended 31 December 2020, which were included in contract liability at the beginning of the period (of EUR 27,518) amounted to EUR 24,906. The amounts in balance as at 31 December 2020 are to be recognised gradually as revenues until 2021.

We receive payments from customers based on a billing schedule, as established in our contracts. Contract asset relates to our conditional right to consideration for our completed performance under the contract. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 are, as follow:

	2020	2019
<b>Unsatisfied performance obligations</b>	15,616	14,595
<b>Total</b>	<b>15,616</b>	<b>14,595</b>

The remaining performance obligations arise from promotion campaigns. All remaining performance obligations are expected to be recognised within two years.

For details regarding expected credit losses from Contract assets, please see Note 25.

**20. OPERATING EXPENSES**

	2020	2019
Depreciation of property, plant and equipment (Note 5)	138,639	135,707
Depreciation of right of use asset (Note 6)	61,606	65,889
Amortization of programme assets (Note 7)	41,711	41,953
Amortisation of non-current intangible assets (Note 7)	63,676	52,331
Impairment of property, plant and equipment (Note 5)	929	2,758
Impairment of non-current intangible assets (Note 7)	744	212
Revaluation impact (Note 5)	2,456	-
Salaries and related taxes	216,372	199,307
Contribution to pension related fund	5,679	6,442
Programming expenses	104,743	102,789
Telephony expenses	241,066	206,986
Cost of goods sold	29,171	34,392
Invoicing and collection expenses	23,816	22,197
Taxes and penalties	13,629	11,992
Utilities	30,183	26,451
Copyrights	12,089	11,892
Internet connection and related services	30,660	12,656
Impairment of receivables and other assets, net of reversals	7,124	10,061
Taxes to authorities	9,675	9,609
Other materials and subcontractors	14,324	11,017
Other services <sup>(1)</sup>	33,113	36,321
Other operating expenses	30,138	37,568
<b>Total operating expenses</b>	<b>1,111,543</b>	<b>1,038,530</b>

(1) A reclassification of expenses in amount of EUR 5.8 million which in substance are pass-through expenses for services was made from line "Other operating expenses" to line "Other services". The presentation of the comparative amounts was changed accordingly (2019: EUR 6.8 million).

The 2019 and 2020 share option plans expenses accrued in the period are included under the caption "Salaries and related taxes". For details, please see Note 26.

Salaries and related taxes capitalized for the development of network during the year ended 31 December 2020 amount to EUR 67,690 (2019: EUR 44,997).

Other services and Other materials and subcontractors' expenses mainly include expenses related to advertisings costs, expenses related to own TV channels, settlements of contracts, network maintenance expenses and various other fees and commissions to third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

## 21. NET FINANCE COSTS

	2020	2019
<b><i>Finance income</i></b>		
Interest from banks	91	3,361
Gain on derivative financial instruments	3,710	6,623
	<b>3,801</b>	<b>9,984</b>
<b><i>Finance expenses</i></b>		
Interest expense	(41,992)	(54,593)
Interest for lease liability	(7,103)	(7,884)
Loss on derivative financial instruments	(40,095)	(21)
Other financial expenses	(19,860)	(13,128)
Foreign exchange differences (net)	(37,430)	(18,241)
	<b>(146,480)</b>	<b>(93,867)</b>
<b>Net Finance Costs total</b>	<b>(142,679)</b>	<b>(83,883)</b>

As at 31 December 2020, the fair value of the embedded derivative assets attached to our EUR 850,000 Senior Secured Notes is in amount of EUR 21,578. The fair value movement of EUR 3,355 was recognised in other finance income in the period. An amount of EUR 18,362 representing fair value at inception date of embedded derivatives, at February 2020, was recognized against the bond liability.

The fair value of the embedded derivative options attached to our EUR 550,000 Senior Secured Notes as at 31 December 2019 was in amount of EUR 40,095. At repayment, the 2016 Senior Secured Notes embedded derivative asset was derecognized and included in finance expenses.

For details, please see Note 27.

## 22. INCOME TAX

The Company is a Romanian tax resident having its place of effective management in Bucharest, Romania, where all the strategic and commercial decisions are made, as well as the day-to-day management is carried out.

The statutory tax rate applied in Romania during 2020 and 2019 was 16%.

The statutory tax rate applied in Hungary during 2020 and 2019 was 9%.

The statutory tax rate applied in Spain during 2020 and 2019 was 25%.

The statutory tax rate applied in Italy during 2020 and 2019 was 24%.

**22. INCOME TAX (CONTINUED)**

Components of income tax expense for the periods ended 31 December 2020 and 2019 respectively were:

	2020	2019
Current income tax charge	11,046	9,904
Deferred income tax relating to origination and reversal of temporary differences	5,787	10,629
<b>Income tax expense/ (credit) recognised in profit or loss for continuing operations</b>	<b>16,833</b>	<b>20,533</b>
<i>Out of which expenses similar to income taxes<sup>(1)</sup></i>	<i>4,492</i>	<i>3,340</i>

(1) Including local tax on revenues, as per local legislation in certain countries.

**Reconciliation of income tax expense**

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Group's effective income tax rate for the financial years 2020 and 2019 is as follows:

	2020	2019
<b>Net profit before income tax from continuing operations</b>	<b>24,669</b>	<b>61,117</b>
At statutory income tax rate of the Company	3,947	9,779
Effect of difference in tax rates applicable for foreign subsidiaries	6,323	4,225
Non-deductible expenses related to derecognition of embedded derivative	39,956	-
(Other non-taxable income)/Other non-deductible expenses	(15,884)	4,415
Tax credit for reinvested profit*	(22,001)	(1,225)
<b>Effective tax expense / (gain)</b>	<b>12,341</b>	<b>17,193</b>

\* For the period ending 31 December 2020, RCS&RDS S.A benefited from tax credit for reinvested profit with a corresponding deduction in income tax of EUR 22,001 (2019: EUR 1,225).

Deferred taxes in the consolidated statement of financial position are:

	31 December 2020	31 December 2019
Deferred tax assets	1,000	2,620
Deferred tax liabilities	(122,801)	(69,746)
	<b>(121,801)</b>	<b>(67,126)</b>

Movement of deferred taxes:

	2020	2019
<b>Deferred taxes recognized in the statement of financial position</b>	<b>(121,801)</b>	<b>(67,126)</b>
Difference from prior year balance	54,675	9,133
<i>Of which:</i>		
Recognized in profit or loss	5,787	10,647
Deferred tax liability related to revaluation of ppe/interest rate swaps, recognised in other comprehensive income	49,755	(17)
Effect of movement in exchange rates	(867)	(1,497)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**22. INCOME TAX (CONTINUED)**

The deferred tax (asset)/ liability for the financial year 2020 comprises the tax effect of temporary differences related to:

	Balance 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	Balance 31 December 2020
Property, plant and equipment	60,607	(131)	49,755	(575)	109,656
Intangibles	12,458	72		438	12,968
Tax exempted investments	-	3,520		-	3,520
Accounts receivable	7,009	(3,855)		(1,277)	1,877
Accounts payable	83	4,386		(262)	4,207
Long term borrowings	1,789	351		(21)	2,119
<b>Deferred tax liabilities</b>	<b>81,946</b>	<b>4,343</b>	<b>49,755</b>	<b>(1,698)</b>	<b>134,346</b>
Intangibles	-	(1,036)	-	-	(1,036)
Accounts payable	(3,433)	886	-	53	(2,494)
Inventory	(4,446)	(31)	-	420	(4,057)
Fiscal losses	(6,938)	1,625	-	355	(4,958)
<b>Deferred tax assets</b>	<b>(14,818)</b>	<b>1,444</b>	<b>-</b>	<b>828</b>	<b>(12,545)</b>
<i>Offsetting (refer to Note 2.2 o)</i>	<i>(12,198)</i>				<i>(11,545)</i>
<b>Recognition</b>					
Deferred tax liabilities	69,748				122,801
Deferred tax assets	(2,620)				(1,000)
<b>Net deferred tax liability</b>	<b>67,128</b>				<b>121,801</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**22. INCOME TAX (CONTINUED)**

The deferred tax (asset)/ liability for the financial year 2019 comprises the tax effect of temporary differences related to:

	Balance 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movement in exchange rates	Balance 31 December 2019
Property, plant and equipment	56,238	5,969	-	(1,600)	60,607
Intangibles	9,529	2,535	-	394	12,458
Accounts receivable	4,232	3,517	-	(741)	7,009
Accounts payable	(2,006)	2,089	-	-	83
Long term borrowings	779	1,010	-	-	1,789
<b>Deferred tax liabilities</b>	<b>68,772</b>	<b>15,121</b>	<b>-</b>	<b>(1,946)</b>	<b>81,946</b>
Intangibles	(488)	157	-	330	-
Accounts receivable	(150)	146	-	4	-
Accounts payable	(182)	(3,256)	-	5	(3,433)
Interest expense postponed for deduction	-	-	-	-	-
Inventory	(2,683)	(1,833)	-	69	(4,446)
Cash Flow hedge reserves	17	-	(17)	-	-
Fiscal losses	(7,292)	312	-	42	(6,938)
<b>Deferred tax assets</b>	<b>(10,778)</b>	<b>(4,474)</b>	<b>(17)</b>	<b>451</b>	<b>(14,818)</b>
<i>Offsetting (refer to Note 2.2 o)</i>	<i>(8,119)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(12,198)</i>
<i>Recognition</i>					
Deferred tax liabilities	60,653	-	-	-	69,748
Deferred tax assets	(2,659)	-	-	-	(2,620)
<b>Net deferred tax liability</b>	<b>57,994</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,128</b>



**22. INCOME TAX (CONTINUED)**

Deferred tax assets recognised for fiscal losses relate mainly to the Group's operations in Hungary. Such losses, in amount of EUR 77,636 at 31 December 2020 (31 December 2019: EUR 41,670), are not subject to preapproval by tax authorities and can be partially carried forward until 2030.

Deferred tax asset in respect of the fiscal loss from Italy was recognised in amount of EUR 3,188, similar to previous year.

For statutory purposes, RCS&RDS has performed several revaluations of its property, plant and equipment. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders they would be taxed, i.e. they would generate a tax liability of EUR 4,037 (2019: EUR 4,970), for which a deferred tax liability is recognised.

The Company did not recognise deferred tax liabilities on taxable temporary differences arising from investments in direct subsidiaries (mainly RCS&RDS) due to the fact that it enjoys a participation exemption status. Uncertainties associated with the fiscal and legal system are disclosed in Note 27.

**23. COVID-19 IMPACT ANALYSIS**

In December 2019, a novel strain of coronavirus (SARS-CoV-2) and the respiratory disease (COVID-19) it causes was reported in Wuhan, China and starting with late February 2020 the outbreak spread rapidly outside China and throughout Europe. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

We have taken additional steps to ensure the health and safety of customers, employees and partners and the reliable delivery of services during the COVID-19 outbreak, more specifically:

- we have developed and upgraded our business continuity plans to respond promptly and efficiently to any disruptive incidents during the COVID-19 outbreak, while safeguarding the health of our employees and minimizing the impact on the delivery of services.
- all employees have been asked to work remotely as much as possible, and wherever possible;
- employees who must be on site are applying social distancing and hygiene protocols based on guidance from health authorities;
- customers are encouraged to apply social distancing protocols, avoid use of cash and use our online or other remote services and resources for payment of their invoices and for placing their orders;
- specific disinfection protocols have been put in place in all our locations (offices, shops, cashier offices, call centers etc.);
- split-team shift work, staff segregation and flexible working hours procedures have been initiated to mitigate the risk of an entire team becoming infected and to ensure the continuity of all our services (i.e., fixed internet and data, mobile telephony and data, fixed telephony, cable TV, DTH and online platforms);
- all employee travel to countries where there is an increased risk of infection has been cancelled or postponed.
- we continuously monitor the developments and may scale down our investment projects to allow business continuity.

The Group's operations have been largely resilient to the effects of the restrictions imposed following the COVID-19 during 2020. The impact of the restrictions are difficult to be quantified. During few months of the second quarter of 2020, insignificant trends were noticed in the following areas (no such trends observed in the third and fourth quarter):

- a variation for the handset sales, revenues from advertising
- lower collectability of receivables mainly in Romania
- slowdown in business-to-business activity in Romania

Starting with the end of the second quarter from 2020, all these trends returned gradually to levels recorded in normal business periods and had insignificant impact in the Group's overall annual results. Consequently, these were not observed during the third and the fourth quarter.

**23. COVID-19 IMPACT ANALYSIS (CONTINUED)**

The group reviewed the impairment criteria of its CGUs. Taking into account the epidemic outbreaks and the uncertainties of the current environment, the key assumption such as the discount and growth rates, were analysed. These elements did not lead to the recognition of asset impairments at 31 December 2020. For details, please see Note 7.

Cash management and liquidity were not impacted. Besides cashflow generated from operations, the Group has access to revolver facility (SFA 2020) and to different working capital facilities. For details, please see Note 15.

Despite the economic context, the dividend was not affected during 2020 by the pandemic crisis. For details, please see Note 14.

At present the spread and consequences of the outbreak are still difficult to predict. A protracted uncertainty and lack of containment of COVID-19 could have several negative consequences for the Group, including:

- public authority responses to the pandemic, which may lead to outages and disruptions of the Group's operations;
- economic downturn and widespread recession, diminished business and consumer confidence, inflation and market volatility;
- increasing levels of unemployment, which may have a direct negative impact on the spending patterns of retail customers, both in terms of subscribed services and usage levels, as well as potentially lead to a higher number of non-paying customers or generally result in service disconnections;
- cashflow disruptions (at the level of the Group, as well as at the level of the global and regional economies);
- currency exchange rate fluctuations;
- reduced availability of credit and increases of interest rates or application of more onerous debt covenants;
- workforce disruptions due to illness or employee refusal to work on-site due to perceived risk of contagion;
- supply chain disruptions; and
- difficulty in obtaining required licenses and permits due to the limited activity of certain public authorities during the COVID-19 outbreak.

**24. SUBSIDIARIES AND NON-CONTROLLING INTEREST***Subsidiaries*

The consolidated financial statements incorporate the financial information of the following main subsidiaries in each of the countries:

As of 31 December 2020 DIGI owns 93.58% shares (2019: 95.58%) in RCS&RDS.

On 10 December, 2019, the Company acquired 7,718,832 shares in the share capital of RCS & RDS from certain minority shareholders, representing approximately 2.0% of RCS & RDS's outstanding share capital, for EUR 13,689. The share purchase agreement included a call option for the sellers over those shares, which was exercisable within three years from the date of sale, at a premium compared to initial price. The call option was recognized as derivative in amount of EUR 770. These contracts were cancelled in 2020 and there was no net impact on the Cashflow Statement. Therefore, the 2019 transaction were reversed and the corresponding embedded derivative was derecognized at year end.

Below are presented the main subsidiaries of RCS&RDS (excluding dormant subsidiaries):

Subsidiary	Country of Incorporation	Field of activity	Legal Ownership	
			2020	2019
Digi T.S. Kft	Hungary	CATV, Internet, DTH, Telephony	100.00%	100.00%
Invitel Távközlési Zrt	Hungary	CATV, Internet, DTH	99.99%	99.99%
DIGI SPAIN TELECOM S.L.U.	Spain	Telephony	100.00%	100.00%
DIGI ITALY SL	Italy	Telephony	100.00%	100.00%
ITV.	Hungary	CATV	100.00%	100.00%
CFO Integrator	Romania	Duct Rent	100.00%	100.00%
ENERGIAFOTO SRL	Romania	Solar energy	100.00%	100.00%
NOVITAS Electro	Romania	Solar energy	100.00%	100.00%
DELALINA S.R.L.	Romania	Solar energy	100.00%	100.00%

*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 99.99 of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").

GVH has issued on 18 March 2020 a new decision approving the acquisition by our Hungarian subsidiary, DIGI Tavkozlesi es Szolgáltato Kft. ("Digi HU") of shares representing in total 99.998395% of the share capital and voting rights of Invitel Tavkozlesi Zrt. ("Invitel") (the "Transaction").

In order to address the authority's concerns, in consultation with GVH, Digi HU proposed a remedy package.

One of the main elements of this package is the sale by Invitel to a third party of its operations in 15 Hungarian settlements and parts of its network in the Szeged settlement that overlapped with DIGI Hungary's own network there, the sale and purchase agreement having been executed on 9 January 2020. The transaction was closed on 30 June 2020. Assets sold were measured at the lower of the carrying amount and fair value less costs of disposal (selling price). The net loss of EUR 3,510 is recognized as Other expense. For details, please see Note 30.

**25. 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, interest rate risk and price 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.

***i) Credit risk******Credit risk exposure***

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 maximum exposure to credit risk at the reporting date was:

***Derivative and non-derivative financial assets by category – exposure to credit risk***

	Note	31 December 2020	31 December 2019
Trade and other receivables	11	88,473	69,680
Contract assets	11	53,274	50,715
Cash and cash equivalents	13	10,584	10,998
Long term receivables		2,493	2,642
<b>Total</b>		<b>154,824</b>	<b>134,035</b>

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.

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

- **Cash & cash equivalents**

The maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

	31 December 2020	31 December 2019
Citibank	212	12
ING Bank	694	560
Banca Comerciala Romana	537	481
BRD Groupe Societe Generale	32	26
Unicredit Tiriac Bank	478	422
Cash equivalent	4,045	3,144
Petty Cash	397	420
Other	4,189	5,933
<b>Total</b>	<b>10,584</b>	<b>10,998</b>

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.

- **Trade and other receivables and contract assets**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The entity has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component is considered immaterial.

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The movement in allowance for expected credit losses in respect of trade and other receivables during the year was as follows:

	<b>2020</b>	<b>2019</b>
Balance at 1 January	59,661	57,022
Loss allowance recognized (Note 20)	8,588	9,770
Amounts written off	(6,675)	(6,905)
Effect of movement in exchange rates	(1,768)	(226)
<b>Balance at 31 December</b>	<b>59,806</b>	<b>59,661</b>

There were no significant changes in the gross carrying amount of financial instruments during the year that contributed to changes in loss allowance. There were no changes in the estimation techniques or significant assumptions made during the reporting period.

The table below presents the provision for expected credit losses by country:

<b>2020</b>	<b>Gross carrying amount at default</b>	<b>Impairment losses</b>
Romania	115,347	35,203
Hungary	39,756	11,292
Other	46,471	13,311
<b>Total</b>	<b>201,575</b>	<b>59,806</b>

<b>2019</b>	<b>Gross carrying amount at default</b>	<b>Impairment losses</b>
Romania	107,754	40,300
Hungary	38,040	10,166
Other	34,269	9,194
<b>Total</b>	<b>180,063</b>	<b>59,661</b>

**ii) 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**

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

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2020:

31 December 2020							
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
<b>Non derivative financial liabilities</b>							
Interest bearing loans and borrowings, including bonds	1,028,643	1,173,591	79,194	36,211	72,192	558,598	427,395
Lease liabilities	226,755	227,009	32,139	31,463	49,567	70,632	43,208
Trade and other payables and other liabilities	526,561	526,636	458,622	32,341	30,251	5,422	-
<b>Total</b>	<b>1,781,959</b>	<b>1,927,236</b>	<b>569,955</b>	<b>100,015</b>	<b>152,011</b>	<b>634,652</b>	<b>470,603</b>

Trade and other payables and other liabilities due after one year primarily contain payables related to vendor financing and factoring as further disclosed in note 17.

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2019:

31 December 2019							
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
<b>Non derivative financial liabilities</b>							
Interest bearing loans and borrowings, including bonds	942,030	1,072,251	120,591	51,937	219,025	680,698	-
Lease liabilities	198,258	219,914	33,459	31,139	52,424	56,750	46,142
Trade and other payables and other liabilities	500,606	501,059	412,101	48,593	31,438	8,927	-
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging	15	15	15	-	-	-	-
Redemption Options share contracts	770	770	770	-	-	-	-
<b>Total</b>	<b>1,641,678</b>	<b>1,794,008</b>	<b>566,935</b>	<b>131,669</b>	<b>302,887</b>	<b>746,376</b>	<b>46,142</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

At 31 December 2020, the Group had net current liabilities of EUR 450,314 (31 December 2019: EUR 475,104). 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, leases and working capital, whilst considering future cash flows from operations.

As at 31 December 2020, the Group has available credit facilities (long term facilities and working capital facilities). Some of the facilities agreements stipulate certain covenants and restrictions. For details, please see Note 15.

Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

**iii) 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.

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.

The Group's exposure to foreign currency risk was as follows (amounts expressed in thousands of the respective currencies):

	31 December 2020		31 December 2019	
	USD	EUR	USD	EUR
Trade and other receivables	1,923	2,376	3,368	5,606
Cash and cash equivalents	19	67	16	23
Interest bearing loans and borrowings, including bonds	-	(858,831)		(580,141)
Bank overdraft	(13,222)	(5,739)	(19,492)	(5,354)
Lease liabilities	(1,465)	(97,727)	(1,798)	(95,852)
Trade and other payables	(46,096)	(63,150)	(53,138)	(67,514)
<b>Gross exposure</b>	<b>(58,841)</b>	<b>(1,023,004)</b>	<b>(71,044)</b>	<b>(743,232)</b>

**25. FINANCIAL RISK MANAGEMENT (continued)**

The following significant exchange rates applied for the year ended 31 December 2020:

	2020	2019
<b>Romania</b>		
USD	3.9660	4.2608
EUR	4.8694	4.7793
<b>Hungary</b>		
USD	297.36	294.74
EUR	365.13	330.52

***Sensitivity analysis for currency risk***

A 10 percent strengthening of the currencies listed below against the functional currencies of the Parent and of the subsidiaries at 31 December would have decreased profit before tax/increased the loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect on profit before tax	Effect on profit before tax
	2020	2019
EUR	102,300	74,323
USD	4,792	6,334
<b>Total</b>	<b>107,093</b>	<b>80,657</b>

A 10 percent weakening of the above mentioned currencies against the functional currencies of the Parent and of the subsidiaries at 31 December would have had the equal but opposite effect on profit or loss, on the basis that all other variables remain constant.

The effect in equity is the effect in profit or loss before tax, net of tax (16%) (excluding translation effect into presentation currency).

**25. FINANCIAL RISK MANAGEMENT (continued)***Exposure to interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (USD and EUR) through market fluctuations of interest rates. The interest rates of borrowings are disclosed in Note 15 and for lease liabilities see Note 2.

The Board of Directors performs from time to time ad-hoc analysis of exposure to variable rate borrowings and decides if it should change the structure of variable / fixed rate borrowings or whether to hedge through Interest Rate Swap.

At the reporting date the interest rate repricing profile of the variable rate interest-bearing financial instruments was:

	All reprice at 6 months or less	
	31 December 2020	31 December 2019
Interest bearing payables	72,434	61,099
Senior Facility Agreement	100,183	306,881
Interest rate swap	-	15
Redemption Options share contracts	-	770
Other	33,280	75,198
<b>Total</b>	<b>205,897</b>	<b>443,963</b>

The 2020 Senior Facilities Agreement bear variable interest rate. The interest rate swaps concluded by the Group for the 2015 Senior Facilities Agreement were valid under the same terms (amounts, maturities, interest rates etc) and applied only for the 2016 Senior Facility Agreement until April 2020, when they ended.

Except for the ones presented in the table above there are no other major interest-bearing financial instruments.

*Sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates, after taking into consideration the effect of the IRS, at the reporting date would have increased (decreased) profit or loss before tax by:

	Profit or loss	
	100 basis points increase	100 basis points decrease
<b>31 December 2020</b>		
Variable rate instruments	(1,449)	1,449
	Profit or loss	
	100 basis points increase	100 basis points decrease
<b>31 December 2019</b>		
Variable rate instruments, after IRS effect	(2,415)	2,415

The effect in equity is the effect in profit or loss before tax, net of tax (16%).

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)***iv) Fair values*

The Group measures at fair value the following: financial assets at fair value through other comprehensive income, embedded derivatives and redemption options (2019).

**Fair value hierarchy**

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation techniques with all significant inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: valuation techniques using significant inputs that are not observable or based on observable market data (i.e. unobservable inputs).

The significance of a valuation input is assessed against the fair value measurement in its entirety.

**Recurring fair value measurements**

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements of financial instruments are categorised are as follows:

	Level 1	Level 2	Level 3	Total
<b>31 December 2020</b>				
Financial assets at fair value through OCI	-	-	40,821	<b>40,821</b>
Embedded derivatives	-	-	21,578	<b>21,578</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>62,399</b>	<b>62,399</b>
<b>31 December 2019</b>				
Financial assets at fair value through OCI	-	-	39,592	<b>39,592</b>
Redemption Options share contracts	-	-	(770)	<b>(770)</b>
Interest rate swaps	-	-	(15)	<b>(15)</b>
Embedded derivatives	-	-	40,095	<b>40,095</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>78,902</b>	<b>78,902</b>

**Financial assets at fair value through OCI**

As at 31 December 2020, the fair value assessment of the financial assets at fair value through other comprehensive income shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as of the valuation date of RON/share 34.35 (daily average) (31 December 2019: RON/share 32.70), 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.

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)***Sensitivity analysis for financial assets at fair value through OCI*

A change in share price at the reporting date would have an impact as follows:

	Share price	
	10% increase	10% decrease
<b>31-Dec-20</b>		
Financial assets at fair value through OCI	4,082	(4,082)
<b>31-Dec-19</b>		
Financial assets at fair value through OCI	3,959	(3,959)

*Embedded derivatives*

- Redemption Options Bonds*

As at 31 December 2019 and 31 December 2020, a discounted cash flow valuation technique was used in order to estimate the option-free value of the bond at this date. Main inputs were the callable bond market value, coupon, payment terms and maturity date. The fair value of the redemption option is the difference between market price of the bond and the estimated option free value. The fair value was obtained from an independent valuation specialist. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

	Discount rate	
	50 bps increase	50 bpd decrease
<b>31-Dec-20</b>		
Embedded derivative asset	(21,624)	22,351

- Redemption Options share contracts*

On 10 December 2019, the Company acquired 7,781,832 shares in RCS & RDS SA from certain minority shareholders. There is a redemption option in the contracts regarding the right of these minority shareholders to redeem these shares in a 3 year period, for an established price. This embedded option was accounted in Group's consolidated financial statements at fair value as at 31 December 2019.

The contracts were redeemed in December 2020 and consequently, there is no redemption option as at 31 December 2020.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020**
*(all amounts in EUR '000, unless specified otherwise)*
**25. FINANCIAL RISK MANAGEMENT (CONTINUED)**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2020 is as follows:

	Financial assets at fair value through OCI (Notes 8, 14)	Embedded derivatives	Redemption Options share contracts	Interest rate swaps
<b>1 January 2020</b>	<b>39,592</b>	<b>40,095</b>	<b>(770)</b>	<b>(15)</b>
Gains or (losses) recognised in profit or loss for the year (derecognition)	-	(36,740)	-	7
Gains or (losses) recognised in other comprehensive income	1,229	-	-	8
Embedded derivative recognized at inception	-	18,362	-	-
Settlement	-	-	770	-
Effect of movements in exchange rates	-	(139)	-	-
<b>31 December 2020</b>	<b>40,821</b>	<b>21,578</b>	<b>-</b>	<b>-</b>

The asset at FV through OCI and the embedded derivative are fully unrealized.

	Financial assets at fair value through OCI (Notes 8, 14)	Embedded derivatives	Redemption Options share contracts	Interest rate swaps	Trading assets	Trading liabilities
<b>1 January 2019</b>	<b>32,058</b>	<b>31,115</b>	<b>-</b>	<b>120</b>	<b>2,052</b>	<b>(1,106)</b>
Gains or (losses) recognised in profit or loss for the year	-	6,587	-	(21)	(2,052)	1,106
Gains or (losses) recognised in other comprehensive income	7,535	-	(770)	(72)	-	-
Purchases	-	3,240	-	-	-	-
Settlements	-	-	-	(41)	-	-
Effect of movements in exchange rates	-	(847)	-	(1)	-	-
<b>31 December 2019</b>	<b>39,592</b>	<b>40,095</b>	<b>(770)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>

**25. FINANCIAL RISK MANAGEMENT (CONTINUED)***Assets and liabilities not measured at fair value but for which the fair value is disclosed*

The fair value of long term loans and their corresponding carrying amount (excluding the interest accrued at 31 December 2020 and 2019) and fair value measurement hierarchy are presented in the table below:

31 December 2020			
	Carrying amount	Fair Value	Hierarchy
<b>Loans (Note 15)</b>	<b>984,226</b>	<b>1,025,779</b>	
Bonds*	851,165	889,610	Level 1
2020 Senior Facilities	97,216	99,887	Level 3
Other	35,845	36,282	
31 December 2019			
	Carrying amount	Fair Value	Hierarchy
<b>Loans (Note 15)</b>	<b>874,563</b>	<b>892,468</b>	
Bonds*	552,433	566,885	Level 1
2016 Senior Facilities	230,201	230,089	Level 3
2018 Senior Facilities	70,803	73,795	Level 3
Other	21,126	21,698	

\* Fair value of bonds is disclosed at mid-market price, which includes the embedded derivative asset

The fair value of bonds is calculated on the basis of the market price while the fair value of the loans is based on contractual cash flows discounted using a market rate prevailing at the reporting date (latest EURIBOR/ROBOR reset rate, after giving effect to interest rate swaps, plus the market credit spread received by the Group for financial liabilities with similar features).

Financial instruments which are not carried at fair value on the statement of financial position also include trade and other receivables, cash and cash equivalents, other interest bearing loans and borrowings, other long term liabilities and trade and other payables.

The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (or recognized recently carrying values for other long term liabilities) and low transaction costs of these instruments.

**v) Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreements' requirements and in accordance with the Senior Notes. For details, please see Note 15.

**26. SHARE- BASED PAYMENTS**

The Group implemented share-based payment plans for certain members of the management team and key employees. The options vest if and when certain performance conditions, such as revenue, subscriber targets and other targets of the Group were met. Some of the share option plans vested in past years and were closed.

Currently, the following share option plans are in place:

**26.1** In December 2017, the Board of Directors approved a stock option plan whereby a number of directors, officers and employees of certain subsidiaries of the Group in Romania were granted options to acquire for free class B shares of the Company, with up to 1.6% out from the total number of shares issued by the Company being allocated for this program.

In 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. Fair value at granting date was EUR 12,387. The Plan vested at the end of 2018 and beginning of 2019 and was settled in shares.

The beneficiaries were able to exercise the stock option (the vesting) only after the lapse of one year from the grant date.

This stock option plan was closed during the third quarter of 2019.

**26.2** 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.

On 28 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. 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 6 April 2020 Mr. Bogdan Ciobotaru, Non-Executive Director of the Company, have exercised his stock option, which have vested in accordance with the provisions of the Company's stock option plan and which were granted pursuant to the decision of the Company's general meeting of shareholders dated 2 May 2018. In accordance with this stock option plan and the general meeting of shareholders dated 2 May 2018, Mr. Bogdan Ciobotaru was granted 116,090 class B shares.

On 15 May 2020, 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 and which were granted pursuant to the decision of the Company's general meeting of shareholders dated 2 May 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 3 June 2020 Mr. Marius Catalin Varzaru, Non-Executive Director and Vice-President of the Board of Directors of the Company, has exercised his stock options, which have vested in accordance with the provisions of the Company's stock option plan and which were granted pursuant to the decision of the Company's general meeting of shareholders dated 2 May 2018. In accordance with this stock option plan, Mr. Marius Catalin Varzaru was granted 50,000 shares.

The vesting of such options was conditional upon fulfilment of several performance criteria and the passage of a minimum duration of 1 year.

This stock option plan was closed.

**26. SHARE- BASED PAYMENTS (CONTINUED)**

**26.3** On 30 April 2020, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive Board members in 2020.

Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company) and Mr. Valentin Popoviciu (Executive Director of the Company), have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 30 April 2020. The number of options of class B shares granted as part of this stock option plan amounts to a total of 130,000 stock options. The fair value at grant date was EUR 2,516.

The options vest upon 1 year period and upon the fulfilment of several performance criteria. The granting criteria are related to the employment status at vesting date, EBITDA, RGUs and leverage ratio levels.

**26.4** On 19 May 2020, the Board of Directors of the Company has approved the grant of stock options for the benefit of certain employees and managers of RCS&RDS S.A., its Romanian subsidiary and of DIGISOFT IT SRL, a subsidiary of RCS&RDS S.A. The options granted are for a number of 185,500 Class B shares. The vesting of such options is conditional upon fulfilment of several performance criteria, with the vesting period being a minimum of 1 year. The fair value at grant date was EUR 3,562.

For details regarding the movement of share options during the period, please see below:

	31 December 2020		31 December 2019	
	Number	WAEP	Number	WAEP
<b>Class B treasury shares</b>				
Outstanding as at 1 January	<b>602,090</b>	-	<b>2,501,290</b>	-
Exercised during the year	(483,290)	7.14	(1,749,200)	5.2
Granted during the year	315,500	-	-	-
Outstanding as at 31 December	315,500	-	602,090	-
<i>Expired, for which the service or performance conditions were not met</i>	<i>118,800</i>	-	<i>150,000</i>	-

As at 31 December 2020 the related share option net result of EUR 109 (31 December 2019: EUR 2,383) is included in the Consolidated statement of profit or loss and other comprehensive income included in the line item Operating expenses, within salaries and related taxes (Note 20).

**27. DERIVATIVE FINANCIAL INSTRUMENTS**

As at 31 December 2020 the Group had both derivative financial liabilities and derivative financial assets.

	31 December 2020		31 December 2019	
	Fair value	Notional	Fair value	Notional
<b>Derivative financial asset</b> (see also Note 25)	<b>21,578</b>		<b>40,095</b>	
Embedded derivatives	21,578	n/a	40,095	n/a
	31 December 2020		31 December 2019	
	Fair value	Notional	Fair value	Notional
<b>Derivative financial liability</b> (see also Note 25)	<b>-</b>		<b>785</b>	
Interest rate swaps	-	n/a	15	n/a
Redemption Options share contracts	-	n/a	770	n/a

As at 31 December 2020 the Group had derivative financial assets in amount of EUR 21,578 (31 December 2019: EUR 40,095), which included:

- Embedded derivatives of EUR 21,578 related to the bond (31 December 2019: EUR 40,095) (the 2020 Bond include several call options as well as one put option, for which the combined fair value of these embedded options was assessed and recognized a separate embedded derivative asset). The fair value of the Bond was also assessed at inception date, in February 2020, in amount of EUR 18,362 and recognized as embedded derivative asset with a corresponding increase of the bond liability.

As at 31 December 2020 and 31 December 2019, 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.

As at 31 December 2020 the Group had no derivative financial liabilities (31 December 2019: EUR 785).

**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)*****Uncertainties associated with the fiscal and legal system***

The tax frameworks in Romania and other Eastern and Central Europe countries are subject to frequent changes (some of them resulting from EU membership, others from the domestic fiscal policy) and often subject of contradictory interpretations, which might be applied retrospectively.

Furthermore, the Romanian and other Eastern and Central Europe governments work via a number of agencies authorized to carry on audits of the companies operating in these countries. These audits cover not only fiscal aspects but also legal and regulatory ones that are of interest to these agencies.

The Dutch, Romanian and other Eastern and Central Europe Fiscal legislation include detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related prices at arm's length. Transfer pricing documentation requirements have been introduced so that taxpayers who carry out transactions with affiliated parties are required to prepare a transfer pricing file that needs to be presented to the tax authorities upon request.

The Company and its subsidiaries entered into various transactions within the Group, as well as other transactions with related parties. In light of this, if observance of arm's length principle cannot be proved, a future tax control could challenge the values of transactions between related parties and adjust the fiscal result of the Company and/ or its subsidiaries with additional taxable revenues/ non-deductible expenses (i.e. assess additional profit tax liability and related penalties).

Group management believes that it has paid or accrued all taxes, penalties and interest that are applicable, at the Company and subsidiaries level.

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.

**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 3,900,000 (by maintaining the first court solution). This amount has been recorded as a provision on the statement of financial position. In December 2020, the High Court for Cassation and Justice granted the appeal filed by RCS&RDS and sent the case for retrial back to the Bucharest Court of Appeal.

For a 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.



**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Litigation with Electrica Distribuție Transilvania Nord in relation to a concession agreement between RCS&RDS and the Oradea municipality**

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

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

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

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

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately USD 1,800,000 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.

**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

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 1,800,000, 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.

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. The Plaintiffs had the opportunity to challenge this ruling in front of the Supreme Court. However, the Plaintiffs have failed to file an appeal in the applicable deadline. Accordingly, the Appellate Court's decision is final, which means that the Company, RCS&RDS, RCS Management S.A., and DIGI Távközlési és Szolgáltató Kft. are effectively dismissed from the case. As a result, only i-TV remains to act as a defendant in the case. Further, the US Court will resume the judgment of the case as regards i-TV.

Additionally, the opinion of external lawyers representing the Company in this litigation is that any judgement issued by the US Court against i-TV would not be enforceable and it will need to be first recognised in the relevant jurisdiction, subject to foreign judgement's compliance with the respective jurisdiction's mandatory legal provisions.

On 27 April 2020, i-TV filed a motion to dismiss the Plaintiff's contempt claim for alleged failure of complying with the decision issued in October 2006. The plaintiffs have submitted their reply to the motion to dismiss, filed on April 27<sup>th</sup>, 2020.

On 27 August 2020, i-TV's motion to dismiss the plaintiff's contempt claim regarding the failure of complying with the decision of October 2006 was granted. The court based its decision on the fact that the plaintiffs showed lack of diligence, the defense of laches being admitted. On 24 September 2020 the plaintiffs filed an appeal against the decision from 27 August. The Appellant filed a motion to voluntarily dismiss the appeal and, on 24 November 2020, the court granted the motion.

**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)****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.

**28. CONTINGENCIES AND COMMITMENTS (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 1,250,000. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of EUR 3,100 plus RON 655,000 and it maintained the seizure over the two real estate assets first instituted by the DNA. Integrasoft S.R.L. was convicted in connection with the offence of accessory to money laundering for which the court applied a criminal fine of RON 700,000. Mr. Bendei Ioan was convicted to a 4 years imprisonment sentence in connection with the offence of accessory to money laundering resulting from his capacity of director of Integrasoft S.R.L.

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

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

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

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

On March, 26, 2021, we received the written reasoning of the decision no. 37/15.01.2019 of the Bucharest Tribunal, together with a decision issued on 19.03.2021 rectifying some clerical errors within the content of the decision. The Company filed an appeal also against the decision to rectify clerical errors. The file has now been registered with Bucharest Court of Appeal, Second Penal Section, the first court hearing being established for 18 May 2021.

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.

**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Claim for indemnity filed against RCS&RDS in connection to certain matters related to the sale by RCS&RDS of its subsidiary in the Czech Republic in 2015**

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

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

In its claim in front of the VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately EUR 4,500 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 on 25 November 2019 the Secretary General of VIAC has communicated the award to RCS&RDS. As a result of the reduction of the final request for relief submitted by the claimant through its post-hearing briefs, in its final award, the Arbitral Tribunal only recognized certain of the claims made by the claimant. The Arbitral Tribunal also recognized the counterclaim raised by RCS&RDS and denied part of the set-offs raised by the claimant against the counterclaim.

On December 19, 2019, the VIAC amended certain errors in its original Award. Under the award so amended, approximately EUR 2,100 plus approximately EUR 24 in default interest was due to Yolt Services s.r.o., which was significantly lower than the amounts they had claimed. The amounts awarded have been paid to the claimant in full.

On 11 March 2021, Yolt Services s.r.o., filed against RCS&RDS a new claim for indemnification in front of VIAC. The claimant grounds its request on the same SPA concluded in April 2015 between RCS&RDS and Lufusions s.r.o., a subsidiary of Lama Energy Group Czech-based holding.



**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

In its new claim in front of VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately EUR 1,9 million together with the accrued default interest and other costs as indemnity under the SPA for tax claims (for the years 2010, 2014 and 2015) and compensation for other losses related to the indemnity claims, such as legal costs, advisors' costs and experts'/consultants' fees (around EUR 76,000 incurred until 29 January 2021).

We deem the claimant's claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA. RCS&RDS will submit its Answer to the Statement of Claim in according with the Vienna Rules 2018.

**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, representing a minor part of its business) and Invitel overlap. For the duration of the New Procedure, Digi HU's ownership and control over Invitel was not affected.

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 260 (HUF 90,000,000). In December 2018, we have challenged in a competent Hungarian court parts of the GVH's decision alleging Digi HU's failure to act in a certain manner, as well as the size of the fine. The court of first instance (i) reduced the fine imposed on DIGI HU by the GVH from HUF 90,000,000 (approximately EUR 260) to HUF 45,000,000 (approximately EUR 130). (ii) 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 (iii) the Initial Decision was adopted not only because of Digi HU's conduct, but also that GVH had failed itself to properly gather the necessary information at the time of the evaluation leading to the Initial Decision, which was not exclusively due to Digi HU's failure to proactively act in the required manner. GVH filed an appeal and Digi HU filed a cross-appeal against the court's decision. The judgment of the Curia approved the first instance decision and confirmed the reasoning according to which GVH should have requested confirmation with respect to the data on which it based its Initial Decision. The judgment is final and binding.

Although we continue to strongly believe that Digi HU fully cooperated during the initial procedure by providing complete and accurate information, and that GVH's decision to withdraw the Initial Decision and to apply a fine is incorrect, in order to address GVH's concerns in connection with the Transaction in the context of the New Procedure, in consultation with GVH Digi HU proposed as remedial measure sale by Invitel to a third party of its operations in 14 Hungarian settlements and parts of its network in the Szeged settlement that overlapped with DIGI Hungary's own network there, the underlying sale and purchase agreement having been executed on January 9, 2020. Following the proposal of this remedial package, on March 18, 2020 GVH authorised again the Transaction, subject to fulfilment of the remedial measures within three months as of the communication of its approval issued in the New Procedure.

By way of its decision, the GVH amended the final decision issued in the case. The reason for this was that one of the i-TV overlapping settlements was incorrectly included in the final decision, which fact, however, did not affect the merits of the case. As a result of this incorrect data, the GVH also imposed a fine of HUF 20,000,000 (approximately EUR 58) on DIGI HU. DIGI HU challenged the order with respect to the imposition of the fine before court.



**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)****Dispute with the Hungarian National Media and Telecommunication Authority („NMHH”) relating to its refusal to allow the Company to participate in an auction for mobile telecommunication frequencies in Hungary**

On September 13, 2019, the NMHH issued an order refusing to allow the Company to participate in a public auction for the acquisition of mobile telecommunication frequencies in Hungary, which we intended to use in the development of our mobile telecommunication network in the country.

The main argument of the NMHH was that the Company did not actually intend to participate in the auction procedure in good faith as, allegedly, its bid was merely a way to avoid potential disqualification had the bid been submitted by DIGI HU. In turn, as NMHH alleged, DIGI HU would not have been allowed to participate in the first place as a consequence of its alleged violations during Invitel's acquisition, a review of which is pending. The NMHH erroneously alleged that, had the bid been successful, the Company would not have been able to provide mobile telecommunication services in Hungary because it was not a registered service provider and did not have sufficient infrastructure and frequency bandwidth.

The Company challenged the NMHH's order to the President of NMHH. As it stated in the appeal, the NMHH's order had been rendered based on subjective allegations, rather than objective grounds and applicable procedural requirements. We believe that the Company met all applicable requirements of the auction documentation and there are no objective grounds to refuse its registration as a participant in the auction. The Company had acted in good faith and had not, and had no intention to, mislead the NMHH. Furthermore, we believe that even if the bid was submitted by DIGI HU, there were no formal grounds to deny its registration as a participant.

While our appeal to the President of the NMHH was pending, the auction procedure was suspended. On November 27, 2019, the appeal was rejected on similar reasoning stated in the initial order. On November 29, 2019, we appealed that decision to the competent Hungarian court, the Metropolitan Court of Budapest.

We also filed for injunctive reliefs to suspend the auction pending judicial review of our claims three times, which were rejected both by the first and the second instance courts.

By way of its judgment issued on November 4, 2020, the Metropolitan Court of Budapest rejected DIGI NV's statement of claims. The first instance court established that the procedural rules of the 5G auction were in line with the applicable statutory rules and the NMHH lawfully rejected DIGI NV's registration in the auction.

Regarding the appeal filed by the Company, on February 4, 2021, Curia announced its judgment by way of which it upheld the first instance judgment and thus rejected the Company's statement of claims. The Curia's judgment is final and binding and it was delivered to the Company in writing on March 8, 2021.

Potential further legal remedies include constitutional complaint and the complaint for legal unity.

Furthermore, on April 16, 2020, we filed a statement of claim requesting the Metropolitan Court to annul NMHH's decision on the merits of the case issued on April 1, 2020 which was forwarded by NMHH to the court. Magyar Telekom joined the court proceedings as an intervenor in favor of NMHH. At the court hearing of January 13, 2021, the Metropolitan Court requested the Plaintiff to file a preparatory brief in connection with its standing. In addition, it scheduled the next court hearing in the case to 31 March 2021. According to the Metropolitan Court's warrant served to the Company on 25 March 2021, the hearing will be cancelled due to the COVID situation. The Metropolitan Court added that it holding further hearing is not necessary to bring their verdict in the case, so they will announce the verdict without a hearing.

In addition to the above, there are two court proceedings pending with respect to NMHH's rejections of our requests to access the case file of the auction procedure. The court of first instance dismissed our actions in both cases on 23 December 2020. The Company filed requests for the extraordinary revision of such judgments. In one of the cases, the Curia admitted the request and decided to examine it on the merits, while in the other case, the decision of Curia regarding the admissibility is still pending.

**28. CONTINGENCIES AND COMMITMENTS (CONTINUED)**

On May 15, 2020 we received the judgment of the Metropolitan Court with respect to the Company's statement of claim regarding the denial of access to the notice of public interest which was filed in the auction procedure and which was referred to by NMHH in the order refusing the Company's registration in the auction procedure. It annulled NMHH decision and established that the Company would have been entitled to access the non-confidential version of the notice of public interest. The court ordered the NMHH to commence administrative proceedings and allow access for the Company to the case file. As a result, the Company could access the non-confidential version of the notice of public interest in July 2020.

**Dispute with the National Authority for Consumer Protection („NACP”) in relation to 2019 increases of our tariffs in Romania**

In the beginning of 2019, RCS&RDS increased certain tariffs charged to Romanian customers for electronic communication services. In April and May 2019, the NACP carried out a review of those increases (along with their review of prices charged by our competitors), as a result of which it issued a minute sanctioning RCS&RDS with a fine of RON 70,000 for allegedly having violated the law in so increasing the tariffs. According to the NACP, those increases were the result of RCS&RDS transferring to its customers the costs that had increased on account of the costs imposed by the law, the authority making reference to the emergency Government Ordinance no.114, dated December 28, 2018. The NACP also ordered RCS&RDS the termination of the allegedly unfair commercial practice which can result in the reverse of the price increases.

We believe that the NACP's minutes and order are entirely without merit as (i) the disputed tariff increases were in no way unlawful; and (ii) there were solid economic reasons therefor, which were not related to additional costs imposed by legislation changes. In particular, from 2009 to 2019 RCS&RDS did not increase the main prices for its electronic communication services; therefore the 2019 increases were the function of economic developments over the past 10 years (such as increases in operational costs (including wages), significant depreciation of the RON against the EUR and the USD, significant inflation and a series of changes in VAT rates, among others), as well as very significant investments by the RCS&RDS in the development of its services. As a private company operating in a competitive market environment, the RCS&RDS is entitled by law to direct its own pricing policy.

On June 14, 2019, RCS&RDS appealed the NACP's minutes to a Romanian court of the first instance (thereby suspending their application). The appeal was granted on November 18, 2019, under which the court cancelled the minutes. The NACP filed an appeal against the judgement. On 27 October 2020, the court dismissed the appeal filed by the NACP. The decision is definitive.

On July 18, 2019, RCS&RDS filed for injunctive relief requesting that the NACP's order be suspended. The injunctive relief was granted on August 9, 2019, but was appealed by the NACP. On the 3<sup>rd</sup> of June 2020, the court dismissed the appeal filed by the NACP.

On September 26, 2019, RCS&RDS filed to a Romanian court of the first instance a substantive appeal against the NACP's order itself. At the hearing from March 17, 2020 the first instance scheduled the issuance of the decision on the substantive appeal for March 25, 2020.

On 22 April 2020, the first court admitted RCS&RDS claim and annulled the NACP order. NACP can challenge the court decision in 15 days as of the communication of the decision.

**28. CONTINGENCIES AND COMMITMENTS (continued)*****Material commitments***

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.314% p.a., 3M EURIBOR + 6.314% p.a. or 3M ROBOR + 6.314% p.a.

***Capital expenditure***

The capital expenditure the Group has assumed until 31 December 2020 is mostly made of commitments for the purchase of mobile and fixed network equipment amounting to approximately EUR 82,248 (31 December 2019: EUR 125,967).

Regarding the Network agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunicatii S.R.L. which entered into force on 24 July 2020, RCS & RDS has offered commitments regarding the clients which will be binding for a period of three years as of the date of the authorisation and they mainly refer to the undertaking made by RCS&RDS to upgrade the networks and to provide to at least 95% of the clients communications services of the same technical quality as offered to its existing customers. In addition, RCS&RDS has to offer to all customers the opportunity to benefit from the packages and prices offered by RCS&RDS to its existing customers and refrain from price increases during the three year period under review.

***Satellite capacity expenses***

The Group has committed under the long term agreement with Intelsat, the satellite solution provider, to use until November 2022 the contracted services and to pay monthly equal fees cumulating to EUR 11,436 (31 December 2019: EUR 18,253).

***2100 MHz spectrum fee***

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 2100 MHz radio spectrum license awarded until 31 December 2031 inclusively, amounting to a cumulated value of EUR 19,907 (31 December 2019: EUR 6,627). According to ANCOM's decision adopted by the Government, the renewal tax for this licence is the equivalent in RON of 25 million EUR to be paid until 30 November 2021.

***900 MHz spectrum fee***

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 900 MHz radio spectrum license awarded starting with April 2014 until April 2029 inclusively, amounting to a cumulated value of EUR 14,125 (31 December 2019: EUR 16,174).

***1800 MHz spectrum fee***

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the 1800 MHz radio spectrum license awarded until 31 October 2029 inclusively, amounting to a cumulated value of EUR 3,866 (31 December 2019: EUR 4,766).

***2600 MHz spectrum fee***

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 2600 MHz radio spectrum license awarded until 31 April 2029 inclusively, amounting to a cumulated value of EUR 9,212 (31 December 2019: EUR 10,548).

## **28. CONTINGENCIES AND COMMITMENTS (continued)**

### *3700 MHz spectrum fee*

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 3700 MHz radio spectrum license awarded until 31 November 2025 inclusively, amounting to a cumulated value of EUR 1,439 (31 December 2019: EUR 1,744).

### *3800 MHz spectrum fee*

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the 3800 MHz radio spectrum license awarded until June 2034 inclusively, amounting to a cumulated value of EUR 5,084 (31 December 2019: 5,967).

### *Sports rights and TV films and documentaries*

As of 31 December 2020, commitments for sports rights related to future seasons and TV films and documentaries amounted to EUR 48,250 (31 December 2019: EUR 85,661).

### *Letters of guarantee and letters of credit*

As of 31 December 2020, there were bank letters of guarantee and letters of credit issued in amount of EUR 29,764 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2019: EUR 93,527).

## **29. SUBSEQUENT EVENTS**

On March 29, 2021, RCS&RDS and 4iG Plc. entered into a preliminary, non-binding agreement regarding the acquisition of 100% of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and its subsidiaries, Invitel Ltd. and I TV Ltd. The acquisition is aimed to be completed by September 2021, subject to the due diligence of Digi Hungary and its subsidiaries, the signing of a sale and purchase agreement, and the necessary competition authority approvals.

For developments in legal proceedings in which the Group was involved (both as a plaintiff and a defendant), subsequent to 31 December 2020, please refer to Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

**30. EBITDA**

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) the charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items.

	2020	2019
<b>Revenues</b>	<b>1,281,569</b>	<b>1,186,026</b>
Operating profit	167,348	145,000
Depreciation, amortization and impairment (Note 5, 6, 7)	309,761	298,850
<b>EBITDA</b>	<b>477,109</b>	<b>443,850</b>
Other expenses	2,678	2,496
<b>Adjusted EBITDA</b>	<b>479,787</b>	<b>446,346</b>
Adjusted EBITDA (%)	37.44%	37.63%
<b>Adjusted EBITDA excl. IFRS 16</b>	<b>405,122</b>	<b>380,117</b>
Adjusted EBITDA (%) excl. IFRS 16	31.6%	32.0%

For breakdown of depreciation, amortization and impairment and the impact of revaluation of the property, plant and equipment, please refer to Notes 5, 6 and 7.

Starting with January 1, 2019, the Company adopted the IFRS 16. The impact of adopting IFRS 16 on EBITDA was EUR 74,665 for the year ended 31 December 2020 (31 December 2019: EUR 66,229).

For the year ended 31 December 2020 and 31 December 2019, EBITDA was adjusted to exclude Other income and Other expense.

For the period ended 31 December 2020, Other expenses include (i) the net result from the sales of Invitel's operations in selected locations in amount of EUR 3,510 (for details, please see Note 24), and (ii) the net result related to share option plans vested and are expected to be one-time events (for details, please see Note 26) in amount of 832 EUR.

For year ended 31 December 2019 Other expenses include: (i) EUR 1,564 representing 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 26); (ii) EUR 932 impact from the derecognition of the fair value assessment of energy trading contracts.

Serghei Bulgac,	Bogdan Ciobotaru,	Valentin Popoviciu,	Piotr Rymaszewski,	Emil Jugaru,	Marius Catalin Varzaru,	Zoltan Teszari,
<i>CEO</i>	<i>Independent Non-Executive Director</i>	<i>Executive Director</i>	<i>Independent Non-Executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>President</i>



# **Stand-alone Financial Statements for the year ended 31 December 2020**





**GENERAL INFORMATION**

**STAND-ALONE STATEMENT OF FINANCIAL POSITION**

**STAND-ALONE STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**STAND-ALONE STATEMENT OF CASH FLOWS**

**STAND-ALONE STATEMENT OF CHANGES IN EQUITY**

**NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS**

## **GENERAL INFORMATION**

### **Directors:**

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Emil Jugaru

Marius Catalin Varzaru

Zoltan Teszari

### **Registered Office:**

#### **DIGI Communications N.V.**

Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5,  
Bucuresti, Romania

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	3	58,613	74,303
Long-term loan receivable	4	-	560,802
Financial assets at fair value through OCI	5	40,821	39,592
<b>Total non-current assets</b>		<b>99,434</b>	<b>674,697</b>
<b>Current assets</b>			
Trade and other receivables	6	11,159	14,541
Short term loan receivable	7	2,134	7,695
Derivative financial assets	9	-	40,095
Cash and cash equivalents	10	246	215
<b>Total current assets</b>		<b>13,539</b>	<b>62,546</b>
<b>Total assets</b>		<b>112,973</b>	<b>737,243</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	11		
Issued and paid-up share capital		6,810	6,810
Share premium		3,406	3,406
Treasury shares		(15,552)	(16,803)
Fair value reserve		(5,146)	(6,220)
Translation reserve		955	-
Retained earnings		109,490	114,936
<b>Total equity</b>		<b>99,963</b>	<b>102,129</b>
<b>Non-current liabilities</b>			
Bonds – long term liabilities	12	-	560,177
<b>Total non-current liabilities</b>		<b>-</b>	<b>560,177</b>
<b>Current liabilities</b>			
Trade and other payables		13,010	28,292
Derivative financial liabilities	9	-	40,866
Bonds – short term liabilities	12	-	5,779
<b>Total current liabilities</b>		<b>13,010</b>	<b>74,937</b>
<b>Total liabilities</b>		<b>13,010</b>	<b>635,114</b>
<b>Total equity and liabilities</b>		<b>112,973</b>	<b>737,243</b>

**Stand Alone Statement of profit or loss and other comprehensive income  
for the year ended 31 December 2020**
*(all amounts are in thousand Euro, unless specified otherwise)*

	Notes	2020	2019
Interest income	14	3,194	31,573
Dividend income	14	9,675	9,833
Operating expenses	15	(3,102)	(2,933)
<b>Operating Profit</b>		<b>9,767</b>	<b>38,473</b>
Finance income	16	1,371	6,341
Finance expenses	16	(4,093)	(34,831)
<b>Net finance costs</b>		<b>(2,722)</b>	<b>(28,490)</b>
<b>Profit before taxation</b>		<b>7,045</b>	<b>9,983</b>
Income tax	17	3	(714)
<b>Net profit for the period</b>		<b>7,048</b>	<b>9,269</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Fair value change for Financial assets at fair value through OCI		1,551	7,535
<b>Other comprehensive income for the period, net of income tax</b>		<b>1,551</b>	<b>7,535</b>
<b>Total comprehensive income for the period</b>		<b>8,599</b>	<b>16,804</b>

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>7,045</b>	<b>9,983</b>
<b>Adjustments for:</b>			
Interest expense	16	2,817	27,992
Interest revenue		(3,194)	(31,573)
Finance revenue		(88)	-
Losses/gains on derivative financial instruments		-	1,451
Equity settled share-based payments	19	2,374	790
Unrealised foreign exchange (gain) / loss		(3,312)	(134)
<b>Cash flows from operations before working capital changes</b>		<b>5,642</b>	<b>8,509</b>
Increase/(Decrease) in trade receivables and other assets		5,691	1,590
(Increase)/Decrease in trade payables and other current Liabilities		(3,309)	719
<b>Cash flows from operations</b>		<b>6,441</b>	<b>10,818</b>
Interest paid		(8,479)	(27,500)
Interest received		1,773	33,820
Income tax paid		-	(726)
<b>Cash flows from operating activities</b>		<b>(265)</b>	<b>16,412</b>
<b>Cash flows from investing activities</b>			
Proceeds from group companies' borrowings	12	583,476	19,952
Borrowing payments to group companies	12	(10,525)	(226,492)
<b>Cash flows from investing activities</b>		<b>572,901</b>	<b>(206,540)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(10,272)	(3,520)
Cash outflows from acquisition of treasury shares		(166)	(6,194)
Proceeds from Bonds	12	-	200,000
Repayments of borrowings		(550,000)	-
Financing costs paid		(13,750)	-
<b>Cash flows used in financing activities</b>		<b>(574,188)</b>	<b>190,286</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>31</b>	<b>159</b>
Cash and cash equivalents at the beginning of the period		215	56
<b>Cash and cash equivalents at the end of the period</b>		<b>246</b>	<b>215</b>

**Stand-alone Statement of Changes in Equity  
for the period ended 31 December 2020**

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

	Share capital	Share premium	Treasury shares	Fair value reserve*	Translation reserve	Retained earnings	Total equity
<b>Balance at 1 January 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,803)</b>	<b>(6,220)</b>	<b>-</b>	<b>114,936</b>	<b>102,129</b>
<b>Comprehensive income for the period</b>							
Net profit for the period	-	-	-	-		7,048	<b>7,048</b>
Fair value change for Financial assets at fair value through OCI	-	-	-	1,551		-	<b>1,551</b>
Impact of foreign exchange differences	-	-	-	(477)	955	13	<b>491</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,074</b>	<b>955</b>	<b>7,061</b>	<b>9,090</b>
<b>Transactions with owners, recognized directly in equity</b>							
Contributions by and distributions to owners	-	-	-	-	-	(12,630)	(12,630)
Purchase of treasury shares (Note 19)	-	-	(165)	-	-	123	<b>(44)</b>
Equity-settled share-based payment transactions (Note 11)	-	-	1,416	-	-	-	<b>1,416</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>1,251</b>	<b>-</b>	<b>-</b>	<b>(12,507)</b>	<b>(11,256)</b>
<b>Balance at 31 December 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,552)</b>	<b>(5,146)</b>	<b>955</b>	<b>109,490</b>	<b>99,963</b>

*\*Fair value and Translation reserves represent Legal reserves*



	Share capital	Share premium	Treasury shares	Fair value reserve*	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>	<b>6,918</b>	<b>3,406</b>	<b>(14,524)</b>	<b>(13,755)</b>	<b>117,051</b>	<b>99,096</b>
<b>Comprehensive income for the period</b>						
Net profit for the period	-	-	-	-	9,269	<b>9,269</b>
Fair value change for Financial assets at fair value through OCI	-	-	-	7,535	-	<b>7,535</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,535</b>	<b>9,269</b>	<b>16,804</b>
<b>Transactions with owners, recognized directly in equity</b>						
Contributions by and distributions to owners	-	-	-	-	(9,959)	<b>(9,959)</b>
Conversion of class A shares to class B shares	(108)	-	-	-	108	<b>-</b>
Net change in treasury shares (Note 11)	-	-	(6,194)	-	-	<b>(6,194)</b>
Equity-settled share-based payment transactions (Note 19)	-	-	3,915	-	(1,533)	<b>2,383</b>
<b>Total transactions with owners</b>	<b>(108)</b>	<b>-</b>	<b>(2,278)</b>	<b>-</b>	<b>(11,384)</b>	<b>(13,770)</b>
<b>Balance at 31 December 2019</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,803)</b>	<b>(6,220)</b>	<b>114,936</b>	<b>102,129</b>

\*Fair value reserves represent Legal reserves

**1. CORPORATE INFORMATION**

Digi Communications N.V. ("DIGI" or "the Company") is a company incorporated in the Netherlands, Chamber of Commerce registration number 34132532/29.03.2000, with place of business and registered office in Romania. 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. ("CCS").

The Company was established on March 29, 2000 and mainly acts as a holding- and finance company.

The principal shareholder of DIGI is RCS Management S.A. ("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.

In addition to these stand alone financial statements the Company prepares consolidated financial statements. The Company's results are also included in the RCS Management S.A., Bucharest, Romania consolidated accounts. The stand-alone financial statements were authorized for issue by the Board of Directors of DIGI on 6 April 2021.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES****2.1 BASIS OF PREPARATION*****(a) Statement of compliance***

These stand-alone financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (Option 4 under Article 362 NCC from Part 9 of Book 2 of the Dutch Civil Code) and in accordance with Part 9 of Book 2 of the Dutch Civil Code.

***(b) Basis of measurement***

The stand-alone financial statements have been prepared on the historical cost basis, except for financial assets at fair value through OCI and derivative financial instruments measured at fair value.

***(c) Going concern assumption***

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

***(d) Judgements and estimates***

Preparing the stand-alone 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 the process of applying the Company's accounting policies, management has made the following significant judgements and estimates, including assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5: measurement of Financial assets at fair value through OCI

***(e) Functional and presentation currency***

The functional currency for the Company's financial statements is the primary currency of the main economic transactions which influences its activity as a holding and finance company.

In February 2020, the Company has repaid the outstanding 2016 Notes which were denominated in EUR. Management has performed an analysis of the main transactions of the Company following the repayment of the 2016 Bonds and concluded that the functional currency of the Company going forward should be lei ("RON"). Consequently, starting with the second quarter of 2020, the stand-alone financial statements are prepared in RON, as functional currency.

The Company uses the EUR as a presentation currency of the stand-alone financial statements under IFRS based on the following considerations:

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

- management analysis and reporting is prepared in EUR;
- EUR is used as a reference currency in telecommunication industry in the European Union;
- The Company is the head of Digi Group that is to a large extent financed by loans denominated in EUR.

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

Currency	2020			2019		
	Jan – 1	Average for the year	Dec – 31	Jan – 1	Average for the year	Dec – 31
RON per 1EUR	4.7793	4.8371	4.8694	4.6639	4.7452	4.7793
USD per 1EUR	1.1234	4.2440	3.9660	1.1450	1.1196	1.1234

**2.2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the Company are consistent with accounting policies applied for the Consolidated Financial Statements of the Group, except for the following:

***Financial instruments******(i) Non-derivative financial assets******Financial assets (Investments in subsidiaries)***

The investments of the Company in the shares of its subsidiaries are measured at historical cost in its standalone financial statements, as allowed by IAS 27.

At each year-end the Company reviews the value of its investments for impairment, by considering mainly the comparison of cost to net asset value of the respective subsidiary/sub-group, as well as the profitability of the respective subsidiary/sub-group.

***(ii) Share capital******Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Transactions with the Company's shares (Class A shares) between shareholders are considered completed at the date the transfer of ownership has been agreed upon by the parties in a written contract. Transactions with the B shares are trading on the stock exchange and are considered completed at the transaction date.

***Repurchase, disposal and reissue of share capital (treasury shares)***

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium. When treasury shares are cancelled the excess of cost above nominal value is debited to retained earnings.

Share and repurchase agreements related to treasury shares do not result in the derecognition of the respective treasury shares and do not affect their valuation.

***Dividend income***

Dividend income is recognised in profit or loss on the date that DIGI's right to receive payment is established.

**3. FINANCIAL ASSETS**

Investments in subsidiaries

Changes in investments in subsidiaries are presented below:

	31 December 2020	31 December 2019
<b>Opening balance 1 January</b>	<b>74,303</b>	<b>58,251</b>
Acquisitions	-	14,459
Disposals	(14,187)	-
Share based plan (Note 19)	(834)	1,593
Impact of foreign exchange differences	(669)	-
<b>Closing balance 31 December</b>	<b>58,613</b>	<b>74,303</b>

On 10 December, 2019, the Company acquired 7,718,832 shares in the share capital of RCS & RDS from certain minority shareholders, representing approximately 2.0% of RCS & RDS's outstanding share capital, for EUR 13,689. The share purchase agreement included a call option for the sellers over those shares, which was exercisable within three years from the date of sale, at a premium compared to initial price. The call option was recognized as derivative in amount of EUR 770. These contracts were cancelled in 2020 and there was no net impact on the Cashflow Statement. Therefore, the 2019 transactions were reversed and the corresponding embedded derivative was derecognized at year end.

**Investments in group companies**

The Company's investments in group companies comprise the following:

Name	Registered office	Ownership 31 December 2020	Ownership 31 December 2019	Acquisition cost 31 December 2020
RCS&RDS S.A.	Bucharest, Romania	93.58%	95.58%	58,598
Lexin Hvar B.V. *	Amsterdam, the Netherlands	95.00%	95.00%	16
<b>Total</b>				<b>58,613</b>

\* As at 31 December 2020 Lexin Hvar B.V. is in liquidation process.

**4. LONG TERM LOAN RECEIVABLE****Amounts due from Group Company**

	31 December 2020	31 December 2019
<b>Opening balance as at 1 January</b>	<b>560,802</b>	<b>355,851</b>
Additional amount Proceeds Loan	-	203,500
Disposals/Changes in amortization borrowing costs	(560,802)	1,451
<b>Closing balance 31 December</b>	<b>-</b>	<b>560,802</b>

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850,000 senior secured notes, in two tranches: (i) EUR 450,000 at 2.50% senior secured notes due 2025 and (ii) EUR 400,000 at 3.25% senior secured notes due 2028 (collectively, the "Notes").

The gross proceeds of the Offering were used to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company and to prepay or repay other outstanding debt facilities. The total Proceeds loan in amount of 553,500 was repaid and closed by RCS & RDS on 5 February 2020.

The 2016 Bonds were subject to an early repayment option which qualified as embedded derivative asset, with a corresponding embedded derivative liability related to the Proceeds Loan granted by the Company to RCS & RDS. In February 2020, when the 2016 Bonds were repaid and the Proceeds Loan was closed, the related embedded derivatives were derecognized.

**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Balance at 1 January</b>	<b>39,592</b>	<b>32,058</b>
Fair value change for Financial assets at fair value through OCI	1,551	7,534
Impact of translation reserve	(322)	-
<b>Balance at 31 December</b>	<b>40,821</b>	<b>39,592</b>

The above financial assets at fair value through OCI comprise shares in RCS Management S.A. that the Company owns. As at 31 December 2020 the percentage of ownership of Digi in RCSM is 10%.

The movement in balances represents only difference in fair value as at reporting date.

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of the Financial assets at fair value through OCI shares held in RCSM at year end 2019 and 2020 was performed based on the quoted price/share of the shares of the Company as of the valuation date, 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.

**6. RECEIVABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Amounts due from Group companies	10,733	13,525
Prepaid expenses	426	1,016
<b>Total</b>	<b>11,159</b>	<b>14,541</b>

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

Amounts due from group companies represent mainly dividends receivable.

**7. SHORT TERM LOANS**

The short term loans are provided to Group companies and include the following:

<b>Name</b>	<b>HCY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Loan RCS&RDS S.A	EUR	2,134	7,695
<b>Total</b>		<b>2,134</b>	<b>7,695</b>

The balance as at 31 December 2019 relates to the loan granted by the Company on 15 December 2018 to RCS & RDS S.A in amount of 10,000 EUR due in one year (balance as at 31 December 2018 was EUR 4,665). The loan bears interest of 5.5% p.a. In September 2019 the value of this loan was increased from EUR 10,000 to EUR 20,000. The loan was repaid and closed in February 2020. In 2019 the value of withdrawals was EUR 22,982 and of repayments EUR 19,952.

The balance as at 31 December 2020 related to the loan granted by the Company on February 2020 to RCS & RDS S.A in amount of 10,000 EUR due in one year. The loan bears interest of 5.5% p.a. This loan was settled and closed in February 2021. In 2020 the value of withdrawals was EUR 10,526 and of repayments EUR 16,087.

**8. RELATED PARTY DISCLOSURES**

<b>Receivables from Group companies</b>		<b>31 December</b>	<b>31 December</b>
	<b>Object</b>	<b>2020</b>	<b>2019</b>
RCS & RDS	Proceeds Loan	-	560,802
RCS & RDS	Dividend receivable	10,427	12,116
RCS & RDS	Interest receivable Loans	228	21
RCS & RDS	Short term loan	2,134	7,695
RCS & RDS	WHT Bonds	-	1,310
Lexin Hvar B.V.	Interest receivable	78	78
<b>Total</b>		<b>12,867</b>	<b>582,022</b>
<b>Payables to Group companies</b>		<b>31 December</b>	<b>31 December</b>
	<b>Object</b>	<b>2020</b>	<b>2019</b>
RCS & RDS	Prepaid interest	-	(1,197)
RCS & RDS	Other	-	(404)
<b>Total</b>		<b>-</b>	<b>(1,601)</b>
<b>Payables to Related parties</b>		<b>31 December</b>	<b>31 December</b>
	<b>Object</b>	<b>2020</b>	<b>2019</b>
RCS Management S.A.	Dividends	(12,183)	(10,292)
Zoltan Teszari	Dividends	(409)	(227)
<b>Total</b>		<b>(12,592)</b>	<b>(10,518)</b>
<b>Transactions with Group companies</b>		<b>2020</b>	<b>2019</b>
<b>Revenues</b>			
RCS & RDS	Dividend	9,675	9,833
RCS & RDS	Interest	3,194	28,323
RCS & RDS	Costs recovered	-	2,752
RCS & RDS	WHT	506	5,635
RCS & RDS	Services	7	15
<b>Total</b>		<b>13,382</b>	<b>46,558</b>
<b>Transactions with Group companies</b>			
<b>Expenses</b>			
RCS & RDS	Reinvoiced costs	-	92
RCS & RDS	Services	7	9
<b>Total</b>		<b>7</b>	<b>101</b>



## 9. DERIVATIVE ASSETS AND LIABILITIES

As at 31 December 2020 the Company had no derivative financial assets recorded:

	31 December 2020		31 December 2019	
	Fair value	Notional	Fair value	Notional
Embedded derivatives asset	-	n/a	40,095	n/a

In February 2020, the Company repaid its outstanding 2016 Bonds and no longer holds bonds. The embedded derivative assets related to the Bond in amount of EUR 40,095 were derecognized and recycled through P&L. The impact was netted off by the derecognition of the mirroring embedded derivative liability described below.

As at 31 December 2020 the Company had no derivative financial liabilities recorded:

	31 December 2020		31 December 2019	
	Fair value	Notional	Fair value	Notional
Embedded derivatives liability	-	n/a	(40,866)	n/a

The embedded derivative liability, for year ended 31 December 2019, resulting from the terms of the Proceed Loan to RCS & RDS SA, which mirrored the terms of the bond, as detailed above, was derecognized and recycled through P&L, following the repayment of the Proceeds Loan in February 2020. This amount netted off the impact of the embedded derivative asset derecognition, as described above.

## 10. CASH AND CASH EQUIVALENTS

As at 31 December 2020 Cash and cash equivalents balance was of EUR 246 (31 December 2019: EUR 215). All cash is freely disposable.

## 11. SHAREHOLDER'S EQUITY

### 11.1 Share capital

As at 31 December 2020, the authorized capital of the company amounts to EUR 11,000,000. The authorized capital is divided into shares as follows:

- (a) one hundred million (100,000,000) class A shares, with a nominal value of ten eurocents (EUR 0.10) each; and
- (b) one hundred million (100,000,000) class B shares, with a nominal value of one eurocent (EUR 0.01) each.

The issued and paid-up capital as at 31 December 2020 and 31 December 2019 was in amount of EUR 6,810,042.52, divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 35,443,972 class B shares, with a nominal value of one eurocent (EUR 0.01) each).

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

### *Proposed appropriation of the result*

The board of directors proposed to add the result for the year to retained earnings. This proposal has been reflected in the statement of financial position. At the annual general meeting in 2021, the board of directors shall propose to pay-out from retained earnings a dividend per share of RON 0.75, totaling EUR 14.5 million (using 31 December 2020 foreign exchange rate). This proposed dividend payment shall only be reflected in the statement of financial position when it is approved by the annual general meeting.

**11. SHAREHOLDER'S EQUITY (CONTINUED)****11.2 Dividends**

The AGM from 30 April 2020 approved the distribution of a gross dividend of RON 0.65 per share (EUR 0.14 per share) for 2019. The dividend was distributed at the end of May 2020.

**11.3 Nature and purpose of reserves***Treasury shares*

Contains cost of treasury shares.

*Reserve*

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through OCI until the assets are derecognised or impaired. The fair value reserve is considered Legal reserve.

*Retained earnings*

Contains cumulative Retained earnings of past periods.

**11.4 Stand-alone Equity Reconciliation**

31-Dec-20	Share capital	Share premium	Treasury shares	Retained earnings	Fair value Reserves	Translation reserve	Revaluation reserve	Cash Flow hedge reserves	Total equity
<b>Stand-alone</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,552)</b>	<b>109,490</b>	<b>(5,146)</b>	<b>955</b>	<b>-</b>	<b>-</b>	<b>99,963</b>
Difference in result for the period	-	-	-	324	-	-	-	-	324
Difference in accumulated results	-	-	-	83,087	-	-	-	-	83,087
Accumulated revaluation of PP&E	-	-	-	-	-	-	285,147	-	285,147
Accumulated translation differences	-	-	(4)	-	477	(44,161)	-	13	(43,675)
<b>Consolidated</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,556)</b>	<b>192,901</b>	<b>(4,669)</b>	<b>(43,206)</b>	<b>285,147</b>	<b>13</b>	<b>424,846</b>

**11. SHAREHOLDER'S EQUITY (CONTINUED)**

31-Dec-19	Share capital	Share premium	Treasury shares	Retained earnings	Fair value Reserves	Translation reserve	Revaluation reserve	Cash Flow hedge reserves	Total equity
<b>Stand-alone</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,803)</b>	<b>114,936</b>	<b>(6,220)</b>	-	-	-	<b>102,129</b>
Difference in result for the period	-	-	-	28,856	-	-	-	-	<b>28,856</b>
Difference in accumulated results	-	-	-	44,886	-	-	-	-	<b>44,886</b>
Accumulated revaluation of PP&E	-	-	-	-	-	-	24,385	-	<b>24,385</b>
Accumulated translation differences	-	-	(3)	-	-	(36,708)	-	7	<b>(36,704)</b>
<b>Consolidated</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,806)</b>	<b>188,679</b>	<b>(6,220)</b>	<b>(36,708)</b>	<b>24,385</b>	<b>7</b>	<b>163,553</b>

**11.5 Net Result Reconciliation**

	2020	2019
<b>Stand-alone net result</b>	<b>7,048</b>	<b>9,269</b>
Result subsidiaries in stand-alone income statement	(9,675)	(9,833)
Result subsidiaries on a consolidated basis	10,463	41,148
Result subsidiary attributable to non-controlling interest	(464)	(2,459)
<b>Consolidated net result</b>	<b>7,372</b>	<b>38,125</b>

**12. LONG TERM AND SHORT TERM DEBT**

Long term portion	Nominal interest rate	31 December 2020	31 December 2019
Bonds	5% p.a. (Bonds 2016)	-	560,177 <sup>1</sup>
<b>Total long term portion</b>			<b>560,177</b>

<sup>1</sup> This amount includes fair value at inception of the 2016 Bonds in amount of EUR 8,474 and fair value at inception of the tap bonds from February 2019 in amount of EUR 3,240, net of amortisation expense of EUR 1,451. The remaining amount of EUR 550,000, net of amortised borrowing costs in the period, was repaid in 2020 and it is presented in the Cashflow Statement as Repayments of borrowings.

**Senior Secured Notes due 2025 & 2028 (Bonds)**

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850,000, in two tranches: (i) EUR 450,000 2.50% senior secured notes due 2025 and (ii) EUR 400,000 3.25% senior secured notes due 2028 (collectively, the "Notes").

Part of the gross proceeds of the Offering were used to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company (2016 Bonds) and pay redemption premium and accrued, but unpaid, interest to holders thereof. Finance expenses in the period include redemption penalties in amount of EUR 13,786 and related accrued interest of EUR 2,817. These were offset by the corresponding finance revenue which was obtained from RCS & RDS according to the redemption penalties and accrued interest from the Proceeds Loan.

At the same date, the Proceeds Loan between the Company and RCS & RDS was closed.

For details about RCS & RDS's Facilities and their Collateral (including facilities for which the Company is a guarantor) please refer to the Note 15 from the Groups' Consolidated Financial Statements for the year ended 31 December 2020.

For details regarding Loans from Group companies, please see Note 8.

**13. REMUNERATION OF BOARD OF DIRECTORS**

For the remuneration of the Directors for year ended 31 December 2020, in their capacity as Digi's Board members, please see Remuneration report in the 2020 Annual Report.

**14. INCOME**

	2020	2019
Interest income	3,194	31,573
Dividend income	9,675	9,833
<b>Total income</b>	<b>12,869</b>	<b>41,406</b>

Interest income includes interest received from loans granted to RCS & RDS. For details please see Note 4 and Note 7.

In May 2019, RCS & RDS declared dividends in amount of RON 50 million, out of which EUR 9.8 million represents the share distributed to the Company.

In May 2020, RCS & RDS declared dividends in amount of RON 50 million, out of which EUR 9.9 million represents the share distributed to the Company.

**15. OPERATING EXPENSES**

	2020	2019
Salaries and related taxes	1,322	1,230
Share-based payment expense	958	790
Other expenses	822	912
<b>Total operating expenses</b>	<b>3,102</b>	<b>2,933</b>

For details about the share option plan implemented in 2019 and 2020, please see Note 19.

**16. NET FINANCE COSTS**

	2020	2019
<b><i>Financial revenues</i></b>		
Other financial revenues	967	5,635
	<b>967</b>	<b>5,635</b>
<b><i>Financial expenses</i></b>		
Interest expense	(2,817)	(27,992)
Other financial expenses	(1,177)	(6,250)
Foreign exchange differences (net)	305	116
	<b>(3,689)</b>	<b>(34,126)</b>
<b>Net Financial Cost</b>	<b>(2,722)</b>	<b>(28,490)</b>

**17. INCOME TAX**

Up to 21 April 2017 the Company was a Dutch Tax resident. In the context of the IPO from 2017, we became a tax resident in Romania. As from April 21, 2017 the Company is no longer a Dutch tax resident and is regarded as solely resident in Romania. The Company is a Romanian tax resident having its place of effective management in Bucharest, Romania, where all the strategic and commercial decisions are made, as well as the day-to-day management is carried out.

The statutory tax rate applied in Romania during 2019 and 2020 was 16%.

*Reconciliation of income tax expense*

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Company's effective income tax rate for the financial years 2020 and 2019 is as follows:

	2020	2019
<b>Net profit before income tax</b>	<b>7,045</b>	<b>9,983</b>
At statutory income tax rate of the Company (16%)	1,127	1,597
Non-deductible expenses / (Non-taxable income)	(1,219)	(904)
Taxes in respect of prior years	89	22
<b>Effective tax expense</b>	<b>(3)</b>	<b>714</b>

**18. FINANCIAL RISK MANAGEMENT**

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

- liquidity risk
- market risk (including currency risk, and price risk).

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

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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.

*(i) Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

Management monitors on a monthly basis the forecast of cash outflows and inflows in order to determine its funding needs.

*(ii) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices will affect the Company'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.

For more details, please see Consolidated Financial Statements of the Group as at 31 December 2020.

**19. SHARE-BASED PAYMENT**

The Group implemented share-based payment plans for certain members of the management team and key employees. The options vest if and when certain performance conditions, such as revenue, subscriber targets and other targets of the Group were met. Some of the share option plans vested in prior periods and were closed.

Please see Note 26 from Consolidated Financial Statements for the Group as at 31 December 2020.

As at 31 December 2020 the related share option expense of EUR 958 (2019: EUR 790 ) was recorded in the Statement of profit or loss and in the Other comprehensive income in the line item Operating expenses, within salaries and related taxes (Note 15).

**20. AUDIT FEES**

The below table specifies the fees charged by Ernst & Young Accountants LLP (“EY NL”) and the remainder of the global EY Network (“EY Other”) to the group for the respective services they provided.

	31 December 2020		31 December 2019	
	EY NL	EY Other	EY NL	EY Other
Statutory audit	88	-	83	-
Other audit services	-	315	-	317
Other assurance services	250	235	25	168
Non-audit services	-	22	-	-
<b>Total</b>	<b>338</b>	<b>572</b>	<b>108</b>	<b>485</b>

**21. NUMBER OF EMPLOYEES AND EMPLOYEES COSTS**

The average number of persons employed by the Company during the period ended 31 December 2020 was 10 (31 December 2019: 11).

For employees cost, please see Note 15.



**22. GENERAL COMMITMENTS AND CONTINGENCIES*****(a) Contractual commitments***

The Company is a Guarantor for several credit facilities of RCS & RDS S.A concluded with different banks and for the Bonds issued by RCS & RDS S.A.

For details about Collateral please see the Group's Consolidated Financial Statements, Note 15.

***(b) Legal proceedings***

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

**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 1,800,000 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 alleged 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.

On 24 November 2020, the United States Court of Appeals for the Fourth Circuit issued an order granting the motion of the Plaintiffs Appellants to voluntarily dismiss the case with regards to i-TV Digitális Távközlési Zrt (the last remaining Defendant in this case). This is the final decision to be issued in this case, the litigation being finally solved in favour of all the Defendants.

**23. SUBSEQUENT EVENTS**

On March 29, 2021, RCS&RDS and 4iG Plc. entered into a preliminary, non-binding agreement regarding the acquisition of 100% of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and its subsidiaries, Invitel Ltd. and I TV Ltd. The acquisition is aimed to be completed by September 2021, subject to the due diligence of Digi Hungary and its subsidiaries, the signing of a sale and purchase agreement, and the necessary competition authority approvals.

For developments in legal proceedings in which the Company was involved, subsequent to 31 December 2020, please refer to Note 22.

These stand-alone financial statements were authorized for issue by the Board of Directors on 6 April 2021 represented by:

Serghei Bulgac,	Bogdan Ciobotaru,	Valentin Popoviciu,	Piotr Rymaszewski,	Emil Jugaru,	Marius CatalinVarzaru,	Zoltan Teszari,
<i>CEO</i>	<i>Independent Non-Executive Director</i>	<i>Executive Director</i>	<i>Independent Non-Executive Director</i>	<i>Non-executive Director</i>	<i>Non-executive Director</i>	<i>President</i>
_____	_____	_____	_____	_____	_____	_____



## Other information



## PROFITS, DISTRIBUTION AND LOSSES

As per the Company's Articles of Association (Article 28), from the profits, shown in the annual accounts, as adopted, the board of directors shall determine which part shall be reserved. Any profits remaining thereafter shall be at the disposal of the general meeting. The board of directors shall make a proposal for that purpose.

Distributions on the shares shall be made to each share equally, irrespective of the class and nominal value of such share. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.

If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.

The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted. The board of directors may, with due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution in certain circumstances.

At the proposal of the board of directors or the class A meeting, the general meeting may resolve to make a distribution on shares, which can be either (wholly or partly) in cash or in shares. At the proposal of the board of directors or the class A meeting, the general meeting may resolve that distributions are made in another currency than Euro.

The board of directors may, subject to due observance of the policy of the company on reserves and dividends and with the prior approval of the class A meeting, resolve that distributions to holders of shares shall be made out of one or more reserves.

Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the board of directors shall determine. The board of directors may determine that entitled to dividends and other distributions of profits shall be, the shareholders, usufructuaries and pledgees, as the case may be, at a record date within four (4) weeks after notification thereof. A claim of a shareholder for payment of a distribution shall be barred after five years have elapsed.

For details regarding the Company's dividend policy, please see chapter [Dividend Policy](#) from this Annual report.

## AUDIT REPORT

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Part 9 of book 2 of the Dutch civil code for the year ended 31 December 2020 were audited by Ernst & Young Accountants LLP. Their independent auditor's report is included below.



## **Independent auditor's report**

To: the shareholders and board of directors of Digi Communications N.V.

### **Report on the audit of the financial statements 2020 included in the annual report**

#### **Our opinion**

We have audited the financial statements 2020 of Digi Communications N.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Digi Communications N.V. as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The consolidated and stand-alone statement of financial position as at 31 December 2020
- ▶ The following statements for 2020: the consolidated and stand-alone statements of profit or loss and other comprehensive income, changes in equity and cash flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

#### **Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Digi Communications N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Our audit approach**

##### **Our understanding of the business**

Digi Communications N.V. is the head of a group of companies active in the telecommunications industry in Romania, Spain, Hungary and Italy. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.



We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In 2020 we were forced to perform our procedures to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical contact and direct observation, we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

#### Materiality

Materiality	€11,000,000 (2019: €10,500,000)
Benchmark applied	Approximately 2.5% of earnings before interest, taxes, depreciation and amortization (EBITDA)
Explanation	The users of the financial statements of a for-profit entity typically focus on operating performance, particularly profit before tax. In the past years Digi Communications N.V.'s profit before tax heavily fluctuated, resulting from the impact of the discontinuance of operations and other non-recurring transactions. Furthermore, we note that in Digi Communications N.V.'s external communications, EBITDA is commonly used to report on financial performance. Considering these aspects, we have concluded that EBITDA is the most appropriate and stable benchmark for Digi Communications N.V. to base our materiality upon.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €550,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

#### Scope of the group audit

Digi Communications N.V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements. Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Because of the (international) travel restrictions and social distancing due to the COVID-19 pandemic, we have been unable to visit management and our component auditors in Romania, Hungary and Spain to discuss, among others, the business activities and the identified significant risks or to review and evaluate relevant parts of the component auditor's audit documentation and to discuss significant matters arising from that evaluation on site. In these extraordinary circumstances we predominantly used communication technology and written information exchange and intensified (virtual) communication.

All entities that have contributions to consolidated EBITDA exceeding 5% of total are included within our audit scope. As a result, we have used the work of other EY member firms when auditing entities outside the Netherlands. In total the procedures performed for group entities within an audit scope represent approximately 98% of total assets, 96% of revenues and 97% of EBITDA.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

#### **Teaming, use of specialists and internal audit**

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit. We included in the audit specialists in the areas of IT, share based payments, income tax, business valuations and financial instrument valuations.

#### **Our focus on fraud and non-compliance with laws and regulations**

##### **Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

##### **Our audit response related to fraud risks**

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives and directors including internal audit, legal, compliance and human resources. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. In our risk assessment we considered the potential impact of management's variable remuneration structure. In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from a dilution in the effectiveness of controls as a result of the general disruption associated with remote working and illness.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 to the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

#### **Our audit response related to risks of non-compliance with laws and regulations**

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with management, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions and account balances.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### **Going concern**

We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next twelve months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the company's operations and forecasted cash flows, with a focus on whether the company will have sufficient liquidity to continue to meet its obligations as they fall due.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

### General audit procedures

Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

In previous year, "IFRS 16" had been identified as key audit matter. Since the Company incorporated IFRS 16 in their internal processes and recording, this is no longer a key audit matter. This year, the key audit matter "Risk of inappropriate valuation of categories of property, plant and equipment that are subject to the revaluation model" is new. This is due to management executing a full revaluation exercise for certain categories of property, plant and equipment. No such happened in the prior year.

Key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Risk of inappropriate cut-off of revenue as a result of manual or technical error in combination with complexity of billing systems (refer to note 19 in the consolidated financial statements)

Risk	<p>The group recognizes revenue from multiple sources, including rendering of cable TV (CATV) and direct-to-home TV (DTH) subscription services, provision of internet and data communication subscription services (fixed and mobile) and provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services.</p> <p>There is an inherent telecommunications industry risk associated with the recognition of revenue, given the complexity of billing systems, which process large volumes of data, and the impact of changing offerings and pricing models on revenue recognition.</p> <p>The group's revenue recognition relies on complex IT systems, comprising of a number of interdependent interfaces and databases. A manual or technical error in these systems may result in material misstatement, particularly in the period around year-end. Therefore, we consider this a key audit matter.</p>
------	---

**Risk of inappropriate cut-off of revenue as a result of manual or technical error in combination with complexity of billing systems (refer to note 19 in the consolidated financial statements)**

Our audit approach	<p>We focused our audit on those IT systems and related internal controls that are significant to the group's revenue recognition process. Considering that audit procedures over the IT systems and application controls require specific expertise, we involved our IT specialists in order to assist us in our audit procedures.</p> <p>In addition to IT audit procedures, we have analyzed the group's accounting policy for each revenue stream considering both the substance of the commercial offers that were in force during the year, and the applicable requirements of IFRS as well as the industry practices for each revenue stream and we have verified that the group's accounting policies are implemented consistently.</p> <p>Furthermore, we performed data-analytics on material revenue streams in which we verified that all revenue recognized during the year subsequently resulted in cash receipts. Our analytics did not reveal material exceptions.</p> <p>Finally we obtained confirmations for interconnection partners and performed substantive testing procedures to ensure that cut-off of revenue between 2020 and 2021 is appropriate.</p>
Key observations	<p>We conclude that the revenue for 2020 has been appropriately recognized and disclosed in the financial statements.</p>

**Risk of non-compliance with covenants associated with bonds and senior facilities agreements (refer to note 15 in the consolidated financial statements)**

Risk	<p>The availability of adequate funding and whether the group meets its financial covenants are significant to our audit, due to the relatively high leverage of the group.</p> <p>In 2020 the Group issued new bonds. The group redeemed the entire aggregate principal amount of the 2016 Bond outstanding and also repaid or prepaid other outstanding debt of the Group, including the entire aggregate principal amount of approximately €73.4 million equivalent outstanding under the 2018 Senior Facilities Agreement and the principal amount of approximately € 88.9 million equivalent outstanding under the 2016 senior facilities agreement.</p> <p>In December 2020, the group entered into a new senior facilities agreement (2020 SFA) with a group of banks. Total amount of facilities available to the group is €150 million and has a term of three years.</p> <p>As of 31 December 2020, management performed covenant calculations in accordance with the requirements of the financing arrangements and concluded all covenants are complied with.</p>
------	---

**Risk of non-compliance with covenants associated with bonds and senior facilities agreements (refer to note 15 in the consolidated financial statements)**

Our audit approach	<p>As part of our audit, we inspected the terms of the bonds and 2020 SFA with a particular focus on covenants clauses and perform confirmation procedures with the counterparties. Based on the audited financial information, we tested the group's assessment of compliance with the covenant requirements covering both quantitative and qualitative covenants as at 31 December 2020. We also evaluated management's assessment of continued compliance with the financial covenant requirements for the next year.</p> <p>Given the relevance of EBITDA (earnings before interest tax, depreciation and amortization) in the quantitative covenant calculations, we performed specific procedures to verify appropriate classification of items in EBITDA and on adjustments made to EBITDA, in accordance with the covenant requirements as stated in the 2020 SFA and bonds terms.</p> <p>We further assessed the adequacy of the disclosures included in the notes to the consolidated financial statements.</p>
Key observations	<p>We concur with management that covenants are complied with as per 31 December 2020 and we conclude the disclosures in the financial statements are appropriate.</p>

**Risk of inappropriate valuation of categories of property, plant and equipment that are subject to the revaluation model (refer to note 5 of the consolidated financial statements)**

Risk	<p>The Group applies the revaluation model for subsequent measurement of certain categories of property, plant and equipment. Full revaluations of these categories most recently occurred in 2012 and 2016 while management analysis confirmed no revaluation was required for subsequent years as the carrying amount would not significantly differ from the fair value.</p> <p>In 2020, indications were identified that the fair value of respective assets would significantly exceed the carrying amounts. As a result management and an external appraiser determined fair values of those categories of property, plant and equipment that are subject to the revaluation model.</p> <p>Determining fair value of property, plant and equipment is complex and requires significant judgment. The fair value of respective assets were determined using a combination of valuation techniques as disclosed in note 5 of the consolidated financial statements. The revaluation increased the carrying amount of property, plant and equipment by €325 million.</p>
------	---



**Risk of inappropriate valuation of categories of property, plant and equipment that are subject to the revaluation model (refer to note 5 of the consolidated financial statements)**

Our audit approach	<p>Our audit procedures included obtaining a detailed understanding of the Group's internal processes and related documentation flow as well as methods and assumptions used by management and the Group's internal specialists in respect of the revaluation. In obtaining this understanding we also assessed the competence and capabilities of the Group's external appraiser, as well as their objectivity.</p> <p>As part of our substantive testing, we evaluated the valuation methodology used, giving consideration to the nature of the asset being valued, premise and standard of value, observable market prices and evaluating whether the assumptions used provide a reasonable basis for the fair value measurement. We tested the underlying data to verify that it is relevant; and provides objective support for the assumptions used in the valuation analysis, including where possible an overall assessment against industry practices. We also tested the mathematical accuracy of the valuation models used by management. All of these procedures were performed with the support of EY valuation experts.</p> <p>We assessed the adequacy of the disclosures included in the consolidated financial statements.</p>
Key observations	<p>We concluded the assumptions used in the revaluation models fall within acceptable ranges and we agree with the outcome of the revaluation. Furthermore, we concluded that the disclosures in the consolidated financial statements are appropriate and in accordance with EU-IFRS.</p>

**Risk of impairment of goodwill and other non-current intangible assets (refer to note 7 of the consolidated financial statements)**

Risk	<p>At 31 December 2020, the carrying amounts of goodwill and other non-current intangible assets amount to €317 million and represent a material part of the Company's assets. Non-current assets other than goodwill require an assessment of triggering events for impairment at each reporting date, whereas goodwill is tested for impairment at least annually.</p> <p>Impairment tests carried out by management are complex and require significant management judgment. The recoverable amounts of (groups of) cash-generating units (CGUs) have been determined based on discounting of expected future cash flows from continuing use of the CGU's.</p> <p>Based on impairment tests performed, no impairments were identified. However, headroom on the carrying amounts of CBT Hungary is low and sensitivity disclosures are included in note 7 of the consolidated financial statements.</p>
------	--

**Risk of impairment of goodwill and other non-current intangible assets (refer to note 7 of the consolidated financial statements)**

Our audit approach	<p>Our audit procedures included an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, the discount rates and other data used by the Company, for example by comparing them to external data. This assessment included support of EY valuation experts.</p> <p>We evaluated the 2020 financial forecast and the solidity of management's financial forecast process. Furthermore, we evaluated management's outlook in the upcoming five-year explicit period as well as the long term growth rate, in particular around forecasted revenues, EBITDAs and capital expenditures. Our assessment also included sensitivity analyses.</p> <p>In addition we evaluated management's assessment on potential triggers for impairment for non-current assets other than goodwill.</p> <p>We assessed the adequacy of the disclosures included in the consolidated financial statements.</p>
Key observations	<p>We concur with management that non-current assets other than goodwill do not have triggering events for impairment. We also concluded the assumptions used in the goodwill impairment tests fall within acceptable ranges and we agree with management's conclusions that goodwill is not impaired. Furthermore, we concluded that the disclosures in the consolidated financial statements are appropriate and in accordance with EU-IFRS.</p>

## Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The Group management board report including message from the CEO, key figures, management structure and corporate governance, environmental and social responsibility, share capital structure and shares, dividend policy, group overview and financial results
- ▶ The remuneration report
- ▶ Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 and Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Sections 2:135b and 2:145 sub-section 2 of the Dutch Civil Code.

## **Report on other legal and regulatory requirements**

### **Engagement**

We were engaged by the board of directors as auditor of Digi Communications N.V. as of the audit for the year 2014 and have operated as statutory auditor since that financial year.

### **No prohibited non-audit services**

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## **Description of responsibilities for the financial statements**

### **Responsibilities of management and the board of directors for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive members of the board of directors are responsible for overseeing the company's financial reporting process.

## **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The *Our audit approach* section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

### **Communication**

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this independent auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 6 April 2021

Ernst & Young Accountants LLP

signed by G.M.J. Bloetjes



# Annex





## ANNEX 1

### Important Information

#### Cautionary Note Regarding Forward-Looking

Certain statements in this Report are not historical facts and are forward-looking. Forward- looking statements appear in various locations, including, without limitation, in the sections entitled “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*”. We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Report includes forward- looking information that has been extracted from third-party sources. 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. These risks, uncertainties and other factors include, among other things, those listed in the section entitled “*Risk Factors*,” as well as those included elsewhere in this Report. 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:

- ▶ significant competition in the markets in which we operate;
- ▶ rapid technological changes leading to increased competition and the rendering of our technologies or services obsolete;
- ▶ our capital expenditure not being able to generate a positive return or a significant reduction in costs or promote the growth of our business;
- ▶ deterioration of the general internal economic, political and social conditions in our principal countries of operation;
- ▶ continued uncertainties, challenging conditions in the global economy or volatile credit markets;
- ▶ currency transactional and translation risks associated with exchange rate fluctuations;
- ▶ a systems failure or shutdown in our networks;
- ▶ our ability to use Intelsat’s and Telenor’s satellites to broadcast our DTH services and failure to find a commercially acceptable alternative in a reasonable amount of time;
- ▶ difficulty in obtaining adequate managerial and operational resources as a result of our rapid growth and expansion in new areas of business;
- ▶ our ability to attract and retain key personnel without whom we may not be able to manage our business effectively;
- ▶ our ability to attract new customers and retain existing customers if we do not maintain or improve our reputation for quality of service;
- ▶ continued demand for cable TV and telecommunications products and services;
- ▶ our ability to retain or increase our subscriber base and increasing costs of operations if we cannot acquire or retain content or programming rights or do so at competitive prices;
- ▶ a decrease in our ARPU figures as a result of our business strategy;
- ▶ failure to manage customer churn;
- ▶ our insurance not adequately covering all potential losses, liabilities and damage related to our business and certain risks being uninsured or not insurable;



- ▶ problems with and interruptions to our billing and credit control systems that our business relies upon;
- ▶ discontinuing of products or services by terminating contracts with, or charging of non-competitive prices by our current hardware, software and service suppliers;
- ▶ volatility in the cost of electricity we supply to our customers;
- ▶ our dependence on various intellectual property rights that we license from or that may be claimed by third parties;
- ▶ our dependence on our interconnection, roaming and MVNO arrangements with other telecommunications operators and third party network providers, over which we have no direct control;
- ▶ concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers;
- ▶ leakage of sensitive customer data in violation of laws and regulations, and any other failure to fully comply with applicable data protection legislation, resulting in fines, loss of reputation and customer churn;
- ▶ undertaking future acquisitions on an opportunistic basis;
- ▶ downgrading of our credit ratings by an international rating agency;
- ▶ changes to IFRS standards for lease accounting and revenue recognition;
- ▶ changes in the determination of our tax residency;
- ▶ claims relating to breaches of competition law and investigations by competition authorities to which we may have been and may continue to be subject;
- ▶ our failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, which could result in substantial additional compliance costs or various sanctions or court judgments;
- ▶ difficulty in obtaining required licenses, permits or other authorisations to operate our existing network, and any subsequent amendment, revocation, suspension, or termination of licenses and permits obtained;
- ▶ disruption of service and additional expenses incurred as a result of being required to move some of our networks which are based on contracts and which may be terminated;
- ▶ inadvertent infringement of the intellectual property rights of others, which could lead to liability for infringements in relation to information disseminated through our network, protracted litigation and, in certain instances, loss of access to transmission technology or content;
- ▶ variation in payments related to copyrights;
- ▶ adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations;
- ▶ major litigation with the Antena Group and other parties and unfavorable court decisions;
- ▶ failure to comply with anti-corruption laws or allegations thereof;
- ▶ other contractual claims, complaints, litigation and negative publicity therefrom;
- ▶ higher vulnerability of the economies of the countries where we operate to fluctuations in the global economy;
- ▶ social, political and military conflicts in the region of our operations;
- ▶ political and economic uncertainty and risk resulting from the UK's vote to leave the European Union;
- ▶ difficult business climate as a result of corruption in some of the markets where we operate;
- ▶ rapid or unforeseen economic or political changes characteristic of emerging markets such as the markets in which we operate;
- ▶ downgrading of Romania's or Hungary's credit ratings by an international rating agency;
- ▶ Romania's difficulties related to its integration with the European Union and Hungary's repeated backlashes against the European Union;
- ▶ less developed legal and judicial systems in some of our markets of operation;
- ▶ difficulty of service of process in, and enforcement of judgments rendered by courts of, the United States and the United Kingdom;
- ▶ our substantial leverage and debt servicing obligations;
- ▶ debt covenants that restrict our ability to finance our future operations and capital needs and to pursue business opportunities and activities;
- ▶ impairment of our ability to draw funds under the Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement;
- ▶ the significant amount of cash required to service our debt and sustain our operations and the fact that our ability to generate cash depends on many factors beyond our control and we may not be able to generate sufficient cash to service our debt;
- ▶ our inability to refinance maturing debt on terms that are as favorable as those from which we previously benefited or on terms that are acceptable to us or at all;
- ▶ our exposure to unexpected risk and potential losses relating to derivative transactions;
- ▶ the other factors discussed in more detail under "Risk Factors"; and

- factors that are not known to us at this time.

This list of important factors and the other factors discussed in the section entitled “Risk Factors” is not exhaustive. Other sections of this Report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

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.

## Presentation of Financial and Other Information

### Presentation of Financial Information

The financial information presented in this Report is, unless otherwise indicated, the historical consolidated financial information for the Group. DIGI is the holding company for the Group and holds the majority of the outstanding shares of RCS & RDS. DIGI has no significant operations and has not engaged in any significant activities other than financing activities relating to the Group and acting as its holding company.

Included herein are the consolidated financial statements of the Group as at and for the year ended December 31, 2020, prepared in accordance with the IFRS as adopted by the EU (the “Annual Financial Statements”).

The Group’s presentation currency is the euro, as further described in the sections entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Capital Structure—Exchange Rates*”. Accordingly, the Financial Statements included herein are presented in euros.

We currently have operations in Romania, Hungary, Spain and Italy. In Note 4 of the Annual Financial Statements, as part of our “Other” segment we reported (i) revenue from, and expenses of, our (a) Italian operations and (b) Discontinued Operations, in each case, for the applicable periods and (ii) expenses of the Company. In this Report, unless otherwise stated, as part of our “Other” segment we only present the results of our Italian operations, for revenue, and the results of our Italian operations and expenses of the Company, for operating expenses.

## Operating and Market Data

### RGUs and ARPU

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 post-paid services, each separate SIM on a valid contract; (b) 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 amount of traffic generated.

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 geographic segment or the Group as a whole, for a period by dividing the total revenue of such 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. Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to the sum of our total revenue and other operating income. EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin under our definition may not be comparable to similar measures presented by other companies and labeled “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.

### **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.

## ANNEX 2

### Corporate Governance Compliance Statement as per the BSE CGC

Ref.	Code provisions	Compliance as at 6 April 2021	Note
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES	While the Board of Directors is not formally regulated by separate terms of reference, the composition, activity, functions and responsibilities of the Board of Directors of the Company are provided in detail within the Articles (in force since the 21 April 2017). <i>(See for reference Chapter VII (from clause 15 to 23) from the Articles)</i>
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES	Detailed provisions regarding the management of the conflict of interest matters regarding the Board of Directors are included in the following Company corporate regulations: clause 18 from the Articles, the Code of Conduct of the Company (applicable as of 14 May 2017), the Conflict of Interest Policy applicable to Board members (applicable as of 14 May 2017), and the Terms of Reference of the Audit Committee (applicable as of 14 May 2017).
A.3.	The Board of Directors or the Supervisory Board should have at least five members.	YES	The Board of Directors of the Company has 7 members.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.	YES	5 members of the Board of Directors (out of 7) are non-executive.  2 members of the Board of Directors (out of 7) are independent non-executive directors – Bogdan Ciobotaru and Piotr Rymaszewski.  The policy on the Profile for Non-Executive Directors provides for certain rules and criteria in connection with the non-executive directors <i>(See for reference in this respect the Company's website at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a>).</i>
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES	—

Ref.	Code provisions	Compliance as at 6 April 2021	Note
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES	—
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES	The current company secretary is Ms. Andra Gunescu
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES	According to the Terms of Reference of the Audit Committee, the Audit Committee performs such evaluation. The evaluation for the year 2020 was presented by the Audit Committee to the Non-executive and the Executive members of the Board during the meeting which took place on 26 March 2021.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES	<i>(See for reference Section “Corporate Governance” from this report)</i>
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	<i>(See for reference Section “Corporate Governance” from this report)</i>
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent.	YES (PARTIALLY)	The directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal by the nomination committee established by the Board of Directors and consisting of non-executive directors. The corporate governance standard sought by the BSE CGC is achieved by applying this nomination procedure, as the Class A Meeting takes into account that the Board of Directors composition should reflect the requisite expertise, background, competences and—as regards two non-executive directors—their independence, thus allowing the Board to carry out its duties in a proper and robust manner.
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the	YES (PARTIALLY)	The Audit Committee of the Company has 3 non-executive members.  The members of the Audit Committee are qualified individuals, with audit, financial and management experience.

Ref.	Code provisions	Compliance as at 6 April 2021	Note
	audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.		2 out of the 3 members of the Audit Committee are independent non-executive Board members.
B.2.	The Audit Committee should be chaired by an independent non-executive member.	NO	The chair of the Audit Committee is not an independent director, as required by the BSE CGC. The shareholders of the Company have approved Marius Varzaru as the chairman of the Audit Committee due to his audit and accounting experience, as well as due to his extensive knowledge of the Company's and its affiliates' operations. Nonetheless, the corporate governance standard sought by the BSE CGC is achieved by having the majority of the Audit Committee members independent, with high standard terms of reference being applied to the work of the Audit Committee.
B.3.	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.	YES	<i>(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a>)</i>
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	<i>(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a> and the description of the Audit Committee's activity in 2020 in section "Corporate Governance" from this Report)</i>
B.5.	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	This assessment was performed by the Audit Committee and the other non-executive members of the Board of Directors on a case by case basis.
B.6.	The Audit Committee should evaluate the efficiency of the internal control system and risk management system.	YES	This assessment was performed by the Audit Committee during the meetings that have taken place in 2020.  <i>(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a> and the description of the Audit Committee's activity in 2020 in section "Corporate Governance" from this Report)</i>
B.7.	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	YES	This assessment was performed by the Audit Committee during the meetings that have taken place in 2020.



Ref.	Code provisions	Compliance as at 6 April 2021	Note
			<i>(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a> and the description of the Audit Committee's activity in 2020 in section "Corporate Governance" from this report)</i>
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards	YES	<p>The Audit Committee submitted to the Board a summary on the Audit Committee's activity in 2020, comprising main findings. Other ad-hoc reporting was performed during the year.</p> <p>In addition, whenever it was deemed necessary during the year, the Audit Committee reported to the Board of Directors particular matters that called for the Board of Directors' attention, care or decision.</p>
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	<p>There are numerous provisions in the Articles and in the other corporate governance documents of the Company precluding from any preferential treatment between the Company and one shareholder with regard to entering into transactions and agreements.</p> <p>The Board of Directors of the Company has also adopted a Policy on Bilateral Contacts with the Shareholders.</p> <p><i>(See for reference in this respect the Company's website at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a>).</i></p>
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	YES	<p>There is no formal and separate policy regarding the transactions that the Company can enter into. However, the Articles contain for detailed provisions regarding the approval requirements for the entering by the Company into such agreements and transactions (<i>for example, see for reference clause 19 from the Articles</i>). The Company is also subject to the transparency requirements introduced by the revised EU Shareholders' Rights Directive (2017/828/EU), which requires material related party transactions to be approved by the Board, as well as publicly announced.</p>
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	<p>As of 1 April 2018, the internal audit function has been ensured by a group of selected individuals lead by an appointed Internal Audit Director of the Company.</p>

Ref.	Code provisions	Compliance as at 6 April 2021	Note
B.12.	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES	The relationship between the internal audit function and the Audit Committee is described and regulated in detail in the Terms of Reference of the Audit Committee ( <i>See for reference in this respect the Company's website at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a></i> ).
C.1.	<p>The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.</p> <p>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems.</p> <p>It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>	YES	The 2020 GSM of the Company has approved a revised Remuneration Policy and the Terms of Reference of the Remuneration Committee are valid as amended on 4 June 2019 ( <i>See for reference in this respect the Company's website at <a href="http://www.digi-communications.ro/en/corporate-governance">http://www.digi-communications.ro/en/corporate-governance</a></i> ).
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	Currently, the IR is a cross-functional unit covered by the PR function, by the Chief Financial Officers of the Company and by the Company Secretary. Additionally, the Company receives consultancy from an experienced external IR expert.
D.1.1.	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	The Articles contain detailed provisions on the corporate rules of the Company (including regarding the procedures of the general shareholders' meeting).
D.1.2.	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	( <i>See for reference in this respect section "Corporate Governance" from this Report</i> ).

Ref.	Code provisions	Compliance as at 6 April 2021	Note
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non- compliance with the present Code;	YES	All such (current and periodic) reports are accessible on the Company's website - <a href="http://www.digi-communications.ro/en/investor-relations/shares">http://www.digi-communications.ro/en/investor-relations/shares</a> .
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES	—
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	All relevant (current and periodic) reports, see for reference the Company's website - <a href="http://www.digi-communications.ro/en/investor-relations/shares">http://www.digi-communications.ro/en/investor-relations/shares</a>
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	You can contact us at <a href="mailto:ipo.relations@digi-communications.ro">ipo.relations@digi-communications.ro</a>
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	All such (current and periodic) reports are accessible on the Company's website - <a href="http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations">http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations</a> . <a href="http://www.digi-communications.ro/en/investor-relations/shares">http://www.digi-communications.ro/en/investor-relations/shares</a>
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES	The Reserves and Dividend Policy of the Company is accessible on the Company's website – <a href="http://www.digi-communications.ro/en/see-file/Digi-Communications-NV-Dividend-policy-ENG.pdf">http://www.digi-communications.ro/en/see-file/Digi-Communications-NV-Dividend-policy-ENG.pdf</a> .  Also, regarding dividend policy, see company disclosures in section “Dividend Policy” of the initial public offer prospectus of 26 April 2017 (page 185).
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency,	YES (PARTIALLY)	Neither the Company nor the Group subsidiaries have adopted formal policies with respect to forecasts. Also, forecasts are not made with a periodical regularity. However, the Company and/or its Group subsidiaries perform either <i>ad-hoc</i> and/or occasional forecasting based on relevant assumptions. Such forecasts (such as the business plans) are prepared either upon request from external partners (e.g.,

Ref.	Code provisions	Compliance as at 6 April 2021	Note
	period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		lending banks, regulatory authorities, etc.) or for internal analytical purposes (e.g., for assessing CAPEX previsions, etc.).
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	Clause 32 from the Articles of the Company provides for the freedom of any shareholder to attend a general shareholders' meeting. For more details and the conditions applicable to any shareholder's participation and voting, see for reference all provisions from clause 32 onwards from the Articles.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	N/A	The Company does not restrict the participation of the external auditors at the general shareholders' resolutions resolving upon the external auditors' report.
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES	With respect to the annual results for 2020, see for reference Section Risk management, risks and internal control systems and Annex 4 to this report.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	NO	According to its corporate documentation, the Company publishes the annual results and the yearly management report on the BSE, AFM, on its website and on a national and international online newspaper, as well as the result of the general shareholders' meeting resolutions within the shortest deadlines.
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	All such periodic reports in both Romanian and English languages are accessible on the Company's website - <a href="http://www.digi-communications.ro/en/investor-relations/shares">http://www.digi-communications.ro/en/investor-relations/shares</a> .
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES	All such presentations are accessible on the Company's website - <a href="http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations/investor-presentations">http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations/investor-presentations</a> .
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	N/A	The Company occasionally supports forms of sports, cultural, religious, educational or artistic expressions.

## ANNEX 3

### Corporate Governance Compliance Statement as per the Dutch Corporate Governance Code (DCGC)

Ref.	Code provisions	Compliance	Explanation
1.1.1	<p><b>Long-term value creation strategy:</b> The executive directors should develop a view on long-term value creation by the company and its affiliated enterprise and should formulate a strategy in line with this. Depending on market dynamics, it may be necessary to make short-term adjustments to the strategy.</p> <p>When developing the strategy, attention should in any event be paid to the following:</p> <ul style="list-style-type: none"> <li>i. the strategy's implementation and feasibility;</li> <li>ii. the business model applied by the company and the market in which the company and its affiliated enterprise operate;</li> <li>iii. opportunities and risks for the company;</li> <li>iv. the company's operational and financial goals and their impact on its future position in relevant markets;</li> <li>v. the interests of the stakeholders; and</li> <li>vi. any other aspects relevant to the company and its affiliated enterprise, such as the environment, social and employee-related matters, the chain within which the enterprise operates, respect for human rights, and fighting corruption and bribery.</li> </ul>	YES	—
1.1.2	<p><b>Involvement of the non-executive directors:</b> The executive directors should engage the non-executive directors early on in formulating the strategy for realizing long-term value creation. The executive directors render account to the non-executive directors of the strategy and the explanatory notes to that strategy.</p>	YES	—
1.1.3	<p><b>Role of the non-executive directors:</b> The non-executive directors should supervise the manner in which the executive directors implement the long-term value creation strategy. The non-executive directors should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the non-executive directors, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation.</p>	YES	—

Ref.	Code provisions	Compliance	Explanation
1.1.4.	<b>Accountability of the executive directors:</b> In the management report, the executive directors should give a more detailed explanation of its view on long-term value creation and the strategy for its realization, as well as describing which contributions were made to long-term value creation in the past financial year. The executive directors should report on both the short-term and long-term developments.	YES	—
1.2.1	<b>Risk assessment:</b> The executive directors should identify and analyze the risks associated with the strategy and activities of the company and its affiliated enterprise. It is responsible for establishing the risk appetite, and also the measures that are put in place in order to counter the risks being taken.	YES	—
1.2.2	<b>Implementation:</b> Based on the risk assessment, the executive directors should design, implement and maintain adequate internal risk management and control systems. To the extent relevant, these systems should be integrated into the work processes within the company and its affiliated enterprise it and should be familiar to those whose work they are relevant to.	YES	—
1.2.3	<b>Monitoring of effectiveness:</b> The executive directors should monitor the operation of the internal risk management and control systems and should carry out a systematic assessment of their design and effectiveness at least once a year. This monitoring should cover all material control measures relating to strategic, operational, compliance and reporting risks. Attention should be given to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the internal audit function and the external auditor. Where necessary, improvements should be made to internal risk management and control systems.	YES	—
1.3.1	<b>Appointment and dismissal:</b> The executive directors both appoints and dismisses the senior internal auditor. Both the appointment and the dismissal of the senior internal auditor should be submitted to the non-executive directors for approval, along with the recommendation issued by the audit committee.	YES	—
1.3.2	<b>Assessment of the internal audit function:</b> The executive directors should assess the way in which the internal audit function fulfils its responsibility annually, taking into account the audit committee's opinion.	YES	—



Ref.	Code provisions	Compliance	Explanation
1.3.3	<b>Internal audit plan:</b> The internal audit function should draw up an audit plan, involving the executive directors, the audit committee and the external auditor in this process. The audit plan should be submitted to the executive directors, and then to the non-executive directors, for approval. In this internal audit plan, attention should be paid to the interaction with the external auditor.	YES	—
1.3.4	<b>Performance of work:</b> The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the audit committee and the external auditor. Records should be kept of how the audit committee is informed by the internal audit function.	YES	—
1.3.5	<b>Reports of findings:</b> The internal audit function should report its audit results to the executive directors and the essence of its audit results to the audit committee and should inform the external auditor. The research findings of the internal audit function should, at least, include the following: <ul style="list-style-type: none"> <li>i. any flaws in the effectiveness of the internal risk management and control systems;</li> <li>ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and</li> <li>iii. any failings in the follow-up of recommendations made by the internal audit function.</li> </ul>	YES	—
1.3.6	<b>Absence of an internal audit department:</b> If there is no separate department for the internal audit function, the non-executive directors will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee and will consider whether it is necessary to establish an internal audit department. The non-executive directors should include the conclusions, along with any resulting recommendations and alternative measures, in the report of the non-executive directors.	N/A	—
1.4.1	<b>Accountability to the non-executive directors:</b> The executive directors should discuss the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 inclusive with the audit committee and render account of this to the non-executive directors.	YES	—

Ref.	Code provisions	Compliance	Explanation
1.4.2	<p><b>Accountability in the management report:</b> In the management report, the executive directors should render account of:</p> <ul style="list-style-type: none"> <li>i. the execution of the risk assessment, with a description of the principal risks facing the company in relation to its risk appetite. These risks may include strategic, operational, compliance and reporting risks;</li> <li>ii. the design and operation of the internal risk management and control systems during the past financial year;</li> <li>iii. any major failings in the internal risk management and control systems which have been observed in the financial year, any significant changes made to these systems and any major improvements planned, along with a confirmation that these issues have been discussed with the audit committee and the non-executive directors; and</li> <li>iv. the sensitivity of the results of the company to material changes in external factors.</li> </ul>	YES	—
1.4.3	<p><b>Statement by the executive directors:</b> The executive directors should state in the management report, with clear substantiation, that:</p> <ul style="list-style-type: none"> <li>i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;</li> <li>ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;</li> <li>iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and</li> <li>iv. the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.</li> </ul>	YES	—
1.5.1	<p><b>Duties and responsibilities of the audit committee:</b> The audit committee undertakes preparatory work for the non-executive directors' decision-making regarding the supervision of the integrity and quality of the company's financial reporting and the effectiveness of the company's internal risk management and control systems. Among other things, it focuses on monitoring the executive directors with regard to:</p>	YES	—

Ref.	Code provisions	Compliance	Explanation
	<ul style="list-style-type: none"> <li>i. relations with, and compliance with recommendations and following up of comments by, the internal and external auditors;</li> <li>ii. the funding of the company;</li> <li>iii. the application of information and communication technology by the company, including risks relating to cybersecurity; and</li> <li>iv. the company's tax policy.</li> </ul>		
<b>1.5.2</b>	<b>Attendance of the executive directors, internal auditor and external auditor at audit committee consultations:</b> The chief financial officer, the internal auditor and the external auditor should attend the audit committee meetings, unless the audit committee determines otherwise. The audit committee should decide whether and, if so, when the chairman of the executive directors should attend its meetings.	YES	—
<b>1.5.3</b>	<b>Audit committee report:</b> The audit committee should report to the non-executive directors on its deliberations and findings. This report must, at least, include the following information: <ul style="list-style-type: none"> <li>i. the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3, inclusive;</li> <li>ii. the methods used to assess the effectiveness of the internal and external audit processes;</li> <li>iii. material considerations regarding financial reporting;</li> <li>iv. the way material risks and uncertainties referred to in best practice provision 1.4.3 have been analysed and discussed, along with a description of the most important findings of the audit committee.</li> </ul>	YES	—
<b>1.5.4</b>	<b>Non-executive directors:</b> The non-executive directors should discuss the items reported on by the audit committee as per of best practice provision 1.5.3.	YES	—
<b>1.6.1</b>	<b>Functioning and appointment:</b> The audit committee should report annually to the non-executive directors on the functioning of, and the developments in, the relationship with the external auditor. The audit committee should advise the non-executive directors regarding the	YES	—

Ref.	Code provisions	Compliance	Explanation
	external auditor's nomination for appointment/reappointment or dismissal and should prepare the selection of the external auditor. The audit committee should give due consideration to the executive directors' observations during the aforementioned work. Also, on this basis, the non-executive directors should determine its nomination for the appointment of the external auditor to the general meeting.		
1.6.2	<b>Informing the external auditor about their functioning:</b> The non-executive directors should give the external auditor a general idea of the content of the reports relating to their functioning.	YES	—
1.6.3	<b>Engagement:</b> The audit committee should submit a proposal to the non-executive directors for the external auditor's engagement to audit the financial statements. The executive directors should play a facilitating role in this process. In formulating the terms of engagement, attention should be paid to the scope of the audit, the materiality to be used and remuneration for the audit. The non-executive directors should resolve on the engagement.	YES	—
1.6.4	<b>Accountability:</b> The main conclusions of the non-executive directors regarding the external auditor's nomination and the outcomes of the external auditor selection process should be communicated to the general meeting.	YES	—
1.6.5	<b>Departure of the external auditor:</b> The company should publish a press release in the event of the early termination of the relationship with the external audit firm. The press release should explain the reasons for this early termination.	N/A	—
1.7.1	<b>Provision of information to the external auditor:</b> The executive directors should ensure that the external auditor will receive all information that is necessary for the performance of his work in a timely fashion. The executive directors should give the external auditor the opportunity to respond to the information that has been provided.	YES	—
1.7.2	<b>Audit plan and external auditor's findings:</b> The external auditor should discuss the draft audit plan with the executive directors before presenting it to the audit committee. The audit committee should annually discuss with the external auditor: <ul style="list-style-type: none"> <li>i. the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the external auditor in the audit plan; and</li> </ul>	YES	—

Ref.	Code provisions	Compliance	Explanation
	ii. based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the financial statements and the management letter.		
1.7.3	<b>Publication of financial reports:</b> The audit committee should determine whether and, if so, how the external auditor should be involved in the content and publication of financial reports other than the financial statements.	YES	—
1.7.4	<b>Consultations with the external auditor outside the executive directors' presence:</b> The audit committee should meet with the external auditor as often as it considers necessary, but at least once per year, outside the presence of the executive directors.	YES	—
1.7.5	<b>Examination of discussion points arising between the external auditor and the executive directors:</b> The non-executive directors should be permitted to examine the most important points of discussion arising between the external auditor and the executive directors based on the draft management letter or the draft audit report.	YES	—
1.7.6	<b>External auditor's attendance of non-executive directors' meetings:</b> The external auditor should in any event attend the meeting of the non-executive directors at which the report of the external auditor on the audit of the financial statements is discussed.	YES	—
2.1.1	<b>Profile:</b> The non-executive directors should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address: <ul style="list-style-type: none"> <li>i. the desired expertise and background of the non-executive directors;</li> <li>ii. the desired diverse composition of the non-executive directors, referred to in best practice provision 2.1.5;</li> <li>iii. the size of the non-executive directors; and</li> <li>iv. the independence of the non-executive directors.</li> </ul> The profile should be posted on the company's website	YES	—
2.1.2	<b>Personal information:</b> The following information about each non-executive directors should be included in the report of the non-executive directors: <ul style="list-style-type: none"> <li>i. gender;</li> </ul>	YES	—

Ref.	Code provisions	Compliance	Explanation
	<ul style="list-style-type: none"> <li>ii. age;</li> <li>iii. nationality;</li> <li>iv. principal position;</li> <li>v. other positions, in so far as they are relevant to the performance of the duties of the non-executive directors;</li> <li>vi. date of initial appointment; and</li> <li>vii. current term of office.</li> </ul>		
<b>2.1.3</b>	<p><b>Executive committee:</b> If the executive directors work with an executive committee, the executive directors should take account of the checks and balances that are part of the two-tier system. This means, among other things, that the executive directors' expertise and responsibilities are safeguarded and the non-executive directors are informed adequately. The non-executive directors should supervise this whilst paying specific attention to the dynamics and the relationship between the executive directors and the executive committee. In the management report, account should be rendered of:</p> <ul style="list-style-type: none"> <li>i. the choice to work with an executive committee;</li> <li>ii. the role, duty and composition of the executive committee; and</li> <li>iii. how the contacts between the non-executive directors and the executive committee have been given shape.</li> </ul>	N/A	—
<b>2.1.4</b>	<p><b>Expertise:</b> Each non-executive director and each executive director should have the specific expertise required for the fulfilment of his duties. Each non-executive director should be capable of assessing the broad outline of the overall management.</p>	YES	—
<b>2.1.5</b>	<p><b>Diversity policy:</b> The non-executive directors should draw up a diversity policy for the composition of the executive directors, the non-executive directors and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, and education and work background.</p>	NO	<p>The Company does not have a diversity policy in relation to the non-executive directors. The desired expertise and background of the candidates are decisive when non-executive directors are appointed or reappointed. The members of the board, as well as all employees of the Company and of the group companies are recruited and promoted primarily based on professional achievements, experience and performance within the group, irrespective of gender, age, origin or any other personal or social feature. Although the Company does not have in place a formal diversity policy, in practice, the Company has not and does not intend to discriminate between potential candidates for any available board position due to their gender, age, origin or any other personal or social feature.</p>



Ref.	Code provisions	Compliance	Explanation
2.1.6	<p><b>Accountability about diversity:</b> The corporate governance statement should explain the diversity policy and the way that it is implemented in practice, addressing:</p> <ul style="list-style-type: none"> <li>i. the policy objectives;</li> <li>ii. how the policy has been implemented; and</li> <li>iii. the results of the policy in the past financial year.</li> </ul> <p>If the composition of the executive directors and the non-executive directors diverge from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved.</p>	NO	The Company does not have a diversity policy. See explanation to principle 2.1.5. above.
2.1.7	<p><b>Independence of the non-executive directors:</b> The composition of the non-executive directors is such that the members are able to operate independently and critically vis-à-vis one another, the executive directors, and any particular interests involved. In order to safeguard its independence, the non-executive directors are composed in accordance with the following criteria:</p> <ul style="list-style-type: none"> <li>i. any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one non-executive director;</li> <li>ii. the total number of non-executive directors to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of non-executive directors; and</li> <li>iii. for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one non-executive director who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.</li> </ul>	NO	The Company has five non-executive directors, of which three do not meet the independence criteria contained in the DCGC. This deviation from the DCGC exists since April 2017 and continued in 2020 and will last at least until the expiry of the mandate cycle of the present members of the board. When appointing the non-executive members of the board, the general shareholders meeting from 21 April 2017 and 30 April 2020 aimed to set-up a board made up from selected individuals with most extensive experience and insight into the group. Therefore, Mr. Teszari Zoltan was reappointed as the non-executive director and as the President of the board, while Mr. Marius Varzaru (current general manager of Digi Spain) and Mr. Emil Jugaru (Head of RCS & RDS Sales and Customer Care Business Unit) were reappointed as non-executive members of the board. Given the particularity of the business and operations of our group companies and the need for business continuity and internal and industry awareness, the general shareholders meeting from 21 April 2017 and 30 April 2020 gave priority to these functionality needs. However, the amended articles of association of the Company and the corporate governance documents of the Company establish clear and detailed rules regarding independent behavior and the management of any conflict of interest that any member of the board, and particularly all non-executive members of the board are strictly required to comply with.
2.1.8	<p><b>Independence of non-executive directors:</b> A non-executive director is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree:</p>	NO	See explanation to best practices 2.1.7. above.

Ref.	Code provisions	Compliance	Explanation
i.	has been an employee or member of the management board of the company (including associated companies as referred to in Section 5:48 of the Financial Supervision Act ( <i>Wet op het financieel toezicht/Wft</i> )) in the five years prior to the appointment;		
ii.	receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a non-executive director and in so far as this is not in keeping with the normal course of business;		
iii.	has had an important business relationship with the company or a company associated with it in the year prior to the appointment. This includes in any event the case where the non-executive director, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary or lawyer) and the case where the non-executive director is a management board member or an employee of a bank with which the company has a lasting and significant relationship;		
iv.	is a member of the management board of a company in which a member of the management board of the company which he supervises is a non-executive director;		
v.	has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members;		
vi.	has a shareholding in the company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement;		
vii.	is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless the entity is a group company.		

Ref.	Code provisions	Compliance	Explanation
2.1.9	<b>Independence of the chairman of the board:</b> The chairman of the board should not be a former member of the board of the company and should be independent within the meaning of best practice provision 2.1.8.	NO	The president (chairman) of the board does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari's appointment as the president was voted by the general shareholders meeting of the Company from 21 April 2017, reappointed by the general meeting of the Company from 30 April 2020 and will last during the entire period for which Mr. Teszari Zoltan will be a member of the board. The president is the principal shareholder of the Company. The president is not a member of the audit committee.
2.1.10	<b>Accountability regarding non-executive directors' independence:</b> The report of the non-executive directors should state that, in the opinion of the non-executive directors, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled and, if applicable, should also state which non-executive director(s), if any, it does not consider to be independent.	NO	The report of the non-executive directors only states which non-executive directors are not independent under the Bucharest Stock Exchange Corporate Governance Code.
2.2.1	<b>Appointment and reappointment periods – executive directors:</b> An executive director is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment.	YES	—
2.2.2	<b>Appointment and reappointment periods – non-executive directors:</b> A non-executive director is appointed for a period of four years and may then be reappointed once for another four-year period. The non-executive director may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the non-executive directors. In any appointment or reappointment, the profile referred to in best practice provision 2.1.1 should be observed.	NO	The president (chairman) of the board may be reappointed for an indefinite number of terms. For details regarding the expected applicability period of and rationale for the deviation, please see the explanations from above.
2.2.3	<b>Early retirement:</b> A non-executive director or an executive director should retire early in the event of inadequate functioning, structural incompatibility of interests, and in other instances in which this is deemed necessary by the non-executive directors. In the event of the early retirement of an executive director or non-executive director, the company should issue a press release mentioning the reasons for the departure.	YES	—

Ref.	Code provisions	Compliance	Explanation
2.2.4	<b>Succession:</b> The non-executive directors should ensure that the company has a sound plan in place for the succession of executive directors and non-executive directors that is aimed at retaining the balance in the requisite expertise, experience and diversity. Due regard should be given to the profile referred to in best practice provision 2.1.1 in drawing up the plan for non-executive directors. The non-executive directors should also draw up a retirement schedule in order to avoid, as much as possible, non-executive directors retiring simultaneously. The retirement schedule should be published on the company's website.	NO	The Company has a retirement schedule. However, in light of his position as principal shareholder of the Company and with the General Meeting of shareholders' approval, the retirement schedule will not be applicable to the President (chairman) of the Board. Mr. Zoltan Teszari, the main shareholder of the Company, holds the position of President of the Board. According to the Rotation Schedule for the non-executive directors of the Company established by the Board pursuant to article 15 paragraph 6 of the Articles on 15 May 2017, Mr. Zoltan Teszari is expressly excluded from the agreed rotation schedule.
2.2.5	<b>Duties of the selection and appointment committee:</b> The selection and appointment committee should prepare the non-executive directors' decision-making and report to the non-executive directors on its deliberations and findings. The selection and appointment committee should in any event focus on: <ul style="list-style-type: none"> <li>i. drawing up selection criteria and appointment procedures for executive directors and non-executive directors;</li> <li>ii. periodically assessing the size and composition of the executive directors and the non-executive directors, and making a proposal for a composition profile of the non-executive directors;</li> <li>iii. periodically assessing the functioning of individual executive directors and non-executive directors, and reporting on this to the non-executive directors;</li> <li>iv. drawing up a plan for the succession of executive directors and non-executive directors;</li> <li>v. making proposals for appointments and reappointments; and</li> <li>vi. supervising the policy of the executive directors regarding the selection criteria and appointment procedures for senior management.</li> </ul>	NO	The Company does not have a nomination committee (and did not allocate such tasks to another board committee). The Company has decided not to set up a nomination committee as referred to in the DCGC, since the general meeting of holders of class A shares as a whole will perform the duties of such nomination.
2.2.6	<b>Evaluation by the non-executive directors:</b> At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate its own functioning, the functioning of the various committees of the non-executive directors and that of the individual non-executive directors and should discuss the conclusions	NO	However, due valuation by the Audit Committee and the Remuneration Committee of their own activity is performed on yearly basis.

Ref.	Code provisions	Compliance	Explanation
	that are attached to the evaluation. In doing so, attention should be paid to: <ul style="list-style-type: none"> <li>i. substantive aspects, the mutual interaction and the interaction with the executive directors;</li> <li>ii. events that occurred in practice from which lessons may be learned; and</li> <li>iii. the desired profile, composition, competencies and expertise of the non-executive directors.</li> </ul>		
<b>2.2.7</b>	<b>Evaluation of the executive directors:</b> At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate both the functioning of the executive directors as a whole and that of the individual executive directors and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of executive directors. At least once annually, the executive directors, too, should evaluate its own functioning as a whole and that of the individual executive directors.	NO	However, due valuation of the Executives Directors' activity is performed on an yearly basis by the Audit Committee and the Remuneration Committee.
<b>2.2.8</b>	<b>Evaluation accountability:</b> The non-executive directors' report should state: <ul style="list-style-type: none"> <li>i. how the evaluation of the non-executive directors, the various committees and the individual non-executive directors has been carried out;</li> <li>ii. how the evaluation of the executive directors and the individual executive directors has been carried out; and</li> <li>iii. what has been or will be done with the conclusions from the evaluations.</li> </ul>	NO	See explanation to best practices 2.2.6 and 2.2.7 above.
<b>2.3.1</b>	<b>Non-executive director's terms of reference:</b> The division of duties within the non-executive directors and the procedure of the non-executive directors should be laid down in terms of reference. The non-executive director's terms of reference should include a paragraph dealing with its relations with the executive directors, the general meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website.	NO	There are no separate rules in place for the Non-executive directors. However, Chapter VII from the Articles include detailed provisions and rules regarding the board, including on the composition, remuneration, the allocation of tasks and duties among the executive directors and the non-executive directors, on the decision-making process and the management of any conflict of interest.
<b>2.3.2</b>	<b>Establishment of committees:</b> If the board consists of more than four non-executive directors, it should appoint from among its non-executive directors an audit committee, a remuneration committee and a selection	NO	The Company does not have a nomination committee. See explanation to principle 2.2.5 above.

Ref.	Code provisions	Compliance	Explanation
	and appointment committee. Without prejudice to the collegiate responsibility of the non-executive directors, the duty of these committees is to prepare the decision-making of the non-executive directors. If the non-executive directors decide not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the non-executive directors together.		
2.3.3	<b>Committees' terms of reference:</b> The non-executive directors should draw up terms of reference for the audit committee, the remuneration committee and the selection and appointment committee. The terms of reference should indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference should be posted on the company's website.	YES	—
2.3.4	<b>Composition of the committees:</b> The audit committee or the remuneration committee should not be chaired by the chairman of the board or by a former executive of the board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8.	YES(PARTIALLY)	The audit committee and the remuneration committee are chaired by non-executive directors of the Company. More than half of the members of the Remuneration Committee do not comply with the independence criteria contained in the DCGC. This deviation from the DCGC exists since April 2017 and will last at least until the expiry of the mandate cycle of the present members of the Remuneration Committee. See explanation to principle 2.1.7. above.
2.3.5	<b>Committee reports:</b> The non-executive directors should receive from each of the committees a report of their deliberations and findings. In the report of the non-executive directors it should comment on how the duties of the committees were carried out in the financial year. In this report, the composition of the committees, the number of committee meetings and the main items discussed at the meetings should be mentioned.	YES	—
2.3.6	<b>Chairman of the board:</b> The chairman of the board should in any case ensure that: <ul style="list-style-type: none"> <li>i. the non-executive directors have proper contact with the executive directors, the employee participation body (if any) and the general meeting;</li> <li>ii. the board elects a vice-chairman;</li> <li>iii. there is sufficient time for deliberation and decision-making by the board;</li> </ul>	YES	—



Ref.	Code provisions	Compliance	Explanation
	<ul style="list-style-type: none"> <li>iv. the board members receive all information that is necessary for the proper performance of their duties in a timely fashion;</li> <li>v. the board and its committees function properly;</li> <li>vi. the functioning of individual executive directors and non-executive directors is assessed at least annually;</li> <li>vii. the board members follow their induction programme;</li> <li>viii. the board follow their education or training programme;</li> <li>ix. the board performs activities in respect of culture;</li> <li>x. the non-executive directors recognize signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay;</li> <li>xi. the general meeting proceeds in an orderly and efficient manner;</li> <li>xii. effective communication with shareholders is assured; and</li> <li>xiii. the non-executive directors are involved closely, and at an early stage, in any merger or takeover processes.</li> </ul> <p>The chairman of the board should consult regularly with the executive directors.</p>		
<b>2.3.7</b>	<b>Vice-chairman of the board:</b> The vice-chairman of the board should deputize for the chairman when the occasion arises.	YES	—
<b>2.3.8</b>	<b>Delegated non-executive director:</b> A delegated non-executive director is a non-executive director who has a special task. The delegation may not extend beyond the responsibilities of the board itself and may not include the management of the company. Its purpose is more intensive supervision and advice and more regular consultation with the executive directors. The delegation should be of a temporary nature only. The delegation may not detract from the duties and powers of the non-executive directors. The delegated non-executive director continues to be a member of the board and should report regularly on the execution of his special duty to the plenary board.	N/A	—
<b>2.3.9</b>	<b>Temporary executive function of a non-executive director:</b> A non-executive director who temporarily takes on the management of the company, where the executive directors are absent or unable to fulfil their duties, should resign as a non-executive director of the board.	N/A	—

Ref.	Code provisions	Compliance	Explanation
<b>2.3.10</b>	<p><b>Company secretary:</b> The non-executive directors should be supported by the company secretary. The secretary:</p> <ul style="list-style-type: none"> <li>i. should ensure that the proper procedures are followed and that the statutory obligations and obligations under the articles of association are complied with;</li> <li>ii. should facilitate the provision of information of the board; and</li> <li>iii. should support the chairman of the board in the organisation of the affairs of the board, including the provision of information, meeting agendas, evaluations and training programmes.</li> </ul> <p>The company secretary should, either on the motion of the non-executive directors or otherwise, be appointed and dismissed by the executive directors, after the approval of the non-executive directors has been obtained. If the secretary also undertakes work for the executive directors and notes that the interests of the executive directors and the non-executive directors diverge, as a result of which it is unclear which interests the secretary should represent, the secretary should report this to the chairman of the board.</p>	YES	—
<b>2.3.11</b>	<p><b>Report of the non-executive directors:</b> The annual statements of the company include a report by the non-executive directors. In this report, the non-executive directors should render account of the supervision conducted in the past financial year, reporting in any event on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.</p>	YES	Information with respect to these matters are comprised in the report's section on Corporate Governance.
<b>2.4.1</b>	<p><b>Stimulating openness and accountability:</b> The executive directors and the non-executive directors are each responsible for stimulating openness and accountability within the organ of which they form part, and between the different organs within the company.</p>	YES	—
<b>2.4.2</b>	<p><b>Other positions:</b> Executive directors and non-executive directors should report any other positions they may have to the non-executive directors in advance and, at least annually, the other positions should be discussed at the non-executive directors meeting. The acceptance of membership of a supervisory board by an executive director requires the approval of the non-executive directors.</p>	YES	—

Ref.	Code provisions	Compliance	Explanation
2.4.3	<b>Point of contact for the functioning of non-executive directors and executive directors:</b> The chairman of the board should act on behalf of the board as the main contact for the executive directors, non-executive directors and shareholders regarding the functioning of executive directors and non-executive directors. The vice-chairman should act as contact for individual non-executive directors and executive directors regarding the functioning of the chairman.	YES	—
2.4.4	<b>Attendance at non-executive directors' meetings:</b> Non-executive directors should attend non-executive directors' meetings and the meetings of the committees of which they are a part. If non-executive directors are frequently absent from these meetings, they should be held to account on this. The report of the non-executive directors should state the absenteeism rate from non-executive directors and committee meetings of each non-executive directors.	YES	—
2.4.5	<b>Induction programme for non-executive directors:</b> All non-executive directors should follow an induction programme geared to their role. The induction programme should in any event cover general financial, social and legal affairs, financial reporting by the company, any specific aspects that are unique to the relevant company and its business activities, the company culture and the relationship with the employee participation body (if any), and the responsibilities of a non-executive director.	YES	—
2.4.6	<b>Development:</b> The executive directors and non-executive directors should each conduct an annual review for their own organ to identify any aspects with regard to which the non-executive directors and executive directors require training or education.	YES	—
2.4.7	<b>Information safeguards:</b> The executive directors should ensure that internal procedures are established and maintained which safeguard that all relevant information is known to the executive directors and the non-executive directors in a timely fashion. The non-executive directors should supervise the establishment and implementation of these procedures.	YES	—
2.4.8	<b>Non-executive directors' responsibility for obtaining information:</b> The non-executive directors and each individual non-executive director have their own responsibility for obtaining the information from the executive directors, the internal audit function, the external auditor and the employee participation body (if any) that the non-executive directors	YES	—

Ref.	Code provisions	Compliance	Explanation
	needs in order to be able to carry out its duties as a supervisory organ properly.		
2.4.9	<b>Obtaining information from officers and external parties:</b> If the non-executive directors consider it necessary, it may obtain information from officers and external advisers of the company. The company should provide the necessary means to this end. The non-executive directors may require that certain officers and external advisers attend its meetings.	YES	—
2.5.1	<p><b>Executive directors' responsibility for culture:</b> The executive directors should adopt values for the company and its affiliated enterprise that contribute to a culture focused on long-term value creation and discuss these with the non-executive directors. The executive directors are responsible for the incorporation and maintenance of the values within the company and its affiliated enterprise. Attention must be paid to the following, among other things:</p> <ul style="list-style-type: none"> <li>i. the strategy and the business model;</li> <li>ii. the environment in which the enterprise operates; and</li> <li>iii. the existing culture within the enterprise, and whether it is desirable to implement any changes in this.</li> </ul> <p>The executive directors encourage behavior that is in keeping with the values and propagates these values through leading by example.</p>	YES	—
2.5.2	<b>Code of Conduct:</b> The executive directors should draw up a code of conduct and monitor its effectiveness and compliance with this code, both on the part of itself and of the employees of the company. The executive directors should inform the non-executive directors of its findings and observations relating to the effectiveness of, and compliance with, the code. The code of conduct will be published on the company's website.	YES	—
2.5.3	<b>Employee participation:</b> If the company has established an employee participation body, the conduct and culture in the company and its affiliated enterprise should also be discussed in the consultations between the executive directors, the non-executive directors and such employee participation body.	N/A	—
2.5.4	<p><b>Accountability regarding culture:</b> In the management report, the executive directors should explain:</p> <ul style="list-style-type: none"> <li>i. the values and the way in which they are incorporated in the company and its affiliate enterprise; and</li> </ul>	YES	—

Ref.	Code provisions	Compliance	Explanation
	ii. the effectiveness of, and compliance with, the code of conduct.		
2.6.1	<b>Procedure for reporting actual or suspicion of misconduct or irregularities:</b> The executive directors should establish a procedure for reporting actual or suspected irregularities within the company and its affiliated enterprise. The procedure will be published on the company's homepage. The executive directors should ensure that employees have the opportunity to file a report without jeopardizing their legal position.	YES	—
2.6.2	<b>Informing the chairman of the board:</b> The executive directors should inform the chairman of the board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. If the actual or suspected misconduct or irregularity pertains to the functioning of an executive director, employees can report this directly to the chairman of the board.	YES	—
2.6.3	<b>Notification by the external auditor:</b> The external auditor should inform the chairman of the audit committee without delay if, during the performance of his duties, he discovers or suspect an instance of misconduct or irregularity. If the actual or suspected misconduct or irregularity pertains to the functioning of an executive director, the external auditor should report this directly to the chairman of the board.	N/A	—
2.6.4	<b>Oversight by the non-executive directors:</b> The non-executive directors monitor the operation of the procedure for reporting actual or suspected misconduct or irregularities, appropriate and independent investigations into signs of misconduct or irregularities, and, if an instance of misconduct or irregularity has been discovered, an adequate follow-up of any recommendations for remedial actions. In order to safeguard the independence of the investigation in cases where the executive directors their selves are involved, the non-executive directors should have the option of initiating its own investigation into any irregularities that have been discovered and to coordinate this investigation.	YES	—
2.7.1	<b>Preventing conflicts of interest:</b> Executive directors and non-executive directors are alert to conflicts of interest and should in any case refrain from the following: i. competing with the company; ii. demanding or accepting substantial gifts from the company for themselves or their spouse, registered partner or other	YES	—

Ref.	Code provisions	Compliance	Explanation
	<p>life companion, foster child or relative by blood or marriage up to the second degree;</p> <p>iii. providing unjustified advantages to third parties at the company's expense;</p> <p>iv. taking advantage of business opportunities to which the company is entitled for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.</p>		
<b>2.7.2</b>	<p><b>Terms of reference:</b> The terms of reference of the non-executive directors should contain rules on dealing with conflicts of interest, including conflicting interests between executive directors and non-executive directors on the one hand and the company on the other. The terms of reference should also stipulate which transactions require the approval of the non-executive directors. The company should draw up regulations governing ownership of, and transactions in, securities by executive or non-executive directors, other than securities issued, by the company.</p>	NO	See explanation to principle 2.3.1 above.
<b>2.7.3</b>	<p><b>Reporting:</b> A conflict of interest may exist if the company intends to enter into a transaction with a legal entity:</p> <p>i. in which a member of the board personally has a material financial interest; or</p> <p>ii. which has a member of the board who is related under family law to a member of the board of the company.</p> <p>An executive director should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such executive director to the chairman of the board and to the other members of the board without delay. The executive director should provide all relevant information in that regard, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.</p> <p>A non-executive director should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such non-executive director to the chairman of the board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse,</p>	YES	—



Ref.	Code provisions	Compliance	Explanation
	<p>registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the board without delay.</p> <p>The non-executive directors should decide, outside the presence of the executive director or non-executive director concerned, whether there is a conflict of interest.</p>		
2.7.4	<p><b>Accountability regarding transactions: board members:</b> All transactions in which there are conflicts of interest with board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with board members that are of material significance to the company and/or to the relevant board members should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.</p>	YES	—
2.7.5	<p><b>Accountability regarding transactions: majority shareholders:</b> All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with.</p>	YES	—
2.7.6	<p><b>Personal loans:</b> The company should not grant its board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the non-executive directors. No remission of loans should be granted.</p>	YES	—
2.8.1	<p><b>Non-executive directors involvement:</b> When a takeover bid for the company's shares or for the depositary receipts for the company's shares is being prepared, in the event of a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c) of the Dutch Civil Code, and/or in the</p>	YES	—

Ref.	Code provisions	Compliance	Explanation
	event of other substantial changes in the structure of the organization, the executive directors should ensure that the non-executive directors is involved in the takeover process and/or the change in the structure closely and in a timely fashion.		
2.8.2	<b>Informing the non-executive directors about request for inspection by competing bidder:</b> If a takeover bid has been announced for the shares, or depositary receipts for shares, in the company, and the executive directors receive a request from a competing bidder to inspect the company's records, the executive directors should discuss this request with the non-executive directors without delay.	YES	Until the date of this report such event did not occurred.
2.8.3	<b>Executive directors' position on a private bid:</b> If a private bid for a business unit or a participating interest has been made public, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c) of the Dutch Civil Code, the executive directors of the company should as soon as possible make public its position on the bid and the reasons for this position.	YES	Until the date of this report such event did not occurred.
3.1.1	<b>Remuneration policy proposal:</b> The remuneration committee should submit a clear and understandable proposal to the non-executive directors concerning the remuneration policy to be pursued with regard to the executive directors. The non-executive directors should present the policy to the general meeting for adoption.	YES	—
3.1.2	<b>Remuneration policy:</b> The following aspects should in any event be taken into consideration when formulating the remuneration policy: <ul style="list-style-type: none"> <li>i. the objectives for the strategy for the implementation of long-term value creation within the meaning of best practice provision 1.1.1;</li> <li>ii. the scenario analyses carried out in advance;</li> <li>iii. the pay ratios within the company and its affiliated enterprise;</li> <li>iv. the development of the market price of the shares;</li> <li>v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character;</li> </ul>	NO	If shares options are being awarded, share options can be exercised before three years have lapsed after they have been awarded (minimum term required by the DCGC). This deviation was implemented to match the Romanian tax provisions for the granting of stock option to employees and management and also to ensure sooner transfer of stocks to eligible employees, officers and directors.

Ref.	Code provisions	Compliance	Explanation
	<p>vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded; and</p> <p>vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded.</p>		
<b>3.1.3</b>	<b>Remuneration – executive committee:</b> If the board works with an executive committee, the executive directors should inform the non-executive directors about the remuneration of the members of the executive committee who are not executive directors. The executive directors should discuss this remuneration with the non-executive directors annually.	N/A	—
<b>3.2.1</b>	<b>Remuneration committee’s proposal:</b> The remuneration committee should submit a proposal to the non-executive directors concerning the remuneration of individual executive directors. The proposal is drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the company and its affiliated enterprise.	YES	—
<b>3.2.2</b>	<b>Executive directors’ views on their own remuneration:</b> When drafting the proposal for the remuneration of executive directors, the remuneration committee should take note of individual executive directors’ views with regard to the amount and structure of their own remuneration. The remuneration committee should ask the executive directors to pay attention to the aspects referred to in best practice provision 3.1.2.	YES	—
<b>3.2.3</b>	<b>Severance payments:</b> The remuneration in the event of dismissal should not exceed one year’s salary (the ‘fixed’ remuneration component). Severance pay will not be awarded if the agreement is terminated early at the initiative of the executive director, or in the event of seriously culpable or negligent behavior on the part of the executive director.	YES	These conditions are provided in the management agreements concluded by the Company with each Director.
<b>3.3.1</b>	<b>Time spent and responsibility:</b> The remuneration of the non-executive directors should reflect the time spent and the responsibilities of their role.	YES	The revised Remuneration Policy provides for principles applicable to both the executive and the non-executive members of the board of directors of the Company. According to the revised Remuneration Policy, the remuneration of the

Ref.	Code provisions	Compliance	Explanation
			<p>non-executive directors is a fixed fee – which also takes into account holding seats on committees, e.g. Audit Committee, Remuneration Committee etc.) of the Company and which shall be set at market appropriate levels. The level of the remuneration is different from that of the non-executives.</p> <p>Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict of interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest.</p>
3.3.2	<b>Remuneration of non-executive directors:</b> non-executive directors may not be awarded remuneration in the form of shares and/or rights to shares.	NO	<p>Non-executive directors who are directors in other Group companies or employees of other Group companies may, but only in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict of interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest.</p>
3.3.3	<b>Share ownership:</b> Shares held by a non-executive director in the company on whose supervisory board they serve should be long-term investments.	YES	—
3.4.1	<b>Remuneration report:</b> The remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law: <ul style="list-style-type: none"> <li>i. how the remuneration policy has been implemented in the past financial year;</li> <li>ii. how the implementation of the remuneration policy contributes to long-term value creation;</li> <li>iii. that scenario analyses have been taken into consideration;</li> <li>iv. the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year;</li> </ul>	YES	<p>The Remuneration Committee prepares, as it has done for the year 2018, 2019, 2020 annual reports outlining its activity within the Company, as well as outlining the remuneration conditions at the level of the most relevant subsidiaries of the Company. In 2020, the activity of the Remuneration Committee mainly focused on the implementation of the new revised remuneration policy.</p>

Ref.	Code provisions	Compliance	Explanation
v.	in the event that an executive director receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and performance; and		
vi.	in the event that a current or former executive director receives a severance payment, the reason for this payment.		
<b>3.4.2</b>	<b>Agreement of executive director:</b> The main elements of the agreement of an executive director with the company should be published on the company's website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the executive director will be proposed.	YES (PARTIAL Y)	The main elements regarding the remuneration of the executive directors from the agreement concluded with the Company have been published on the Company's website <a href="https://www.digi-communications.ro/en/see-file/Remuneration-of-the-executive-members-of-the-Board-of-Directors-1.pdf">https://www.digi-communications.ro/en/see-file/Remuneration-of-the-executive-members-of-the-Board-of-Directors-1.pdf</a> .
<b>4.1.1</b>	<b>Non-executive directors supervision:</b> The non-executive directors' supervision of the executive directors should include the supervision of relations with shareholders.	YES	—
<b>4.1.2</b>	<b>Proper conduct of business at meetings:</b> The chairman of the general meeting is responsible for ensuring the proper conduct of business at meetings in order to promote a meaningful discussion at the meeting.	YES	—
<b>4.1.3</b>	<b>Agenda:</b> The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items:		
i.	material changes to the articles of association;		
ii.	proposals relating to the appointment of board members;		
iii.	the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend);	YES	—
iv.	any proposal to pay out dividend;		
v.	resolutions to approve the management conducted by the executive directors (discharge of executive directors from liability);		
vi.	resolutions to approve the supervision exercised by the non-executive directors (discharge of non-executive directors from liability);		

Ref.	Code provisions	Compliance	Explanation
	<p>vii. each substantial change in the corporate governance structure of the company and in the compliance with this Code; and</p> <p>viii. the appointment of the external auditor.</p>		
4.1.4	<b>Proposal for approval or authorization:</b> A proposal for approval or authorization by the general meeting should be explained in writing. In its explanation the executive directors should deal with all facts and circumstances relevant to the approval or authorization to be granted. The notes to the agenda should be posted on the company's website.	YES	—
4.1.5	<b>Shareholder's explanation when exercising the right to put items on the agenda:</b> If a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it.	YES	—
4.1.6	<b>Placing of items on the agenda by shareholders:</b> A shareholder should only exercise the right to put items on the agenda after they have consulted with the executive directors on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example as a result of the dismissal of one or several board members, the executive directors should be given the opportunity to stipulate a reasonable period in which to respond (the response time). The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Section 2:110 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the executive directors, within the meaning of best practice provision 4.1.7.	YES	—
4.1.7	<b>Stipulation of the response time:</b> If the executive directors stipulate a response time, this should be a reasonable period that does not exceed 180 days from the moment the executive directors are informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The executive directors should use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder(s), and should explore the alternatives. At the end of the response time, the executive directors should report on this consultation and the exploration to the general meeting. This should be monitored by the non-executive directors.	YES	—



Ref.	Code provisions	Compliance	Explanation
	The response time may be stipulated only once for any given general meeting and should not apply to an item in respect of which the response time had been previously stipulated, or to meetings where a shareholder holds at least three-quarters of the issued capital as a consequence of a successful public bid.		
4.1.8	<b>Attendance of members nominated for the board:</b> Board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.	YES	—
4.1.9	<b>External auditor's attendance:</b> The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should for this purpose attend and be entitled to address this meeting.	YES	—
4.1.10	<b>General meeting's report:</b> The report of the general meeting should be made available, on request, to the shareholders no later than three months after the end of the meeting, after which shareholders should have the opportunity to react to the report in the following three months. The report should then be adopted in the manner provided for in the articles of association.	NO	The deed of record from the General Shareholder's Meeting of 30 April was posted on the Company's web site in a notarized form.
4.2.1	<b>Substantiation of invocation of overriding interest:</b> If the executive directors and the non-executive directors decide not to provide the general meeting with all information desired with the invocation of an overriding interest on the part of the company, they must give reasons for this.	YES	—
4.2.2	<b>Policy on bilateral contacts with shareholders:</b> The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website.	YES	—
4.2.3	<b>Meetings and presentations:</b> Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.	YES	—
4.2.4	<b>Posting information in a separate section of the website:</b> The company should post and update information which is relevant to the shareholders	YES	—

Ref.	Code provisions	Compliance	Explanation
	and which it is required to publish or submit pursuant to the provisions of company law and securities law applicable to it in a separate section of the company's website.		
4.2.5	<b>Executive directors contacts with press and analysts:</b> The contacts between the executive directors on the one hand and the press and financial analysts on the other should be handled and structured carefully and with due observance of the applicable laws and regulations. The company should not do anything that might compromise the independence of analysts in relation to the company and vice versa.	YES	—
4.2.6	<b>Outline of anti-takeover measures:</b> The executive directors should outline all existing or potential anti-takeover measures in the management report and should also indicate in what circumstances and by whom these measures may likely be used.	YES	—
4.3.1	<b>Voting as deemed fit:</b> A shareholder should vote as he sees fit. A shareholder who makes use of the voting advice of a third party is expected to form his own judgment on the voting policy or the voting advice provided by this adviser.	YES	—
4.3.2	<b>Providing voting proxies or voting instructions:</b> The company should give shareholders and other persons entitled to vote the possibility of issuing voting proxies or voting instructions, respectively, to an independent third party prior to the general meeting.	YES	—
4.3.3	<b>Cancelling the binding nature of a nomination or dismissal:</b> The general meeting of shareholders of a company not having statutory two-tier status ( <i>structuurregime</i> ) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the board and/or a resolution to dismiss a member of the board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.	NO	Such resolution can be adopted by the general meeting with a two-third majority representing at least half of the issued share capital (default position under Dutch statutory law). This deviation is provided within the Articles as approved by the Company's general shareholders resolutions from 21 April 2017. This deviation is meant to avoid vote inefficiencies or blockage upon the appointment or dismissal of any relevant director.

Ref.	Code provisions	Compliance	Explanation
4.3.4	<b>Voting right on financing preference shares:</b> The voting right attaching to financing preference shares should be based on the fair value of the capital contribution.	YES	—
4.3.5	<b>Publication of institutional investors' voting policy:</b> Institutional investors (pension funds, insurers, investment institutions and asset managers) should post annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.	N/A	—
4.3.6	<b>Report on the implementation of institutional investors' voting policy:</b> Institutional investors should report annually, on their website and/or in their management report, on how they implemented their policy on the exercise of the voting rights in the relevant financial year. In addition, they should report on their website at least once per quarter on whether and, if so, how they have voted as shareholders at general meetings. This report will be posted on the website of the institutional investor.	N/A	—
4.4.1	<b>Trust office board:</b> The board of the trust office should have the confidence of the holders of depositary receipts and operate independently of the company that has issued the depositary receipts. The trust conditions should specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts.	N/A	—
4.4.2	<b>Appointment of board members:</b> The board members of the trust office should be appointed by the board of the trust office, after the job opening has been announced on the website of the trust office. The meeting of holders of depositary receipts may make recommendations to the board of the trust office for the appointment of persons to the position of board member. No executive directors or former executive directors, non-executive directors or former non-executive directors, employees or permanent advisers of the company should be a member of the board of the trust office.	N/A	—
4.4.3	<b>Board appointment period:</b> A person may be appointed to the board of the trust office for a maximum of two four-year terms, followed by a maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report of the board of the trust office.	N/A	—

Ref.	Code provisions	Compliance	Explanation
4.4.4	<b>Attendance of the general meeting:</b> The board of the trust office should attend the general meeting and should, if desired, make a statement about how it proposes to vote at the meeting.	N/A	—
4.4.5	<b>Exercise of voting rights:</b> In exercising its voting rights, the trust office should be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and the enterprise affiliated with it into account.	N/A	—
4.4.6	<b>Periodic reports:</b> The trust office should report periodically, but at least once per year, on its activities. The report should be posted on the company's website.	N/A	—
4.4.7	<b>Contents of the reports:</b> The report referred to in best practice provision 4.4.6 should, in any event, set out: <ul style="list-style-type: none"> <li>i. the number of shares for which depositary receipts have been issued and an explanation of changes to this number;</li> <li>ii. the work carried out in the financial year;</li> <li>iii. the voting behaviour in the general meetings held in the financial year;</li> <li>iv. the percentage of votes represented by the trust office during the meetings referred to under iii.;</li> <li>v. the remuneration of the members of the board of the trust office;</li> <li>vi. the number of meetings held by the management and the main items dealt with in them;</li> <li>vii. the costs of the activities of the trust office;</li> <li>viii. any external advice obtained by the trust office;</li> <li>ix. the (other) positions held by the board members of the trust office; and</li> <li>x. the contact details of the trust office.</li> </ul>	N/A	—
4.4.8	<b>Voting proxies:</b> The board of the trust office should issue voting proxies under all circumstances and without limitations to all depositary receipt holders who request this. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.	N/A	—

Ref.	Code provisions	Compliance		Explanation
5.1.1	<b>Composition of the board:</b> The majority of the board is made up of non-executive directors. The requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 apply to the non-executive directors.	NO	See explanation to principle 2.1.7 above.	
5.1.2	<b>Chairman of the board:</b> The chairman of the board chairs the meetings of the board. The chairman of the board should ensure that the board as a collective, as well as the board's committees, have a balanced composition and function properly.	YES		—
5.1.3	<b>Independence of the chairman of the board:</b> The chairman of the board should not be an executive director or former executive director of the company and should be independent within the meaning of best practice provision 2.1.8.	NO	See explanation to principle 2.1.7 above.	
5.1.4	<b>Composition of committees:</b> The committees referred to in best practice 2.3.2 should be comprised exclusively of non-executive directors. Neither the audit committee nor the remuneration committee can be chaired by the chairman of the board or by a former executive director of the company	YES		—
5.1.5	<b>Accountability for supervision by non-executive directors:</b> The non-executive directors render account of the supervision exercised in the past financial year. They should, as a minimum, report on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.	YES	Information with respect to these matters are comprised in the report's section on Corporate Governance.	

## ANNEX 4

### Risk Factors

Any investment in the Shares and/or the Notes is subject to a number of risks. Prior to investing in the Shares and the Notes, prospective investors should carefully consider the risk factors associated with any such investment, the Group's business and the industry in which it operates, together with all other information contained in this Report including, the risk factors described below.

The occurrence of any of the following events could have a material adverse effect on our business, prospects, results of operations and financial conditions. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Shares and/or the Notes may decline and investors could lose all or part of their investment. An investment in the Shares and/or the Notes involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether any such investment is suitable for them in the light of the information in this Report and their personal circumstances.

### Risks Relating to Our Business and Industry

**We face significant competition in the markets in which we operate, which could result in decreases in the number of current and potential customers, revenue and profitability.**

We face significant competition in all our markets and business lines, which is expected to intensify further. For example, in Romania and Hungary we face intense competition in our cable TV, DTH, fixed internet and data and fixed-line telephony business lines from local entities controlled by Deutsche Telekom ("**Telekom Romania**" and "**Magyar Telekom**," respectively); Telekom Romania's cable TV, DTH, fixed internet and data and fixed-line telephony business lines are currently in the process of being acquired by Orange Romania, following the execution of an agreement between Orange and Deutsche Telekom on 9 November 2020 and Vodafone (following Vodafone's acquisition of Liberty Global's businesses in both countries in July 2019) ("**UPC Romania**" and "**UPC Hungary**," respectively). In the Romanian mobile telecommunication services market, we compete with Telekom Romania and local entities controlled by Orange ("**Orange Romania**") and Vodafone ("**Vodafone Romania**"). Increased competition may encourage the customers to stop subscribing to our services (an effect known as "churn") and thereby adversely affect our revenue and profitability.

These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that we do not, such as having greater economies of scale, easier access to financing, access to certain new technologies, more comprehensive product offerings in certain business lines, greater personnel resources, greater brand name recognition, fewer regulatory burdens and more experience or longer-established relationships with regulatory authorities, customers and suppliers. In particular, all our principal competitors in our core Romanian market are part of much larger international telecommunication groups.

In recent years, the telecommunications industry has experienced a significant increase in customer demand for multiple-play offerings, which combine two or more fixed and mobile services in one package. Although we believe that the combination of our own fixed and mobile infrastructures in Romania is unparalleled, all of our principal competitors in the country have made arrangements to significantly enhance their multiple-play capabilities.

Orange Romania and Vodafone Romania have taken advantage of the ANCOM-endorsed practice for Romania's fixed line operators to open their networks to competitors. Both entered into certain network sharing agreements with Telekom Romania (in February 2016 and in June 2018, respectively) enabling them to provide cable TV and fixed internet and data services via Telekom Romania's network under their own brand names. Orange Romania is also party to a mobile network sharing agreement concluded in July 2013 with Vodafone Romania, under which each party independently operates its spectrum and retains strategic control over switched networks. Orange has also indicated that it is exploring creating a partnership with Vodafone and Deutsche Telekom to forge a pan-European mobile towers champion. These developments have resulted, and are expected in the future to result in, synergies to their businesses, increase competition, further pressure on prices, higher rates of customer churn and ultimately could adversely affect our revenue and profitability. Although following the conclusion of the market analysis conducted in 2015, ANCOM reconfirmed on October 2020 its view (which was supported by the European Commission in 2015 and being in the process of approval now) that we are under no obligation to open our fixed network to third parties, there is no assurance that this decision may not be reversed. If we are directed by ANCOM, or any other competent authority, to open our infrastructure to third parties, including our competitors, that could further enhance our competitors' market positions, while eroding our key competitive advantages, and have a material adverse effect on our business, prospects, results of operations or financial condition.



Separately, Vodafone has completed the acquisition of Liberty Global's operations in four European countries, including Romania and Hungary, in July 2019, whereas Deutsche Telekom has signed an agreement with Orange for the sale of the majority package in its Romanian fixed operations business (with a fixed-mobile convergence component) in November 2020 (the transaction currently pending regulatory approval).

In addition to competition in our traditional services and technologies, we also experience significant pressure from the rapid development of new technologies and alternative services, which are either offered by our existing competitors or new entrants. See *“—Rapid technological changes may increase competition and render our technologies or services obsolete, and we may fail to adapt to, or implement new technological developments in a cost-efficient manner or at all.”* For example, our fixed-line telephony and fixed internet and data business lines in Romania are experiencing increased competition from the country's mobile telecommunication services sector. This may result in slower growth or a decrease in our fixed-line telephony and fixed internet and data services penetration rates as our subscribers may migrate from fixed to mobile services, choosing to switch to our competitors such as Telekom Romania, Orange Romania, or Vodafone Romania, who currently have stronger market positions than us in the mobile telecommunication services sector. These competitors are also aiming to offer increasingly innovative integrated solutions to customers, such as 5G (currently in limited operation by us and Orange Romania and Vodafone Romania) and financial services combined with traditional telecommunication offerings (such as “Orange Money” proposition offered by Orange Romania). We also have to compete with companies offering other technologies alternative to our telephony services, such as Zoom, Teams, Skype, WhatsApp, Google Hangouts and Facebook Messenger, as well as with companies offering alternative platforms that make TV and entertainment content available to customers, such as OTT platforms Netflix, HBO Go, Amazon Prime, Apple TV, and Google Play, along with other services which allow legal or illegal downloading of movies and television programs.

Our success in these markets may be adversely affected by the actions of our competitors in a number of ways, including:

- ▶ lower prices, more attractive multiple-play services or higher quality services, features or content;
- ▶ more rapid development and deployment of new or improved products and services; or
- ▶ more rapid enhancement of their networks.

Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors, changes in consumer preferences and economic, political and social conditions in the markets in which we operate. Any failure to compete effectively or any inability to respond to, or effectively anticipate, consumer sentiment, including in terms of pricing of services, acquisition of new customers and retention of existing customers, could have a material adverse effect on our business, prospects, results of operations or financial condition.

### **The ongoing COVID-19 pandemic may materially adversely affect our business.**

The Group, its customers and its suppliers may be adversely impacted by the novel coronavirus (SARS-CoV-2) and the respiratory disease (COVID-19) it causes. Since early 2020, the spread of COVID-19 has negatively impacted the economic environment in the countries in which we and our suppliers operate. This, among other things, has resulted in significant volatility in international capital markets and reduced availability of capital. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The European region, where all our countries of operations are located, has been particularly severely affected. As of the date of this Report, all countries in which we operate and most countries in which our suppliers have their primary operations have implemented unprecedented widespread restrictions on domestic economic activities, including wholesale closure of businesses, restrictions on movement (including air travel), in-person social networking and suspension of public events, including spectator sports. No assurance can be provided and the moment that those restrictions will be lifted in the near future or that further, more severe, restrictions will not be imposed. If those, or further restrictions, persist for a prolonged time, it could lead to severe negative consequences for the affected jurisdictions and worldwide, as well as fundamental long-term changes in behavior patterns for business and individuals.

For example, these restrictions could, among other things, lead to significant changes in how our customers use our services. Our residential customers who are quarantined at home or are working from home may increase their fixed-line and mobile data and voice usage, which could strain on our network and systems. Conversely, although telecommunication services are considered to be an everyday necessity, a prolonged period of COVID-19-related restrictions may lead to customer payment defaults (including if there are widescale lay-offs or failure by employers to honor their salary payment obligations) and/or reduction in content/service consumption as individual customers are forced to prioritize other expenditures, such as, for example, food or medication. In addition, existing and any further restrictions on general business activity may negatively impact our higher-ARPU business customers, reduce their fixed and mobile data and voice usage and/or their ability to make payments or continue using our services (including if a prolonged period of restrictions results in widespread insolvencies). On the other hand, increased reliance on our fixed and mobile network capabilities by our corporate customers at a time when in-person business interaction is severely restricted or completely suspended may present significant additional challenges for our network, which we may not be able to resolve promptly.

The COVID-19 pandemic may also negatively impact the ability of our suppliers to provide equipment necessary to develop our mobile or fixed-line telecommunication networks and otherwise operate our business, resulting in increased supply lead times, reduced manufacturing capacity, supply disruptions, as well as shortages of air and ocean freight options from affected regions. The COVID-19 pandemic may also impact our ability to provide new content to our cable TV and DTH customers. Certain of our content suppliers, such as sports leagues including the UEFA Champions League and UEFA Europa League, were suspended in the period between March and August 2020 due to the pandemic and may be subject to future suspensions, if the health emergency caused by COVID-19 worsens, thus leading to the risk of us not being able to develop alternate sourcing in a prompt manner, or at all.

Any of the above consequences of the COVID-19 pandemic may have a significant adverse effect on our business, prospects, results of operations or financial condition. In addition to external challenges, our staff may be required to work remotely and may be restricted from making in-person sales and in-person repair and maintenance visits to our customers. It is possible that there may be a prolonged period of workforce displacement, commercial and other similar restrictions, during which we may be required to continued honouring our salary, utilities, rent and other payment obligations, whilst our revenue generation capabilities are significantly restricted

As at the date of this Report, the COVID-19 pandemic is ongoing, and the scale and economic impact of the outbreak remains unknown. The COVID-19 pandemic and resulting disruption of market conditions globally and in the markets in which we operate could adversely affect our business, prospects, results of operations or financial condition. There can be no assurance that governmental or other actions would result in prompt and adequate improvement of such market conditions in the future, should the situation deteriorate further or further restrictions are imposed, or current or new restrictions persist for a prolonged period of time.

**Rapid technological changes may increase competition and render our technologies or services obsolete, and we may fail to adapt to, or implement, new technological developments in a cost-efficient manner or at all.**

The markets in which we operate are characterized by rapid and significant changes in technology, customer demand and behavior, and as a result, by a changing competitive environment. Given the fast pace of technological innovation in our industry, we face the risk of our technology becoming obsolete. We may need to make substantial investments to upgrade our networks or to obtain licenses for and develop and install new technologies (such as 5G, which is expected to become the standard for providing mobile telecommunication services in the foreseeable future and may, to a certain extent, present a viable alternative to, and a replacement for, fixed-line offerings) to remain competitive. The cost of implementing these investments could be significant, and there is no assurance that the services enabled by new technologies will be accepted by customers to the extent required to generate a rate of return that is acceptable to us. In addition, we face the risk of unforeseen complications in the deployment of these new services and technologies and there is no assurance that our original estimates of the necessary capital expenditure to offer such services will be accurate. New services and technologies may not be developed and/or deployed according to expected schedules or may not be commercially viable or cost effective. Should our services fail to be commercially viable, this could result in additional capital expenditures or a reduction in profitability. Any such change could have a material adverse effect on our business, prospects, results of operations or financial condition.

In addition, rapid technological change makes it difficult to predict the extent of our future competition. For example, new transmission technologies and means of distributing content or increased consumer demand for, and affordability of, products based on new mobile communication technologies could trigger the emergence of new competitors or strengthen the position of existing competitors. There is no guarantee that we will successfully anticipate the demands of the marketplace with regard to new technologies. Any failure to do so could affect our ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on our financial condition and results of operations. Conversely, we may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that we introduce fails to achieve market acceptance, our revenue, margins and cash flows may be adversely affected, and as a result we may not recover any investment made to deploy such new technology or service. Our future success depends on our ability to anticipate, react and adapt in a timely manner to technological changes. Responding successfully to technological advances and emerging industry standards may require substantial capital expenditure and access to related or enabling technologies to introduce and integrate new products and services successfully. Failure to do so could have a material adverse effect on our competitive position, business, prospects, results of operations or financial condition.

**We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business.**

The expansion and operation of our fixed and mobile networks, as well as the costs of development, sales and marketing of our products and services, require substantial capital expenditure. In recent years, we have undertaken significant investment to attract and retain customers, including expenditures for equipment and installation costs, license acquisitions,

implementation of new technologies (such as GPON), as well as upgrades of existing networks, such as the FTTB/FTTH roll-out. As at the date of this report, we have the following material ongoing capital requirements:

- ▶ further expansion of our fixed networks;
- ▶ further expansion and development of our mobile network, as permitted by our existing licenses;
- ▶ payments for the acquisition of television content rights;
- ▶ payments under the terms of existing telecommunication licenses;
- ▶ expansion of our fixed internet and data and fixed telephony business in Spain; and
- ▶ the acquisition of CPE, including certain network equipment such as GPON terminals (which may not generally be treated as CPE by other members of our industry), and other equipment, such as set-top boxes, mobile data devices and fixed-line telephone handsets, satellite dishes, satellite receivers and smartcards.

In addition, we may, from time to time, incur significant capital expenditure in relation to our opportunistic mergers and acquisitions. See “*—We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.*”

However, no assurance can be given that any existing or future capital expenditures will generate a positive return, a significant reduction in costs, or promote the growth of our business. If our investments fail to generate the expected positive returns or cost reductions, our operations could be significantly adversely affected and future growth could be significantly curtailed.

In order to finance our capital expenditures and working capital needs, we use a combination of cash from operations, financial indebtedness, reverse factoring and vendor financing arrangements. In the near future, we expect to fund significant capital expenditures, such as acquisition of new licenses (including mobile bandwidth) to expand our existing offerings and local telecommunication services providers to grow our network, predominantly with external financing sourced from international financial institutions or debt capital markets. Our working capital needs have fluctuated in the past years along with the need to finance the development of our mobile telecommunication services business (where we continue to acquire ancillary CPE (such as handheld devices) that are further on-sold to customers subject to deferred payments). We generally pay our suppliers within a relatively short period after acquiring products, but on-sell CPE to our customers subject to a deferral of payments for up to 12 months. For our working capital needs, we enter into certain reverse factoring and vendor financing agreements to extend the terms of our payments to suppliers. If we fail to negotiate or renegotiate such arrangements, our ability to finance the continued expansion of our business would be materially adversely affected.

In addition, our liquidity and capital requirements may increase if we expand into additional areas of operation, accelerate the pace of our growth or make acquisitions. If, for any reason, we are unable to obtain adequate funding to meet these requirements, we may be required to limit our operations and our expansion plans, including plans to expand our network and service offering, our operations could be significantly adversely affected, future growth could be significantly curtailed and our competitive position could be impaired.

**We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.**

Our historical growth has been due in part to our acquisitions of cable and/or internet operations, such as the acquisition of Invitel, on May 30, 2018 or arrangements such as the one entered on November 28, 2019 (the “**Romanian Operational Arrangements**”) with each of Digital Cable Systems S.A., AKTA Telecom S.A. and ATTP Telecommunications S.R.L. (the “**Network Owners**”).

Under the Romanian Operational Arrangements, the Network Owners have assigned to RCS&RDS the operation of their fixed electronic communications networks, which are predominantly located in rural parts of Romania and, as at the date of this Report, (the “**Romanian Rural Networks**”). As part of the Romanian Operational Arrangements, RCS&RDS also acquired certain B2B clients. The Romanian Operational Arrangements were approved by the RCC on July 24, 2020. See “*—Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

As part of our strategy, we may undertake, additional acquisitions in the future in our existing business lines or complementary to them, as, and if, appropriate opportunities become available. Such acquisitions could be significant, especially in Romania, in particular in light of the recent publicly reported developments of the competitive landscape there and the resulting potential for further market consolidation or new entrants. See “*—We face significant competition in the markets in which we operate, which could result in decreases in the number of current and potential customers, revenue and profitability.*” We regularly monitor potential acquisition targets in order to be able to act in an expedient fashion should an attractive opportunity arise. However, a decision to proceed with any such acquisition will be subject to number of conditions that may or may not materialize, including regulatory support and availability of third-party financing (see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Capital expenditure*”) and we expect to have other strategic alternatives, which we will consider as appropriate. Should we decide to proceed with any such transaction, we may not be successful in our efforts to estimate the financial effects thereof on our business, especially as our previous acquisitions were relatively small in size and there is no guarantee that future acquisitions would not be larger businesses, which may prove more difficult to

integrate. In addition, acquisitions may divert our management's attention or financial or other resources away from our existing business or require additional expenditures. Such developments could have a material adverse effect on our business, results of operations or financial condition.

Our ability to acquire new businesses may be limited by many factors, including availability of financing, the debt covenants in our financing agreements, the prevalence of complex ownership structures among potential targets, government regulation and competition from other potential acquirers. If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of businesses we acquire, generate expected margins or cash flows or realize the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze acquisition targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

Even if we are successful in acquiring new businesses, the integration of new businesses may be difficult for a variety of reasons, including differing languages, cultures, management styles and systems, inadequate infrastructure and poor records or internal controls. In addition, integrating any potential new acquisitions may require significant initial cash investments and present significant costs, which may result in changes in our capital structure, including the incurrence of additional indebtedness, tax liabilities or regulatory fines. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our operating results as a result of costs, challenges, difficulties or risks, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overhead expenses; integrating personnel, networks, financial and operational systems; unforeseen legal, regulatory, contractual and other issues; unforeseen challenges from operating in new geographic areas; and the diversion of management's attention from our day-to-day business as a result of the need to deal with the foregoing challenges, disruptions and difficulties.

Furthermore, even if we are successful in integrating our existing and new businesses, expected synergies and cost savings may not materialize as anticipated or at all, resulting in lower than expected profit margins. There is no assurance that we will be successful in acquiring new businesses or realizing any of the anticipated benefits of the companies that we may acquire in the future. If we undertake acquisitions but do not realize these benefits, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our growth and expansion in new areas of business may make it difficult to obtain adequate operational and managerial resources, thus restricting our ability to expand our operations.**

We have experienced substantial growth and development in a relatively short period of time, and our business may continue to grow in the future. For example, in 2014 we relaunched our mobile telecommunication services business line in Romania and focused on growth in this area, achieving approximately 3.7 million mobile telecommunication services RGUs as at December 31, 2020, an increase of approximately 1.6 million RGUs compared with approximately 2.1 million such RGUs as at December 31, 2014. We also provide mobile telecommunications service in Hungary from 2019, as a test service and starting 2021, as a subscription pack.

The operational complexity of our business as well as the responsibilities of our management has increased as a result of this growth, placing significant strain on the relatively limited resources of our senior management. We will need to continue to improve our operational and financial systems and managerial controls and procedures to keep pace with our growth. We will also have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Managing our growth will require, among other things:

- ▶ the ability to integrate new acquisitions into our operations;
- ▶ continued development of financial and management controls and IT systems and their implementation in newly acquired businesses;
- ▶ the ability to manage increased marketing activities;
- ▶ hiring and training new personnel;
- ▶ the ability to adapt to changes in the markets in which we operate, including changes in legislation;
- ▶ the ability to successfully deal with new regulators and regulatory regimes; and
- ▶ the ability to manage additional taxes, increased competition and address the increased demand for our services.

In particular, in relation to the development of our recently launched mobile telecommunications business in Hungary, we have limited experience operating this type of business in the respective geography and our current 1,800 MHz license is limited to one duplex of 5 MHz. There can be no assurance that we will be successful in adapting to the demands of this market or that we will be able to supplement our existing licenses (see *“Risks relating to legal and regulatory matters and litigation—It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed”*).



**An inability to ensure appropriate operational and managerial resources and to successfully manage our growth could have a material adverse effect on our business, prospects, results of operations or financial condition. We may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom we may not be able to manage our business effectively.**

We depend on the availability and continued service of a relatively small number of key managers, employees and other individuals, including our founder and President, Zoltán Teszári, directors and senior management. These key individuals are heavily involved in the daily operation of our business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise our development. The loss of any of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans, which could in turn affect our ability to comply with the financial covenants under the Notes and our existing credit facilities. In particular, Mr. Teszári's continued involvement in the strategic oversight of the Company is key for our continued development and competitive position. In addition, competition for qualified executives in the telecommunications industry in the markets in which we operate is intense. Our future operating results depend, in significant part, upon the continued contributions of our existing management and our ability to expand our senior management team by adding highly skilled new members, who may be difficult to identify and recruit. If any of our senior executives or other key individuals cease their employment or engagement with us, our business, prospects, results of operation or financial condition could be materially adversely affected.

***We may experience labour shortages in the context of the ongoing COVID-19 pandemic.***

In the context of the COVID-19 pandemic employees who can work remotely have been instructed to do so, considering also some specific local legal requirements on this topic. However there are certain business areas that require on-site or on-field work, like some mandatory support functions activities or technical interventions on our clients premises. Although we have implemented social distancing, hygiene and disinfection protocols, as well as split-team, shift work, staff segregation and flexible working hours procedures to mitigate the risk of an entire team becoming infected and to ensure the continuity of all our services, there is no assurance that that our supply of skilled workers would not be disrupted or that our labour costs would not increase due to illness. The unavailability of some employees due to COVID -19 infection, could be managed so far within the teams, especially the big ones, by prioritizing, filtering and reallocating the tasks to the available employees. Due to temporarily unavailability of infected employees, for only 14 days, it wasn't necessary to run recruitment processes to replace this category of staff. Moreover, comparing with the similar period the year before, in terms of assuring workforce for our industry, the overall recruitment process was a little bit easier, because of the general unemployment local rate.

If we fail to manage our existing workforce and/or recruit sufficient workers in a timely manner during the health emergency caused by COVID-19, our business, prospects, results of operation or financial condition could be materially adversely affected.

**We are subject to transactional currency risks associated with exchange rate fluctuations.**

For the year ended December 31, 2020 we generated approximately 76.8% of revenue in our functional currencies different from EUR, the Romanian leu and the Hungarian forint (which included approximately 26.7% representing revenue collected in local functional currencies, but denominated in euro). As at December 31, 2020, we had €1,025 million and US\$60.8 million of obligations denominated in euros and U.S. dollars, respectively. Our euro obligations principally relate to outstanding financial debt, and our exposure to the U.S. dollar primarily relates to purchases of content for our cable TV and DTH businesses and mobile CPE acquisitions. A significant depreciation of our principal operational currencies relative to the euro and, to a lesser extent, the U.S. dollar, could have a material adverse effect on our business, prospects, results of operations or financial condition.

In particular, our ability to repay or refinance our euro-denominated financial indebtedness could be adversely impacted by a significant depreciation of our functional currencies relative to the euro. In this respect, from December 31, 2019 to December 31, 2020, the Romanian leu and the Hungarian forint have declined compared to the euro by approximately 1.9% and approximately 7.9%, respectively. Such depreciation of our functional currencies relative to the euro could also markedly reduce our consolidated financial results as reported in euros (see “—*We are subject to currency translation risks associated with exchange rate fluctuations*”). This could result in a breach of certain financial covenants under the 2019 UniCredit Equipment Financing Agreement, the 2020 Senior Facilities Agreement, the ING Facilities Agreement and other existing credit facilities, thereby requiring us to seek waivers from these creditors or causing the acceleration of this indebtedness. In addition, this could make it more difficult for us to comply with the incurrence financial covenants under the Notes. In accordance with our historical approach, we may hedge the interest payments and/or repayments of the whole or a portion of the principal amount of our financial indebtedness. However, any hedging arrangements we enter into may not adequately offset the risks of foreign exchange rate fluctuations and may result in losses. In addition, further appreciation of the euro and the U.S. dollar could require us to offset the impact of such exchange rate fluctuations by price increases for customers in Romania and Hungary that are invoiced in local currencies, which could cause a reduction in the number of RGUs and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also “*Management's Discussion and*

*Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Exchange rates—Liabilities denominated in euros and U.S. Dollar.”*

**We are subject to currency translation risks associated with exchange rate fluctuations.**

Our Financial Statements are presented in euros. However, the majority of our revenue and expenses are denominated in the Romanian leu and the Hungarian forint and are translated into euros at the applicable exchange rates for inclusion in our consolidated Financial Statements. In addition, some of our borrowings and their related interest payments, as well as other assets and liabilities, are denominated in currencies other than the euro, which also require translation into euros at the applicable exchange rates when we prepare our consolidated Financial Statements. Therefore, we are exposed to fluctuations in exchange rates when converting non-euro amounts into euro for reporting purposes. Any fluctuation in the value of a relevant functional currency against the euro may affect the value of our revenue, costs, assets and liabilities as stated in our consolidated Financial Statements, which may in turn affect our reported financial condition and results of operations in a given reporting period.

**A systems failure or shutdown in our networks may occur.**

Our cable TV, fixed internet and data and fixed-line telephony services are currently carried through our transmission networks composed primarily of fiber-optic cables. In addition, as at December 31, 2020, we had approximately 5,900 mobile network base stations in Romania and 2,100 base stations in Hungary for our mobile telecommunication services. Furthermore, our information technology system comprises numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. Failure to maintain or update these systems, particularly where updates may be required to support new or expanded products or services, could result in their inability to support or expand our business, as it is dependent on the continued and uninterrupted performance of our network. Our ability to deliver services may be subject to disruptions of our systems from communications failures that may be caused by, among other things, computer viruses, power failures, natural disasters, software flaws, transmission cable cuts, sabotage, acts of terrorism, vandalism and unauthorized access. Any such disruption or other damage that affects our network could result in substantial losses, for which we are not adequately covered by our existing insurance policies. Disaster recovery, security and service continuity protection measures that we have undertaken or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time. Such disruptions may affect our provision of new or existing services and reputation, leading to costly repairs and loss of customers. For so long as any such disruption continues, our revenue could be significantly impacted, which in turn could have a material adverse effect on our operating cash flows, business, prospects, results of operations or financial condition.

**We may be unable to use Intelsat’s and Telenor’s satellites to broadcast our DTH services and may fail to find a commercially acceptable alternative in a reasonable amount of time.**

We currently broadcast programming for our DTH services using nine transponders (and use an additional transponder for transmitting non-DTH signals), of which three are located on a satellite operated by Intelsat Global Sales & Marketing Ltd (“Intelsat”), and six (including the one used for transmitting non-DTH signals) are leased through Intelsat on a Telenor satellite. Our current lease arrangement with Intelsat covering both sets of transponders is effective until 2022. There can be no assurance that an extension of the term of this arrangement can be agreed on similar financial terms post 2022 or that we will not have to find alternative providers. As DTH is a competitive, price-sensitive business, we may not be able to pass an increase in satellite transmission costs, in whole or in part, to our DTH customers.

Satellite broadcasts may also be disrupted for various reasons.

Furthermore, the amount of satellite capacity that we are able to obtain is limited by the amount of efficient transmission spectrum allocated by the relevant national, regional and international regulatory bodies of the satellite operators that provide satellite coverage over our areas of operations. Intelsat is not contractually obligated to increase the satellite capacity it makes available to us.

Should the satellites we use significantly deteriorate, or become unavailable for regulatory reasons or any other reason, we may not be able to secure replacement capacity on an alternative satellite on a timely basis or at the same or similar cost or quality. Our ability to recoup losses related to service failures from Intelsat may also be limited. Even if alternative capacity were available on other satellites, the replacement satellites may need to be repositioned in order to be co-located with the satellites we currently use. If it is not possible to co-locate replacement satellites, we would be required to repoint all our existing customers’ receiving dishes to enable them to receive our signal. Accurate repointing requires specialist tools and expertise, and we believe that there could be substantial costs of repointing all of our existing subscribers’ receiving dishes in the event the satellite networks we currently use fail. Moreover, the time needed to repoint our dishes to alternative satellites would vary depending on the market. Accordingly, the inability to use Intelsat’s or Telenor’s satellites or otherwise to obtain access to sufficient levels of satellite bandwidth on a timely basis and at commercially acceptable prices, or any system failure, accident or security breach that causes interruptions in our operations on the satellite networks we use could impair our ability to provide



services to our customers and could have a material adverse effect on our business, prospects, results of operations or financial condition.

**If we do not maintain or improve our reputation for the quality of our service, our ability to attract new customers and retain existing customers may be harmed.**

Our ability to retain customers and to attract new customers depends in part on our brand recognition and our reputation for the quality of our service. Our reputation and brand may be harmed if we encounter difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to our traditional product offerings, financial difficulties, or for any other reason. Damage to our reputation and brand could have a material adverse effect on our business, prospects, results of operations or financial condition.

**If we cannot acquire or retain content or programming rights or do so at competitive prices, we may not be able to retain or increase our customer base and our costs of operations may increase.**

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our customers. We depend substantially on third parties to provide us with programming TV content and we license rights to broadcast certain high interest sports events and movies on our own premium channels in Romania and Hungary. Our programming agreements generally have terms ranging from one to five years (including options to extend) and contain various renewal, cancellation and annual price adjustment provisions. No assurance can be provided that we will succeed in renewing our rights for content upon the expiry of currently applicable contractual terms on competitive terms or at all. If we fail to negotiate or renegotiate programming agreements for popular content on satisfactory terms or at all, we may not be able to offer a compelling and popular product to our customers at a price they are willing to pay.

Generally, our programming agreements may be terminated if we fail to make any of our payments or breach our obligations to keep our transmission signal secure or within agreed technical parameters and we fail to address any such breaches within a certain time period, typically between 10 and 30 days.

The ability to broadcast certain sports competitions, especially football matches, is integral to our ability to attract and retain customers. We currently hold rights to broadcast some of the most popular competitions in our countries of operation, such as Romanian Football League 1, the UEFA Champions League and the UEFA Europa League, which were suspended in the period between March and August 2020 due to the COVID-19 pandemic. No assurance can be provided that if the health emergency caused by COVID-19 worsens there will be no further suspensions or that we will succeed in developing new or alternate sources of content. In addition, there is no assurance that we will succeed in acquiring new or renewing existing broadcasting rights upon the expiration of the underlying contracts.

We believe that in order to compete successfully, we must continue to obtain attractive content and deliver it to our customers at competitive prices. When we offer new content, or upon the expiry of existing programming agreements or broadcast licenses, our content suppliers may decide to increase the rates they charge for content or they may opt out of the “must carry” (free air regime) and start charging for the retransmission of their channels by us, thereby increasing our operating costs. In addition, some of the channels we broadcast in Romania are subject to “must carry” rules, meaning that the content suppliers have opted to make them available free of charge, which, under certain conditions, creates an obligation for us to include them in our cable TV package. If some or all of the main channels we carry in Romania on the “must carry” basis opted out of this regime, we may have to pay for their retransmission or discontinue the transmission of such channels as part of our services, which may lead to increases in costs or potential customer churn. Regulatory requirements in some jurisdictions, such as Hungary, affect content suppliers by, for example, requiring them to produce channels in high definition, and may lead them to increase the rates they charge to us. Increases in programming fees or license fees or changes in the way programming fees or license fees are calculated could force us to increase our subscription rates, which in turn could cause customers to terminate their subscriptions or lead potential new customers to refrain from subscribing. In addition, if we were to breach the terms of the applicable agreements, the license content providers could decide to withhold certain content or we could lose the right to retransmit certain programs or broadcast certain competitions. Also, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as Internet-based platforms, or may enter into exclusive arrangements with other distributors. If we cannot pass on any increased programming or license fees to our customers, or if we lose rights to transmit certain programming or broadcast certain competitions, it could have a material adverse effect on our reputation, competitive position, business, prospects, results of operations or financial condition.

**Our business strategy may cause our average revenue pre unit (ARPU) figures to decrease.**

In Romania and Hungary, our customer base for services other than DTH is located primarily in more affluent urban population centers. However, as we expand into less affluent demographic segments of our geographic markets, our ARPU figures may decline depending upon changes in our mix of customers and the prices at which our packages are offered. For example, reduced versions of our analog and digital cable TV packages in Romania, targeted at rural customers, offer less content and generate less revenue than their standard versions. Further, our reported ARPU for cable TV, DTH and fixed internet may be affected by fluctuations in exchange rates. See “*We are subject to currency translation risks associated with exchange rate*

*fluctuations.*” A material decrease in ARPU from current levels could have a material adverse effect on our business, prospects, results of operations or financial condition.

**We may fail to manage customer churn.**

The pay TV (which includes cable TV and DTH business lines), fixed internet and data, fixed-line telephony and mobile telecommunication services industries all experience churn as a result of, among other things, high levels of competition and technological advancements. In particular, our DTH and fixed-line telephony service has experienced relatively high levels of churn in recent years. Although churn may have a negative effect on our business, we focus on growth in total number of RGUs, ARPU, revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin as key indicators of our performance, rather than churn. We believe that our churn levels are in line with those of our principal competitors in our core markets.

Customer churn could increase as a result of:

- ▶ the availability of competing services, some of which may be less expensive or technologically superior to those offered by us or offer content or features that we do not offer;
- ▶ customers moving to areas where we cannot offer services;
- ▶ customer dissatisfaction with the quality of our customer service, including billing errors;
- ▶ interruptions in the delivery of services to customers over our network and poor fault management; and
- ▶ customers choosing to discontinue a certain service without replacing it with an equivalent service provided by us or our competitors.

Our inability to control customer churn or an increase in customer churn, particularly in relation to our DTH and fixed-telephony services, as a result of any of these factors can lead to a reduction in revenue and RGUs or increased costs to retain these customers, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our insurance may not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or are not insurable.**

We maintain an insurance policy in respect of our critical communications equipment in data centers in Bucharest and certain key network nodes throughout Romania for the services we provide, including our up-link facilities in Bucharest. This insurance policy has an aggregate coverage of up to approximately €40.5 million equivalent as at December 31, 2020. We also maintain civil liability insurance policies and property damage insurance policies for our car fleet. In Hungary, we maintain mandatory third-party liability and casualty and collision insurance for our car fleet, as well as an insurance policy for our equipment. We can provide no assurance that insurance will continue to be available to us on commercially reasonable terms or at all. Our insurance may not be adequate to cover all our potential losses or liabilities. At present, we have no coverage for business interruption or loss of key management personnel and a substantial proportion of our assets are not insured. Should a significant event affect one of our facilities or networks, we could experience substantial property loss and significant disruptions in the provision of our services for which we would not be compensated. Additionally, depending on the severity of the property damage, we may not be able to rebuild damaged property in a timely manner or at all. We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our business relies on sophisticated billing and credit control systems, and any problems with these systems could disrupt our operations.**

Sophisticated billing and credit control systems are critical to our ability to increase revenue streams, avoid revenue losses, monitor costs and potential credit problems and bill our customers properly and in a timely manner. New technologies and applications are expected to increase customers’ expectations and to create increasing demands on billing and credit control systems. Any damage, delay or interruptions in our systems or failure of servers or backup servers that are used for our billing and credit control systems could disrupt our operations, and this, in turn, could have a material adverse effect on our reputation, business, prospects, results of operations or financial condition.

**Our business relies on hardware, software, commodities and services supplied by third parties. These suppliers may choose to discontinue or reduced for a number of reasons, including because these suppliers may be precluded from manufacturing and delivering their products and services (such as in the context of the COVID-19 pandemic), may choose to discontinue their products or services, seek to charge us prices that are not competitive or choose not to renew contracts with us.**

We have important relationships with certain suppliers of hardware, software and services (such as ECI, Ericsson, Wuhan Fiberhome, Huawei, Kaon, Nagravision S.A. (“Nagravision”), Nokia, and ZTE). These suppliers may, among other things, extend delivery times, supply unreliable equipment, raise prices and limit or discontinue supply due to their own shortages, business requirements, regulatory intervention, changes in trade policies or otherwise. Conversely, we may ourselves need to discontinue or reduce the use of products and services from particular suppliers due to similar or other reasons, including with

limited notice. For example, some of our suppliers (particularly Chinese ones) have been affected in the context of the COVID-19 pandemic, resulting in increased supply lead times, reduced manufacturing capacity, supply disruptions, as well as shortages of air and ocean freight options from affected regions. In addition, such suppliers may in the future be affected by restrictions imposed by certain countries as a result of trade disputes and/or state security considerations. Although we are not entirely dependent on hardware, software and services supplied by particular suppliers, in many cases we have made substantial investments in the equipment or software of a certain supplier. This makes it difficult for us to find replacement suppliers quickly in the event that a supplier refuses to offer us favorable prices, ceases to produce the equipment we use or fails to provide the support we require. In the event that hardware or software products or related services are defective, or if the suppliers are insolvent, it may be difficult or impossible to enforce claims against them, in whole or in part. The occurrence of any of these risks may create technical problems, damage our reputation, result in the loss of customers and could have a material adverse effect on our business, prospects, results of operations or financial condition. Further, our contractual obligations to customers may exceed the scope of the warranties we have obtained from suppliers.

We are also exposed to risks associated with the potential financial instability and business continuity issues of our suppliers. If our suppliers were to discontinue certain products, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, whether as a result of bankruptcy, regulatory actions, court decisions or otherwise and if we were unable to procure satisfactory substitutes, it could have a material adverse effect on our business, results of operations or financial condition.

#### **Our business relies on third-party licenses and other intellectual property arrangements.**

We rely on third-party licenses and other intellectual property arrangements to enable us to carry on our business. Network elements and telecommunications equipment including hardware, software and firmware deployed on our network are licensed or purchased from various third parties, including from vendors holding the intellectual property rights to use these elements and equipment. Although these agreements provide warranties, indemnities and the right of termination in the event of any breach or threatened breach of any intellectual property rights, no assurance can be provided that competitors or other third parties will not challenge or circumvent the intellectual property rights we own or license or that the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide us with any competitive advantage. In addition, certain license holders are entitled to control our compliance with the underlying license arrangements and no assurance can be provided that we will be able to satisfy their requirements at all times. Any resulting loss, withdrawal or suspension of those intellectual property rights could result in a significant increase in our costs or otherwise have a material adverse effect on our business, prospects, results of operations or financial condition.

#### **Our ability to provide commercially viable services depends, in part, upon interconnection, roaming and MVNO arrangements with other operators and third-party network providers and on the impact of EU roaming regulations.**

Our ability to provide commercially viable mobile and fixed-line telecommunication services depends, in part, upon our interconnection and roaming arrangements with other operators. In particular, we are dependent, in certain regions, on interconnection with our competitors' mobile and fixed-line networks and the associated infrastructure for the successful operation of our business. In Romania and Hungary, ANCOM and NMHH, respectively, regulate the frameworks governing interconnection charges in an effort to facilitate access to other companies' networks. In Romania, ANCOM sets price caps on the interconnection charges that major telecommunications operators, including us, may charge, while in Hungary, NMHH regulates the termination rates for interconnection. We are also dependent on third-party network providers for the provision of MVNO services in Spain and Italy, the offering of fixed-line services in Spain and the supply of international roaming services.

In addition, Regulation (EU) No. 531/2012 on roaming on public mobile communications networks within the European Union ("EU Roaming Regulation") requires mobile communications providers within the European Union to ensure that their customers could continue using their service while travelling to a different EU country as if they were using it in their home jurisdiction, save for paying wholesale charges to the relevant service provider. However, on June 1, 2020, ANCOM allowed us to continue to apply roaming surcharges for an additional year (such extension is only permissible for one year periods). Had we been required not to apply such surcharges, it could have had a material negative impact on our mobile telecommunications business as we generally offer unlimited packages to our customers for a fixed fee. This model is predicated on domestic calls pricing, and lack of roaming charges could lead to massively increased consumption in roaming, which would generate material wholesale roaming expense for us that we could not recover under our current business model. Although we intend to apply to ANCOM for subsequent one-year extensions and believe that there is reasonable chance that such extensions will be granted, there can be no assurance that we will be able to obtain any such further extension on terms favorable to us, and if we failed to do so and failed to adjust our business model accordingly, we would be required to fully bear, in whole or in part, the wholesale cost of roaming for our clients.

Although we have interconnection and other agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnection and other services they provide. There can be no assurance that

interconnection, resale, roaming or MVNO agreements will be easy to agree, that we will be able to renew these agreements on commercially acceptable terms, that they will not be terminated, or that ANCOM, NMIAH or the European Commission will not take any action that could materially adversely affect our operations. If we fail to maintain these agreements on commercially acceptable terms, or if there are any difficulties or delays in interconnecting with other networks and services, or a failure of any operator to provide reliable roaming services to us on a consistent basis, this could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers may materially adversely affect the prospects of our mobile telecommunication services business.**

Media and other reports have linked radio-frequency emissions from mobile handsets and mobile telecommunication towers to various health concerns, including cancer, and interference with various electronic medical devices, including hearing aids and pacemakers. In particular, in May 2011, the World Health Organization classified radiofrequency electromagnetic fields as potentially carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. In addition, certain media have speculated that health risks may be intensified by 5G networks/technology, although no conclusive studies providing any negative impact have been published to date. Concerns over radio frequency emissions may discourage the use of mobile handsets or may create difficulties in the procurement of tower sites for our mobile telecommunication business, which could have a material adverse effect on the prospects of such business.

If there is sound scientific evidence of a link between radio frequency emissions and health concerns or if concerns about such health risks increase in countries in which we do business, the prospects and results of operations of our mobile telecommunication services business could be materially adversely affected. In addition, the actual or perceived health risks associated with electromagnetic radio emissions and wireless communications devices and antennas and the resulting costs and lowered usage, as well as any related potential new regulatory measures could have a material adverse effect on our business, results of operations or financial condition.

***Customer data is an important part of our daily business and leakage of such data may* may alter the trust of our customer and secondly may *violate laws and regulations. Any such data security breach, as well as any other failure to fully comply with applicable data protection legislation could result in* customer churn, reputational damages and *fin*es.**

We collect, store and use in our operations data, which may be protected by data protection laws. Although we take precautions to protect customer data in accordance with the applicable privacy requirements and information security practices, it is possible that there may be data leakages in the future. We work with third-party service providers, such as certain software companies, who until the date of the present annex have proven through the documents made available and by the obligations assumed in the agreements that they comply with the standards imposed by the Regulation (EU) 2016/679 (hereinafter referred to as the “**GDPR**”) and with the security requirements imposed by the companies within the Group, nevertheless, there is a possibility that at some point, for certain reasons, they will no longer be able to fully comply with the relevant contractual terms and all data protection obligations imposed on them.

The telecommunications sector has become increasingly digitalized, automated and online-based in recent years, increasing our exposure to risks of unauthorized or unintended data release through hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to our network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of our services, compromise the confidentiality of our customer data or cause service interruptions, and may result in the imposition of fines and other penalties.

In April 2018, we were fined by the Romanian National Supervisory Authority for Personal Data Processing for breaches of national data protection legislation (for clarity purposes, breaches of the legal provisions not breaches/incidents which involves personal data) (contrary to certain provisions in the telecommunications’ field), especially in relation to the types of data that we process, and although we are committed, and have made significant efforts, to fully align our practices with the requirements of the regulator, as at the date of this report this process has not been completed yet. In addition, the **GDPR** became effective on May 25, 2018, introducing enhanced data protection requirements and substantial fines for a breach thereof. We continue to closely observe the consistency with all legal requirements relating to data protection as well as with the opinions and the guides from the European Data Protection Board and with the relevant European jurisprudence. However, we are subject to the interpretation of the data protection legal requirements by the local authorities from the countries where we operate our business. Therefore, there can be no assurance that the adjustments we have already made, as well as those that we are planning to make in the future, will fully satisfy the manner in which authorities interpret GDPR’s requirements. Moreover, on January 11, 2017, the European Commission published a proposal for its new e-Privacy regulation, which is expected to replace the currently effective e-Privacy Directive 2002/58/EC. The new e-Privacy regulation is expected to be adopted in a near future and we are currently evaluating whether our practices need to be adjusted to ensure compliance therewith. There can be no assurance that such compliance could be achieved within the regulatory timeframes, when set, or at all.



In 2019, an “ethical hacking” of one of DIGI Hungary’s customer databases occurred, which involved unauthorized access thereto from the outside. However, promptly following the incident the perpetrator identified himself to DIGI Hungary and informed it of the deficiencies in the security systems detected— for clarity purposes, he demonstrated that he could access the personal data stored in that database. Notwithstanding the nature of the incident, the Hungarian Data Protection Authority launched a related investigation, which was completed on December 19, 2019. As a result of this investigation, the Hungarian Data Protection Authority initiated an official administrative procedure to assess whether DIGI Hungary’s operation of the database in question complied with the GDPR. The administrative procedure was completed and Digi Hungary was fined with 288,000 EUR. Digi Hungary challenged the fine.

We submitted our statement of claims against the decision within statutory deadline.

On 22 January 2021, the court suspended the procedure and made a reference to ECJ for preliminary ruling in on whether DIGI violated Art. 5 (1) b) and e) of the GDPR by transmitting to a parallel database such personal data of clients which data was otherwise collected and stored by DIGI with a legitimate purpose.

**Any suspension, downgrade or withdrawal of our credit ratings by an international rating agency could have a negative impact on our business.**

The Group’s corporate rating is B1 by Moody’s and BB- by S&P. Any adverse revisions to our corporate credit ratings for domestic or international debt by international rating agencies may adversely impact the credit rating of our existing indebtedness (including the Notes), our ability to raise additional financing and the interest rates and other commercial terms, under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

## Risks Relating to Legal and Regulatory Matters and Litigation

**Failure to comply with anti-corruption or money laundering laws, or allegations thereof, could have a material adverse effect on our reputation and business.**

While we are committed to doing business in accordance with applicable anti-corruption and money laundering laws, we face the risk that members of the Group or their respective officers, directors, employees, agents or business partners may take actions or have interactions with persons that violate such laws, and may face allegations that they have violated such laws. In general, if we are alleged or found to have violated applicable anti-corruption or money laundering laws in any matter, any such allegations or violation may have a material adverse effect on our reputation and business, including, among others, application of criminal sanctions against us or our officers or employees, disgorgement of property, termination of existing commercial arrangements, our exclusion from further public or private tenders, as well as affect our ability to comply with certain covenants under our existing indebtedness.

For example, on January 15, 2019, the Bucharest Tribunal issued its January Judgment in relation to the investigation conducted by the DNA into alleged bribery and money laundering in connection with our entry into a joint venture with Bodu S.R.L. in 2009 and certain subsequent transactions. The joint venture related to an events hall in Bucharest. At the time of our original investment, 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”). The DNA’s original enquiry (that followed allegations by Antenna Group that unlawful bribes had been advanced to Mr Dumitru Dragomir) centred around the €3.1 million investment that we made into the JV from 2009 to 2011. The DNA’s subsequent money laundering enquiry related to later transactions entered into with Bodu S.R.L in 2015 and 2016, through which we ultimately acquired the sole ownership of the events hall. We undertook those transactions in order to ensure continuity of our business in relation to the events hall and recover our original investment. However, the DNA alleged that these were attempts to conceal unlawful bribes.

The January Judgment:

- ▶ 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 of money laundering and (a) ordered it to pay a criminal fine of approximately RON1.25 million; (b) confiscated €3.1 million of our original investment in the JV and RON655,124 as alleged unlawful profits derived by RCS & RDS from the JV; and (c) maintained seizure of the two previously attached real estate assets;
- ▶ convicted Integrasoft S.R.L. (one of our Romanian subsidiaries and RCS & RDS’s partner in the JV following the 2016 acquisition) of accessory to money laundering and ordered it to pay a criminal fine of approximately RON 700,000;
- ▶ cancelled (a) the original 2009 joint venture agreement (along with all subsequent amendments thereto); (b) the 2015 settlement agreement (along with all subsequent amendments thereto); and (c) the 2016 purchase by RCS & RDS of the events hall’s real estate and business;
- ▶ convicted 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.) of accessory to money laundering (in his capacity as director of Integrasoft S.R.L.) and sentenced him to four years’ imprisonment;

- ▶ acquitted Messrs. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of RCS & RDS), Mihai Dinei and Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of RCS & RDS) of all charges; and
- ▶ convicted Mr. Dumitru Dragomir and a director of Bodu S.R.L. of unlawfully receiving the bribes allegedly paid through the JV investments (which, owing to different limitations periods, had not yet become time-barred).

We believe that the convictions and related sanctions in the January Judgment were erroneous and not supported by the evidence provided to the court. See *“Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency.”* We continue to deny any allegations against RCS & RDS S.A. (the main Romanian subsidiary of the Company), Integrasoft S.R.L. or any of our or their current or former officers or employees in relation to this matter and believe that they at all times acted in compliance with applicable law. Notices of appeal against the January Judgment were filed to the Bucharest Court of Appeal on behalf of RCS & RDS, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei on January 16, 2019.

The January Judgment neither is, nor will be, final or enforceable. On March, 26, 2021, we received the written reasoning of the decision no. 37/15.01.2019 of the Bucharest Tribunal, together with a decision issued on 19.03.2021 rectifying some clerical errors within the content of the decision. The Company filed an appeal also against the decision to rectify clerical errors. The file has now been registered with Bucharest Court of Appeal, Second Penal Section, the first court hearing being established for 18 May 2021.

The Bucharest Court of Appeal’s consideration on the appeal will involve a full re-trial of the factual matters and legal issues in this case. In particular, if the January Judgment is confirmed on appeal and ultimately becomes effective, our ability to participate in public tenders in Romania may be impeded (for example, if the terms of such tenders specifically prohibit legal entities with a criminal record to participate). In addition, even while appeals are pending, it cannot be excluded that the January Judgment could result in increased scrutiny of our operations and adversely impact perceptions of us (including as to the effectiveness of our compliance policies and procedures). If any of this were to occur, our relationships with governmental authorities, commercial partners or lenders and our perceived attractiveness as a licensee or commercial counterparty may deteriorate, which, among other things, may impair our ability to renew or sustain existing material arrangements with such governmental authorities or counterparties or to enter into new commercially desirable arrangements.

#### **We have been and may continue to be subject to competition law investigations and claims.**

We have been in the past and may continue to be the subject of claims regarding alleged anticompetitive behavior on the markets of the jurisdictions where we operate to restrict competition and limit consumer choice.

For example, on November 14, 2018, the Hungarian Competition Authority (GVH) withdrew (the **“GVH Withdrawal Decision”**) its original approval (the **“GVH Original Approval”**) of DIGI Hungary’s acquisition of Invitel and launched a new investigation to re-assess certain market overlaps between Invitel and i-TV, another subsidiary we have in Hungary providing telecommunication services. The stated reason for the GVH Withdrawal Decision and such new investigation was that at the time of the initial evaluation leading to the GVH Original Approval, DIGI Hungary had allegedly failed to proactively comment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV. In addition, the GVH Withdrawal Decision imposed a fine of approximately €280,000 on DIGI Hungary. In December 2018, DIGI Hungary appealed the above findings, and the fine imposed by, the GVH Withdrawal Decision to a competent Hungarian Court. On June 4, 2019, the court (i) reduced the imposed fine by 50% to approximately €140,000, but (ii) agreed with the GVH Withdrawal Decision insofar it had alleged DIGI Hungary’s failure to proactively comment on certain data regarding the territorial scope of certain telecommunication services provided by i-TV; however it (iii) established that the GVH had itself to properly gather the necessary information at the time of the evaluation leading to the GVH Original Approval, which was not exclusively due to DIGI Hungary’s failure to proactively act in the required manner. On June 19, 2019, the GVH filed an appeal against that judgement and DIGI Hungary submitted its response and cross-appeal on August 23, 2019.

The judgment of the appeals court has confirmed the appealed decision and the reasoning according to which GVH should have requested confirmation with respect to the data on which it based its Initial Decision. The judgment is final and binding.

Although we continue to believe that DIGI Hungary fully cooperated with the GVH during their initial evaluation leading to the GVH Original Approval by providing complete and accurate information and that the GVH Withdrawal Decision was incorrect, in order to address the authority’s concerns, and in consultation with GVH, we proposed as remedial measure sale by Invitel to a third party of its operations in 14 Hungarian settlements and parts of its network in the Szeged settlement that overlapped with DIGI Hungary’s own network there, the underlying sale and purchase agreement having been executed on January 9, 2020. In response to the competition concerns identified by GVH in connection with 67 settlements where Invitel has overlapping services with i-TV, we proposed to ensure that i-TV’s rental agreements with the relevant local network operators will not be terminated until December 31, 2023 (but will be discontinued from 1 January 2024). Following the proposal of this remedial package, GVH authorised again DIGI Hungary’s acquisition of Invitel on March 18, 2020. By way of its decision, the GVH amended the final decision issued in the case. The reason for this was that one of the i-TV overlapping settlements was incorrectly included in the final decision, which fact, however, did not affect the merits of the case. As a result



of this incorrect data, the GVH also imposed a fine of HUF 20,000,000 (approximately EUR 58) on DIGI HU. DIGI HU challenged the order with respect to the imposition of the fine before court.

See *“Overview-Recent Developments-Litigations and other proceedings”*, *“Management’s Discussion and Analysis of Financial Condition and Results of Operations-trends and Other Key Factors Impacting Our Results of Operations-Acquisitions and sipoals”* and *“Business-Litigation and Legal Proceedings-Further investigation by the GVH of our acquisition of Invitel”*.

We fully cooperated with the relevant competition authorities in any proceedings, in which we have been involved and intend to continue to do so if we are the subject of future proceedings, but such proceedings are typically lengthy and could take several years to be resolved. There is no assurance that the GVH (or any other antitrust authority in our countries of operations) will not conduct further investigations on us or, if they do, that they will not impose sanctions on us as a result of such investigations. Such sanctions may include fines of up to 1% of our total turnover in the year prior to the decision if we fail to provide accurate and complete information to the relevant authority within the terms indicated by it or imposed by applicable law and up to 10% of our total turnover in the year prior to the decision per individual violation of competition law, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

In addition, the telecommunications and media sectors, amongst other industries, are under constant scrutiny by national competition regulators in the countries, in which we operate and by the European Commission. Whether in the context of sector inquiries, antitrust investigations or in relation to requests for information, competition authorities may, from time to time, have different interpretations of our behavior in the relevant markets or of the clauses in the agreements that we enter into and construe them as potentially non-compliant with applicable competition legislation. As a result, we could be subject to fines up to the amount mentioned above and/or other restrictive measures.

For example, in April 2013, the Romanian Competition Council (the “**RCC**”) launched a sector inquiry regarding (a) electronic communication services offered in Romania as part of multiple-play packages and on a standalone basis; (b) access to electronic communications infrastructure in Bucharest; and (c) examination of the sector in the rest of Romania in order to evaluate the relative market power of participants. Its inquiry in connection with the access to electronic communications infrastructure in Bucharest was completed in early 2016 and recommended increased oversight by ANCOM of communication infrastructure operators (us included) and monitoring of non-discriminative access to such infrastructure by communication providers. The RCC’s inquiry regarding electronic communication services in Romania was finalized in late 2017. As a result thereof, relevant existing practices of market participants (us included) could be subjected to stricter scrutiny in the future. In addition, the RCC’s 2017 report included certain findings on common potentially abusive provisions in agreements with individual customers, such as termination clauses. The RCC alerted the Romanian National Authority for Consumer Protection (“**NACP**”), which re-addressed the matter to ANCOM. There is no further information available at the moment. However, should NACP and/or ANCOM deem some of such provisions to be indeed abusive vis-à-vis customers, market participants (us included) may be required to amend existing customer agreements, and may face fines and other sanctions in connection with current practices.

On September 13, 2019, the GVH commenced an investigation against DIGI Hungary for allegedly having violated Hungarian consumer protection regulations in marketing its recently launched mobile services. According to the GVH, DIGI Hungary failed to adequately disclose to potential clients: (a) the data consumption capabilities of the service, (b) the lack of international roaming options and (c) the fact that the services was only available to DIGI Hungary’s existing fixed-line and DTH customers. We believe that DIGI Hungary acted in compliance with all applicable regulations and do not think that the GVH’s allegations have merit. However, we fully cooperated with the GVH in respect of this investigation.

The examination phase has been closed and the investigator’s report has been submitted to the Competition Council on July 27, 2020. The investigation report proposed that GVH should establish that DIGI Hungary committed each of the infringements (a) – (c) above. DIGI Hungary submitted comments on the investigation report within statutory deadline. GVH extended the deadline of the procedure until January 16, 2021.

In its decision on 20 December 2020, GVH imposed a fine of HUF 45,000,000 based on the above detailed grounds. Although we managed to substantially decrease the amount of the fine compared to the amount proposed by the investigation report, we are still in strongly disagreement with GVH’s conclusion. We, therefore, submitted a petition to the Metropolitan Court against the decision on 21 January 2021. The Metropolitan Court has not yet scheduled the hearing of the case.

Sector inquiries are not targeted at particular companies and are concluded with reports describing the markets analyzed and including recommendations for better market functioning. The competition authorities cannot apply fines as a result of sector inquiry proceedings for anticompetitive conduct, but may decide to open new investigations targeted at particular companies, which may result in stricter scrutiny of our business and/or the imposition of fines or other sanctions. Additionally, the results of an inquiry could lead to lawsuits being brought by third parties.

**Sanctions by the NACP in relation to our 2019 increase of tariffs in Romania may force us to lower prices and, provided customers claim reimbursement, pay them back.**

In the beginning of 2019, we increased certain tariffs we charge to our Romanian customers for electronic communication services. In April and May 2019, the NACP carried out a review of those increases (along with their review of prices charged by our competitors), as a result of which it issued minutes sanctioning RCS & RDS with a fine of RON70,000 for allegedly having violated the law in so increasing the tariffs. According to the NACP, those increases were the result of RCS & RDS transferring to its customers the costs that had increased on account of the Government Emergency Ordinance 114/2018 (the “December Ordinance”). The NACP also ordered RCS & RDS to reverse the price increases (which order could entitle our Romanian customers to claim the difference between what they actually paid us based on the new tariffs and what they would have paid us based on the old tariffs).

We believe that the NACP’s minutes and order are without merit as (i) the disputed tariff increases were not unlawful; and (ii) there were good economic reasons therefor, which were not related to the additional costs imposed by, or that could be the result of, regulatory changes. On June 14, 2019, RCS & RDS appealed the NAC’s minutes to a Romanian court of first instance (thereby suspending their application). The appeal was granted on November 18, 2019. The NACP filed an appeal against the judgement. On 27 October 2020, the court dismissed the appeal filed by the NACP. The decision is final.

On July 18, 2019, RCS & RDS filed for injunctive relief requesting that the NAC’s order be suspended. The injunctive relief was granted on August 9, 2019 but was appealed by the NACP. On June 3, 2020, the court dismissed the appeal filed by the NACP.

On September 26, 2019, RCS & RDS filed to a Romanian court of first instance a substantive appeal against the NACP’s order itself. The hearing of this appeal took place on March 3, 2020 with the issuance of the decision being initially postponed for March 17, 2020 and subsequently for March 25, 2020. On April 22, 2020, the first court admitted our claim and annulled the NACP order. NACP can challenge the court decision in 15 days as of the communication of the decision (which hasn’t happened yet).

**Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial fines, additional compliance costs or various other sanctions or court judgments.**

Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audio-visual, energy, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorizations and monitoring licensees’ compliance with the terms thereof. We may sometimes disagree with the way legal provisions are interpreted or applied by regulators and we may, from time to time, challenge or contest regulatory decisions in the course of our business, which may affect our relations with regulators. The competent authorities in the countries where we carry out our activities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year. Any such future inspections may result in the conclusion that we have violated laws, decrees or regulations. We may be unable to refute any such conclusions or remedy the violations found.

Moreover, regulatory authorities may, from time to time, decide to change their interpretation of the applicable legal or regulatory provisions, their policies or views of our businesses in ways that can significantly impact our operations. For instance, we are subject to certain obligations as an operator with significant market power in the market of access to fixed-line telephony and mobile telephony and, as our market share increases or market conditions change, we could become subject to significant additional restrictions in the future, such as having to comply with higher technical standards. Such restrictions may decrease or eliminate our competitive advantage and could have a material adverse effect on our business, prospects, results of operations or financial condition. To the extent these restrictions are deemed to be insufficient and the relevant telecommunications regulator concludes that our market power is significant to the degree that there is no competition, we may even become subject to user tariff control measures.

Because we are subject to a large number of changing regulatory requirements and market and regulatory practices, we may not be in compliance with certain requirements under telecommunications and media laws, consumer protection laws, personal data protection laws and regulations or regulatory decisions. For instance, we have not always complied in a timely fashion with obligations relating to compliance of certain technical and administrative parameters and the obligation that we pay our regulatory fees. We were in breach of certain technical obligations/parameters relating to our network and the provision of our services (e.g., level of noise/radiation above the threshold, poor TV signal in certain villages/towns, etc.), for which we have received warnings from ANCOM and small fines. We have generally remedied such breaches after receiving such sanctions from ANCOM, but we may be unable to remedy (or do that in a timely fashion) such breaches in the future. In addition, from

time to time, our satellite spectrum license may not cover some of our channels or up-link connections and our retransmission endorsements may not cover some of our channels or may cover certain channels that we are not currently broadcasting. See “Industry Regulation—Romania—Television and Radio Services—Licenses—Satellite Spectrum License.” We may also, from time to time, not be in full compliance with our “must carry” obligations and may have differing interpretations of such obligations than the regulators. Our failure to comply with existing laws and regulations and the findings of government inspections may result in the imposition of fines or other sanctions on us by ANCOM or the National Audiovisual Council of Romania (“NAC”). The recent regulatory changes introduced by the December Ordinance entitle ANCOM to impose fines of up to 10% of our total turnover in the year prior to ANCOM’s decision in the event of repeated violations of regulatory obligations under current law in Romania. See “—Risks relating to investments in countries where we operate—Any potential deterioration of the general internal economic, political and social conditions in Romania and Hungary, our principal countries of operation, or any adverse changes in the Romanian or Hungarian tax or regulatory environment, may not be offset by developments in other markets.” Should ANCOM impose such fines for any actual or alleged violation, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

To the extent certain provisions in our agreements with individual customers are deemed unenforceable by ANCOM or NACP, a court may decide that such provisions are invalid and must be removed from such agreements and we may face minor administrative fines. In certain cases, some agreements may be terminated in full. See also “*We have been and may continue to be subject to competition law investigations and claims.*” While we are not aware of any relevant claims, there can be no assurance that no such claims will be filed in the future.

**It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed.**

The operation of telecommunications networks and the provision of related services are regulated to varying degrees by European, national, state, regional or local governmental and/or regulatory authorities in the countries where we operate. Our operating licenses or authorizations specify the services we can offer and the frequency spectrum we can utilize for mobile operations. The operating licenses are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to them may also be amended. There is no assurance that the relevant authorities will not take any action that could materially adversely affect our operations. Our operating licenses are generally renewable upon expiration. However, there is no assurance that licenses will be renewed. If we fail to renew any of our licenses, we may lose the ability to continue to operate the relevant business and the realizable value of our relevant network infrastructure and related assets may be materially adversely affected. Some of these licenses and other authorizations are particularly complicated and lengthy to obtain and may subject us to ongoing compliance obligations. Moreover, if we fail to comply with the requirements of the applicable legislation or if we fail to meet any of the terms of our licenses, our licenses and other authorizations necessary for our operations may be suspended or terminated. The difficulty in obtaining and/or renewing licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations may be exacerbated by the COVID-19 pandemic and efforts to contain its spread, which may result in disruptions to or suspension of the activity of certain public authorities and governmental or local agencies for the duration of the pandemic. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operations.

Further, the deployment of our networks requires obtaining access rights from various third parties services, as well as various approvals or permits from European, national, state, regional or local governmental and/or regulatory authorities, particularly in relation to establishing base stations for our mobile telecommunication services. For example, on September 13, 2019, the NMIAH refused to allow the Company to participate in a public auction for the acquisition of mobile telecommunication frequencies in Hungary, which we intended to use in the development of our mobile telecommunication network in the country. We appealed that decision to a Hungarian court and requested injunctive relief to suspend the auction pending judicial review of our claims (however, our injunctive relief requests were rejected). On November 4, 2020, the Metropolitan Court of Budapest (the first instance court) rejected the Company’s statement of claims, ruling that the procedural rules of the 5G auction were in line with the applicable statutory rules and the NMIAH lawfully rejected the Company’s registration for the auction. The Company has filed an appeal to this decision which was rejected by the Hungarian Supreme Court on 4 February 2021.

In addition, on April 16, 2020, we filed a statement of claim requesting the Metropolitan Court to annul NMIAH’s decision on the merits of the case issued on April 1, 2020, which was forwarded by NMHH to the court. Magyar Telekom joined the court proceedings as an intervenor in favor of NMHH. The Metropolitan Court set the date for the court hearing in the case, which is January 13, 2021. At the court hearing of January 13, 2021, the Metropolitan Court requested the Plaintiff to file a preparatory brief in connection with its standing. In addition, it scheduled the next court hearing in the case to 31 March 2021. According to the Metropolitan Court’s warrant served to the Company on 25 March 2021, the hearing will be cancelled due to the COVID situation. The Metropolitan Court added that it holding further hearing is not necessary to bring their verdict in the case, so they will announce the verdict without a hearing.

The successful development of our mobile telecommunication offerings in Hungary could be put in significant jeopardy and the prospects for our growth in the Hungarian mobile telecommunications sector vis-a-vis our principal competitors could be severely impeded. Further, no assurance can be provided that the NMIAH will not introduce new, or interpret existing, criteria for the future auctions for telecommunications frequencies in such a way that would preclude us from participating therein. This, especially in light of the NMIAH's current practices, which we are challenging in court, may jeopardize our ability to renew our existing, or obtain new, telecommunication licenses in Hungary.

In addition, such approvals and permits may include building, construction and environmental permits, antenna and mast deployment approvals and various other planning permissions. Obtaining these access rights, approvals and permits can be a complex process and is often characterized by different practices and requirements at the various regulatory authorities which frequently results in inconsistent and bureaucratic processes and/or by varying demands of third parties from whom access rights are obtained. Moreover, in certain instances, applicable regulatory regime has deteriorated over time and otherwise may be not fully adapted to the requirements and realities of modern telecommunications business, while regulatory authorities have recently significantly intensified enforcement activities, including imposition of fines. Though we have a dedicated team tasked with obtaining the required access rights, licenses, permits and other authorizations, due to the inherent challenges of these regimes, we have experienced, and may continue to experience, difficulties in obtaining some of these access rights, approvals and permits, which has led us to operate (in full or in part) without necessary authorizations in some instances and may require us to exert considerable effort and incur considerable expenses in order to implement suitable alternatives or could result in fines or other penalties being imposed by regulators.

**Many components of our network are based on contracts, which may currently be undocumented or may be terminated or otherwise cancelled, and we may be required to move some of our networks, which may disrupt service and cause us to incur additional expenses.**

In Romania, we currently provide our cable TV, fixed-line telephony and fixed internet and data services through networks that are mostly above-ground and for which we lease the right to use poles from electricity and public transportation companies. In Hungary, we provide our cable TV, fixed-line telephony and fixed internet and data services through networks that are mostly underground. In Romania and Hungary, market participants (us included) may not always be able to obtain or use the necessary permits for developing, building and completing networks in a timely manner or at all, and this may result in such networks (including mobile network base stations) not being fully authorized. Although current urban regulations allow above-ground infrastructure building in rural areas, the overall negative regulatory trend imposed pressure to move of existing (above ground) networks underground and may lead to forced changes to network building practices, as well as to requirements to alter existing network locations, which can involve significant capital expenditure. We are moving our networks underground in cities where local authorities have granted us the required authorizations expediently or where the necessary infrastructure was already available. However, we may not always be in full compliance with obligations to move our networks underground or we may have different interpretations with respect to the imposition of such obligations by public authorities. If we were forced to place our above-ground networks underground pursuant to plans of authorities that contemplate impractical solutions, our costs for providing services may increase and our customer satisfaction may be adversely affected. In addition, if we are found not to be in compliance with such obligations, or otherwise in violation of restrictive covenants, easements or rights of way, we may face fines or service interruptions while we relocate our networks.

Certain agreements we entered into for the purpose of developing our networks, including majority of leases of poles that support our above-ground fixed fiber-optic networks, are with persons whose title thereto or authority or capacity to enter into such agreements were not fully verifiable or clear at the time, among other reasons, because of unclear and constantly changing legislation. In addition, certain agreements with third parties with respect to our network (including mobile network base stations) were not documented or executed in the authenticated form required by Romanian law and, as such, they, or the building permits obtained on the basis thereof, may be invalidated or easily discontinued. Moreover, certain agreements were entered into without full compliance with other applicable formalities, such as public tender requirements. No assurance can be provided that such agreements will not be subject to cancellation or revocation in the future. Further, a significant portion of our above-ground fixed fiber-optic network in Romania and Hungary is built on poles leased from various regional electricity distribution companies. Renewal of agreements concluded with these operators is often delayed and problematic. In addition, certain of our lease agreements have provisions allowing the lessor to terminate the lease at its option, subject to prior notice ranging from 10 to 90 days.

We are not aware of any significant claims with regard to any irregularities related to any of the above arrangements. However, if such claims were to arise and be numerous and successful, or if there is any failure to renew these arrangements (or these agreements are terminated or cancelled), it may result in additional significant costs, material capital expenditure, service interruptions, contractual penalties or regulatory fines or other sanctions or, in the worst case, loss of business if there is no adequate alternative or there is a delay in securing such alternative. Any of these network-related risks could have a material adverse effect on our business, prospects, results of operations or financial condition.



**If we infringe the intellectual property rights of third parties, or if we are otherwise held liable for infringements in relation to information disseminated through our network, we could face protracted litigation and, in certain instances, lose access to transmission technology or content.**

The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks from third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. Further, as the number of entrants into the Romanian and Hungarian markets increases and the overlap of product function expands, the possibility of such allegations increases. Defending intellectual property claims, such as the foregoing, requires us to engage in lengthy and costly litigation and divert the attention of our senior management and technical personnel from our businesses. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to incur monetary liability, temporarily or permanently discontinue the use of the respective intellectual property, or enter into royalty or licensing agreements, which may not be available on commercially reasonable terms or at all. If we were required to take any such action, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

The infringement of patents and proprietary rights of others may also lead to the loss of access to transmission technology or programming content, damage third-party interests and render us unable to deliver the content that our customers expect, which could materially adversely affect our business, prospects, results of operations or financial condition. In the event that access to transmission technology is lost, alternative technology would need to be purchased, which may result in an interruption of services and increases in costs.

We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network, publish on our websites or to which our customers have access online through our network. Any such claims could include actions under the censorship and national security laws of countries in which we broadcast or provide internet access. In the event that we receive a valid and substantial infringement claim, we would need to cease broadcasting or block from our internet system the infringing content or information, which may increase customer churn.

**We are subject to payments related to collective copyright organizations which may vary.**

In Romania and Hungary, we are obliged to make payments to various collective copyright protection organizations as compensation for the use of copyrighted content in the programming delivered by us through our cable TV and DTH services, and copyrighted content used on our website. These amounts are not fixed and are determined by negotiation in accordance with a methodology based on certain legal provisions and relevant European practices. There can be no assurance that amounts payable to various collective copyright protection organizations will not increase in the future or that additional claims could not arise in relation to our past activity or that we will not be subjected to penalties or fines for delaying payments. Since we may not be able to pass on such increases in costs to our customers, such increases, penalties or fines could have a material adverse effect on our results of operations or financial condition.

**Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.**

The tax laws and regulations in Romania, the Netherlands, Hungary, Spain and Italy may be subject to change, and there may be changes in interpretation and enforcement of tax law. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for us to predict, and we may therefore be unprepared for these changes. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws or regulations are modified by the competent authorities in a manner, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period. For example, the Romanian Fiscal Code currently provides, subject to certain conditions, an exemption from Romanian withholding taxes for the interest paid on receivable instruments/titles issued by Romanian companies set up in accordance with Romanian Company Law 31/1990 (as amended and supplemented). Based on advice it has received from recognized tax experts experienced in such matters, we believe that this exemption should be applicable to interest payments made by RCS&RDS on the Notes to non-resident holders thereof. If the above provisions of the Romanian Fiscal Code, or the interpretation thereof, were to change, we could be required to pay certain Additional Amounts in relation to the Notes, which could be significant.

In addition, such competent authorities periodically examine or audit the Group. Reviews for verification purposes only (i.e., not due to an infringement) are common in Romania for companies of our size and we regularly consider the likelihood of assessments and, for probable adverse assessments, have established tax allowances, which represent our management's best estimate of the potential assessments. However, the actual resolution of any of these tax matters could differ from the amount provisioned, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period.

**We may be subject to fines, awards of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom.**

We are involved in legal proceedings from time to time, which may lead to the imposition of damages, fines or other penalties on us. We may be adversely affected by other contractual claims, complaints and litigation, including from counterparties with whom we have contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that we may attract. Any such litigation, complaints, contractual claims, or adverse publicity could have a material adverse effect on our business, reputation, results of operation or financial condition.

**Risks Relating to Investments in Countries where We Operate**

**Any potential deterioration of the general internal economic, political and social conditions in Romania and Hungary, our principal countries of operation, or any adverse changes in the Romanian or Hungarian tax or regulatory environment, may not be offset by developments in other markets.**

Our success is closely tied to general economic developments in Romania and Hungary. Both countries have undergone substantial political, economic and social change in recent years. As is typical of emerging markets, they do not possess the full business, legal and regulatory infrastructures that would generally exist in more mature free market economies. In addition, the tax, currency and customs legislation in Romania and Hungary are subject to varying interpretations and changes, which can occur frequently. See “—*Romania’s and Hungary’s legal and judicial systems are less developed than in other European countries, which makes an investment in the Shares and the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.*” These issues continue to result in relatively high poverty rates and low wages.

Moreover, both of these countries have experienced periods with significant political instability. In particular, for the past several years, the political environment in Romania, our primary market, has been unstable, dominated by political conflict. Political instability in Romania continues and could delay or stop economic and regulatory reforms in the country.

In Hungary, the ruling party, which has been in power since 2010, introduced various policies and measures that raised certain concerns about the rule of law, including taxes with retroactive application and a new constitution that has been scrutinized by international organizations (including the EU Commission). The Hungarian opposition towards the European Union’s reaction to the migration crisis (significantly affecting Hungary in its early stages) might additionally encourage the present government to adopt national protective measures that might discourage foreign presence or investments in Hungary. Any disruption of the reform policies and recurrence of political or governmental instability could have a material adverse effect on us and the value of investments related to Romania and Hungary.

The future economic direction of the markets in which we operate remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by their respective governments, together with tax, legal, regulatory, and political developments. Our failure to manage the risks associated with our business in emerging markets could have a material adverse effect on our results of operations.

Negative developments in, or the general weakness of, the Romanian or Hungarian economies, in particular increasing levels of unemployment may have a direct negative impact on the spending patterns of retail consumers, both in terms of subscriber and usage levels. Because a substantial portion of our revenue is derived from residential customers who may be impacted by such conditions, it may be more difficult for us to attract new customers or maintain ARPU at existing levels. Deterioration in the Romanian or Hungarian economies may further lead to a higher number of non-paying customers or generally result in service disconnections. Additionally, any uncertainty or instability in, or related to, the political conditions in Romania and Hungary, including any changes to their respective political regimes, legal, tax and regulatory frameworks or governing policies, could negatively affect our business and operations.

In addition, Romanian and Hungarian policy-making and regulatory frameworks are often subject to rapid and sometimes dramatic changes, the consequences of which may be difficult to foresee, or which could potentially lead to slower economic growth or general deterioration of economic conditions in those countries. For example, the Romanian government has implemented a series of reforms, including numerous increases to minimum wage rates, as well as changes to the country’s social security taxation regime and a transfer of its burden from employers to employees; it also introduced certain one-off exceptional taxes. Some of those measures may have a severe impact on various sectors of Romanian economy, including telecommunication and energy companies. In particular, on December 29, 2018, it issued the December Ordinance, which became effective on January 1, 2019 and introduced major changes affecting the energy, banking and private pension sectors of the Romanian economy. Most importantly for our business, it (i) increased ANCOM’s annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year (the “**Monitoring Fee**”); (ii) provided for very significant fees for extending existing, or acquiring new, telecommunications licenses; and (iii) significantly increased penalties for breaches of regulations governing the Romanian telecommunication industry (up to 10% of the violator’s turnover in the year prior to the decision to impose such penalties). The December Ordinance was repeatedly amended thereafter, most recently on January 6, 2020 through the Government Emergency Ordinance 1/2020. These amendments have disappplied the



vast majority of the December Ordinance's original provisions affecting our business in Romania, with the exception of the Monitoring Fee, which remains in place at a reduced rate of up to 2.0%, and the penalties. However, whether or not ANCOM will be entitled to charge the Monitoring Fee is currently conditional on whether its other funding is sufficient to cover its operational requirements (an arrangement which was also in place prior to the issuance of the December Ordinance in its original form). ANCOM has not applied such fees over the previous several years and for 2020 the Monitoring Fee was set to zero. Unfavorable economic conditions, regulatory uncertainty and special taxation may ultimately have a direct and/or indirect negative impact on consumers' spending and/or the prices we are able to charge for our products and services. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Regulation"*.

Any such negative developments in Romania and Hungary may not be offset by positive trends in other markets. Therefore, a weak economy and negative economic or political developments in the principal countries in which we operate may jeopardize our growth targets and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also *"—Risks Relating to Investments in Countries Where We Operate—Romania's and Hungary's legal and judicial systems are less developed than in other European countries."*

**The current and upcoming social, political and military conflicts in the region of our operations may have consequences, which may materially adversely affect our business.**

The ongoing political instability in Ukraine (which neighbors both Romania and Hungary) and the Republic of Moldova, another country neighboring Romania, as well as the recent massive migration of Middle East refugees which has had a profound impact on the economic, social and political environments of many EU countries (including Hungary, whose response to the refugee crisis has been questioned by EU officials) have the potential to cause materially adverse economic conditions, social turmoil or, in a worse case, military confrontation in the region.

Effects are to a large extent unpredictable, but may include drop in investments caused by uncertainty, further economic sanctions, which may negatively affect the economies of our countries of operation, significant currency fluctuations, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices.

These and other unforeseen negative effects of the crises in the region could have a material adverse effect on our business, prospects, results of operations and financial condition.

**The UK's decision to leave the European Union could create further political and economic uncertainty and risks which may negatively affect the markets in which we operate and our business.**

The withdrawal of the United Kingdom from the European Union ("**Brexit**"), has created volatility in the global financial markets and could contribute to prolonged uncertainty around certain aspects of the European and global economies, as well as European companies and consumers. Brexit took place on January 31, 2020, with the transitory period having ended on December 31, 2020. Brexit is likely to adversely affect European and worldwide economic conditions, and could contribute to greater instability, in the global financial markets. Brexit could also affect the general political environment in the European Union, as well as the stability and standing of the European Union as a single market.

Until more clarity is available around the legal, political and economic realities and requirements for Brexit, political and economic uncertainty, notably in European markets, may occur, which could lead to a downturn in the markets in which we operate and a decrease in spending and investment. Additionally, this uncertainty can lead to an increase in costs for us due to legal and regulatory changes, as well as currency exchange rate fluctuations between the euro and Romanian leu, Hungarian forint and the U.S. dollar. These effects could have an adverse effect on our business, investments and potential growth into Europe. These factors could increase our operating costs, delay capital expenditure programs, or place additional regulatory burdens on us that could have a material adverse effect on our business, prospects, results of operations or financial condition. Furthermore, as a result of this uncertainty, financial markets could experience significant volatility, which could adversely affect the value of the Shares and the Notes.

In addition, Brexit has led to general volatility in the currency exchange market. Increased volatility in the currency exchange market as a result of Brexit could also materially adversely affect our results of operations as we may be unable to implement adequate strategies to protect against the currency exchange risk.

Current uncertainty around the Brexit could also have a negative effect on the ability of potential investors in the Notes to enforce English court judgements in either Romania, Hungary, Spain or the Netherlands, where the group and the Collateral are located, in an efficient manner or at all. See also *"—Investors may be unable to enforce foreign arbitral awards or court judgments or effect service of process against us or our assets in the jurisdictions in which we operate or our executive officers reside."* from the Notes Offering Memorandum.

**Corruption could create a difficult business climate in some of the markets where we operate.**

Corruption is one of the main risks confronting companies with business operations in Romania and Hungary. International and local media, as well as international organizations, have issued numerous alerting reports on the levels of corruption in

these countries. For example, the 2020 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and assigns scores countries from 0 (least corrupt) to 100 (most corrupt), gave both Romania and Hungary a score of 44, respectively, corresponding to a ranking of 69 out of 180 countries (2019: 44 score for both Romania and Hungary, 70 rank out of 180 countries and territories).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania and Hungary, which may be relevant for our businesses. Although it is difficult to predict all of the effects of corruption on our operations, it can, among other things, slow down approvals of regulatory permits and licenses we need to conduct our business. Therefore, corruption could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Any downgrade of Romania's or Hungary's credit ratings by an international rating agency could have a negative impact on our business.**

The long-term foreign and domestic currency debt of Romania is currently rated BBB-/A-3 (negative outlook) by S&P, Baa3 (negative outlook) by Moody's and BBB- (negative outlook) by Fitch. S&P's rating was revised on December 11, 2019 from stable outlook to negative, while Fitch and, respectively, Moody's revised the country's outlook from stable to negative on April 17, 2020 and respectively on April, 24, 2020, all three rating agencies citing increasing risks to Romania's economic and fiscal stability should policymakers be unsuccessful stabilising and consolidating Romania's budgetary stance (at the date of this Report, Romania's budgetary stance being expected to worsen due to plans to implement further pension increases, expected to further increase the country's budgetary deficit, as well as from measures adopted in the context of the COVID-19 pandemic and the related containment efforts).

The long-term foreign and domestic currency debt of Hungary is currently rated BBB-/A-2 (stable outlook) by S&P, Baa3 (positive outlook) by Moody's and BBB by Fitch. Any adverse revisions to Romania's or Hungary's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact our ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Romania's difficulties related to its integration with the European Union and Hungary's repeated backlashes against the European Union may adversely affect our business.**

Romania entered the European Union in January 2007 and continues to undergo legislative changes due to its accession to, and its continued integration with, the EU. As part of the accession process, the European Union has established a series of measures for Romania in order to fulfill basic EU membership requirements. The European Commission was tasked with monitoring Romania's progress, which it does by issuing annual compliance reports. In its 2017 Report (the "**2017 Report**") on Romania's progress under the Co-operation and Verification Mechanism (the "**CVM**"), the European Commission gave a generally positive assessment of Romania's efforts and proposed 12 recommendations for it to fulfill in order to ensure compliance with the CVM. However, in its 2018 Report (the "**2018 Report**") on Romania's progress under the CVM, the European Commission stated that while certain steps towards the implementation thereof had indeed been taken, further developments in 2018 (such as substantial changes to the laws governing organization and functioning of the country's judicial system and numerous initiatives to grant amnesty to individuals convicted of certain corruption crimes) represented a major pushback and called into question its overall positive assessment of Romania's progress made in the 2017 Report. In particular, the 2018 Report noted the unfortunate developments in the areas of judicial independence, judicial reform and combating high-level corruption. It also set out eight additional recommendations for the country to follow. In its 2019 Report (the "**2019 Report**"), the European Commission reiterated its concerns in relation to negative developments regarding recent judicial reforms and the weakening fight against corruption. It noted that the Romanian Government had failed to adhere to the eight additional recommendations formulated in the 2018 Report and reiterated that in its opinion the country had failed to build upon the progress achieved in previous years. Prior to the issuance of the 2019 Report, in May 2019, the European Commission officially notified the Romanian Government that it was prepared to resort to measures available under the rule of law framework (beyond the CVM), should the necessary improvements not be implemented, or should the situation deteriorate further.

Unless satisfactory actions are taken, Romania could face EU sanctions, which could have a material adverse effect on financial operations, investments and capital flows in the country, and consequently, on our business, prospects, results of operations or financial condition. Such sanctions may take the form, for example, of a temporary suspension of the application of relevant provisions governing the relations of Romania with any other EU member state or member states or the suspension of member states' obligations to recognize and enforce, under the conditions laid down in EU law, Romanian judgments and judicial decisions.

The current Hungarian Government has repeatedly adopted positions which were at odds with those of the EU institutions, especially in the context of the 2015-2016 migrant crisis, during which Hungary strongly rejected the migrant quota plan and prompted widespread criticism from EU officials. Continued backlash by Hungary against the European Union's response to

social, economic and/or political events may create uncertainty as to Hungary's commitment to its membership in the European Union and have a material adverse effect on financial operations, investments and capital flows in Hungary, and consequently, on our business, prospects, results of operations or financial condition.

**Romania's and Hungary's legal and judicial systems are less developed than other European countries, which makes an investment in the Shares and/or the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.**

The legal and judicial systems in Romania and Hungary are less developed than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law in these countries are relatively new to local judges and such related legal provisions have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to a market economy and EU legislation. Existing laws and regulations in Romania and Hungary may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner in these countries. The relatively limited experience of a significant number of the magistrates practicing in these markets, specifically with regard to capital markets issues, and the existence of a number of issues relating to the independence of the judiciary system may lead to ungrounded decisions or to decisions based on considerations that are not grounded in the law.

In addition to the foregoing, resolving cases may at times involve considerable delays. The court systems in Romania and Hungary are underfunded relative to those of other European countries. The enforcement of judgments may also prove difficult, which means that the enforcement of rights through court systems may be laborious, especially where such judgments may lead to closure of businesses or job losses. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect our business, and may also make it difficult for investors in the Additional Notes to address any claims that they may have.

**We may be adversely affected by unfavorable conditions in the global economy or volatile equity and credit markets, in particular due to the uncertainty caused by the COVID-19 pandemic.**

Concerns about increased global political instability and trade controversies, as well as the potential economic slowdown and recession in Europe and the United States, the availability and cost of credit, diminished business and consumer confidence and inflation contribute to increased market volatility and diminished expectations for global, European and emerging economies, including the jurisdictions in which we operate.

This instability was further exacerbated by the COVID-19 pandemic and efforts to contain its spread (which have resulted in international, national and local border closings and other significant travel restrictions and disruptions, significant disruptions to business operations, supply chains and customer activity, event cancellations and restrictions, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as general concern and uncertainty that has negatively affected the economic environment), which has increased volatility in the global financial markets and is likely to continue to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets before and after the COVID-19 pandemic passes.

The effects of an economic downturn or recession caused by the COVID-19 health emergency in global markets may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income (which may, in its turn, lead to a decrease in consumption spending), and government responses to the economic crisis, such as austerity measures, exceptional one-off taxes to compensate for decreasing budget revenues and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations.

Negative developments in, or the general weakness of, the economies in the countries where we operate, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of our customers, both in terms of subscribed services and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect all or part of the services they subscribe to and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections. Therefore, a weak economy and negative economic development may jeopardize our growth targets and may have a material adverse effect on our business, prospects, results of operations and financial condition.

Reduced availability of credit has had, and could in the future have, an indirect negative effect on our business by reducing overall spending in the countries in which we operate, causing or helping to cause significant decreases in the value of certain asset classes and, therefore, decreases in the overall wealth of our customers and, together with the overall economic climate, increases in the number of payment defaults and insolvencies among our customers.

In addition, volatile credit markets have also affected us in the past, and may affect us in the future, through increases in interest rates of our floating rate debt and other financial obligations, particularly the 2019 UniCredit Equipment Financing Agreement, the 2020 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement. The lack of easily

available credit in the future may also restrict our ability to grow at a pace commensurate with the business opportunities we can identify. See “*—We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business.*” Additionally, this uncertainty can lead to an increase in costs for us due to legal and regulatory changes, as well as currency exchange rate fluctuations between the euro and Romanian leu, Hungarian forint and the U.S. dollar. These effects could have an adverse effect on our business, investments and potential growth into Europe. These factors could increase our operating costs, delay capital expenditure programs, or place additional regulatory burdens on us that could have a material adverse effect on our business, prospects, results of operations or financial condition. Furthermore, as a result of this uncertainty, financial markets could experience significant volatility, which could adversely affect the value of the Notes. All these factors and other effects of a continued economic downturn that we may fail to predict could have a material adverse effect on our business, prospects, results of operations or financial condition.

## Risks Relating to Our Financial Position

### **Our substantial leverage and debt servicing obligations could have a material adverse effect on our business, prospects, results of operations and financial condition.**

Our financial covenants as at 31 December 2020 as per the Senior Facilities and Senior Notes are presented in Note 15 of the [Consolidated financial statements as at 31 December 2020](#).

Our leverage can have important consequences for our business and operations, including:

- ▶ making it more difficult for us to satisfy our obligations with respect to our debt and liabilities;
- ▶ requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- ▶ increasing our vulnerability to a downturn in our business or economic or industry conditions;
- ▶ placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- ▶ limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- ▶ negatively impacting credit terms with our creditors;
- ▶ restricting us from exploiting certain business opportunities; and
- ▶ limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations. Additionally, we may incur substantial additional indebtedness in the future which could increase the risks listed above. Although the Indentures, the intercreditor agreement originally dated November 4, 2013, as amended and restated on October 26, 2016 and which establishes the relative rights of certain of our creditors under our financing arrangements (the “**Intercreditor Agreement**”) and certain of our existing credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, such agreements do not prevent us from incurring obligations that do not constitute indebtedness as such term is defined therein. Any of these or other consequences or events could have a material adverse effect on our business, prospects, results of operations or financial condition.

### **We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.**

The Indenture limits our ability to:

- ▶ incur or guarantee additional indebtedness that would cause us to exceed a Consolidated Leverage Ratio (as such term is defined in the Indenture) of 4.25 to 1;
- ▶ pay dividends or make other distributions, purchase or redeem our stock or prepay or redeem subordinated debt;
- ▶ make investments or other restricted payments;
- ▶ sell assets and subsidiary stock;
- ▶ enter into certain transactions with affiliates;
- ▶ create liens;
- ▶ consolidate, merge or sell all or substantially all of our assets;
- ▶ enter into agreements that restrict certain of our subsidiaries’ ability to pay dividends; and
- ▶ engage in any business other than a permitted business.

In addition, the 2020 Senior Facilities Agreement contain covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.50 to 1 (and a consolidated EBITDA to total net interest ratio of 4.25 to 1 (as



such terms are defined therein). 2019 Unicredit Equipment Facility contains covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.25 to 1 and a consolidated EBITDA to total interest ratio of 4.25 to 1 (as such terms are defined therein). Further, our existing financing arrangements require us to have positive equity and limit, among other things, our ability to acquire or sell certain assets, to undergo certain corporate actions (such as mergers and demergers), to create security over our assets and to open or maintain bank accounts or to enter into banking relationships with certain financial institutions.

Although all of these limitations are subject to significant exceptions and qualifications, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

If we fail to comply with any of these covenants, we will be in default under our financial indebtedness (including the Indenture and the Notes), and the relevant trustee, holders of the indebtedness or the applicable lenders could declare the principal and accrued interest on the Notes or the applicable loans due and payable, after any applicable cure period. These restrictions could materially adversely affect our ability to finance future operations or capital needs or engage in other business activities that may be in our best interest.

**Any impairment of our ability to draw funds under the 2020 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement could materially adversely affect our business operations.**

Our operations have been primarily financed using cash generated in our operations and debt financing. We rely on our senior credit facilities under the 2020 Senior Facilities Agreement, the Citi Facilities Agreement and the ING Facilities Agreement to fund our business operations and for various other purposes. Further, if we were unable to draw funds under our senior revolving credit facilities, we may need to find alternative sources of funds which may be at higher interest rates. In addition, the overdraft facilities under the ING Facilities Agreement and the Citi Facilities Agreement are provided on an uncommitted basis and can be withdrawn at any time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw funds depends on, among other things, our ability to maintain certain ratios. Our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. In addition, our inability to maintain these financial ratios may also result in an event of default under the 2020 Senior Facilities Agreement or the ING Facilities Agreement, which would prohibit us from drawing funds under those facilities and potentially trigger a cross-default under the Notes. See “*We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.*” This inability to draw funds or to maintain our operations due to a lack of cash flow could have a material adverse effect on our business, prospects, results of operations or financial condition.

**We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.**

Our ability to make payments on and to refinance our indebtedness, and to fund working capital and to make capital expenditures in the longer term, will depend on our future operating performance and ability to generate sufficient cash over the longer term. This depends on the success of our business strategy and on economic, financial, competitive, market, legislative, regulatory and other factors, as well as the factors discussed in these “*Risk Factors*,” many of which are beyond our control.

No assurance can be provided that our business will generate sufficient cash flows from operations or that future debt or equity financings will be available to us to pay our debt when due or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources (including borrowings under the 2020 Senior Facilities Agreement, the ING Facilities Agreement, the Citi Facilities Agreement and the BRD Agreements) are insufficient to pay our obligations as they mature or to fund our liquidity needs in the longer term, we may be forced to:

- ▶ reduce or delay our business activities or capital expenditures;
- ▶ sell assets;
- ▶ obtain additional debt or equity capital;
- ▶ restructure or refinance all or part of our debt on or before maturity; or
- ▶ forego opportunities such as acquisitions of other businesses.

No assurance can be provided that we would be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on our indebtedness on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the 2020 Senior Facilities Agreement and the ING Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and could have a material adverse effect on our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

**We may not be able to refinance maturing debt on terms that are as favourable as those from which we previously benefited or on terms that are acceptable to us, or at all.**

Our ability to refinance our debt depends on a number of factors, including the liquidity and capital conditions in the credit markets and we may not be able to do so on satisfactory terms, including in relation to the covenants, or at all. In the event that we cannot refinance our debt, we may not be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances. Such terms, including in relation to the covenants and additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition.

Furthermore, our inability to meet repayment obligations under the existing agreements could trigger various cross-default and cross-acceleration provisions, resulting in the acceleration of a substantial portion (if not all) of our debt and could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Derivative transactions may expose us to unexpected risk and potential losses.**

As at December 31, 2020, we had €21.6 million of embedded derivative assets related to the Notes (which include several call options, as well as one put option). We had no derivative financial liabilities.

From time to time, we may be party to certain derivative transactions, such as interest rate swap contracts, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments, that are not cash flow hedges, are reported in profit and loss, and accordingly could materially affect our reported results in any period. Moreover, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could have a material adverse effect on our financial condition, financial returns or results of operations.

## **Risks Relating to the Shares and the Notes**

**Certain Shareholders hold a significant interest in and exert substantial influence over the Group and their interests may differ from or conflict with those of other Shareholders or with those of holders of the Notes.**

Mr. Zoltán Teszári directly and indirectly beneficially owns 55.6% of the Company and 100% of the issued and outstanding Class A Shares and therefore will have 100% of the voting rights in a shareholders meeting for holders of Class A Shares (“**Class A Meeting**”) (no votes can be cast on shares that the Company holds in its own capital).

Due to his ability to exercise control over the Class A Shares and their voting rights as well as the special rights attached to Class A Shares, including in relation to the appointment of the Board of Directors, Mr. Zoltán Teszári will be able to exercise control over all decisions of the Board of Directors and matters requiring shareholder approval, including payment of dividends and approval of significant corporate transactions. Furthermore, the interests of Mr. Zoltán Teszári may not always be aligned with those of other holders of Shares.

If the Principal Shareholder no longer holds a direct or indirect interest in at least 30% in the issued and outstanding nominal share capital of the Company, the rights accruing to the Class A Meeting as set out in the Articles shall cease to exist. For the avoidance of doubt, the provisions relating to the binding nomination right cease to apply in that circumstance.

**Holders of Class B Shares have lower voting rights than holders of Class A Shares which may impact the trading price of Class B Shares as well as control over the Company.**

Holders of Class A Shares and Class B Shares have different voting rights. Each Class A Share has 10 votes, and each Class B Share has one vote. When holders of Class A Shares and Class B Shares vote together, holders having a majority of the votes (or 66.67%, in the case of a vote requiring a special resolution for which a quorum requirement exists and such quorum is not present or represented (i.e. can only be adopted by a majority of at least two-thirds of the votes cast, if less than one half of the issued share capital is presented or represented at the General Meeting)) present and voting will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among the Shareholders or has a greater impact on one group than the other. Therefore, holders of Class A Shares will have more control over the outcome of Shareholder votes and decision-making. As only the Class B Shares are listed on the Bucharest Stock Exchange, the value of Class B Shares may be adversely affected given this distribution of voting rights and control. Our equity capital structure may inhibit or prevent acquisition bids, may decrease the value of the listed Shares and may make it difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. The existence of different classes of Shares with different voting rights limits the amount of control that holders of Class B Shares have over the Company.

**There is no assurance that the holders of the Shares and/or Notes will be able to sell them.**

The Shares are listed on the regulated market of the Bucharest Stock exchange and the Notes are listed on the regulated market of the Irish Stock Exchange. We cannot guarantee the liquidity of any market that may develop for the Shares and/or the Notes,



the ability of the holders of the Shares and/or the Notes to sell such Shares and/or Notes or the price at which they may be able to sell. Liquidity and future trading prices of the Shares and/or the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for securities such as the Shares and/or the Notes and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Shares and/or the Notes that does develop and any market price quoted for the Shares and/or the Notes. As a result, we cannot ensure that an active trading market will be available for the Shares and/or the Notes.

**Trading on the Bucharest Stock Exchange may be suspended.**

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests or to the extent the relevant issuer is in breach of its obligations under the relevant securities laws and regulations. Also, the Bucharest Stock Exchange is entitled to suspend from trading Shares in other circumstances, in accordance with its regulations. Any suspension could affect our Shares' trading price and would impair the transfer of the Shares.

**The 2020 Notes may not remain listed on the Irish Stock Exchange.**

Although RCS&RDS will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List and admitted on the regulated market of Euronext Dublin as long as the Notes are outstanding, RCS&RDS cannot assure prospective investors that the Notes will remain listed. If RCS&RDS cannot maintain the listing of the Notes on the regulated market of Euronext Dublin or it becomes unduly onerous to make or maintain such listing, RCS&RDS may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS&RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List on the regulated market of Euronext Dublin or another recognized listing exchange for high yield issuers in accordance with the Indentures, failure of the Notes to be approved for listing, or the delisting of the Notes from the Official List on the regulated market of Euronext Dublin or another stock exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Furthermore, although RCS&RDS, in the Indentures, agreed to use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange as long as they are outstanding, RCS&RDS cannot assure existing and prospective investors that the Notes will remain listed.

If RCS&RDS cannot maintain the listing of the Notes on the regulated market of the Irish Stock Exchange or it becomes unduly onerous to make or maintain such listing, it may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS&RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Irish Stock Exchange, failure to be approved for listing or delisting from another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

**The Shares and/or the Notes may be subject to market price volatility and the market price of may decline disproportionately in response to developments that are unrelated to the Company's operating performance.**

The market price of the Shares and/or the Notes (following their listing) may be volatile and subject to wide fluctuations. The market price of the Shares and/or the Notes may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these "Risk Factors," as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavorable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares and/or the Notes, which could lead to investors getting back less than they invested or a total loss of their investment.

**Not all rights available to shareholders in the United States or other countries outside the Netherlands or Romania will be available to holders of the Shares.**

In the event of an increase in our ordinary share capital, holders of Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded by a resolution of the General Meeting, which requires a proposal thereto by the Board of Directors which in turn requires the approval by resolution of the shareholders of the relevant class in respect of the pre-emptive rights of the holders of such class only or, if such increase can be decided by the Board of Directors and the Articles

so permit, by a resolution of the Board of Directors. However, certain holders of Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Shares are registered under the Securities Act or such rights and Shares are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Shareholders in other jurisdictions outside the Netherlands or Romania may be similarly affected if the rights and Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. We intend to evaluate at the time of any issue of Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to U.S. Shareholders, as well as the indirect benefits to us of enabling the exercise of U.S. Shareholders of their pre-emptive rights to Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

**The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive, share option plan or de-leveraging or otherwise may dilute all other shareholdings.**

The Group may seek to raise financing to fund future acquisitions and other growth opportunities, may issue shares in relation to share incentives or share option plans, or may raise finance for the purposes of de-leveraging. We may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

**Our ability to pay dividends to Shareholders may be constrained.**

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends to us. The actual payment of future dividends by us and the payment of dividends, if any, to us by our subsidiaries and the amounts thereof will depend on a number of factors, including (but not limited to) the amount of distributable profits and distributable reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws and financial restrictions on the debt instruments of our subsidiaries, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies and such other factors as the Board of Directors may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains.

**Foreign shareholders may be subject to exchange rate risk.**

The Shares are denominated in euro, but traded in Romanian lei. An investment in the Shares by an investor whose principal currency is not the leu exposes the investor to foreign currency exchange rate risk. Any depreciation of the leu in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms. In addition, we are required, under Romanian law, to pay our dividends through the system operated by the Central Depository.

Transfers of the Shares and/or the Notes may be restricted, which may adversely affect the value of the Shares and/or the Notes.

The Shares and the Notes have been offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Shares and the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, an investor in the Shares and the Notes may not transfer or sell the Shares and/or the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and may be required to bear the risk of an investment in the Shares/ and or the Notes for an indefinite period of time. It is the investors' obligation to ensure that their offers and sales of Shares and/or the Notes within the United States and other countries comply with applicable securities laws.

**We are subject to additional regulatory obligations and incur additional costs in connection with the trading of our Shares and Notes on the regulated market.**

We are required to meet regulatory requirements pertaining to entities with shares admitted to trading on the Bucharest Stock Exchange and the 2020 Notes, as well as those pertaining to entities registered in the Netherlands (such as the Dutch Corporate Governance Code), in particular with respect to disclosure, corporate governance and financial reporting, and allocate staff and resources to such purposes. Such increased costs could have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, the regulations and requirements applicable to companies whose securities are listed on the Bucharest Stock Exchange and/or the Irish Stock Exchange are subject to change, and any future changes can be difficult to predict, increasing the risk that the Company may in the future be in violation of such rules and regulations, which can result in extensive fines and administrative fees. In addition, the Board of Directors and management may be required to

devote time and effort to ensure compliance with such rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

**The rights of minority shareholders may be limited under Dutch law.**

The Company is organized under the laws of the Netherlands. The rights of holders of the Shares, including the Shares, are governed by the Company's Articles and by Dutch law. These rights, including the rights of minority shareholders, as well as other matters affecting such rights, may be different in the Netherlands from those elsewhere, and an investor's ability to exercise such rights may be limited.

## ANNEX 5

### Remuneration Report for 2020

#### Introduction

The current revised remuneration policy (**Remuneration Policy 2020**) applies to both the executive and the non-executive members of the board of directors of the Company (the **Board**). It was adopted by the general meeting (the **General Meeting**) on April 30, 2020 and was reviewed in light of developing corporate governance best practices as well as the implementation of the EU Shareholders Rights Directive. The Remuneration Policy 2020 replaces the Remuneration Policy 2017 adopted by the General Meeting on 20 April 2017.

The objective of the Remuneration policy 2020 is to provide remuneration in a manner that:

- qualified and expert directors, capable to deliver our company strategy, can be recruited and retained;
- long term value is created by the Group for its shareholders and other stakeholders by employing qualified and expert directors;
- directors are rewarded in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite;
- contributes to the Company's business strategy and its sustainability being appropriate to the dimension and the structure of the Group, as well as to the nature, business sector and the complexity of the business; and
- takes into account the wider workforce arrangements (including internal pay ratios) within the Group to the extent possible as well as general societal views with respect to executive remuneration. It is very important for the Company's business that the executive remuneration aligns with the level of responsibility of this position of the Group and the professional experience, and to make sure that this is competitive with respect to its domestic and international comparable.

Annually, the Remuneration Committee prepares the remuneration report on the application of the Remuneration Policy (i.e., the Remuneration Policy 2020). This remuneration report was prepared in line with the requirements stemming from the implementation of the Shareholder Rights Directive in Dutch law. The 2019 Remuneration Report was submitted to the General Meeting from 30 April 2020 for a non-binding, advisory vote and was adopted by the Meeting with the majority of votes, as detailed in the voting results, available on the Company's corporate web-site. The advisory vote on the 2019 remuneration report was positive and no concerns have been raised by shareholders. Therefore, the Remuneration Committee decided not to change the structure and level of disclosure of the 2020 remuneration report. This report will be submitted to the General Meeting for a non-binding, advisory vote.

#### The activity of the Remuneration Committee during 2020

During 2020, the Remuneration Committee assisted and supervised the Executive Directors with the implementation of the Remuneration Policy 2020 applicable to the Directors.

During 2020, the Company complied with the applicable Remuneration Policy 2020 and no deviating rules or practices were proposed by the Remuneration Committee. The Remuneration Committee confirms that for the reported year there have been changes regarding the fixed monthly remuneration granted to the Directors comparing with the preceding reported financial year which were in line with the Remuneration Policy 2020. The Remuneration Committee confirms that no events occurred in the Group's business environment directly affecting the remuneration of the Directors.

#### Remuneration of Directors

##### *Composition of Board of Directors*

The composition of the Board of Directors during 2020 remained the same as that from the period 1 May 2019 – 30 April 2020. The members of the Board of Directors were reappointed on the same positions at the General Meeting from 30 April 2020.

##### *Remuneration of Board of Directors in 2020*

The current remuneration of the Directors has been determined by the Remuneration Committee according to the Remuneration Policy 2020 and taking into consideration the stock option plans approved by the General Meeting on 30 April 2020, as well as the stock option plan adopted by the Board of Directors on 14 May 2020.

# Total remuneration of Directors received from the Group during the reported financial year (all in EUROS equivalent<sup>(1)</sup>)

The table includes remuneration from all the Group companies where the Directors perform a role.

Name of director, position		Fixed remuneration					Variable Remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
		Base salary (net)	Base salary (gross)	Fixed Fees (net)	Fixed Fees (gross)	Fringe benefits	One-year variable <sup>(2)</sup>	Multi-year variable					
Mr. S. Bulgac CEO	2020	64,516	110,287	150,000	256,404	16,948	1,212,957	-	-	-	1,596,596	24%	76%
	2019	61,761	105,577	100,000	170,900	18,453	884,306	-	-	-	1,179,236	25%	75%
Mr. V. Popoviciu Executive Director	2020	62,021	106,020	150,000	256,404	1,531	642,154	-	-	-	1,006,109	36%	64%
	2019	55,213	94,383	100,000	170,900	3,111	468,000	-	-	-	736,394	36%	64%
Mr. Z. Teszári President	2020	11,069	18,921	100,000	170,928	1,655	300	-	-	-	191,805	100%	0%
	2019	11,331	20,202	100,000	170,900	7,186	306	-	-	-	198,594	100%	0%
Mr. M. Varzaru Non-executive Director	2020	129,019	231,600	100,000	111,109	7,393	988,752	-	-	-	1,338,854	26%	74%
	2019	129,459	231,600	100,000	111,100	7,388	481,740	-	-	-	831,828	42%	58%
Mr. B. Ciobotaru Non-executive Director	2020	37,212	41,348	100,000	111,109	-	453,198 <sup>(3)</sup>	-	-	-	605,655	25%	75%
	2019	37,933	42,148	100,000	111,100	-	-	-	-	-	153,248	100%	0%

<b>Mr. P. Rymaszewski</b> Non-executive Director	<b>2020</b>	-	-	100,000	111,109	-	-	-	-	-	111,109	100%	0%
	<b>2019</b>	-	-	100,000	111,100	-	-	-	-	-	111,100	100%	0%
<b>Mr. E. Jugaru</b> Non-executive Director	<b>2020</b>	49,616	84,920	100,000	170,928	9,854	300	-	-	-	266,001	100%	0%
	<b>2019</b>	50,721	87,118	66,650	113,933	13,033	306	-	-	-	214,390	100%	0%
<b>Mr. Sambor Ryszka</b> Non-executive Director <i>*until 1 May 2019</i>	<b>2020</b>	-	-	-	-	-	-	-	-	-	-	-	-
	<b>2019</b>	16,272	24,470	33,332	37,036	-	-	-	118,429	-	179,935	34%	66%
<b>TOTAL</b>	<b>2020</b>	<b>353,454</b>	<b>593,096</b>	<b>800,000</b>	<b>1,187,991</b>	<b>37,380</b>	<b>3,297,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,116,129</b>	<b>-</b>	<b>-</b>
	<b>2019</b>	<b>362,691</b>	<b>605,498</b>	<b>699,982</b>	<b>996,969</b>	<b>49,171</b>	<b>1,834,659</b>	<b>-</b>	<b>118,429</b>	<b>-</b>	<b>3,604,726</b>	<b>-</b>	<b>-</b>

(1) The remuneration received in other currencies than Euro from the Company's subsidiaries were converted to Euro by using foreign exchange rates as at year end December 31, 2020, respectively December 31, 2019, for RON and HUF relative to Euro.

(2) Share options vested during the year valued at share price from vesting date.

(3) Net variable payment relating to value of share options vested during 2020, after deducting the option vesting price of EUR 375 thousand.

The remuneration package as provided by the Remuneration Policy and as proposed and approved during the General Meetings was designated to reward the Directors in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite. The variable compensation component of the executive directors intends to encourage the executive director to focus on the Company's long-term value creation consistent with the Company's strategy and align (more closely) the interest of the executive director with those of the shareholders. The variable remuneration as percentage of the fixed base salary of executive or non-executive directors of the Company ranges from a minimum of 0% up to a maximum of 500%.

An executive director can therefore:

- ▶ be awarded stock options under the Employee Share Option Plan (ESOP) as approved by the General Meeting on 20 April 2017, on 2 May 2018, on 30 April 2020 or as will be approved by any future General Meeting; and
- ▶ receive performance-linked cash bonuses subject to the criteria governing variable compensation.



Non – executive directors are awarded a fix salary. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict of interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest.

The total remuneration of the Directors contributes to the long term performance of the Company as it allows the Company to attract and retain qualified and expert directors who are motivated to achieve the Company’s targets, implement its strategic goals and create long-term value for all stakeholders by receiving a remuneration package that is appropriate with the dimension and the structure of the Group, as well as to the nature, business sector and complexity of the business.

#### **Fixed remuneration of Executives and Non-executive Directors for the year 2020**

The fixed net fees of Executive Directors of the Company in 2020 was 150,000 Euro and that of the Non-executive Directors of the Company was 100,000 Euro, in line with the Remuneration Policy 2020 and management agreements concluded with the Company and in force during the reported year.

#### **Variable remuneration of Executives and Non-executives Directors for the year 2020 - in the form of cash bonuses**

No variable remuneration in the form of cash bonuses was paid by the Company to the Directors during the reported financial year. Nevertheless, certain Directors received variable remuneration in the form of cash bonuses from Group companies in relation to the positions they held within those companies and based on the agreements and performance criteria established by the relevant subsidiary, and in line with the provisions of the local law (see table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROS equivalent)*).

**Variable remuneration of Executive and Non-executive Directors for the year 2020 - in the form of stock options. Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee**

During 2020, the General Meeting approved a stock option plan for two of the Executive Directors of the Company and more awards have been made for the share options approved during 2018. The below table sets out the status of option grants made to Directors.

**Shares awarded and transferred during 2020 to Directors and employees of the Group under the Share Options Plans**

Name of Director, position	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	6 Start date Exercise Period	7 Strike price of shares (EUR)	8 Share options held at the beginning of the year	9 Share options awarded	10 Share options vested and transferred	11 Share options subject to performance condition	12 Share option awarded and unvested at the year end	13 Share options subject to a holding period
<b>Mr. S. Bulgac</b> <b>CEO</b>	SOP 3	1 year	15 April 2019	16 April 2020	15 May 2020	16 April 2020	-	170,000	-	(170,000)	-	-	-
	SOP 6	1 year	14 May 2020	15 May 2021	-	-	-	-	80,000	-	80,000	80,000	-
<b>Mr. V. Popoviciu</b> <b>Executive Director</b>	SOP 3	1 year	15 April 2019	16 April 2020	15 May 2020	16 April 2020	-	90,000	-	(90,000)	-	-	-
	SOP 6	1 year	14 May 2020	15 May 2021	-	-	-	-	50,000	-	50,000	50,000	-
<b>Mr. M. Varzaru</b> <b>Non-executive Director</b>	SOP 3	1 year	14 May 2018	No sooner than 15 May 2019 and no later than 15 May 2020, under the condition of being a director or employee of the Group at the vesting date	3 June 2020	No sooner than 15 May 2019 and no later than 15 May 2020	-	50,000	-	(50,000)	-	-	-

<b>Mr. B. Ciobotaru</b> <b>Non-executive Director</b>	SOP 3	1 year	14 May 2018	No sooner than 15 May 2019 and no later than 15 May 2020, under the condition of being a director or employee of the Group at the vesting date	6 April 2020	No sooner than 15 May 2019 and no later than 15 May 2020	375,000 EUR <sup>1</sup>	116,090	(116,090)	-	-	-
--	-------	--------	-------------	--	--------------	--	--------------------------	---------	-----------	---	---	---

(1) Representing the option vesting price of the 116,090 share options

Share options vested during 2020 were awarded for no consideration, except for share vested for Mr. Ciobotaru (please see above in the table).

### Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee

SOP 1, SOP 4 and SOP 5 closed in previous periods.

#### SOP 2

- On December 27, 2017, the Board of Directors decided to grant certain stock options to a number of directors (excluding Directors) and employees of the Group's companies in Romania (the SOP 2). Up to 1.6 million Class B Shares were designated for the purposes of the SOP 2, representing up to 1.6 % of the Company's issued share capital. SOP 2 vested during 2018-2019.
- Considering the high number of employees that needed to be evaluated for this purpose and the fact that RCS&RDS contains different and heterogeneous structures, the performance criteria applied at the level of the Romanian operations were not the same, but they were fully objective and comparable. Among such performance criteria, besides the professional results and the contribution to the activity of the Romanian operations until the grant date, that were decided by the relevant department head, other criteria connected to the profile of the eligible employee were taken into account, such as the behaviour, the reaction to several conditions at work and the fidelity to the Group translated into a minimum of 3 (three) years of employment.
- At 31 December 2019 a number of 1,355,700 Class B Shares representing 1.3% of the issued share capital were transferred to approximately 2,580 eligible employees. The rest of the employees who have been granted rights under the SOP 2 either did not meet the applicable performance or vesting conditions or did not exercise their options or their rights are not yet exercisable. During 2020, the rights of two of these employees become exercisable and the transfer of shares was carried out.

#### SOP 3

- On May 2, 2018, the General Meeting approved the grant of certain stock options to the Directors (the SOP 3). 686,090 Class B Shares were designated for the purposes of the SOP 3, representing 0.686% of the Company's issued share capital. The SOP 3 vested partially in 2019 and partially in 2020, in line with the vesting schedule established by the General Meeting.
- During 2019, a number of 170,000 Class B Shares, representing 0.170% of the Company's issued share capital, vested for Mr. Serghei Bulgac, and a number of 90,000 Class B Shares, representing 0.090% of the Company's issued share capital, for Mr. Valentin Popoviciu. These shares were granted for no consideration, vested at the vesting date and by complying with the performance conditions approved by the General Meeting on May 2, 2018, namely: being a director or employee of the Company or its subsidiaries on the vesting date; EBITDA of the Company\* as determined on the basis of IFRS financial statements for the year 2018 being at least 5% higher than EBITDA of the Company\* as

determined on the basis of the IFRS financial statements for the year 2017; Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2018, having increased by at least 300,000 when compared with number of NGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2017; Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2018) to be less than 3.25:1.

- ▶ The remaining difference of 426,090 class B shares, representing 0.426% of the Company's issued share capital: 260,000 class B shares, representing 0.260% of the Company's issued share capital, granted to Mr. Bulgac and Mr. Popoviciu vested on April 16, 2020 and by complying with the performance conditions set by the General Meeting on May 2, 2018 for the 2019 financial year and were exercised on 15 May 2020; 50,000 class B shares, representing 0.050% of the Company's issued share capital, granted to Mr. Varzaru, for no consideration vested ultimately on May 15, 2020, by complying with the performance conditions established by the General Meeting on May 2, 2018, i.e. being a director or employee of the Company or its subsidiaries on the vesting date and were exercised on 3 June 2020, and a number of 116,090 class B shares, representing 0.116% of the Company's issued share capital, granted to Mr. Ciobotaru vested ultimately on 15 May 2020 in exchange for EUR 375,000 and by complying with the requirement of being a director or employee of the Company or its subsidiaries on the vesting date and were exercised on 6 April 2020.

#### SOP 6

- ▶ On 30 April 2020 the Board of Directors decided to grant stock options to the Executive Directors of the Company (the SOP 6). 130,000 Class B Shares were designated for the purposes of the SOP 6. SOP 6 may vest in 2021, in line with the vesting schedule established by the General Meeting and in compliance with the performance conditions established by the General Meeting on 30 April 2020 namely: being a director or employee of the Company or its subsidiaries on the vesting date; EBITDA of the Company\* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company\* as determined on the basis of the IFRS financial statements for the year 2019; Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020 having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019; leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1.

#### SOP 7

- ▶ On May 14, 2020, the Board of Directors decided to grant certain stock options to a limited number of key employees of RCS & RDS S.A. and an employee of DIGISOFT IT (the SOP 7). 185,500 Class B Shares were designated for the purposes of the SOP 7. SOP 7 may vest in 2021. These shares were granted for no consideration, with the vesting date on May 2021, by complying with the performance conditions, namely: being an employee of the Company or its subsidiaries on the vesting date and the number of revenue generating units of RCS & RDS for the year 2020 having increased by at least 200,000 units when compared with number of revenue generating units of RCS&RDS for the year 2019.
- ▶ Stock-options typically vest not earlier than one year from their grant date and will be exercisable immediately thereafter, but not later than three months after the vesting date. The Company acknowledges that this deviates from best practice provision 3.1.2 under (vii) of the Dutch Corporate Governance Code (DCGC), noting that the reason for deviation is due to class A shareholders proposal and is implemented according the majority shareholders vote exercised by the General Meeting in which the stock-option plans were approved.
- ▶ Stock options granted to Directors of the Company in 2020 are subject to post-grant date performance criteria, such as: (i) duration of employment with the Group, and (ii) growth in EBITDA and in RGUs. For further details on the applicable performance criteria, we refer to the following table:

**Performance Criteria applicable to variable remuneration granted /exercised by Directors in the reported financial year**

Name of Director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets		4 a) Measured performance and b) actual award outcome
			a) minimum target/threshold performance and b) corresponding award	a) maximum/target performance and b) corresponding award	
<b>Mr. S. Bulgac</b> <b>CEO of Digi</b> <b>Communications NV</b> <b>SOP</b>	<p>Criterion A referring to SOP 3 for the year 2019 - being a director or employee by the Company or its subsidiaries on the vesting date.</p> <p>Criterion B referring to SOP 3 for the year 2019 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2019 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2018.</p> <p>Criterion C referring to SOP 3 for the year 2019 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2018.</p> <p>Criterion D referring to SOP 3 for the year 2019 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2019) to be less than 3.25:1</p>		All the criteria must be fulfilled 100% to allow pay out	All the criteria were fulfilled	<p>170,000</p> <p>Criterion A: Mr. S. Bulgac was the executive director and CEO of the Company at the vesting date;</p> <p>Criterion B: 2019 EBITDA 17.1% higher than 2018 EBITDA;</p> <p>Criterion C: RGU increase with 1.2 million;</p> <p>Criterion D: Leverage ratio of the Group for 2019 was 2.6 (as per Bond covenants).</p>
<b>Mr. V. Popoviciu</b> <b>Executive Director of</b> <b>Digi Communications</b> <b>N.V.</b>	<p>Criterion A referring to SOP 3 for the year 2019 - being a director or employee by the Company or its subsidiaries on the vesting date</p> <p>Criterion B referring to SOP 3 for the year 2019- EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2019 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2018.</p>		All the criteria must be fulfilled 100% to allow pay out	All the criteria were fulfilled	<p>90,000</p> <p>Criterion A: Mr. V. Popoviciu was the executive director of the Company at the vesting date;</p>

	<p>Criterion C referring to SOP 3 for the year 2019 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2018</p> <p>Criterion D referring to SOP 3 for the year 2019 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2019) to be less than 3.25:1</p>			<p>Criterion B: 2019 EBITDA 17.1% higher than 2018 EBITDA;</p> <p>Criterion C: RGU increase with 1.2 million;</p> <p>Criterion D: Leverage ratio of the Group for 2019 was 2.6 (as per Bond covenants).</p>
<b>Mr. M. Varzaru</b> <b>Non-executive Director of Digi Communications N.V.</b>	<p>Criterion A referring to SOP 3 for the year 2018-2019 - being a director or employee by the Company or its subsidiaries on the vesting date</p>	The criterion must be fulfilled 100% to allow pay out	All the criteria were fulfilled	<p>50,000</p> <p>Criterion A: Mr. M. Varzaru was the Vice President and non-executive director of the Company on vesting date.</p>
<b>Mr. B. Ciobotaru</b> <b>Non-executive Director of Digi Communications N.V.</b>	<p>Criterion A referring to SOP 3 for the year 2018-2019 - being a director or employee by the Company or its subsidiaries on the vesting date</p>	The criterion must be fulfilled 100% to allow pay out	All the criteria were fulfilled	<p>116,090</p> <p>Criterion A: Mr. B. Ciobotaru was a non-executive director of the Company on vesting date.</p>
<b>Mr. S. Bulgac</b> <b>CEO of Digi Communications N.V.</b>	<p>Criterion A referring to SOP 6 for the year 2020 - being a director or employee by the Company or its subsidiaries on the vesting date.</p> <p>Criterion B referring to SOP 6 for the year 2020 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2019</p> <p>Criterion C referring to SOP 6 for the year 2020 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019</p> <p>Criterion D referring to SOP 3 for the year 2020 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1</p>	All the criteria must be fulfilled 100% in order to allow pay out		



<b>Mr. V. Popoviciu</b> <b>Executive Director of</b> <b>Digi Communications</b> <b>N.V.</b>	<p>Criterion A referring to SOP 6 for the year 2020 - being a director or employee by the Company or its subsidiaries on the vesting date</p> <hr/> <p>Criterion B referring to SOP 6 for the year 2020 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2019</p> <hr/> <p>Criterion C referring to SOP 6 for the year 2020 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019</p> <hr/> <p>Criterion D referring to SOP 6 for the year 2020 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1</p>	<p>-</p> <p>All the criteria must be fulfilled 100% to allow pay out</p>
--	--	--

*\*By EBITDA of the Company, we refer to the consolidated EBITDA of the Group*

### **Other benefits**

Other benefits received by the Board Directors during 2020 are the use of company cars. No pension benefits are paid to Directors. Furthermore, no loans, prepayments or guarantees have been made to any of the Directors.

### **Severance arrangements**

The Company is compliant with the best practice provisions on severance payments as laid down in 3.2.3 of the DCGC, stating that the remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component).

The service agreements currently entered into with the members of the Board do not provide a notice period for the relevant director's benefit.

In case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board decides otherwise based on a recommendation of the Remuneration Committee, but it will in any event not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pay will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behaviour on the part of the relevant executive director.

These conditions are provided in the management agreements concluded by the Company with each Director. During 2020, no severance payments were granted to the Directors.

### **Other operations - Share buy-back. Share conversion:**

As at December 31, 2020 Class B treasury shares of the Company are in amount of 871,726, representing 0.87% of its issued share capital as at the date hereof.

### **Information on how the remuneration complies with the Remuneration Policy and how the performance criteria were applied**

The remuneration received by the Board of Directors from the Company during 2020 is in accordance with the provisions of the Remuneration Policy 2020 as presented below. Based on the Remuneration Policy 2020, the remuneration of Executives Directors of the Company is comprised of a net fixed fee of 150,000 Euro per year, a variable remuneration linked to performance, consisting of an incentive component in the form of stock options or in the form of a cash bonus, fringe benefits (use of company cars or allowances in respect of health and nursery insurance) and severance arrangements (in case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board of Directors decides otherwise based on a recommendation of the Remuneration Committee, but will not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pay will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behavior on the part of the relevant executive director).

During 2020 the remuneration granted to Executive Directors was entirely in compliance with the provisions of the Remuneration Policy 2020, i.e. the Executive Directors received from the Company net fixed fee of 150,000 Euro per year, a variable remuneration consisting of stock options based on the performance criteria established by the General Meeting on May 2, 2018, that were in line with the financial and non-financial criteria provided by the previous Remuneration Policy 2017 (see the performance criteria presented in the table above - *Performance of Directors in the reported financial year* and in respect to the components of the total remuneration the table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROS equivalent)*).

From the review of the materials prepared by the specialized HR departments of the relevant Group subsidiaries, the Remuneration Committee is able to conclude that the market features are different from one country to another, that the regulatory environments and the social security requirements are particular to each territory and constantly changing. Also, none of the Group subsidiaries seem to depart to a significant extent from the market trends and conditions.

Based on the figures provided by the specialized HR departments of the relevant Group subsidiaries during 2020, there has been no significant variation in the remuneration of the employees of the Group.

The remuneration of the Non-Executive Directors, according to the Remuneration Policy 2020 provisions comprises of a net fixed annual compensation of 100,000 Euro. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict of interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest

During 2020 no severance payments, pensions, loans or guarantees were granted by the Company to Executive and Non-executive Directors. Additionally, no claw back rights were exercised in relation to remuneration granted to the Directors.

## Comparative information on the change of remuneration and Group performance

Annual change	2020 vs 2019	2019 vs 2018	2018 vs 2017
<b>Director's remuneration variation<sup>(1)</sup></b>			
Mr. Bulgac, <i>CEO</i>	35%	-36%	601%
Mr. Popoviciu, <i>Executive Director</i>	37%	11%	174%
Mr. Teszári, <i>President</i>	-3%	2%	1%
Mr Varzaru, <i>Non-executive Director</i>	61%	9%	63%
Mr. Ciobotaru, <i>Non-executive Director</i>	295%	-1%	-33%
Mr. Rymaszewski, <i>Non-executive Director</i>	-	0%	0%
Mr. Sambor Ryszka, <i>Non-executive Director</i> <i>*until 1 May 2019</i>	-100%	-23%	-11%
Mr. Jugaru, <i>Non-executive Director</i> <i>*from 1 May 2019</i>	24%	114%	N/A
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Company performance</b>			
Revenues mil EUR	8%	14%	13%
EBITDA (incl. IFRS 16) mil EUR	7%	38%	13%
RGU (thousand)	12%	8%	12%
<b>Average remuneration <sup>(2)</sup></b>			
Total Group	5%	-1%	15%
Pay-ratio <sup>(3)</sup>	52.4	38.9	43.1

(1) The variation of the Director's remuneration is due to the variation of the variable component of the remuneration granted to Directors under the stock option plans approved.

(2) Computed as total Group salaries expenses divided to the average number of Group employees.

(3) Pay-out ratio represents Average annual BoD member gross salary divided per Average annual employee gross salary. The fluctuations are caused by the variable component of the remuneration granted to Directors, as presented in "Total remuneration of Directors received from the Group during the reported financial year" table above.

The Company's shares were listed on the Bucharest Stock Exchange starting from May 2017. The information presented in the table above include data for the Directors after the Company become public (2017 onwards).

**The Remuneration Committee's plan for 2021**

The Remuneration Committee plans to focus in 2021 on cooperating with the Executive Directors and with the senior management of the Company and its subsidiaries on the further proper implementation of the approved ongoing and further Stock Option Plan on the implementation of the new remuneration policy (approved by the General Meeting) and the implementation of Shareholders Directive provisions, as well as on advising and guiding the Company's subsidiaries in optimizing their remuneration policies and procedures.