3RD QUARTER 2022 – FINANCIAL REPORT

for the three month period ended September 30, 2022

DIGI COMMUNICATIONS N.V. (“Digi”)

(the “COMPANY”)

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

FINANCIAL REPORT (the “REPORT”)
for the three-month period ended September 30, 2022

This Unaudited Condensed Consolidated Interim Financial Report for the period ended 30 September 2022 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”.

Table of contents

Important Information

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

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

Operating and Market Data

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

More specifically:

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

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

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

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

Rounding

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

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

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group as of September 30, 2022.
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 Romania, with a presence also in Spain, Italy and Portugal.

- **Romania.** Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH.
- **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 Vodafone. Our service offerings in Italy primarily target the large local Romanian community.

For the three months ended September 30, 2022, we had revenues of €385.1 million, net profit of €21.3 million and Adjusted EBITDA of €127.1 million.
EBITDAaL[1] reached EUR 107.1 million from EUR 97.1 million, increase 10.3%.

Recent Developments

Sale of Hungarian operations

On January 3, 2022 the Company's Romanian subsidiary (RCS&RDS) and 4iG Plc. (4iG Plc.) one of the leading companies of the Hungarian IT and ICT market, successfully closed the transaction regarding the acquisition of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and of its subsidiaries, Invitel Ltd., Digi Infrastruktura Korlatolt Felelossegu Tarsasag and I TV Ltd by 4iG Plc. On 29 November 2021, the parties executed the sale and purchase agreement regarding the acquisition by 4iG Plc of the 100 percent stake held by RCS&RDS in Hungary's leading telecommunications and media service group and the assignment of all debts of Digi Hungary and of its subsidiaries to RCS & RDS. The transaction was subject to the fulfilment of certain conditions, including the Hungarian competition authority's clearance.

Citymesh and DIGI win spectrum in the auction and will start building a nationwide network

As of June 6, 2022 Citymesh, part of the IT-group Cegeka and RCS & RDS, an EU telecommunications group, win the new entrant spectrum package in the 5G-auction and will start the build of a new (4th) national mobile network. Following the auction concluded on June 21,2022, Citymesh Mobile obtained the spectrum package in the 700 MHz, 900 MHz, 1,800 MHz, 2,100 MHz and 3,600 MHz bands for a total value of EUR 114,3 million payable in full or annually in equal instalments (at the choose of the subsidiary) for the entire duration of the right of use, which is 20 years, less for the 3,600 MHz rights that ends in May 2040.

Digi Group secures further financing in Spain

On July 27, 2022 the Company's Spanish subsidiary, acting as a borrower together with the Company and RCS&RDS as original guarantors, ING Bank N.V. as sole bookrunner and mandated lead arranger and a syndicate of banks, acting as lenders, entered into an amendment agreement to the facility agreement dated July 26, 2021 under which was made available to the Company's Spanish subsidiary an additional term loan facility in a total aggregated amount of EUR 128 million for a period equal to five years, until 30 June 2027. The borrowed amount of the new term loan facility will be used by the borrower for the financing of capital expenditure in Spain and associated personnel costs.

[1] EBITDAaL stands for **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation, **A**mortisation and **after leases**

Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of September 30, 2022 in accordance with IFRS as adopted by the EU. For the periods discussed in this Report, the Group's presentation currency was the euro. The Group's financial year ends on December 31 of each calendar year.

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Spain generated approximately 65% and 33%, respectively, of our consolidated revenue for the three months ended September 30, 2022 our principal functional currencies are the Romanian leu and EUR.
The Group presents its consolidated Interim Financial Statements in euros. The Group uses the euro as the presentation currency of its consolidated Interim Financial Statements because management analysis and reporting are prepared in euros, as the euro is the most used reference currency in the telecommunication industry in the European Union.

Presentation of Revenue and Operating Expenses

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

Exchange rates

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

Value of one euro in the relevant currency	**As at and for the three months ended September 30,**		**As at and for the nine months ended September 30,**	
	2022	**2021**	**2022**	**2021**
Romanian leu (RON) (1)				
Period end rate	4.95	4.95	4.95	4.95
Average rate	4.91	4.93	4.94	4.91
U.S. dollar (USD)(1)				
Period end rate	0.97	1.16	0.97	1.16
Average rate	1.01	1.18	1.07	1.20

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

In the three months ended September 30, 2022, we had a net foreign exchange loss (which is recognized in net finance result on our statement of comprehensive income) of €4.2 million. In the three months ended September 30, 2021, we had a net foreign exchange loss of €4.8 million.

In the nine months ended September 30, 2022, we had a net foreign exchange loss (which is recognized in net finance results on our statement of comprehensive income) of €9.3 million. In the nine months ended September 30, 2021 we had a net foreign exchange loss of €13.1 million.

Growth in Business, RGUs and ARPU

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

The following table shows our RGUs (thousand) by geographic segment and business line and monthly ARPU (€/month) by geographic segment as at and for the three-month period ended September 30, 2022 and 2021:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended September 30,		% change
	2022	**2021**	
Romania			
RGUs			
Pay TV (1)	5,360	5,056	6.0%
Fixed internet and data (2)	4,083	3,662	11.5%
Mobile telecommunication services (3)	4,715	4,035	16.9%
Fixed-line telephony (2)	948	999	(5.1%)
ARPU (4)	**4.6**	**4.8**	**(4.2%)**
Spain			
RGUs			
Fixed internet and data	746	393	89.8%
Mobile telecommunication services (3)	3,614	2,795	29.3%
Fixed-line telephony	249	135	84.4%
ARPU (4)	**9.5**	**9.8**	**(3.1%)**
Other (5)			
RGUs			
Mobile telecommunication services (3)	359	312	15.1%
ARPU (4)	**6.6**	**6.8**	**(2.9%)**

(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.
(5) Includes Italy.

Historical Results of Operations

Results of Operations for the three and nine months ended September 30, 2022 and 2021

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2022	2021	2022	2021
(€ millions)				
Revenues				
Romania	251.8	224.8	741.8	661.2
Spain	128.0	94.9	357.1	257.8
Other	7.1	6.3	20.6	17.9
Elimination of intersegment revenues	(1.8)	(2.0)	(3.4)	(4.0)
Total revenues	**385.1**	**324.0**	**1,116.2**	**932.8**
Other income	**-**	-	**-**	**-**
Other expenses	**(0.2)**	**(0.0)**	**(0.5)**	**(0.3)**
Operating expenses				
Romania	(142.5)	(117.4)	(416.9)	(346.5)
Spain	(109.1)	(82.2)	(306.4)	(224.2)
Other	(8.2)	(6.9)	(24.4)	(20.2)
Elimination of intersegment expenses	1.8	2.0	3.4	4.0
Depreciation, amortisation and impairment of tangible and intangible assets	(81.3)	(72.9)	(253.5)	(208.5)
Total operating expenses	**(339.3)**	**(277.4)**	**(997.8)**	**(795.3)**
Operating profit	**45.6**	**46.5**	**117.9**	**137.2**
Finance income	0.3	-	0.5	0.2
Finance expense	(20.9)	(20.6)	(58.3)	(53.2)
Net finance costs	**(20.6)**	**(20.6)**	**(57.7)**	**(53.0)**
Profit/(loss) before taxation	**25.0**	**26.0**	**60.2**	**84.1**
Income tax expense	(3.7)	(1.1)	(8.4)	(12.2)
Profit for the period continuing operations	**21.3**	**24.9**	**51.8**	**71.9**
Discontinued operations				
Result (profit) from discontinued operation, net of tax	**4.1**	**(11.4)**	**389.3**	**(18)**
Profit for the period	**25.3**	**13.5**	**441.1**	**54.0**

Revenue

Our revenue (excluding intersegment revenue and other income) for the three-month period ended September 30, 2022 was €385.1 million, compared with €324.0 million for the three-month period ended September 30, 2021, an increase of 18.9%.
Our revenue (excluding intersegment revenue and other income) for the nine month period ended September 30, 2022 was €1,116.2 million, compared with €932.8 million for the nine month period ended September 30, 2021, an increase of 19.7%.

The following table shows the distribution of revenue by geographic segment and business line for the three and nine month period ended September 30, 2022 and 2021:

	As at and for the three months ended September 30,			As at and for the nine months ended September 30,		
	2022	**2021**	**% change**	**2022**	**2021**	**% change**
(€ millions)						
Geographical segment						
Romania	250.2	223.1	12.1%	739.0	657.9	12.3%
Spain	127.8	94.7	35.0%	356.7	257.3	38.6%
Other (1)	7.1	6.2	14.5%	20.5	17.7	15.8%
Total	**385.1**	**324.0**	**18.9%**	**1,116.2**	**932.8**	**19.7%**

Category						
Fixed services (2)	184.1	157.5	16.9%	532.7	456.3	16.7%
Mobile services	158.3	137.4	15.2%	450.7	391.0	15.3%
Other	42.7	29.1	46.7%	132.7	85.5	55.2%
Total	**385.1**	**324.0**	**18.9%**	**1,116.2**	**932.8**	**19.7%**

(1) Includes revenue from operations in Italy.
(2) Includes revenues from DTH operations.

Revenue in Romania for the three-month period ended September 30, 2022 was €250.2 million compared with €223.1 million for the three-month period ended September 30, 2021, an increase of 12.1%.

Revenue growth in Romania was the result of the increase of mobile, fixed internet and data and cable TV RGUs, due to organic growth. ARPU in Romania was impacted by the decrease in mobile and fixed termination rates, as well as subscription packages' mix.

Our Pay TV (Cable TV and DTH) RGUs increased from approximately 5,056 thousand as at September 30, 2021 to approximately 5,360 thousand as at September 30, 2022, an increase of approximately 6.0%, and our fixed internet and data RGUs increased from approximately 3,662 thousand as at September 30, 2021 to approximately 4,083 thousand as at September 30, 2022, an increase of approximately 11.5%.
Mobile telecommunication services RGUs increased from approximately 4,035 thousand as at September 30, 2021 to approximately 4,715 thousand as at September 30, 2022, an increase of approximately 16.9%.
Fixed-line telephony RGUs decreased from approximately 999 thousand as at September 30, 2021 to approximately 948 thousand as at September 30, 2022, a decrease of approximately 5.1%.

Revenue in Spain for the three-month period ended September 30, 2022 was €127.8 million, compared with €94.7 million for the three-month period ended September 30, 2021, an increase of 35.0%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 2,795 thousand as at September 30, 2021 to approximately 3,614 thousand as at September 30, 2022, an increase of approximately 29.3%, primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings, as well as the roll out of the fixed services. As at September 30, 2022 we had 746 thousand fixed internet and data RGUs and 249 thousand fixed line telephony RGUs, an increase of 89.8% and 84.4% compared to September 30, 2021.

Revenue in Other represented revenue from our operations in Italy and for the three-month period ended September 30, 2022 was € 7.1 million, compared with €6.2 million for the three-month period ended September 30, 2021, an increase of 14.5%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings. Our mobile telecommunication services RGUs increased from approximately 312 thousand as at September 30, 2021 to approximately 359 thousand as at September 30, 2022, an increase of approximately 15.1%

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortisation and impairment) for the three-period ended September 30, 2022 were €339.3 million, compared with €277.4 million for the three-month period ended September 30, 2021, an increase of 22.3%.

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortisation and impairment) for the nine months ended September 30, 2022 were €997.8 million compared with €795.4 million for the nine months ended September 30, 2021, an increase of 25.5%.

The following table shows the distribution of total operating expenses by geographic segment for the three and nine month period ended September 30, 2022 and 2021:

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
(€ millions)				
Romania	142.2	117.1	416.3	345.8
Spain	108.0	81.1	304.4	221.7
Other (1)	7.7	6.3	23.6	19.3
Depreciation, amortisation and impairment of tangible and intangible assets	81.3	72.9	253.5	208.5
Total operating expenses	**339.3**	**277.4**	**997.8**	**795.4**

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

Operating expenses in Romania for three-month period ended September 30, 2022 were €142.2 million, compared with €117.1 million for the three-month period ended September 30, 2021, an increase of 21.4%. During the third quarter 2022, mainly utilities and network maintenance expenses increased.

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

Operating expenses in Spain for the three-month period ended September 30, 2022 were €108 million, compared with €81.1 million for the three-month period ended September 30, 2021, an increase of 33.2%. The increase is mainly due to interconnection and salaries expenses as a result of the business development.

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

Operating expenses in Other represented expenses of our operations in Italy, Portugal and expenses of Digi for the three-month period ended September 30, 2022 were €7.7 million, compared with €6.3 million for the three-month period ended September 30, 2021, an increase of 22.2%.

Depreciation, amortisation and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortisation and impairment of our tangible and intangible assets for the three and nine month period ended September 30, 2022 and 2021.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30	
	2022	**2021**	**2022**	**2021**
(€ millions)				
Depreciation of property, plant and equipment	32.6	27.4	99.7	77.2
Amortisation of non-current intangible assets	11.7	7.4	35.2	21.7
Amortisation of subscriber acquisition costs	11.0	11.0	38.0	30.2
Amortisation of programme assets	7.2	5.2	23.7	27.0
Amortisation of right of use assets	18.2	20.3	54.7	49.4
Impairment of property, plant and equipment	0.5	1.7	2.2	2.9
Total	**81.3**	**72.9**	**253.5**	**208.5**

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €32.6 million for the three-month period ended September 30, 2022, compared with €27.4 million for the three-month period ended September 30, 2021, an increase of 19.0%. This variation is the result of our continuing development of networks.

Amortisation of non-current intangible assets

Amortisation of non-current intangible assets was €11.7 million for the three-month period ended September 30, 2022, compared with €7.4 million for the three-month period ended September 30, 2021, an increase of 58.1%. This was due to amortisation increase of software licenses for telecommunications equipment's.

Amortisation of subscriber acquisition cost

Amortisation of subscriber acquisition costs was €11.0 million for the three-month period ended September 30, 2022, compared with €11.0 million for the three-month period ended September 30, 2021.

Amortisation of program assets

Amortisation of program assets was €7.2 million for the three-month period ended September 30, 2022, compared with €5.2 million for the three-month period ended September 30, 2021, an increase of 38.5%.

Amortisation of right of use

Amortisation of right of use from leases for the three months period ended September 30, 2022 was €18.2 million, compared to €20.3 million for the three months period ended September 30, 2021. Modifications of lease contracts' stipulations for certain contracts during the period led to variations in charge for the period.

Operating profit

For the reasons set forth above, our operating profit was €45.6 million for the three-month period ended September 30, 2022, compared with €46.5 million for the three-month period ended September 30, 2021.

Net finance expense

We recognized net finance expense of €20.6 million in the three-month period ended September 30, 2022, compared with €20.6 million for the three-month period ended September 30, 2021.

The net loss from foreign exchange in amount of €4.2 million in the three months period ended September 30, 2022 (compared to a foreign exchange loss of €4.8 million from previous period), as well as the impact of the fair value loss of the embedded derivative asset valuation, have contributed to the increase of the net finance loss.

Profit before taxation

For the reasons set forth above, our profit before taxation was €25.0 million in the three-month period ended September 30, 2022, compared with profit before taxation of €26.0 million for the three-month period ended September 30, 2021.

Income tax expense

An income tax expense of €3.7 million was recognized in the three-month period ended September 30, 2022, compared to a tax expense of €1.1 million recognized in the three-month period ended September 30, 2021.

Net profit/(loss) for the period

For the reasons set forth above, our gain was €21.3 million in the three-month period ended September 30, 2022, compared with net profit of €24.9 million for the three-month ended September 30, 2021.

Liquidity and Capital Resources

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

Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three and nine month period ended September 30, 2022 and 2021, cash flows used in investing activities and cash flows from/ (used in) financing activities.

	As at and for the three months ended September 30,		As at and for the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
(€ millions)				
Cash flows from operations before working capital changes	**110.8**	**132.4**	**350.3**	**383.2**
Cash flows from changes in working capital	38.0	(44.9)	(9.4)	(30.5)
Cash flows from operations	**148.8**	**87.5**	**340.9**	**352.7**
Interest paid	(15.4)	(16.5)	(34.3)	(37.2)
Income tax paid	(3.8)	(5.3)	(5.1)	(11.2)
Cash flow from operating activities	**129.6**	**65.7**	**301.4**	**304.3**
Cash flow used in investing activities	**(126.8)**	**(98.1)**	**242.4**	**(314.7)**
Cash flows from /(used in) financing activities	**32.0**	**53.6**	**(242.8)**	**41.7**
Net decrease in cash and cash equivalents	34.9	21.1	301.1	31.3
Cash and cash equivalents at the beginning of the period	285.8	16.8	19.6	6.5
Effect of exchange rate fluctuation on cash and cash equivalent held	0.0	0.0	0.0	0.0
Cash and cash equivalents at the closing of the period	**320.7**	**37.9**	**320.7**	**37.9**

Cash flows from operations before working capital changes were €110.8 million in the three-month period ended September 30, 2022 and €132.4 million in the three-month period ended September 30, 2021 for the reasons discussed in "*—Historical Results of Operations—Results of operations for the three-month period ended September 30, 2022 and 2021*".

The following table shows changes in our working capital:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
(€ millions)				
(Increase) in trade receivables and other assets	24.3	(27.0)	(43.6)	(37.6)
Decrease/(increase) in inventories	(3.2)	(6.6)	2.3	(7.7)
(Decrease)/increase in programming assets	(8.8)	(12.7)	(20.9)	(17.4)
Increase/(decrease) in trade payables and other current liabilities	21.1	(6.7)	43.9	19.4
Increase/(decrease) in contract liabilities	4.5	8.2	8.9	12.8
Total	**38.0**	**(44.9)**	**(9.4)**	**(30.5)**

We had a working capital requirement of €38 million in the three-month period ended September 30, 2022 (compared with a surplus capital of €44.9 million in the three-month period ended September 30, 2021).

Cash flows from operating activities were €129.6 million in the three-month period ended September 30, 2022 and €65.7 million in the three-month period ended September 30, 2021. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €3.8 million in the three months ended September

30, 2022 and €5.3 million in the three-month ended September 30, 2021. Interest paid was €15.4 million in the three-month ended September 30, 2022, compared with €16.5 million in the three-month ended September 30, 2021. The increase in cash flows from operating activities in the three-month ended September 30, 2022 was primarily due to changes in working capital discussed above.

Cash flows used for investing activities were €126.8 million in the three-month period ended September 30, 2022 and €98.1 million in the three-month period ended September 30, 2021.

Purchases of property, plant and equipment were €74.6 million in the three months ended September 30, 2022 and €62.2 million in the three months ended September 30, 2021.

Payments to obtain the sales contracts were €38.9 million in the three months ended September 30, 2022 and €35.1 million in the three months ended September 30, 2021.

Purchases of intangible assets were €12.2 million in the three months ended September 30, 2022 and €1.6 million in the three months ended September 30, 2021.

Cash flows from/used for financing activities were €32 million inflow for the three-month period ended September 30, 2022, €53.6 million inflow for the three-month ended September 30, 2021.

DIGI COMMUNICATIONS NV

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING
for the nine-month period ended 30 September 2022

CONTENTS **Page**

GENERAL INFORMATION

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

	Notes	30 September 2022	31 December 2021 unaudited
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,470,867	1,210,941
Right of use assets	5	208,232	203,254
Intangible assets	6	347,688	354,981
Subscriber acquisition costs		55,686	51,489
Investment property	4	9,264	9,327
Financial assets at fair value through OCI		36,364	47,948
Investment in associates		569	644
Long term receivables		20,774	13,920
Other non-current assets		5,393	5,926
Deferred tax assets		569	569
Total non-current assets		**2,155,406**	**1,898,999**
Current assets			
Inventories		16,064	18,315
Programme assets	6	27,879	15,465
Trade and other receivables		99,432	74,637
Contract assets		62,331	59,007
Income tax receivable		1,350	1,200
Other assets		7,469	13,160
Derivative financial assets	16	2,019	8,857
Cash and cash equivalents		320,729	17,003
Assets held for sale		-	402,201
Total current assets		**537,273**	**609,845**
Total assets		**2,692,679**	**2,508,844**
EQUITY AND LIABILITIES			
Equity	7		
Share capital		6,810	6,810
Share premium		3,406	3,406
Treasury shares		(14,768)	(14,880)
Reserves		(76,838)	(20,440)
Retained earnings		640,075	242,390
Equity attributable to equity holders of the parent		**558,685**	**217,286**
Non-controlling interest		35,636	11,595
Total equity		**594,321**	**228,881**
LIABILITIES			
Non-current liabilities			
Loans and borrowings, including bonds	8	1,014,776	1,127,491
Lease liabilities	9	131,743	125,119
Deferred tax liabilities		77,117	73,192
Decommissioning provision		6,433	6,172
Other long-term liabilities		128,939	100,621
Total non-current liabilities		**1,359,008**	**1,432,595**
Current liabilities			
Trade and other payables		552,638	473,765
Loans and borrowings	8	80,808	158,852
Lease liabilities	9	73,214	71,642
Income tax payable		1,616	1,972
Provisions		6,462	6,463
Contract liabilities		24,612	15,732
Liabilities directly associated with the assets held for sale		-	118,942
Total current liabilities		**739,350**	**847,368**
Total liabilities		**2,098,358**	**2,279,963**
Total equity and liabilities		**2,692,679**	**2,508,844**

The notes on pages 8 to 36 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 15 November 2022.

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

	Notes	Three-month period ended 30 September 2022	Three-month period ended 30 September 2021 restated
Revenues	11	385,094	323,992
Other income	20	-	-
Operating expenses	12	(339,283)	(277,410)
Other expenses	20	(234)	(30)
Operating Profit		**45,577**	**46,552**
Finance income	13	329	20
Finance expenses	13	(20,949)	(20,595)
Net finance costs		**(20,620)**	**(20,575)**
Profit before taxation		**24,957**	**25,977**
Income tax		(3,694)	(1,089)
Net profit for the period - continued		**21,263**	**24,888**
Net profit for the period - discontinued		**4,069**	**(11,416)**
Net profit for the period total		**25,332**	**13,472**
Attributable to equity holders of the parent		23,636	11,923
Attributable to non-controlling interest		1,696	1,550
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(5,223)	(4,794)
Items that will not be reclassified to profit or loss			
Net gain/(loss) on equity instruments measured at fair value through OCI		(7,712)	1,392
Other comprehensive income/(loss) for the period, net of income tax		**(12,935)**	**(3,402)**
Total comprehensive income/(loss) for the period		**12,397**	**10,070**
Attributable to equity holders of the parent		11,066	8,622
Attributable to non-controlling interest		1,331	1,449

The notes on pages 8 to 36 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 15 November 2022.

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

	Notes	Nine-month period ended 30 September 2022	Nine-month period ended 30 September 2021 restated
Revenues	11	1,116,151	932,821
Operating expenses	12	(467)	(342)
Other expenses	20	(997,762)	(795,328)
Operating Profit		**117,922**	**137,151**
Finance income	13	534	180
Finance expenses	13	(58,273)	(53,201)
Net finance costs		**(57,739)**	**(53,021)**
Profit before taxation		**60,183**	**84,130**
Income tax		(8,401)	(12,183)
Net profit for the period - continued		**51,782**	**71,947**
Net profit for the period - discontinued		**389,304**	**(17,978)**
Net profit for the period total		**441,086**	**53,969**
Attributable to equity holders of the parent		412,588	50,339
Attributable to non-controlling interest		28,498	3,630
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		(78,188)	(5,609)
Items that will not be reclassified to profit or loss			
Net gain/(loss) on equity instruments measured at fair value through OCI		(11,576)	4,035
Other comprehensive income/(loss) for the period, net of income tax		**(89,764)**	**(1,574)**
Total comprehensive income for the period		**351,322**	**52,395**
Attributable to equity holders of the parent		324,036	48,689
Attributable to non-controlling interest		27,286	3,706

The notes on pages 8 to 36 are an integral part of this condensed consolidated interim financial report.

The condensed consolidated interim financial report was issued on 15 November 2022.

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

	Notes	Nine-month period ended 30 September 2022	Nine-month period ended 30 September 2021 restated
Cash flows from operating activities			
Profit before taxation		**449,487**	**68,275**
Adjustments for:			
Depreciation, amortisation and impairment		253,479	261,884
Interest expense		32,016	33,120
Impairment of trade and other receivables		8,445	3,352
Losses/ (gains) on derivative financial instruments		6,841	4,752
Equity settled share-based payments expense		1,304	1,282
Unrealised foreign exchange loss / (gain)		(20,747)	17,062
(Gain)/loss on sale of assets		(87)	(6,501)
Gain on sale of discontinued operations before tax		(380,408)	-
Cash flows from operations before working capital changes		**350,330**	**383,226**
Changes in:			
(Increase)/decrease in trade receivables, other assets and contract assets		(43,598)	(37,570)
(Increase)/decrease in inventories		2,251	(7,746)
(Increase)/decrease program assets		(20,890)	(17,432)
(Decrease)/increase trade payables and other current liabilities		43,917	19,375
(Decrease)/increase in contract liabilities		8,880	12,832
Cash flows from operations		**340,890**	**352,685**
Interest paid		(34,296)	(37,187)
Income tax paid		(5,149)	(11,178)
Net cash flows from operating activities		**301,445**	**304,320**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(263,446)	(231,720)
Purchases of intangibles		(80,413)	(50,499)
Payments to obtain sales contracts		(38,885)	(35,133)
Acquisition of subsidiaries, net of cash and acquisition of NCI		(360)	355
Sale of subsidiaries, net of cash disposed		624,977	-
Proceeds from sale of property, plant and equipment		565	2,343
Net cash flows used in investing activities		**242,438**	**(314,654)**
Cash flows from financing activities			
Dividends paid to shareholders		(9,609)	(11,951)
Proceeds from borrowings		90,721	206,298
Repayment of borrowings		(276,317)	(90,112)
Financing costs paid		(2,878)	(2,446)
Payment of lease obligations		(44,707)	(60,137)
Net cash flows used in/from financing activities		**(242,790)**	**41,652**
Net increase / (decrease) in cash and cash equivalents		**301,093**	**31,318**
Cash and cash equivalents at the beginning of the period		19,636	6,539
Effect of exchange rate fluctuations of cash and cash equivalents held		-	-
Cash and cash equivalents at the end of the period		**320,729**	**37,857**

The notes on pages 8 to 36 are an integral part of these unaudited interim condensed consolidated financial statements.

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2022 (unaudited)	**6,810**	**3,406**	**(14,880)**	**(39,243)**	**15,694**	**3,108**	**242,390**	**217,285**	**11,595**	**228,880**
Comprehensive income for the period										
Profit/(loss) for the period	-	-	-	-	-	-	412,588	**412,588**	28,498	**441,086**
Foreign currency translation differences				(76,976)				**(76,976)**	(1,212)	**(78,188)**
Movements fair value reserves						(11,576)		**(11,576)**		**(11,576)**
Transfer of revaluation reserve (depreciation)					(235)		235	**-**	-	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(76,976)**	**(235)**	**(11,576)**	**412,823**	**324,036**	**27,286**	**351,322**
Transactions with owners, recognized directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions (Nota 15)	**-**	-	112	-	-		1,162	**1,274**	30	**1,304**
Dividends distributed							(16,315)	**(16,315)**	(1,304)	**(17,619)**
Total contributions by and distributions to owners	**-**	**-**	**112**	**-**	**-**		**(15,153)**	**(15,041)**	**(1,274)**	**(16,315)**
Changes in ownership interests in subsidiaries										
Movement in ownership	**-**	-	-	32,405	(15)	-	15	**32,405**	(1,971)	**30,434**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**32,405**	**(15)**	**-**	**15**	**32,405**	**(1,971)**	**30,434**
Total transactions with owners	**-**	**-**	**112**	**32,405**	**(15)**	**-**	**(15,138)**	**17,364**	**(3,245)**	**14,119**
Balance at 30 September 2022	**6,810**	**3,406**	**(14,768)**	**(83,814)**	**15,444**	**(8,468)**	**640,075**	**558,685**	**35,636**	**594,321**

The notes on pages 8 to 36 are an integral part of this condensed consolidated interim financial report.

DIGI Communications N.V.
Condensed Consolidated Statement of Changes in Equity (unaudited)
for the period ended 30 September 2022
(all amounts are in thousand Eur, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2021 restated	**6,810**	**3,406**	**(15,556)**	**(40,229)**	**15,879**	**(4,669)**	**199,029**	**164,670**	**8,318**	**172,988**
Comprehensive income for the period										
Profit/(loss) for the period	-	-	-	-	-	-	50,339	**50,339**	3,630	**53,969**
Foreign currency translation differences	-	-	-	(5,685)	-	-	-	**(5,685)**	76	**(5,609)**
Movements fair value reserves	-	-	-	-	-	4,035	-	**4,035**	-	**4,035**
Transfer of revaluation reserve (depreciation)					(1,959)		1,959	**-**	-	**-**
Total comprehensive income/(loss) for the period				**(5,685)**	**(1,959)**	**4,035**	**52,298**	**48,689**	**3,706**	**52,395**
Transactions with owners, recognized directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions (Nota 15)	-	-	676	-	-	-	570	**1,246**	36	**1,282**
Dividends distributed	-	-	-	-	-	-	(14,393)	**(14,393)**	(1,043)	**(15,436)**
Total contributions by and distributions to owners	**-**	**-**	**676**	**-**	**-**	**-**	**(13,823)**	**(13,147)**	**(1,007)**	**(14,154)**
Changes in ownership interests in subsidiaries										
Payments while having full control										
Movement in ownership interest while retaining control	-	-	-	-	-	-	(667)	**(667)**	(66)	**(733)**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(667)**	**(667)**	**(66)**	**(733)**
Total transactions with owners	**-**	**-**	**676**	**-**	**-**	**-**	**(14,490)**	**(13,814)**	**(1,073)**	**(14,887)**
Balance at 30 September 2021 restated	**6,810**	**3,406**	**(14,880)**	**(45,914)**	**13,920**	**(634)**	**236,837**	**199,545**	**10,951**	**210,496**

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

The notes on pages 8 to 36 are an integral part of this condensed consolidated interim financial report.

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

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 ("DIGI Spain") and Digi Italy SL.

The Hungarian operations were sold on 3rd of January 2022.

DIGI's registered office is located in 75 Dr. Nicolae Staicovici Street, no. 75, Forum 2000 Building, Phase 1, 4th floor, 5th District, Bucharest, Romania.

RCS&RDS is a company incorporated in Romania and its registered office is located at 75 Dr. Staicovici, Forum 2000 Building, 5th District, 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 and Spain and and mobile telephony services in Italy.

Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 5G auction from 2021. This will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services.

The largest operating company of the Group is RCS&RDS.

The consolidated financial statements were authorized for issue on 15 November 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the nine-month period ended 30 September 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2021. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and part 9 of Book 2 of the Dutch Civil Code.

Comparative information for these unaudited interim condensed consolidated financial statements is presented only for continued operations. For information regarding the discontinued operations comparatives please see note 17.

(b) Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings, land and investment property measured at revalued amount, and except for financial assets at fair value through OCI and derivative financial instruments measured at fair value.

(c) Judgements and estimates

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

(d) 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 (Romania: RON; Spain, Italy and Portugal: EUR).

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

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

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

Currency	2022			2021		
	Jan – 1	Average for the 9 months	Sep – 30	Jan – 1	Average for the 9 months	Sep – 30
RON per 1EUR	4.9481	4.9351	4.9490	4.8694	4.9111	4.9471
USD per 1EUR	1.1326	1.0650	0.9748	1.2271	1.1967	1.1579

2.2. GOING CONCERN

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

For further information refer to Note 14 b) Liquidity risk.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Group in these condensed consolidated unaudited interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2021.

The accounting policies used are consistent with those of the previous financial year.

Amendment to IAS 16 Property, Plant and Equipment - Property, Plant and Equipment – Proceeds before Intended Use (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2. The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The Group applies the amendment from 1 January 2022. The Group's non-statutory consolidated financial statements has no impact.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Cost of Fulfilling a Contract - (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
The Group applies the amendment from 1 January 2022. The Group's non-statutory consolidated financial statements has no impact.

Annual Improvements to IFRS Standards 2018-2020 - (Effective for annual periods beginning on or after 1 January 2022 Early application is permitted)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
The Group applies the amendment from 1 January 2022. The Group's non-statutory consolidated financial statements has no impact.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2021, not yet endorsed by the EU

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Group accounts for deferred tax on leases and decommissioning liabilities applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. There will be no impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:
• a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while;
• a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The Group expects that the amendments will have no impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current - (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the Group's right to defer settlement at the end of the reporting period. The Group's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Group will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.
The Group expects that the amendments, will have no impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments - (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.
The Group expects that the amendments, when initially applied, will have no impact on its financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.
The Group expects that the amendments, when initially applied, will have no impact on its financial statements.

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

3. SEGMENT REPORTING

Three months ended 30 September 2022	**Romania**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Group**
Segment revenue	250,229	127,814	7,051	-	-	**385,094**
Inter-segment revenues	1,582	159	51	(1,792)	-	**-**
Segment operating expenses	(142,455)	(109,139)	(8,164)	1,792	-	**(257,966)**
Adjusted EBITDA	**109,356**	**18,834**	**(1,062)**	**-**	**-**	**127,128**
Depreciation, amortisation and impairment of tangible and intangible assets					(81,319)	**(81,319)**
Other expenses (Note 20)	(234)	-	-	-	-	**(234)**
Operating profit						**45,575**
Additions to tangible and intangible non-current assets	94,509	73,061	2,783	-	-	**170,353**
Carrying amount of:						
Non-current assets	1,584,859	437,533	69,344	-	-	**2,091,737**
Investments in associates and financial assets at fair value through OCI	569		36,364	-	-	**36,933**

The types of products and services from which each segment derives its revenues are disclosed in Note 11.

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

3. SEGMENT REPORTING (continued)

Three months ended 30 September 2021 restated	**Romania**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Total continued**	**Discontinued**	**Group**
Segment revenue	223,076	94,667	6,249	-	-	**323,992**	**49,955**	**373,947**
Inter-segment revenues	1,734	190	70	(1,994)	-	**-**	**-**	**-**
Segment operating expenses	(117,396)	(82,190)	(6,916)	1,994	-	**(204,509)**	**(34,567)**	**(239,076)**
Adjusted EBITDA	**107,414**	**12,667**	**(597)**	**-**	**-**	**119,483**	**15,388**	**134,871**
Depreciation, amortisation and impairment of tangible and intangible assets					(72,903)	**(72,903)**	**(18,489)**	**(91,392)**
Other expenses	(30)	-	-	-	-	**(30)**	**-**	**(30)**
Operating profit						**46,550**	**10,380**	**56,930**
Additions to tangible and intangible non-current assets	128,113	33,582	1,332	-	-	**163,027**	**4,693**	**167,720**
Carrying amount of:								
Non-current assets	1,360,737	232,994	4,071	-	-	**1,597,801**	**363,714**	**1,961,515**
Investments in associates and financial assets at fair value through OCI	619		44,215			**44,834**	**-**	**44,834**

The types of products and services from which each segment derives its revenues are disclosed in Note 11.

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

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2022	Romania	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	739,006	356,689	20,456	-	-	**1,116,151**
Inter-segment revenues	2,825	423	152	(3,400)	-	**-**
Segment operating expenses	(416,886)	(306,421)	(24,377)	3,400	-	**(744,284)**
Adjusted EBITDA	**324,945**	**50,691**	**(3,769)**	**-**	**-**	**371,867**
Depreciation, amortisation and impairment of tangible and intangible assets					(253,479)	**(253,479)**
Other expenses (Note 20)	(467)	-	-	-	-	**(467)**
Operating profit						**117,921**
Additions to tangible and intangible non-current assets	237,607	218,889	7,486	-	-	**463,982**
Carrying amount of:						
Non-current assets	1,584,859	437,533	69,344	-	-	**2,091,737**
Investments in associates	569	-	36,364	-	-	**36,933**

The types of products and services from which each segment derives its revenues are disclosed in Note 11.

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

3. SEGMENT REPORTING (continued)

Nine months ended 30 September 2021 restated	**Romania**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Total continued**	**Discontinued**	**Group**
Segment revenue	657,864	257,287	17,670	-	-	**932,821**	**146,799**	**1,079,620**
Inter-segment revenues	3,329	500	210	(4,039)	-	**-**	**-**	**-**
Segment operating expenses	(346,524)	(224,178)	(20,159)	4,039	-	**(586,822)**	**(106,902)**	**(693,724)**
Adjusted EBITDA	**314,669**	**33,609**	**(2,279)**	**-**	**-**	**345,999**	**39,897**	**385,896**
Depreciation, amortisation and impairment of tangible and intangible assets					(208,506)	**(208,506)**	**(53,378)**	**(261,884)**
Other expenses (Note 20)	(342)	-	-	-	-	**(342)**	**-**	**(342)**
Operating profit						**137,151**	**(13,481)**	**123,670**
Additions to tangible and intangible non-current assets	274,345	110,346	5,909	-	-	**390,600**	**34,019**	**424,619**
Carrying amount of:								
Non-current assets	1,360,737	232,994	4,071	-	-	**1,597,801**	**363,714**	**1,961,515**
Investments in associates	619	-	44,215	-	-	**44,834**	**-**	**44,834**

The types of products and services from which each segment derives its revenues are disclosed in Note 11.

4. PROPERTY, PLANT AND EQUIPMENT (PPE)

Acquisitions and disposals

During the nine-month period ended 30 September 2022, the Group acquired property, plant and equipment with a cost of EUR 343,617 (nine months ended 30 September 2021: EUR 248,883 excluding discontinued operations).

The acquisitions related mainly to networks EUR 210,540 (nine months ended 30 September 2021: EUR 116,135), customer premises equipment of EUR 54,554 (nine months ended 30 September 2021: EUR 37,464) and equipment and devices of EUR 58,775 (nine months ended 30 September 2021: EUR 87,834).

5. RIGHT OF USE ASSETS

The Group has lease contracts for various items of land, commercial spaces, network, vehicles, equipment, etc. used in its operations. Right of use assets are accounted for at cost and depreciated over the contract period.

During the nine-month period ended 30 September 2022, right of use assets' net movement (additions, disposals and translation effect) is in amount of EUR 4,635 (EUR 24,905 for period ended 30 September 2021).

6. NON-CURRENT INTANGIBLE ASSETS, CURRENT PROGRAMME ASSETS AND SUBSCRIBER ACQUISITION COSTS

a) Intangible assets

Acquisitions

Non-current intangible assets
During the nine-month period ended 30 September 2022, the Group acquired non-current intangible assets with a cost of EUR 28,217 (30 September 2021: EUR 44,465) as follows:

- Software and licences in amount of EUR 24,655 (30 September 2021: EUR 27,351);
- Customer relationships by acquiring control in other companies in amount of EUR 3,562 (30 September 2021: EUR 12,871); The additions for the nine-month period ended 30 September 2021 were restated by EUR 4,243 (decrease) due to a correction in relation to the estimation of the contract detailed bellow.

The main additions of Customer relationships in the period ended 30 September 2021 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").

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 transferred in was considered to be the net present value of the discounted cash flows. Consequently, for RGUs transferred in 2021, customer relationships acquired were recognized as intangible asset, with a fair value of EUR 9,441 and a corresponding liability recognized as Trade and other payables.

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

6. NON-CURRENT INTANGIBLE ASSETS, CURRENT PROGRAMME ASSETS AND SUBSCRIBER ACQUISITION COSTS (CONTINUED)

Goodwill

(i) Reconciliation of carrying amount	
Cost	
Balance at 1 January 2022	**51,823**
Additions	
Disposals	(113)
Effect of movement in exchange rates	13
Balance at 30 September 2022	**51,723**
Balance at 1 January 2021	**77,749**
Additions	
Disposals	
Effect of movement in exchange rates	(592)
Balance at 30 September 2021	**77,157**

(ii) Impairment testing of goodwill
Goodwill is not amortised but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 September 2022.

b) Programme assets

	30 September 2022	31 December 2021
Balance at beginning of period	**15,465**	**18,383**
Balance at end of period	**27,880**	**15,465**

Contractual obligations related to future seasons are presented as commitments in Note 18.

c) Subscriber acquisition costs

Costs to obtain contracts with customers (Subscriber Acquisition Costs "SAC") additions, in the nine-month period ended 30 September 2022, were in amount of EUR 43,705 (30 September 2021: EUR 39,711); SAC represents third party costs for acquiring and connecting customers of the Group; The additions for the nine-month period ended 30 September 2021 were restated by EUR 5,693 (decrease) due to a correction in relation to the subscriber acquisition estimation for Digi Spain.

7. EQUITY

There were no changes in the share capital structure during the period ended 30 September 2022.

For stock option plan exercised during the period, please see Note 15.

As at 30 September 2022, the Company had 5.0 million treasury shares.

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

8. LOANS AND BORROWINGS

Included in Long term interest-bearing loans and borrowings are bonds EUR 850,744 (December 2021: EUR 850,859) and bank loans EUR 164,032 (December 2021: EUR 276,632).

Included in Short term interest-bearing loans and borrowing are bank loans EUR 51,099 (December 2021: EUR 88,335), short portion of long-term interest-bearing loans EUR 25,907 (December 2020: EUR 60,600) and interest payable amounting to EUR 3,802 (December 2021: EUR 9,917).

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

	Carrying amount
Balance as of 1 January 2022	**1,286,343**
New drawings	
Proceeds from bank loans	90,721
Interest expense for the period	22,290
Repayment	
Repayment of borrowings	(276,319)
Current year interest paid	(28,352)
New finance cost	(2,934)
Amortisation of deferred finance costs and inception value of embedded derivative	3,814
Effect of movements in exchange rates	20
Balance as of 30 September 2022	**1,095,584**

Included in Other long-term liabilities and Trade payables and other payables we have supplier balances that are part of several factoring arrangements amounting to EUR 106,075.

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

9. LEASE LIABILITY

The Group leases mainly network pillars, land, commercial spaces, cars and equipment. As at 30 September 2022, financial leasing liability in amount of EUR 204,957 (31 December 2021: EUR 196,761) was impacted mainly by modifications of stipulations for certain leasing contracts related to rent amount, contract period, etc.

10. RELATED PARTY DISCLOSURES

		30 September 2022	31 December 2021
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	163	780
Fundatia Man	(ii)	393	-
Other*		11	10
Total		**567**	**790**

		30 September 2022	31 December 2021
Payables to Related Parties			
RCS-Management	(i)(ii)	21,677	14,015
Mr. Zoltan Teszari	(i)	596	488
Other		1,099	37
Total		**23,372**	**14,540**

(i) Shareholder of DIGI
(ii) Entities affiliated to a shareholder of the parent
(*) Other includes RCS-Management

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Compensation of key management personnel of the Group

	Three months ended 30 September 2022	Three months ended 30 September 2021	Nine months ended 30 September 2022	Nine months ended 30 September 2021
Short term employee benefits –salaries	726	1,165	2,305	2,828

In May 2021, shares option plans were approved by the General Shareholders' Meeting for members of the Company's Board of Directors. For details, please see Note 15.

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

11. REVENUES

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

	Three months ended 30 September 2022	Three months ended 30 September 2021*restated	Nine months ended 30 September 2022	Nine months ended 30 September 2021*restated
Country				
Romania	250,230	223,077	739,006	657,864
Spain	127,814	94,667	356,689	257,287
Other (1)	7,050	6,248	20,456	17,670
Total revenues	**385,094**	**323,992**	**1,116,151**	**932,821**
Category				
Fixed services (2)	184,144	157,486	532,738	456,322
Mobile services	158,284	137,422	450,692	390,957
Other (3)	42,666	29,084	132,721	85,542
Total revenues	**385,094**	**323,992**	**1,116,151**	**932,821**

For the three months and nine months period ended 30 September 2021, the Company restated the amounts for Romania to include energy revenues. In previous reported financial statements, the result of energy activity was presented at a net basis.

(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 energy, 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 from contracts with costumers as at 30 September 2021 include mainly revenues from sale of energy, 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	Three months ended 30 September 2022	Three months ended 30 September 2021*restated	Nine months ended 30 September 2022	Nine months ended 30 September 2021*restated
Goods transferred at a point in time	11,971	8,908	37,306	23,076
Services transferred over time	373,123	315,084	1,078,845	909,745
Total revenues	**385,094**	**323,992**	**1,116,151**	**932,821**

The transfer of goods to the customer at a point in time are presented in the first table above as “Other revenues”. The rest of the services provided to customers are presented as revenues for each category line and country.

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

12. OPERATING EXPENSES

	Three months ended 30 September 2022	Three months ended 30 September 2021	Nine months ended 30 September 2022	Nine months ended 30 September 2021
Depreciation of property, plant and equipment	32,582	27,364	99,680	77,236
Amortisation of right of use assets	18,246	20,300	54,731	49,432
Amortisation of programme assets	7,245	5,213	23,705	27,000
Amortisation of non-current intangible assets	11,734	7,367	35,247	21,683
Amortisation of subscriber acquisition costs	11,015	10,992	37,961	30,208
Impairment of property, plant and equipment	-	1,405	560	1,945
Impairment of non-current intangible assets	497	264	1,595	1,003
Salaries and related taxes	60,796	53,143	176,406	152,409
Contribution to pension related fund	6	25	6	25
Programming expenses	17,557	17,372	55,960	51,923
Telephony expenses	86,211	71,907	243,121	208,615
Cost of goods sold	10,688	8,254	35,039	21,324
Invoicing and collection expenses	4,962	4,757	14,365	13,763
Utilities	12,278	7,251	35,110	20,515
Copyrights	2,603	2,530	7,721	7,445
Internet connection and related services	15,856	12,697	49,755	33,283
Impairment of receivables, net of reversals	3,840	680	8,445	2,482
Taxes to authorities	7,503	4,206	21,040	12,250
Other materials and subcontractors	2,200	3,937	7,369	9,136
Electricity expenses	13,603	5,738	37,073	16,620
Other services	8,365	6,669	24,594	21,812
Rent and other expenses	11,494	5,340	28,278	15,219
Total operating expenses	**339,282**	**277,411**	**997,762**	**795,328**

Comparative figures have been restated to account for the following:
- continuing operations
- change of accounting policy for property plant and equipment to historical cost model that result in a decrease of depreciation and impairment of property plant and equipment;
- treatment of satellite capacity contract under IFRS 16 with increase in amortisation of right of use and decrease of other expenses;
- change of accounting treatment for fixed salaries of the sales force in Spain from SAC to salary expense and decrease in amortisation of SAC;
- the Company restated the amounts for Romania to include energy expenses. In previous reported financial statements, the result of energy activity was presented at a net basis.

Share option plans' expenses accrued in the period are included in the caption "Salaries and related taxes".

For details, please see Note 15.

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

13. NET FINANCE COSTS

	Three months ended 30 September 2022	**Three months ended 30 September 2021 *restated**	**Nine months ended 30 September 2022**	**Nine months ended 30 September 2021 *restated**
Financial revenues				
Interest from banks	41	7	85	21
Other financial revenues	288	13	449	159
Foreign exchange differences (net)	-	-	-	-
	329	**20**	**534**	**180**
Financial expenses				
Interest expense and amortisation of borrowing cost	(7,825)	(9,250)	(27,333)	(25,497)
Interest expense for lease liability	(1,818)	(1,798)	(4,683)	(3,748)
Net gain/(loss) on derivative financial instruments	(4,056)	(1,771)	(6,935)	(4,752)
Foreign exchange differences (net)	(4,228)	(4,827)	(9,344)	(13,058)
Other financial expenses	(3,023)	(2,948)	(9,979)	(6,144)
	(20,950)	**(20,594)**	**(58,274)**	**(53,199)**
Net Financial Cost	**(20,622)**	**(20,574)**	**(57,740)**	**(53,019)**

Comparative figures have been restated to present the net finance cost for continuing operations and to account for treatment of satellite capacity contract under IFRS 16.

14. FINANCIAL RISK MANAGEMENT

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

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

14. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers.
Management mitigates credit risk mainly by monitoring the subscribers base and identifying bad debt cases, which are suspended, in general, in an average of 15 days period after the invoice due date.

The carrying amount of the non-derivative financial assets, net of the recorded allowances for expected credit losses, represents the maximum amount exposed to credit risk. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low.

Collection of receivables could be influenced by macro-economic factors. Management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

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

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

(b) Liquidity risk

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

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

At 30 September 2022, the Group had net current liabilities of EUR 202,077 (31 December 2021: EUR 520,782). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst

14. FINANCIAL RISK MANAGEMENT (continued)

considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

(c) Market risk

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

Exposure to currency risk

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

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

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

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (EUR and USD) though market fluctuations of interest rates. Details of borrowings are disclosed in Note 8.

d) Capital Management

The Group's objectives when managing capital are to safeguard the Groups 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 Agreement.

(e) Fair values

The Group measures at fair value the following: financial assets at fair value through other comprehensive income and embedded derivatives.

15. 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.

On 19 May 2022, was granted, for the year 2022, a total amount of 130,000 conditional class B stock options shares to executive directors of the Company, pursuant to the decision of the Company's general meeting of shareholders dated 18 May 2021 and a total amount of 91,700 conditional class B stock options shares to directors and employees of the Romanian Subsidiary of the Company, pursuant to the decision of the Company's Board of Directors dated 19 May 2022.

The further vesting of all stock option shares granted will be conditional upon several performance criteria and the passage of a minimum duration of 1 year.

More details regarding the stock options granted to the executive directors of the Company are available on the Company's website at https://www.digi-communications.ro/en/see-file/Agenda-and-explanatory-notes-1.pdf (the Agenda and Explanatory notes published by the Company on 6 April 2021, Annex I.

For nine months period ended at 30 September 2022 the related share option expense of EUR 467 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 12).

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

Financial assets at fair value through OCI

Financial assets at fair value through OCI comprise shares in RCSM. As at 30 September 2022, the fair value assessment of the shares held in RCSM was consequently performed based on the average quoted price/share of the shares of the Company as of the valuation date (RON/share 37.7), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Embedded derivatives

As at 30 September 2022, the valuation method was consistent with the one used as at 31 December 2021.

As at 30 September 2022 the Group had derivative financial assets in amount of EUR 2,019 (31 December 2021: EUR 8,857), which represents embedded derivatives related to the 2025 and 2028 Senior Secured Notes (includes several call options as well as one put option).

As at 30 September 2022 the Group had no derivative financial liabilities.

Fair value hierarchy

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

	Level 1	**Level 2**	**Level 3**	**Total**
30 September 2022				
Financial assets at fair value through OCI	36,364	-	-	**36,364**
Embedded derivatives	-	2,019	-	**2,019**
Total	**36,364**	**2,019**	**-**	**38,383**
31 December 2021				
Financial assets at fair value through OCI	47,948	-	-	**47,948**
Embedded derivatives	-	8,857	-	**8,857**
Total	47,948	**8,857**	**-**	**56,805**

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

17. DISCONTINUED OPERATIONS

Sale of Hungarian operations

On January 3, 2022 the Company's Romanian subsidiary (RCS&RDS) and 4iG Plc. (4iG Plc.) one of the leading companies of the Hungarian IT and ICT market, successfully closed the transaction regarding the acquisition of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and of its subsidiaries, Invitel Ltd., Digi Infrastruktura Korlatolt Felelossegu Tarsasag and I TV Ltd by 4iG Plc.

Effect in 2022 of disposal on the financial position of the Group	30 September 2022
	247,590
Right of use assets	55,121
Intangible assets	59,848
Long term receivables	3,377
Total non-current assets	**365,936**
Inventories	4,500
Programme assets	63
Trade and other receivables	22,013
Contract assets	2,506
Income tax receivable	265
Other assets	4,285
Cash and short-term deposits	2,633
Total current assets	**36,265**
Total Assets held for sale	**402,201**
Lease liabilities	41,507
Decommissioning provision	1,653
Total non-current liabilities	**43,160**
Trade payables and other payables	48,516
Lease liabilities	14,184
Contract liability	13,082
Total current liabilities	**75,782**
Total liabilities directly associated with the assets held for sale	**118,942**
Net assets and liabilities	**283,259**
Consideration received, satisfied in cash	624,980
Cash and cash equivalents disposed of	(2,633)
Net cash inflows	**622,347**

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

17. DISCONTINUED OPERATIONS (CONTINUED)

Revenues from discontinued operations for the period ended 30 September 2022 are detailed as follows:

	Three months ended 30 September 2021	Nine months ended 30 September 2021
Category		
Fixed services	42,941	127,407
Mobile services	2,225	5,995
Other	4,789	13,396
Total revenues	**49,955**	**146,798**

Operating expenses from discontinued operations for the period ended 30 September 2022 are detailed as follows:

	Three months ended 30 September 2021	Nine months ended 30 September 2021
Depreciation of property, plant and equipment	11,328	31,990
Amortisation of right of use assets	5,671	16,915
Amortisation of program assets	-	-
Amortisation of non-current intangible assets	1,153	3,479
Amortisation of subscriber acquisition costs	321	899
Impairment of property, plant and equipment	8	19
Impairment of subscriber acquisition costs	6	75
Salaries and related taxes	10,092	30,362
Contribution to pension related fund	1,090	3,444
Programming expenses	10,528	31,028
Telephony expenses	1,166	3,391
Cost of goods sold	74	180
Invoicing and collection expenses	1,567	4,826
Utilities	2,111	5,557
Copyrights	617	1,858
Internet connection and related services	308	766
Impairment of receivables, net of reversals	328	870
Taxes to authorities	835	6,577
Other materials and subcontractors	620	1,984
Electricity expenses	-	-
Other services	3,066	8,991
Other operating expenses	2,167	7,069
Total operating expenses	**53,056**	**160,280**

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

17. DISCONTINUED OPERATIONS (CONTINUED)

Net finance cost from discontinued operations for the period ended 30 September 2022 are detailed as follows:

	Three months ended 30 September 2022	Nine months ended 30 September 2022
Financial revenues		
Interest from banks		
Other financial revenues	-	1,596
	-	**1,596**
Financial expenses		
Interest expense	(957)	(1,103)
Interest expense for lease Liability IFRS 16	(734)	(2,772)
Other financial expenses	(5,944)	(96)
	(7,635)	**(3,971)**
Net Financial Cost	**(7,635)**	**(2,375)**

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

18. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.503% p.a., 3M EURIBOR + 6.503% p.a. or 3M ROBOR + 6.503% p.a.

	30 September 2022					
	Contractual cash flows	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Undiscounted						
Annual fee for spectrum license	152,810	4,942	4,942	9,883	35,203	97,841
Capital expenditure	80,239	40,119	40,119	-	-	-
Contractual obligations for program assets	49,924	7,955	7,955	24,907	9,107	-
Contractual obligations for energy contracts	45,533	18,415	18,415	8,703	-	-
	328,506	**71,431**	**71,431**	**43,493**	**44,310**	**97,841**
Discounted						
Annual fee for spectrum license	101,500	4,692	4,692	8,911	28,601	54,604
Capital expenditure	75,067	37,533	37,533	-	-	-
Contractual obligations for program assets	44,189	7,470	7,470	22,260	6,988	-
Contractual obligations for energy contracts	40,031	16,093	16,093	7,846	-	-
	260,787	**65,788**	**65,788**	**39,017**	**35,589**	**54,604**

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

18. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

	31 December 2021					
	Contractual cash flows	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Continued – undiscounted						
Annual fee for spectrum license	224,887	9,611	9,611	19,222	59,123	127,319
Capital expenditure	78,036	39,018	39,018	-	-	-
Contractual obligations for programme assets	80,297	12,779	12,779	31,467	23,271	-
Contractual obligations for energy contracts	77,230	21,374	21,374	34,482	-	-
	460,449	**82,783**	**82,783**	**85,171**	**82,395**	**127,319**
Continued – discounted						
Annual fee for spectrum license	141,986	8,976	8,976	16,767	45,023	62,243
Capital expenditure	72,926	36,463	36,463	-	-	-
Contractual obligations for programme assets	70,002	11,942	11,942	27,460	18,657	-
Contractual obligations for energy contracts	69,112	19,518	19,518	30,077	-	-
	354,025	**76,899**	**76,899**	**74,303**	**63,680**	**62,243**

(b) Letters of guarantee

As of 30 September 2022, there were bank letters of guarantee and letters of credit issued in amount of EUR 71,786 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2021: EUR 47,861).

We have cash collateral agreements for issuance of letters of counter guarantees. As at 30 September 2022 we had letters of guarantee issued in amount of EUR 2,671 (31 December 2021: EUR 2,671). These agreements are secured with moveable mortgage over cash collateral accounts.

(c) Legal proceedings

Uncertainties associated with the fiscal and legal system

The tax legislation 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.

18. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

The Group is currently involved in a number of legal proceedings, including inquiries from, or discussions with, government authorities that are incidental to their operations. 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. For the litigation described below, the Group did not recognize provisions. In all cases, the determination of the probability of successfully defending a claim against the Group involves always the subjective evaluation, therefore the outcome is inherently uncertain. The determination of the value of any future outflows of cash or other resources, and the timing of such outflows, involves the use of estimates.

Criminal case brought to court by the Romanian National Anti-Corruption Agency

During June – July 2017, RCS&RDS and part of its directors were indicted by the Romanian National Anti-Corruption Agency (DNA) for the offences of bribery and accessory to bribery, money laundering and accessory to money laundering.
The presumed offences of bribery and accessory to bribery are alleged to have been committed through the 2009[1] joint-venture agreement between RCS&RDS and Bodu S.R.L. with respect to the events hall in Bucharest and the broadcasting rights for Liga 1 football matches, while the presumed 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[2].
On 15 January 2019, the Bucharest Tribunal, convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of money and maintained the seizure over the two real estate assets first instituted by the DNA. Through the same judgement, Mr. Bendei Ioan (at that time member of the Board of directors of RCS&RDS and director of Integrasoft S.R.L.) was convicted, while the rest of the directors were acquitted in connection with all the accusations brought against them by the DNA.

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[1] In 2009 RCS&RDS and Bodu S.R.L. entered into a joint venture with Bodu S.R.L. (the "JV") with respect to an events hall in Bucharest. 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**").
[2] 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.

18. GENERAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.
The first court decision was appealed. On November, 1, 2021, the Bucharest Court of Appeal granted the appeals of RCS&RDS S.A., Integrasoft S.R.L. and of certain directors and quashed the decision of the Bucharest Tribunal from January, 15, 2019 in its entirety. The file was sent for retrial, to the competent court, which is the Bucharest Court of Appeal, starting with the procedure of the preliminary chamber. On 1 July 2022, in the course of the preliminary chamber procedure, the Bucharest Court of Appeal dismissed as unfounded the claims and exceptions raised by RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers. This solution was contested in front of the Bucharest Court of Appeal.
We strongly believe that RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers have acted appropriately and in compliance with the law, and we strongly restate that we will continue to defend against all the above allegations while expecting a final solution that corresponds to the factual and legal situation.19.

19. SUBSEQUENT EVENTS

For developments in legal proceedings in which the Group was involved (both as a plaintiff and a defendant), subsequent to 30 September 2022, please refer to Note 18.

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

20. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) our charges for depreciation, amortisation and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items.

	Three months ended 30 September 2022	**Three months ended 30 September 2021**	**Nine months ended 30 September 2022**	**Nine months ended 30 September 2021**
Revenues and other income	**385,094**	**323,992**	**1,116,151**	**932,821**
EBITDA				
Operating profit	45,577	46,552	117,922	137,151
Depreciation, amortisation and impairment	81,319	72,903	253,479	208,506
EBITDA	**126,896**	**119,455**	**371,401**	**345,657**
Other income				
Other expenses	234	30	467	342
Adjusted EBITDA	**127,130**	**119,485**	**371,868**	**345,999**
Adjusted EBITDA (%)	*33.01%*	*36.88%*	*33.32%*	*37.09%*

For the three months period ended 30 September 2022, other expenses is related to share option plans vested and are expected to be one-time events (for details, please see Note 15) in amount of EUR 234.

For the nine months period ended 30 September 2022, other expenses is related to share option plans vested and are expected to be one-time events (for details, please see Note 15) in amount of EUR 467 (for nine months period ended 30 September 2021: EUR 342)

EBITDA for discontinued operations:

	Three months ended 30 September 2021	**Nine months ended 30 September 2021**
Revenues and other income	**49,955**	**146,799**
EBITDA		
Operating profit	(3,102)	(13,481)
Depreciation, amortisation and impairment	18,489	53,378
EBITDA	**15,387**	**39,897**
Other income	-	-
Other expenses	-	-
Adjusted EBITDA	**15,387**	**39,897**
Adjusted EBITDA (%)	*30.80%*	*27.18%*

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

21. FINANCIAL INDICATORS

Financial Indicator	**Value as at 30 September 2022**
Current ratio	
Current assets/Current liabilities	0.73
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	192%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	66%
Trade receivables turnover	
Average receivables/Revenues x 180	35.73 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.69

Serghei Bulgac,

CEO,

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Valentin Popoviciu

Executive Director,

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