DIGI communications n.v.

ANNUAL REPORT

For the year ended December 31, 2021

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Message from the CEO

Dear Reader,

2021 was a challenging year for the European economies and our markets of operation. Most sectors rebounded in 2021 after the Covid pandemic struck 2020. However, higher demand was accompanied by semiconductors shortages, logistical issues and, in the last part of the year, an energy crisis which among several other factors created an inflationary pressure. In this challenging context, for DIGI, 2021 was a year of significant strategic decisions and achievements. We continued to grow at a good pace in our key markets. We agreed the sale of our Hungarian operations to 4iG Group for a total consideration of EUR 625 million. We obtained mobile spectrum rights in Portugal, a new market where we intend to expand our services.

We are very proud that despite all difficulties we continued expanding our networks and growing our customer base. The underlying number of users (RGU) reached 20.5million from 18.1 in 2020. Growth was generated in both our fixed and mobile segments. Mindful of the increasing number of customers choosing DIGI we have invested in expanding our fixed and mobile networks in Romania in order to enhance their everyday interactions with our services and promptly satisfy their evolving requirements. Spanish operations continued their accelerated growth and registered excellent results in both mobile and fixed services segments, accounting for 28.3% of total revenues at the Group level, retaining second position within the four markets in which we operated in 2021.

Group sales increased 12.8% year on year reaching EUR 1.47 billion from EUR 1.31 billion a year ago. Adjusted EBITDA (excluding effects of IFRS 16) reached EUR 430.5 million from EUR 412.2 million, an 4.5% increase. Capex amounted to EUR 567.3 million of which EUR 101 million were paid for the acquisition of new mobile frequencies in Romania and Portugal.

This year's solid results were driven by large investments in infrastructure and in support teams that manage, develop and maintain our fixed and mobile network communications. The most significant technical advancement in 2021 was the launch of 10 Gbps Internet, the revolutionary service provided in 2021 in Romania Spain and Hungary with speeds of up to 10 Gigabits per second. Thus, 2021 was the year of innovation, a year in which, through DIGI's bold moves, we were able to deploy and offer our clients the next generation of digital services, bringing them closer to the internet of the future.

I am grateful to every employee who has relied on DIGI Group, who has continued throughout 2021 to show empathy, flexibility and efficiency in order to serve our customers. The trust of our customers, investors and partners empowers and motivates us to continue our growth.

Sincerely,

Serghei Bulgac, Chief Executive Officer

Key Figures. Objectives and strategic directions.

KEY FIGURES FOR DIGI GROUP

We are an integrated provider of telecommunication services on the Romanian and Spanish markets and an MVNO operator in Italy. During the year 2021 we have agreed the sale of our Hungarian operations to the 4iG group. At the end of 2021, we were awarded frecquency spectrum in Portugal which we intend to use to expand our services in that country.

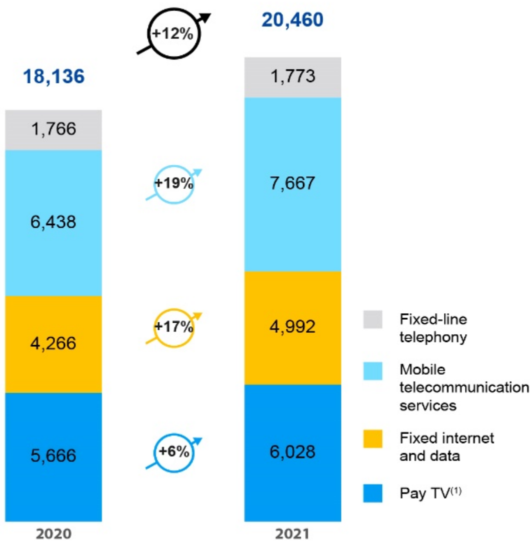
The Group’s offerings include pay-TV (cable and DTH television) services, fixed internet and data, mobile telephony and data as well as fixed-line telephony. In Romania, our fixed telecommunication and entertainment services are offered through our technologically advanced fiber optic network. Our cable and DTH television subscribers enjoy access to free-to air (must carry) services and pay tv channels as well as our own channels, offering news, music, movies and sports content. We also operate a mobile network in Romania, which shares the backbone of our fixed fiber optic infrastructure. In Spain we offer mobile services as a MVNO operator (using Telefonica’s network) as well as fixed internet and data and fixed-line telephony services through Telefónica’s fixed line network and our own GPON FTTH network.

In addition, we provide mobile telecommunication services as a Mobile Virtual Network Operator (“**MVNO**”) in Italy. Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 2021 5G auction. This will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services.

On 29 November 2021, RCS&RDS and 4iG Plc. (4 iG Plc.) one of the leading companies of the Hungarian IT and ICT market agreed the acquisition by 4iG Plc of the 100 percent stake held by RCS&RDS in Digi Hungary. On January 3, 2022 the transaction was closed succesfully and an aggregate price of approximately EUR 625 million has been received by RCS&RDS.

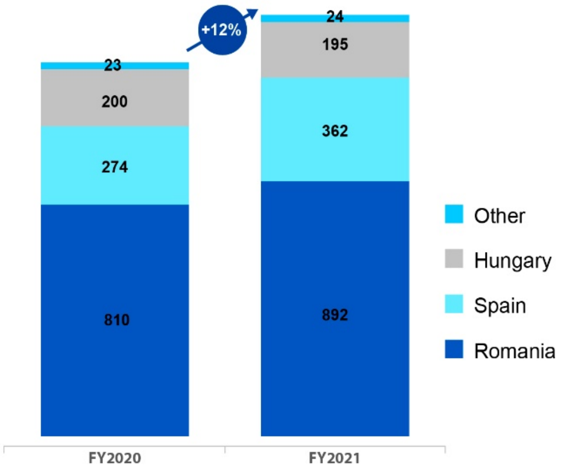
We have grown mainly organically from approximately 18.1 million RGUs as at December 31, 2020 to approximately 20.5 million RGUs as at December 31, 2021.

As at December 31, 2021, we had a total of approximately 6.0 million Pay TV RGUs, approximately 5.0 million fixed internet and data RGUs, approximately 7.7 million mobile telecommunication services RGUs, and approximately 1.8 million fixed-line telephony RGUs.



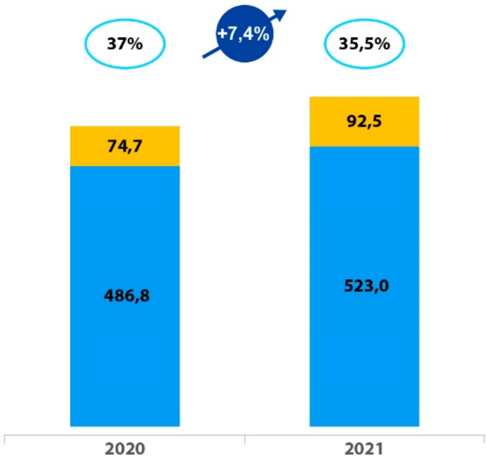
(1) cable TV and DTH services

We have consistently generated strong revenue streams. We generated € 1,472.7 billion in year ended December 31, 2021, an increase of 12.8 % compared to prior period.



The Group's operations generated € 523 million Adjusted EBITDA in the year ended December 31, 2021, compared to €487 in prior period, an increase of 7.4%.

The Adjusted EBITDA margin was 35.5% in the year ended December 31, 2021; slight decrease compared to the year ended December 31 2020.



IFRS 16 impact o Adj. EBITDA

We have continued to pursue an ambitious growth strategy that required us to undertake substantial capital expenditure. Consequently, our capital expenditures have been significant. In the year ended December 31, 2021, we had capital expenditure of € 567.3 million (December 31, 2020: €371.1 million). This represented 38.5% of our total revenue for the year ended December 31, 2021 (December 31, 2020: 28.4%).

We have maintained prudent capital and liquidity structures with a leverage ratio of 3.2x for the year ended December 31, 2021 and 2.6x for year ended December 31, 2020).

OBJECTIVES AND STRATEGIC DIRECTIONS

Strategy

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

- ***Continue to leverage our advanced fixed networks, offering high-quality service, while maintaining competitive prices.*** The current technological state of our fixed networks allows us to offer a wide range of advanced high-quality services to customers at competitive prices, while maintaining low infrastructure operating expenses. In particular, our Romanian fixed networks are more than 90% fiber and are faster and more cost-effective than traditional networks operated by our competitors. In Spain our fixed fiber network is still under development and roll out. We intend to continue leveraging existing network capabilities to further increase the number of cable TV and fixed internet and data subscribers. In both countries, we intend to also continue expanding our networks further (particularly, in rural areas).
- ***Continue to grow our RGU base in all business lines, both organically and through acquisitions.*** Growth in RGUs both organically and through acquisitions has always been the primary driver of increases in our revenue,primarily due to the expansion of our fixed networks, cross-selling of additional services to our existing customers and refocusing on our mobile telecommunication business. Our goal is to continue that RGU growth in all our business lines and geographies. We aim to grow organically by expanding our networks and increasing the penetration of our Pay TV, fixed internet and data, mobile telecommunication, and fixed-line telephony services through multiple service offers and cross-selling to existing and prospective customers. In addition to organic growth, we may choose to further expand our RGU base through acquisitions in line with, or complementary to, our current business. We regularly monitor potential acquisition targets, while assessing their attractiveness relative to other strategic alternatives available to us.
- ***Further grow our mobile telecommunication business by expanding the coverage of our mobile networks.*** As at December 31, 2021, our 3G (2G+4G in certain areas) and 4G mobile telecommunication services covered (outdoor voice coverage) approximately 99.5% and 98.6% of Romania's population, respectively. We have 2G, 3G and 4G licenses and have been able to introduce a 5G service in several Romanian cities based on our existing 3,700 MHz license. We believe that our dense fixed networks and existing licenses provide a solid foundation for further development of our mobile telecommunication infrastructure and offerings in these markets. We may also participate in additional frequency blocks/bandwidth tenders or auctions to complement our existing set of mobile telecommunication licenses as and when they get organized by relevant licensing authorities. Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 5G auction from 2021.
- ***Focus on Romanian and Spanish markets.*** We intend to focus primarily on Romania and to continue our expansion in Spain. Our advanced networks in Romania allow us to efficiently deliver multiple services in the areas covered and we believe there is scope for increase in uptake of our services in these areas. We also see potential for growth of our mobile telecommunication and internet and data services, as we believe that the Romanian mobile market still offers opportunities for us to expand. In addition, we remain open to attractive opportunities, such as our expansion into Spain's fixed telecommunications market with an offering through Telefónica's local network and our own GPON FTTH network. In addition to these core markets, we remain open to explore further expansion opportunities like Portugal and others.
- We believe that Spain presents significant future growth opportunities for our business outside of the Romanian market and expect our Spanish operations to continue gaining prominence relative to our other geographic segments.
- ***Offer premium content to increase the attractiveness of our product offerings***. We intend to maintain and increase the attractiveness of our Pay TV (cable TV and DTH) services by continuing to offer sports, film and other premium content through our existing own channel line-up, which may be further developed or expanded in the future.

Share Capital Structure and Shares

SHARE CAPITAL STRUCTURE AND SHARES

The value of the issued and paid-up capital as at 31 December 2021 was €6,810,042.52, divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 35,443,972 class B shares, with nominal value of one eurocent (€ 0.01) each.

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

	31 December 2021	31 December 2020
Class A:		
Ordinary Shares – Issued and Paid (No.)	64,556,028	64,556,028
Ordinary Shares – Unissued (No.)	35,443,972	35,443,972
Nominal Value	0.10 EUR per share	0.10 EUR per share
Class B:		
Ordinary Shares – Issued and Paid (No.)	35,443,972	35,443,972
Ordinary Shares – Unissued (No.)	64,556,028	64,556,028
Nominal Value	0.01 EUR per share	0.01 EUR per share
Share Capital Value (EUR)	€6,810,042.52	€6,810,042.52

At 31 December 2021, the shareholders of DIGI are as follows:

	31 December 2021		31 December 2020	
Shareholder name	**No. of shares**	**%**	**No. of shares**	**%**
Class A:				
RCS Management S.A.	57,866,545	57.87%	57,866,545	57.87%
Zoltan Teszari	2,280,122	2.28%	2,280,122	2.28%
DIGI-treasury shares	4,409,361	4.41%	4,409,361	4.41%
Total class A	64,556,028		64,556,028	
Class B:				
Shares listed on BVB	34,807,746	34.81%	34,572,246	34.57%
DIGI - treasury shares	636,226	0.64%	871,726	0.87%
Total class B	**35,443,972**		**35,443,972**	
TOTAL	**100,000,000**		**100,000,000**	

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

Group Overview

BUSINESS

Overview

Introduction

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Source: Group and peer reporting*). We are a leading provider of telecommunication services in Romania, with significant operations in Spain and until the end of 2021 in Hungary and also present in Italy. At the end of 2021, we have been awarded mobile spectrum in Portugal.

- → Romania. Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. As at December 31, 2021, our technologically-advanced fixed network in the country covered 93.7% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently reported by ANCOM). We also operate a technologically-advanced mobile network, which shares the backbone of our fixed infrastructure. In addition, Romania is entirely within the footprint of our DTH signal.
- → 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. Starting with September 2021 we launched XGSPON on the Spanish market.
- → Hungary. We provided cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH services in Hungary.On 29 November 2021, RCS&RDS and 4iG Plc. (4 iG Plc.) one of the leading companies of the Hungarian IT and ICT market agreed the acquisition by 4iG Plc of the 100 percent stake held by RCS&RDS in Digi Hungary.The sale was concluded on the 3rd of January 2022. As at December 31, 2021, our network in the country covered 46.1% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently reported by the Hungarian Central Statistical Office). Starting from the January 1, 2021, we had commenced to offer commercial mobile subscriptions. Like Romania, Hungary was entirely within the footprint of our DTH signal.
- → Italy. We provide mobile telecommunication services as an MVNO through the mobile network of Vodafone. Our service offerings in Italy target the large local Romanian community and the value centric Italian market.
- → Portugal - At the end of 2021, we were awarded mobile spectrum in Portugal at the 5G auction. This will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services, based on the latest technologies.

For the year ended December 31, 2021, our four geographies accounted for the following portions of our total revenue: Romania for €891.8 million, or 60.6%; Spain for €362.0 million, or 24.6%; Hungary for €194.6 million, or 13.2%; and Italy for €24.3 million, or 1.6%.

As at December 31, 2021, we had a total of 20.5 million RGUs, of which 6.0 million were Pay TV RGUs, approximately 5.0 million were fixed internet and data RGUs, approximately 7.7 million were mobile telecommunication services RGUs and approximately 1.8 million were fixed-line telephony RGUs.

We have historically generated strong revenue streams. Our total revenue amounted to €1,427.7 million for the year ended December 31, 2021. We have reported Adjusted EBITDA and Adjusted EBITDA margins for continuing and discountinued operations of €523 million and 35.5%, respectively, for the year ended December 31, 2021.

We offer five principal types of services (continues operations):

- → **Pay TV** (cable TV and DTH) is our original line of business. As at December 31, 2021, we had approximately 5.1 million Romanian RGUs for Pay TV services.

- We offer **fixed internet and data** services through our technologically-advanced fixed networks in Romania and in Spain through Telefónica's fixed line network and through our own GPON FTTH network. As at December 31, 2021, we had approximately 3.8 million and 480,000 fixed internet and data RGUs in Romania and Spain, respectively.
- We provide **mobile telecommunication services** using our own 3G (2G+4G in certain areas) and 4G networks in Romania, and as an MVNO in Spain and Italy. Following the launch of 5G mobile telecommunication services in 2019 in certain Romanian cities, we have added more locations during 2020, based on our existing 3,700 MHz license. As at December 31, 2021, we had approximately 4.2 million, 3.0 million and 324,000 mobile telecommunication services RGUs in Romania, Spain, and Italy, respectively.
- We offer **fixed-line telephony** services through our technologically-advanced fixed networks in Romania and in Spain through Telefónica's fixed line network and through our own GPON FTTH network. As at December 31, 2021, we had approximately 984,000 and 165,000 fixed-line telephony RGUs in Romania, and Spain, respectively.

On 3rd of January 2022, the Hungarian operations were sold. In Hungary we provided fixed and mobile services to our customers, via our own fixed and mobile network (2G and 4G network) (discontinued operations):

- We offered pay TV services (899,000 RGUs), fixed internet and data (730,000 **RGUs)**, mobile telecommunication services (194,000 **RGUs)** and fixed-line telephony (624,000 **RGUs)**.

Key Strengths

We consider our key strengths to include the following:

- ***Attractive local markets with stable structural growth.*** We currently focus our telecommunication offerings on Romania and Spain. These economies have been experiencing strong positive developments in recent years, in Romania's case outperforming the EU's overall GDP growth rate, and their respective telecommunication services markets have been growing steadily. Our operations in Romania and Spain accounted for approximately 60.6% and 24.6%, respectively, of our consolidated revenue for the year ended December 31, 2021.
- **Market leadership in core business lines and robust RGU growth.** We are the leading provider of pay TV services in Romania and were in 2021 the second largest in Hungary (for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions), in each case, by number of RGUs. We also lead Romania's fixed internet and data market, while we were the second in Hungary as at December 31, 2021. In addition, we are the leading provider of fixed-line telephony services in Romania and we were the second in Hungary as at December 31, 2021.Finally, we are the second-largest provider of post-paid mobile telecommunication services in Romania as at December 31, 2021. We are focused on increasing market penetration in our markets by further expansion and cross-selling multiple service offerings to our current and prospective subscribers. Capitalizing on our high-quality technical infrastructure, competitive pricing and attractive content, we have achieved substantial, mainly organic growth; which led to a total number of RGUs across all business lines to approximately 20.5 million as at December 31, 2021.
- ***Advanced fixed and mobile infrastructure in Romania.*** Our fixed networks in Romania is technologically advanced and, as at December 31, 2021, covered 93.7% of dwellings from the country. In Hungary ((*for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions)*, the fixed networked covered 46.1% of dwellings. (*Sources: Group reporting; ANCOM and Hungarian Central Statistical Office*). We have upgraded more than 90% of our Romanian and Hungarian fixed networks to GPON or comparable technology (excluding certain parts of Invitel's network) and were able to offer transmission speeds of up to 1,000 Mbps for internet and data services in certain, the fastest available to residential users in those markets. Starting with 2022 we will be able to offer transmission speeds of up to 10 Gbps for internet and data services in major cities in Romania. As

at December 31, 2021, our 3G (2G+4G in certain areas) and 4G mobile telecommunication services in Romania covered (outdoor voice coverage) approximately 99.5% and 98.6% of the country's population, respectively, and were provided via approximately 6,600 base stations (approximately 99% of which were used to provide 4G connectivity). 5G mobile telecommunication services are available in certain Romanian cities based on our existing 3,700 MHz license. We had been offering mobile telecommunication services in Hungary through our own network since May 2019. As at December 31, 2021, our 2G and 4G offerings in the country covered (outdoor voice coverage) approximately 89.0% of Hungary's population and were provided via approximately 2,550 base stations.

→ ***Leading commercial proposition for customers.*** Our technical capabilities, wide network coverage and multiple service offerings enable us to provide customers with a wide range of services at competitive prices. Our ability to offer multiple services is a central element of our strategy and allows us to attract new customers who wish to benefit from our varied product offerings, to expand the uptake of our service offerings within our existing customer base and increase customer loyalty by offering multiple services at cost-effective prices. For example, we have a flexible customer proposition in Romania, which include a comprehensive cable TV offering (including analog and digital packages with optional add-ons for HBO, MAXPAK, Adult, Film NOW and DIGI 4K), superfast fixed internet and data (at speeds of 500 Mbps or 1,000 Mbps and starting with 2022 at speeds of up to 10 Gbps) in certain large cities in Romania fixed-line telephony and mobile packages (with solutions offering various call minutes allowances and generous mobile traffic of up to 50 GB per month at 4G speeds or up to 80 GB per month at 5G speeds).

→ ***Robust financial performance and a prudent approach to capital expenditure.*** Our business has consistently generated strong revenue streams. For the years ended December 31, 2020 and 2021 our total revenue was €1,306.1 million and €1,472.7 million, respectively. We have historically had robust Adjusted EBITDA and a prudent approach to capital expenditure. Our Adjusted EBITDA was €486.8 million and €523 million for the years ended December 31, 2020 and 2021, respectively. Our total capital expenditure was €371.1 million and €567.3 million for the years ended December 31, 2020 and 2021, respectively. This represented 28.4% and 38.5% of our total revenue for the years ended December 31, 2020 and 2021, respectively. In addition, we have historically maintained prudent capital and liquidity structures with a leverage ratio of 2.6x and 3.2x for the years ended December 31, 2020 and 2021, respectively, and an interest coverage ratio of 9.7x and 12.0x, respectively, for the same periods.

→ ***Highly experienced management team***. Our senior management team is made up of professionals who have, on average, more than 20 years of experience in the telecommunication industry and the Group. Our controlling shareholder, Mr. Zoltán Teszári, has been, and continues to be, involved in all key management decisions in relation to the Group since its foundation in 1992. Our Chief Executive Officer, Mr. Serghei Bulgac, joined the Group in 2003 as its Chief Financial Officer and became the Chief Executive Officer in 2015. The majority of our experienced management team members have been with us for more than 10 years and made significant contributions to our transformation from a small cable TV business to a leading provider of telecommunication services in our core markets. We believe that the collective industry knowledge and leadership capabilities of our senior management team will enable them to continue a successful execution of our strategy.

Areas of Operations

We operate in Romania, Spain and Italy. Until 3 January 2022 we also operated in Hungary. The scope of our services varies from country to country.

The table below sets out our current business lines available in each of our geographies:

	Pay TV[3]	Fixed Internet and Data	Mobile Telecommunication services	Fixed-line Telephony
Romania	✔	✔	✔	✔
Spain		✔ (1)	✔ (2)	✔ (1)
Hungary (4)	✔	✔	✔	✔
Italy			✔ (2)	

(1) Through Telefónica's network and through our own GPON FTTH network.
(2) As an MVNO.
(3) Includes cable TV and DTH operations.
(4) Discontinued operations. For details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions.

Products and Services

Business Lines

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

To customers in Romania and Hungary (*for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions*) whose homes or businesses are covered by our fixed network, we offered our branded cable TV, fixed internet and data and fixed-line telephony products (and in Hungary, we also offered certain Invitel-branded products), either individually or in combination. We offer fixed internet and data and fixed-line telephony services in Spain through Telefónica's network and through our own GPON FTTH network.

We offered mobile telecommunication services in Romania and Hungary (*for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions*) through our own networks, which share the backbone of fixed infrastructure we have in those countries. We also offer mobile telecommunication services in Spain and Italy as an MVNO. At the end of 2021, we were awarded mobile spectrum in Portugal at the 5G auction.

Finally, we offer DTH services to customers in Romania and Hungary (*for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figure, Objectives and Strategic Directions*).

The table below sets out the number of RGUs per business line and per geographic segment as at December 31, 2021:

	Romania	Hungary[4]	Spain	Italy	Total RGUs per service
					(thousands)
Pay TV[1]	5,129	899	-	-	**6,028**
Fixed Internet and Data	3,782	730	480	-	**4,992**
Mobile Telecommunication Services	4,177	194	2,972	324	**7,667**
Fixed-line Telephony	984	624	165	-	**1,773**
Total RGUs per country	**14,072**	**2,447**	**3,617**	**324**	**20,460**

(1) Includes cable TV and DTH operations.
(2) Through Telefónica's network and through our own GPON FTTH network.

(3) As an MVNO.

(4) For details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figure, Objectives and Strategic Directions.

Cable TV Services

Our cable TV services consist of distributing local and international programming content through our cable TV networks. We offer cable TV services in Romania and we offered such services in Hungary in the year 2021 (*for details regarding the sales of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions*), where we are the largest and respectively, we were the second largest pay TV operator, respectively, by number of RGUs (*Source: Group and peer reporting, ANCOM, NMHH*).

In the last years, we have been expanding our services into rural areas that were already covered by cable TV networks of our competitors or were not covered by cable TV or internet and data networks at all. This has generated most of our growth in this period as our competitive prices, our multiple-service offerings, the quality of our services provided through technologically advanced networks and our ability to offer premium programming content have proved to be attractive to customers.

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

Cable TV product packages

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

In Romania, we offer two main packages—an analog package and a digital package. Each package has two further versions: a standard version, which is addressed to all customers, and a reduced version, which is addressed to customers in rural areas. As at December 31, 2021, approximately 62.0% of our cable TV customers were subscribed to the analog package and approximately 38.0% of our cable TV customers were subscribed to the digital package. We believe that our standard packages are attractive to customers in terms of content offered for the price and as they provide access to our own channels (other than Film NOW and DIGI 4K, our premium pay TV channels) for no additional fee. In combination with the standard version of the digital package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV markets in Romania, with certain local variations regarding the number and composition of channels included in each package.

DTH

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

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

DTH product packages

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

As at December 31, 2021, we had approximately 5.1 million and 899,000 pay TV RGUs in Romania and Hungary, respectively, and covered approximately 10.7 million homes passed in the two countries.

Fixed Internet and Data

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

As at December 31, 2021, we had approximately 3.8 million (business and residential) and 480,000 fixed internet and data RGUs in Romania and Spain, respectively. In Hungary we had approximately 730,000 RGUs. Business subscribers represent an important part of our fixed internet and data business in Romania, as they generate a significant part of our revenue, although they are much fewer in number than residential subscribers.

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

Fixed internet and data product packages

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

We offer the following packages to residential customers:

- "**Fiberlink 500**" and "**Fiberlink 1,000**" are our main residential fixed internet and data offerings in Romania. "Fiberlink 500" and "Fiberlink 1,000" allow unlimited traffic at speeds of up to 500 Mbps and 1,000 Mbps, respectively, the fastest internet service currently offered to residential users in Romania. We also offer "**Fiberlink Popular**" and "**Fiberlink Popular Gigabit**" packages to certain of our rural customers, which allow unlimited traffic at speeds of up to 300 Mbps and up to 1,000 Mbps, respectively. At the end of 2021, RCS & RDS announced the launch of "**Fiberlink 10 Gb**" and "**Fiberlink 2.5 Gb**", which will be available starting with December 2021 in Bucharest and starting 2022 in other major cities in Romania.
- We offer fixed internet and data in Spain under "**Digi Net 300 Mb**" and "**Digi Net 1 Gb**" on Telefonica's network allowing unlimited traffic at speeds of up to 300 Mbps and 1 Gbps, respectively. Also, we offer, through our own GPON and XGSPON network, "**Digi Net Smart 1Gb**" and starting September 2021 "**Digi Net Pro-Digi 10Gb**" packages allowing unlimited traffic at speeds of up to 1 Gbps and **10 Gbps**, respectively.

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

Mobile Telecommunication Services

As at December 31, 2021, we were one of four licensed providers of mobile services in Romania and one of four licensed providers of mobile services in Hungary. We provide mobile telecommunication services, which include both voice and data services, for which we use our own 3G (2G+4G in certain areas) and 4G networks in Romania and we used our own 2G and 4G networks in Hungary. In addition, we provide mobile telecommunication services as an MVNO in Spain and Italy. At the end of 2021, we were awarded mobile spectrum in Portugal at the 5G auction.

As at December 31, 2021, our 3G (2G+4G in certain areas) and 4G networks' coverage (outdoor voice coverage) in Romania extended to approximately 99.5% and 98.6% of the country's population, respectively. We have frequency blocks in the bandwidths of 800 MHz 900 MHz; 2,100 MHz; 2,600 MHz and 3,700 MHz in Romania, some of which, in the 800 MHz and 2.600 MHz bandwidths, were awarded to us in a spectrum auction in December 2021.We are the leader in inbound number porting in mobile, with approximately 2.9 million numbers ported between 2008 and December 31, 2021. In 2021, there were approximately 562,000 mobile numbers were ported to us, the largest share of approximately 1,051,000 mobile telephony numbers ported in Romania during this period (Source: ANCOM).

As at December 31, 2021, we had approximately 4.2 million, 3.0 million and 324,000 mobile telecommunication services RGUs in Romania, Spain and Italy, respectively.

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

Mobile telecommunications product packages in Romania

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

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

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

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

Mobile telecommunications product packages in Spain and Italy

We offer voice and data mobile services in Spain under the brand name "**Digi**" using Telefónica's network. We offer prepaid and post-paid tariff packages for voice, SMS and mobile data. We offer a set of customer propositions, including "**Digi Ilimitado**" and "**Digi Combo**", which include different data volumes that could also be combined with our fixed internet and data services, giving customers the possibility to elect the most suitable combination of services for their needs at very competitive prices. These products have been well received by the market, contributing to the improvement of the group's positioning in Spain.

We offer MVNO voice and data mobile service in Italy under the brand name "**Digi Mobil**" using Vodafone's network. We offer prepaid packages for voice, SMS and data in Italy, which are distinguished by varying mixes of predefined options on top of our standard tariffs. In 2021 we have introduced new customer propositions in Italy, with unlimited voice traffic bundles and generous data traffic.

Fixed-line telephony

As at December 31, 2021, we were the largest fixed-line telephony operator in Romania and the second largest operator in Hungary, in each case, by total number of RGUs (*Sources: Group and peer reporting; ANCOM; NMHH*). We also offer fixed-line telephony services in Spain through Telefónica's local network and through our own GPON FTTH network.

As at December 31, 2021, we had approximately 984,000 (business and residential) and 165,000 fixed-line telephony RGUs in Romania and Spain, respectively. In Hungary we had 624,000 RGUs as at December 31, 2021.

Fixed-line telephony product packages

We offer fixed-line telephony services in Romania and Spain and we offered such services in Hungary in the year 2021 in the form of service plans structured to meet the needs of our subscribers. We believe that our fixed-line telephony service offering helps increase customer retention on our networks in those countries.

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

→ "**Digi Tel Family**"is our basic package that targets customers who prefer a lower monthly fee. It includes unlimited free minutes for calls with our other fixed-line and mobile telecommunication subscribers and 100 minutes for calls to other national fixed networks.

→ "**Digi Tel National**"is a package that includes a fixed-line telephony subscription and unlimited free minutes for calls with our other fixed-line and mobile telecommunication subscribers, as well as other national fixed-line telephony networks and 100 minutes for calls to other national mobile operators.

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

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

Content

Own TV channels

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

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

All our own channels are broadcast in standard definition and HD (except "Music Channel" and "Hora TV", which are only broadcast in standard definition and "DIGI 4K", which is only broadcast in Ultra HD).

Our premium sports channels own exclusive TV rights to broadcast the Women's Tennis Association's ("**WTA**") tournaments, Spanish Super Cup and English Football League Cup in Romania and Hungary. We also have exclusive TV rights to broadcast the French Ligue 1 in Hungary. In addition, we have non-exclusive rights to broadcast Premier League in Hungary and the following major competitions in Romania: the UEFA Champions League, the UEFA Super Cup, the UEFA European Qualifiers, the Romanian Football Leagues 1 and 2, the Romanian Cup and Super Cup, the Spanish La Liga, the German Bundesliga, the Italian Serie A, the French Ligue 1, the Formula One, the Moto GP, the European Handball Federation ("**EHF**") Champions League, World and European Handball Championships and the Romanian Basketball League.

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

Sport	Competition	Romania	Hungary	Period
Football	Romanian League 1	✓		2019 – 2024
Football	Romanian League 2	✓		2021 – 2024
Football	Romanian Cup	✓		2021 – 2024
Football	Romanian Super Cup	✓		2021 – 2024
Football	UEFA Champions League	✓		2021 – 2024
Football	UEFA Super Cup	✓		2021 – 2024
Football	UEFA European Qualifiers	✓		2021– 2022
Football	Premier League		✓	2019 – 2022
Football	Spanish La Liga	✓		2021 – 2024
Football	Italian Serie A	✓		2021 – 2024
Football	French Ligue 1	✓	✓	2021 – 2024
Football	German Bundesliga	✓		2021 – 2025
Football	English Football League Competition	✓	✓	2020 – 2022
Football	Spanish Super Cup	✓	✓	2020 – 2022
Handball	EHF Champions League	✓		2021 – 2025
Handball	European Handballs Championships	✓		2019 – 2021
Racing	Formula One	✓		2020 – 2022
Racing	Moto GP	✓		2020 – 2023
Tennis	WTA	✓	✓	2019 – 2021
Basketball	Romanian Basketball League	✓		2020 – 2023

The aggregate value of the licensing fees under these agreements was €113.4 million as at December 31, 2021. In addition to licensing fees, some of these agreements require us to bear certain technical costs, such as costs related to up-and down-linking.

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

Own radio channels

We also operate the following radio stations in Romania: “**Pro FM**,” “**Digi 24 FM**,” “**Dance FM**” and “**Digi FM**.”

Third-party content

Separately from the channels that we own, we acquire the rights to distribute TV channels from local and international programming content providers. In the case of all international and most local providers, we downlink and retransmit these channels as originally packaged (or with subtitles or dubbed), while with certain local providers we receive the channel via terrestrial fiber transmission. As at December 31, 2021, we had distribution agreements in place with 47 content providers. In Romania and Hungary, we were entitled to retransmit 321 pass-through channels. Our pass-through channel providers assume full responsibility for programming content and ensuring compliance with applicable rules, including those on the protection of minors. The programming content generally consists of films, sports, general entertainment, documentaries, children’s programs, news and music.

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

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

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

Multiple Offerings

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

As the geographical coverage of our mobile network has increased in recent years, so has the number of customers who subscribe to multiple services. In Romania, the average number of services per one residential network customer was 2.1 and the percentage of network customers using more than one service was approximately 73.0% of all our base subscribers in the country, in each case, as at December 31, 2021. In Spain, the average number of services per one network customer was 1.2 and the percentage of network customers using more than one service was approximately 16% of all our base subscribers in the country, as at the same date. In Hungary, the average number of services per one network customer was 2.5 and the percentage of network customers using more than one service was approximately 81.0% of all our base subscribers in the country, as at the same date.

The table below sets out the percentage of network customers that subscribe to multiple services in Romania, Spain and Hungary, as a percentage of our base subscribers as at December 31, 2021:

	Romania	Spain
Single-play	27.0 %	84.0%
2 or more	73. %	16.0%
Of which 3 or more	30.0 %	6.0%
Of which quad-play	6.0 %	-

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

Electricity generation and supply

Since 2012, we have acquired several developmental stage solar energy projects as a means to reduce or partially offset our costs for electricity. As at December 31, 2021, these projects have an aggregate installed capacity of 15.72 MW, all of them being fully operational.

Under incentives promulgated by the Romanian government, producers of electricity from renewable sources (e.g., solar) that are accredited by the Romanian energy regulator are entitled to receive green certificates that can be subsequently sold to suppliers and other entities that have a legal obligation to acquire them. As at December 31, 2021, we accumulated €5.9 million of green certificates generated by our solar energy production activities. During the year, we started selling green certificates which became tradable.

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

Operations

Fixed Fiber Networks

Romania

In Romania, we own and operate an advanced, fully digitalized and two-way capable fixed network. The network architecture provides approximately 97.6% FTTB/FTTH coverage based on GPON or comparable technology, with the rest (located in rural areas composed primarily of single family homes) being hybrid fiber-coaxial networks, giving us the highest fiber share among similar cable operators in Europe.

We have an intercity fixed backbone network exceeding 50,000 kilometers. Our backbone network covers, in addition to the capital city of Bucharest, all 41 county capital cities and numerous smaller cities and towns. Our fixed network in Romania passed a total of approximately 8.6 million homes as at December 31, 2021. In addition to residential customers, we service business customers in all counties and major cities of Romania.

The map below sets out our fixed backbone network in Romania as at December 31, 2021:

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

	As at December, 31	
	2020	**2021**
Romania		
Number of homes passed (millions)	7.7	8.6

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

Spain

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

Mobile Telecommunication Services Networks

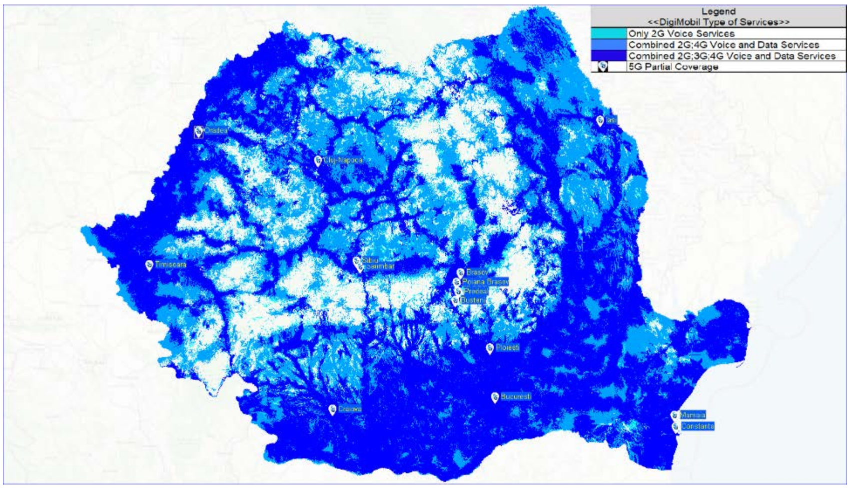
Romania

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

As at December 31, 2021, our mobile telecommunication services (outdoor) covered more then 99.5% of Romania’s population, respectively. As at the same date, our mobile telecommunication services were provided through approximately 6,600 base stations (approximately 99% of which were used to provide 4G connectivity).

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

The map below sets out the territorial coverage of our own mobile telecommunication network in Romania as at December 31, 2021:



5G mobile telecommunication services are available in certain important Romanian cities based on our existing 3.5 Ghz license. In November 2021, Romanian authorities launched an additional tender for supplementary frequency blocks/bandwidth and we were awarded in December 2021 additional frequencies in the 800 MHz and 2,600 MHz bandwiths which will alow for further development of the business.

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

MVNO operations in Spain and Italy

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

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

Mobile frequencies awarded in Portugal

On October, 27, 2021, the Portuguese Authority for Telecommunications (ANACOM) finalised the auction which began on December 22, 2020, for the allocation of the frequency user rights in the 700 MHz, 900 MHz, 1800 MHz, 2.1 GHz, 2.6 GHz and 3.6 GHz bands.

ANACOM designated the Group's Portuguese subsidiary, Dixarobil Telecom, Sociedade Unipessoal, Lda. (Dixarobil) as winner of the frequency user rights in the 900 MHz (2x5 MHz), 1800 MHz (2x5 MHz), 2.6 GHz (2x5 MHz FDD and 25 MHz TDD) and 3.6 GHz (40MHz) bands. The total price of the frequency user rights is EUR 67.34 million.

These frequencies will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services, based on the latest technologies.

Fixed-line Telephony

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

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

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

DTH Operations

We manage our DTH satellite retransmission operation using the up-link infrastructure we own. International turnaround channels are received via our dishes, digitized and sent to the single turnaround center. Channels from some local terrestrial broadcasters are received via fiber cables and re-broadcast without modification. In the turnaround center channels are then compressed, encrypted and multiplexed (thus combining few channels in a single signal).

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

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

Satellites and transponders

As at December 31, 2021, we use nine high-powered transponders: two on the Intelsat satellite and six on the Telenor satellite to transmit our DTH signal; and one additional transponder on the Intelsat satellite to transmit non-DTH signals. The lease agreement with Intelsat (which covers all transponders that we use) is currently valid until 2022. The number of television channels that can be broadcast to subscribers is dictated by the amount of transponder space available. Currently, we are using nearly all our available transponder capacity. We also use simulcrypt agreements.

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

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

Disaster recovery facilities

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

Set-top boxes and encryption

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

DISTRIBUTION AND SALES

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

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

CUSTOMER SERVICE AND RETENTION

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

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

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

MARKETING

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

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

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

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

BILLING

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

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

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

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

EQUIPMENT SUPPLIERS

In our cable TV business line, our principal supplier for video receivers and modulators is Junzhou. Nagravision supplies the encryption and subscriber management system. For fixed internet and data services, our main suppliers are Cisco and Juniper for high end routers and ECI for DWDM transmissions.

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

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

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

SERVICE SUPPLIERS

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

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

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

Our supplier of DTH satellite services is Intelsat.

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

INTELLECTUAL PROPERTY

We own a relatively large number of trademarks including verbal trademarks (protecting words) and combined trademarks (protecting both words and image), including: "RCS & RDS," "DIGI," "DIGI TV," "DIGI FILM," "DIGI SPORT," "DIGI MOBIL," "DIGI MOBIL 5G," "DIGI MOBIL 5G SMART," "DIGI LINK," "DIGI TEL," "DIGI NET," "DIGI VIDEO GUARD," "DIGI 24 HD," "DIGI 4K," "DIGI LIFE," "DIGI WORLD," "UTV," "DIGI Oriunde," "DIGI Online," "DIGI PLAY," "DIGI Energy," "Pro FM," "DIGI FM," "DANCE FM,""DIGI

COMMUNICATIONS N.V.," "ROMANIA FURATA," "GENERATIA DIGI SPORT" and "DIGI One Voice." These trademarks are registered for the territories, in which they are used, and certain trademarks are also registered for additional territories or on a national or European basis.

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

We are generally do not license our trademarks. As an exception, we provided certain licenses for the use of our trademarks by third parties as a post-closing covenant at the disposal of our subsidiaries. In Slovakia, we entered into a trademark license agreement in 2016, which was subsequently extended until December 2021.

LITIGATIONS AND LEGAL PROCEDURES

For details, please see note Note 27 from the Consolidated Financial Statements as at 31 December 2021.

Financial Results

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the consolidated financial statements of the Group as of December 31, 2021.

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.

Non-statutory annual report

The annual report relates to non-statutory consolidated financial statement information.

The non statutory annual report contains Hungarian operation presented as discontinued operations otherwise is mention.

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 significant operations in Spain and also present in Italy. At the end of 2021, we were attributed mobile spectrum in Portugal, at the 5G auction. On 3rd of January 2022, the Hungarian operations were sold. For details, please see Recent Development section below.

- → **Romania**. Our offerings in Romania include pay-TV (cable TV and DTH), fixed internet and data, mobile telecommunication services, fixed-line telephony.
- → **Spain**. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica and we offer fixed internet and data and fixed-line telephony services through Telefónica's fixed network and through our own GPON FTTH network.
- → **Hungary**. We provided pay-TV (cable TV and DTH), fixed internet and data, mobile telecommunication services and fixed-line telephony services in Hungary. On 3rd of January 2022, the Hungarian operations were sold. For details, please see Recent Development section below.
- → **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.
- → **Portugal**. Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 5G auction from 2021.

For more details please see *Business* section.

For the year ended December 31, 2021, we had revenue from continued and discountinued operrations (excluding intersegment revenue and other income) of €1,472.7 million, net profit of € 65.7 million and Adjusted EBITDA of € 523 million.

Recent Developments

Sale of Hungarian operations

On January 3, 2022 the Company's Romanian subsidiary (RCS&RDS) and 4iG Plc. (4 iG Plc.) one of the leading companies of the Hungarian IT and ICT market, sucessfuly 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.

Following the fulfilment and/or waiver of the conditions established by the parties upon the execution of the sale and purchase agreement and the application of all relevant adjustments, on January 3, 2022 an aggregate price of approximately EUR 624.98 million has been received by RCS&RDS.

Partiall repayment of debt

In January 2022, the Group made partial repayment of the Group's financial debt in the aggregate amount of EUR 272 million. The outstanding balance of SFA 2020 and of the short term & working capital facilities from Romania were repaid. For details, please see section *Financial Obligation* from the present chapter.

For details regarding our current litigations please see *Note 27 from the Consolidated Financial Statements as at December 31, 2021*.

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. In 2021 we generated revenue and incurred operating expenses in Romania, Spain, Hungary, Italy and Portugal. Revenue and operating expenses from continuing operations are further broken down into the following geographic segments: Romania, Spain and Other. Revenue and operating expenses from discontinued operations are represented by the geographic segment of Hungary.

The revenue for each of our geographic segments for the years ended December 31, 2021 and 2020 was as follows:

	For the year ended December 31,	
	2021	**2020**
Continuing operations		**(€ millions)**
Romania	891.8	809.6
Spain	362.0	274.0
Other[(1)]	24.3	23.0
Total revenues from continuing operations	**1,278.1**	**1,106.6**
Discontinued operations		
Hungary	194.6	199.6
Total revenue	**1,472.7**	**1,306.1**

(1) Includes revenue from operations in Italy.

The operating expenses for each of our geographic segments for the years ended December 31, 2021 and 2020 were as follows:

	For the year ended December 31,	
	2021	**2020**
Continuing operations		**(€ millions)**
Romania	473.2	432.5
Spain	307.5	216.5
Other[(1)]	26.2	26
Depreciation, amortization and impairment of tangible and intangible assets and rights of use assets	288.6	240.0
Total operating expenses from continuing operations	**1,095.5**	**915.0**
Discontinued operations		
Operating expenses Hungary	142.7	144.3
Depreciation, amortization and impairment of tangible and intangible assets and rights of use assets in Hungary	64.5	72.0
Total operating expenses from discontinued operations	**207.2**	**216.3**
Total operating expenses	**1,302.7**	**1,131.3**

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

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

Revenue and Expenses structure of our principal lines of business

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

Pay TV

Cable TV

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

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

DTH

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

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

Fixed internet and data

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

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

Mobile telecommunication services

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

In Hungary, starting from the January, 1 2021, we launched commercial offerings, consisting mainly of flat-rate monthly subscription fees and per-minute telephone charges.

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

Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 5G auction from 2021.

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

Mobile telephony interconnection fees	**For the year ended December 31,**	
	2021	**2020**
		(eurocents/minute)
Romania	0.70	0.76
Hungary	0.48	0.48
Spain	0.64	0.64
Italy	0.67	0.76[1]
Portugal	0.36	0.36

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

Our expenses also include rental necessary for the operation of our mobile network in Romania and Hungary (not in scope for IFRS 16 accounting treatment), energy consumed by the network, personnel expenses and related expenses of our maintenance and customer service staff, radio spectrum fees payable to communications authorities in Romania and Hungary and service carry fees that we pay to Telefónica in Spain and to Vodafone in Italy.

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

Fixed-line telephony

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

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

Other operations

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

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

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

Trends and Other Key Factors Impacting Our Results of Operations

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

General economic environment in our key markets

The markets in which we operate were materially and adversely impacted by global crisis. The main markest on which we operate have shown significant economic growth in recent years. In particular, Romania, which accounted for 69.8% and 62.0% of our total revenue for the year ended December 31, 2021 and the December 31, 2020, respectively, had one of the highest real GDP growth rates in Europe (*Source: Eurostat*).

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

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

Competition

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

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

Regulation

Mobile telecommunication licenses in Romania and Portugal

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

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

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

Taxation

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

Growth in business, RGUs and ARPU

Our revenue is most directly a function of the number of our RGUs and ARPU. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. Each of these measures is derived from management estimates. As defined by our management, these terms may not be comparable to similar terms used by other companies. We use RGU to designate a subscriber account of a customer in relation to one of our services. RGUs are measured at the end of the relevant period. As our definition of RGU is different for our different business lines, you should use caution when trying to compare RGUs and ARPU between our business lines. We calculate ARPU in a geographic segment or the Group as a whole, for a period by dividing the total revenue of such geographic segment or the Group, for such period, (a) if such period is a calendar month, by the total number of relevant RGUs invoiced for services in that calendar month; or (b) if such period is longer than a calendar month, by (i) the average number of relevant RGUs invoiced for services in that period and (ii) the number of calendar months in that period. In our ARPU calculations we do not differentiate between various types of subscription packages or the number and nature of services an individual customer subscribes for. ARPU is a measure we use to evaluate how effectively we are realising potential revenues from customers.

Our total RGU base has grown from 18.1 million RGUs as at December 31, 2020 to 20.5 million RGUs as at December 31, 2021, representing an increase of 13%.

The following table shows our RGUs by geographic segment and business line and monthly ARPU by geographic segment as at and for the years ended December 31, 2021 and 2020:

	As at and for the year ended 31 December	
(RGUs: thousands; ARPU: €/period)	**2021**	**2020**
Group		
RGUs	20,460	**18,136**
ARPU	**5.7**	**5.7**
Continuing operations		
Romania		
RGUs		
Pay TV(1)	5,129	4,733
Fixed internet and data(2)	3,782	3,313
Mobile telecommunication services(3)	4,177	3,680
Fixed-line telephony(2)	984	1,044
ARPU(4)	**4.8**	**4.9**
Spain		
RGUs		
Fixed internet and data	480	204
Mobile telecommunication services(3)	2,972	2,334
Fixed-line telephony	165	72
ARPU(4)	**9.7**	**9.9**
Other(5)		
RGUs		
Mobile telecommunication services(3)	324	251
ARPU(4)	**6.9**	**7.8**
Discontinued operations		
Hungary		
RGUs		
Pay TV(1)	899	933
Fixed internet and data	730	749
Mobile telecommunication services(3)	194	173
Fixed-line telephony	624	650
ARPU(4)	**5.9**	**5.9**

(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 to the RGUs number.
(5) Includes Italy.

Our revenue may not always grow in direct proportion with the increase in our RGUs. In part, these variations reflect the fact that ARPU differs. We try to increase profitability in each business line by careful management of expenses through negotiation of content fees, interconnection costs and similar expenses, use of newer technologies for improved results of operations and, where possible, by conducting certain operations and investment related activities in-house to achieve cost efficiencies. In all our business lines we have focused, and continue to focus, on increasing the number of RGUs by acquiring new customers and by cross-selling more services to our existing customers while maintaining our Adjusted EBITDA Margin. Our approach reflects the relatively wide range of our business and our ability to offer multiple services to our customer base. For example, as at December 31, 2021, each of our residential customers in Romania (excluding DTH customers) subscribed to an average of 2.1 services (as compared with an average of 2.1 as at December 31, 2020). Currently, there is a trend towards subscribers discontinuing fixed-telephony services altogether, which has an impact on the average number of services per subscriber.

The following table shows the evolution of our total RGUs by business line for 2021 and 2020:

	As at December 31,	
	2021	**2020**
Continuing operations	**(thousands)**	
Pay-TV	5,129	4,733
Fixed internet and data	4,262	3,517
Mobile telecommunication services	7,473	6,265
Fixed-line telephony	1,149	1,116
Discontinued operations[(1)]		
Pay-TV	899	933
Fixed internet and data	730	749
Mobile telecommunication services	194	173
Fixed-line telephony	624	650
Total	**20,460**	**18,136**

(1) Hungarian operations were sold in January 2022 and are presented as discontinued operations. For details please see section *Recent Developments* from the current chapter.

Technical capabilities and limitations of our networks

Fixed offerings

We offer cable TV, fixed internet and data and fixed-line telephony through our fixed networks in Romania and for the period reviewed Hungary, which, as at December 31, 2021, covered 93.7% and 46.1% of dwellings in those countries, respectively (*Sources: Group reporting; ANCOM and Hungarian Central Statistical Office*). Our ability to expand our reach, attract new customers and migrate existing customers to higher levels of service depends on the capabilities and limitations of these networks. In the periods under review, we have continued to pursue a network expansion strategy and have also focused on upgrading our networks in principal coverage areas to GPON or comparable technology. As at the date of this report, we have completed an upgrade of more than 90.0% of our networks (excluding parts of Invitel's network) and are currently able to offer transmission speeds of up to 1,000 Mbps for internet and data services, the fastest available to residential users in those markets. In 2021 we launched a 10,000 Mbps for internet and data services in certain large cities in Romania, which will be further developed in the future.

As a result of those upgrades, we anticipate that our own fixed network in both countries (excluding parts of Invitel's network, which we are still upgrading to fiber) will require relatively low maintenance capital expenditure over the short and medium term. We believe that growth from cable TV, fixed internet and data and fixed-line telephony services will principally come from increasing penetration in the areas that we already cover, expanding our fixed networks to areas not currently covered, cross-selling services to existing customers and migrating our existing customers to higher levels of service.

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

Mobile offerings

Romania

We currently hold spectrum licenses in 800 MHz, 2,100 MHz, 900 MHz, 2,600 MHz and 3,700 MHz bandwidths. some of which, in the 800 MHz and 2.600 MHz bandwidths, were awarded to us in a spectrum auction in December 2021.As at December 31, 2021, we had approximately 6,600 mobile network base stations (out of which approximately 99% were used to provide 4G connectivity) covering approximately 99.5% (outdoor voice coverage) of the country's population to provide our 3G service (2G+4G in certain areas) and 98.6% coverage (outdoor voice coverage) for 4G services (population). We offer 5G mobile telecommunication services in certain Romanian cities based on our existing 3,700 MHz license and intend to continue the roll-out of our mobile networks in the country.

Hungary

We held a 1,800 MHz mobile telephony license and a 3,800 MHz mobile telephony license in Hungary. Mobile subscriptions were commercially launched starting from January 2021. On 3rd of January 2022, we sold the Hungarian operations. For details, please see section Recent Developments from current chapter.

Spain and Italy

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

In Italy, we have an MVNO agreement with Vodafone, concluded on 24 December 2020 regarding Digi Italy's access to Vodafone's radio spectrum and mobile communication network and infrastructure for a 3-year term.

Portugal

We have been attributed spectrum licenses in 900 MHz, 1800 MHz, 2.6 GHz and 3.6 GHz as a result of us winning the relevant auction organized in 2021.This will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services, based on the latest technologies.

DTH

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

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

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

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

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

Our EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	**2020**
	(€ millions, unless otherwise stated)	
Revenue[(1)]	**1,472.7**	**1,306.1**
Operating profit	173.0	172.2
Depreciation, amortization and impairment[(2)]	353.0	312.0
EBITDA[(2)]	**526.1**	**484.2**
Other income	(3.4)	-
Other expenses	0.4	2.7[(3)]
Adjusted EBITDA	**523.0**	**486.8**
Adjusted EBITDA Margin (%)	**35.5%**	**37.3%**
Adjusted EBITDA of discontinued operations	**51.9**	**55.2**
Adjusted EBITDA of continuing operations	**471.2**	**431.6**
Adjusted EBITDA Margin for continuing operations (%)	**36.9%**	**39.0%**

(1) Excludes intersegment revenue.
(2) EBITDA is consolidated operating profit or loss plus charges for depreciation, amortization and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items. EBITDA and Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA."
(3) Includes (i) the net result from the sales of Invitel's operations in selected locations in amount of €3.5 million, and (ii) the net result related to share option plans vested and are expected to be one-time events in amount of €0.8 million.
(4) Includes (i) €0.4 million non-cash expenses related to the Stock Option Plans;
(5) The Hungarian operations were sold in January 2022. For details, please see section Recent Developments from current chapter.

The change in our Adjusted EBITDA and Adjusted EBITDA Margin from €486.8 million and 37.3%, respectively, for the year ended December 31, 2020 to €523 million and 35.5% respectively, for the year ended December 31, 2021 was primarily due to the strong growth of the fixed services, development of our mobile business line in Romania and strong results from the Spanish operations. The Adjusted EBITDA Margin was relatively similar to prior period.

The operational performance was reflected in the increase in our operating profit from €172.2 million for the year ended December 31, 2020 to €173.0 million for the year ended December 31, 2021.

Exchange rates

Conversion into euros for presentation in the Financial Statements

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

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

In addition, we have significant exposure to the euro as a significant portion of our outstanding financial debt is denominated in that currency, and we also have certain limited exposure to the U.S. dollar, in which we purchase certain content for our cable TV and DTH businesses and certain CPE. As at December 31, 2021, we had €1,030 million of obligations denominated in euros and US$57.6 million of obligations denominated in U.S. dollars, (2020: €1,025 million and US$60.8 million). See *"—Liquidity and Capital Resources—Financial Obligations."* Our euro exposure is partially mitigated by euro-denominated revenue from our MVNO operations in Spain and Italy, which, together with revenue collected in local functional currencies, but denominated in euros, accounted for 30.2% of our total revenue for the year ended December 31, 2021. However, we still pay a significant portion of our euro- and U.S. dollar-denominated expenses out of revenue generated in our principal functional currencies.

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

In the periods under review the Romanian leu and the Hungarian forint have declined compared to the euro, with approximately 1.7% and 2.1% respectivly. Our obligations denominated in U.S. dollars are significantly smaller, so the appreciation of the U.S. dollar did not have a major effect on the Group. See *"—Quantitative and Qualitative Disclosures About Market Risks—Currency Risk."*

The following table sets out, where applicable, the period end and average exchange rates for the years ended December 31, 2021 and 2020 of the euro against each of our principal functional currencies and the U.S. dollar:

Value of one euro in the relevant currency	As at and for the year ended December 31,	
	2021	**2020**
Romanian leu (RON)[(1)]		
Period end rate	4.95	4.87
Average rate	4.92	4.84
Hungarian forint (HUF)[(2)]		
Period end rate	369.0	365.1
Average rate	358.5	351.2
U.S. dollar (USD)[(1)]		
Period end rate	1.13	1.23
Average rate	1.18	1.14

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

In the year ended December 31, 2021, we had a net foreign exchange loss of €21.9 million (year ended December 31, 2020: net loss of €37.4 million). In each of those periods, our net foreign exchange loss was primarily due to the depreciation of the leu/HUF against the euro and the U.S. dollar. See *"—Liquidity and Capital Resources—Financial Obligations."* Borrowings in foreign currencies are recorded in the functional currency of the relevant entity at the rate of exchange prevailing on the date of the transaction and re-evaluated to reflect changes in the exchange rate each month.

Depreciation, amortization and impairment of assets

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

The following table shows the evolution of our depreciation, amortization and impairment of assets expenses for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	**2020**
Continuing operations		**(€ millions)**
Depreciation of property, plant and equipment	105.7	89.3
Amortization of non-current intangible assets	73.6	56.4
Amortization of programme assets	37.8	41.7
Depreciation of right of use asset	67.2	50.3
Impairment of property, plant and equipment and non-current intangible assets	4.2	(0.2)
Revaluation impact	-	1.8
Total for continuing operations	**288.5**	**239.3**
Discontinued operations	64.5	72.0
Total	**353.0**	**311.3**

Churn

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

- *Cross-selling*. We believe that customers who subscribe to multiple services are less likely to leave our services. In Romania, our average number of services per residential customer was 2.1 (excluding DTH) and the percentage of customers using more than one service was approximately 73% as at December 31, 2021. In Hungary, our average number of services per network customer was 2.5 (excluding DTH) and the percentage of customers using more than one service was approximately 81% as at the same date.
- *Quality of offerings and pricing.* Our attractive pricing and relatively advanced technology compared to our competitors in Romania and Hungary and our premium content offerings often make it unattractive to replace our services with those offered by our competitors.

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

Capital expenditure

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

Consequently, our capital expenditures have been significant. In the year ended December 31, 2021, we had capital expenditure of €567.3 million and represented 38.5% of our revenue for this period. In the year ended December 31, 2020, we had capital expenditure of €371 million and represented 28.4% of our revenue for this period.

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

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

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

Payments to third-party service and content providers

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

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

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

Our current contract with Intelsat (which covers both satellites used to transmit our DTH signal) is effective until November 30, 2022. As at December 31, 2021, under this agreement we leased nine transponders. The contract allows us to reduce the number of dedicated transponders.

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

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

Acquisitions and disposals

Sale of Hungarian operations

On January 3, 2022 the Company's Romanian subsidiary (RCS&RDS) and 4iG Plc. (4 iG Plc.) one of the leading companies of the Hungarian IT and ICT market, sucessfuly 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.

Following the fulfilment and/or waiver of the conditions established by the parties upon the execution of the sale and purchase agreement and the application of all relevant adjustments, on January 3, 2022 an aggregate price of approximately EUR 624.98 million has been received by RCS&RDS.

Acquisitions

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

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

Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange for the payments made by RCS & RDS to the Assignors (rent). The Agreements are concluded for an initial duration of 3 years, which can be extended at the option of either party for a new term of 3 years. At the end of the rental period there is an option to buy and an option to sell the underlying assets. The total amount due as rent (as defined in the contract) or price by RCS&RDS under the Agreements are in maximum amount of EUR 77 million excluding VAT. The transfer of the RGUs was made in phases, up until March 2021.

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

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

Revaluation of property, plant and equipment

Group's management decided to voluntarily change the accounting policy for valuation of certain categories of property, plant and equipment (respectively network, equipment and devices and customer premises equipment ("CPE")) from revaluation model to historic cost model, starting with 1 January 2021.

Management considered the voluntary change in order to align the measurement after recognition model of the Group's specialized classes of property, plant and equipment (detailed above) to the one used uniformly within the telecommunication sector. Additionally, management gave consideration to the fact that, in practice, historical cost information is more accurate, less sensitive to changes in the technological, regulatory and economic environment, hence considerably more stable and reliable. Active market prices do not exist for the Group's specialized classes of property, plant and equipment assets, instead, the fair value of such non-current assets must be estimated based on inputs which may introduce intrinsic information asymmetries between management and investors. Management believes that, to the extent that investors look for comparability within a sector and perceive greater uncertainty in the fair value estimates of plant assets, they would put less weight on these estimates in valuation, which would reduce the fair value relevance for specialized plant assets.

The impact of voluntarily changing the policy has an effect on the current period and prior periods. The effect of the voluntary change in the accounting policy was estimated retrospectively, back to the earliest period practicable, by reversing previous revaluations and related deferred tax impact recognized in the accounting records.

Historical Results of Operations

Results of operations for the years ended December 31, 2021 and 2020.

Revenue

Our revenue (excluding intersegment revenue and other income) for the year ended December 31, 2021 was €1,472.7 million, compared with €1,306.1 million for the year ended December 31, 2020, an increase of 12.8%.

The following table shows the distribution of revenue by geographic segment and business line for the years ended December 31, 2021 and 2020:

	For the year ended December 31,		**% change**
Segment	**2021**	**2020**	**2020 v 2021**
Continuing operations			**(€ millions)**
Romania	891.8	809.6	10.1%
Spain	362.0	274.0	32.1%
Other[(1)]	24.3	23.0	5.4%
Total revenue from continuing operations	**1,278.1**	**1,106.6**	**15.5%**
Discontinued operations[(4)]	194.6	199.6	**-2.5%**
Total revenue	**1,472.7**	**1,306.1**	**12.8%**

Category	**2021**	**2020**	**2020 v 2021**
Continuing operations			
Fixed services [(2)]	621.1	537.8	**15.5%**
Mobile services	534.5	463.0	**15.4%**
Other [(3)]	122.4	105.8	**15.7%**
Total revenue from continuing operations	**1,278.1**	**1,106.6**	**15.5%**
Discontinued operations[(4)]	194.6	199.6	-2.5%
Total	**1,472.7**	**1,306.1**	**12.8%**

(1) *Includes revenue from operations in Italy.*
(2) *Includes mainly revenues from subscriptions for fixed, mobile and DTH services, interconnection and roaming revenues.*
(3) *Includes mainly revenues from sale of handsets and other CPE, as well as advertising revenues.*
(4) *The Hungarian operations were sold in January 2022. For details, please see section Recent Developments from current chapter.*

Revenue from continuing operations

Revenue in Romania for the year ended December 31, 2021 was €891.8 million, compared with €809.6 million for the year ended December 31, 2020, an increase of 10.2%. Revenue growth in Romania was primarily driven by increases in our pay TV and fixed internet and data RGUs.

ARPU growth in Romania, in constant currency, was partially offset by currency depreciation in the period (RON/EUR foreign exchange rate increased with 1.7% in 2021 compared to 2020, which impacted negatively the revenues translated from RON in EUR).

Our Pay TV RGUs increased from approximately 4.7 million as at December 31, 2020 to approximately 5.1 million as at December 31, 2021, an increase of approximately 8.4%, and our fixed internet and data RGUs (residential and business) increased from approximately 3.3 million as at December 31, 2020 to approximately 3.8 million as at December 31, 2021, an increase of approximately 14.2%. This growth was primarly due to organic growth and secondly, due to acquisitions (please see *"Acquisitions and disposals")*.

Mobile telecommunication services RGUs increased from approximately 3.7 million as at December 31, 2020 to approximately 4.2 million as at December 31, 2021, an increase of approximately 13.5%.

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

Fixed-line telephony RGUs (residential and business) decreased from approximately 1.0 million as at December 31, 2020 to approximately 984 thousand as at December 31, 2021, a decrease of approximately 5.7%, as a result of the general trend away from fixed-line telephony and towards mobile telecommunication services.

Revenue in Spain for the year ended December 31, 2021 was €362.0 million, compared with €274.0 million for the year ended December 31, 2020, an increase of 32.1%. The increase in revenue was principally due to an increase in the number of our mobile telecommunication services RGUs from approximately 2.3 million as at December 31, 2020 to approximately 3.0 million as at December 31, 2021, an increase of 27.3%. This was primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings.

As at December 31, 2021 we had 480 thousand fixed internet and data RGUs and 165 thousand fixed line telephony RGUs, an increase of 135.3% and 129.2%, respectively, compared to December 31, 2020.

Revenue in Other represented revenue from our operations in Italy and for the year ended December 31, 2021 and was €24.3 million, compared with €23 million for the year ended December 31, 2020, a slight variation of 5.4%. The decrease in ARPU was driven by significant increases of mobile data allowances included in our packages with little additional cost to customers. We had an increase of RGUs from approximately 251 thousand as at December 31, 2020 to approximately 324 thousand as at December 31, 2021, an increase of 29.1%.

Revenue from discontinued operations

Revenue in Hungary for the year ended December 31, 2021 was €194.6 million, compared with €199.6 million (€195.5 million in constant currency) for the year ended December 31, 2020, a decrease of 2.5%.

Average exchange rate for 2021 compared to 2020 increased with 2.1%, which impacted negatively the revenues translated from HUF in EUR. In constant currency, there is only a slight variation of 0.4% mainly as a result of the natural churn of Invitel's customers.

Our Pay TV RGUs decreased from approximately 933 thousand as at December 31, 2020 to approximately 899 thousand as at December 31, 2021, a decrease of approximately 3.6%. Our fixed internet and data RGUs decreased slightly from approximately 749 thousand at December 31, 2020 to approximately 730 thousand as at December 31, 2021, a decrease of approximately 2.5%.

Our fixed-line telephony RGUs decreased from approximately 650 thousand as at December 31, 2020 to approximately 624 thousand as at December 31, 2021, a decrease of approximately 4.0%.

Our mobile RGUs increased from 173 thousand as at December 31, 2020 to 194 thousand as at December 31, 2021, an increase of 12.1%.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the year ended December 31, 2021 were €1,302.7 million, compared with €1,131.3 million for the year ended December 31, 2020, an increase of 15.2%.

Operating expenses

The table below sets out our expenses (excluding intersegment expenses, other expenses and depreciation, amortization and impairment) per geographic segment for the years ended December 31, 2021 and 2020.

	For the year ended December 31,			
	2021		2020	
	(€ millions)	(% of revenue)	(€ millions)	(% of revenue)
Continuing operations				
Romania	473.2	53.1%	432.5	53.4%
Spain	307.5	84.9%	216.5	79.0%
Other(1)	26.2	108.1%	26.0	113.1%
Total operations expenses from continuing operations	**806.9**	**63.1%**	**675.0**	**61.0%**
Discontinued operations(2)	**142.7**	**73.3%**	144.3	72.3%
Total	**949.6**	**64.5%**	**819.3**	**62.7%**

(1) Includes operating expenses of operations in Italy, Portugal and operating expenses of the Company.
(2) The Hungarian operations were sold in January 2022. For details, please see section Recent Developments from current chapter.

Operating expenses from continuing operations

Operating expenses in Romania for the year ended December 31, 2021 were €473.2 million, compared with €432.5 million for the year ended December 31, 2020, an increase of 9.4%. This was primarily due to increases in salaries and utilities expenses during the period.

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

Operating expenses in Spain for the year ended December 31, 2021 were €307.5 million, compared with €216.5 million for the year ended December 31, 2020, an increase of 42.0%. This significant increase was primarily due to fixed telephony, internet and data and mobile interconnection expenses due to increased mobile and fixed RGUs and roll-out of our fixed line services. Salary expenses increased significantly due to a larger employee base.

Operating expenses in Other represented expenses of our operations in Italy, Portugal and expenses of the Company and for the year ended December 31, 2021 were €26.2 million, compared with €26.0 million for the year ended December 31, 2020, an increase of 0.8%.

Operating expenses from discontinued operations

Operating expenses in Hungary for the year ended December 31, 2021 were €142.7 million, compared with €144.3 million (€142.7 million in constant currency) for the year ended December 31, 2020, a decrease of 1.1%. The HUF/EUR average exchange rate depreciated in 2021 compared to 2020 with 2.1%, resulting in a decrease in HUF expenses translated in EUR. The variation is mainly due to increase in salaries and allowances.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortization and impairment of our tangible and intangible assets for the years ended December 31, 2020 and 2021.

	For the year ended December 31,	
	2021	**2020**
	(€ millions)	
Continuing operations		
Depreciation of property, plant and equipment	105.7	89.3
Amortization of non-current intangible assets	73.6	56.4
Amortization of program assets	37.8	41.7
Depreciation of right of use asset	67.2	50.3
Impairment of property, plant and equipment	4.2	(0.2)
Revaluation impact	-	1.8
Total from continuing operations	**288.5**	**239.3**
Discontinued operations[(1)]	**64.5**	**72.0**
Total	**353.0**	**311.3**

(1) *The Hungarian operations were sold in January 2022. For details, please see section Recent Developments from current chapter.*

Continuing operations

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €105.7 million for the year ended December 31, 2021, compared with €89.3 million for the year ended December 31, 2020, an increase of 18.4%. This increase was primarily due to the continued development of our networks.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €73.6 million for the year ended December 31, 2021, compared with €56.4 million for the year ended December 31, 2020, an increase of 30.5%, this increase was primarily due to an increase in subscriber acquisition costs, as well as customer relationships.

Amortization of program assets

Amortization of program assets was €37.8 million for the year ended December 31, 2021, compared with €41.7 million for the year ended December 31, 2020, a decrease of 9.4%.

Depreciation of right of use asset was €67.2 million for the year ended December 31, 2021 compared to €50.3 million for the year ended December 31, 2020, an increase of 33.6%.

Discontinued operations

Depreciation, amortization and impairment of our tangible and intangible assets for discontinued operations were €64.5 million for the year ended December 31, 2021, compared to €72.0 million for the year ended December 31, 2020, a decrease 10.4%. This was primarily due to the classification as held for sale as at November 29, 2021, resulting in only 11 months depreciation period for the year.

Other income/expense

We recorded €0.4 million of other expenses and €3.4 million other income in the year ended December 31, 2021, compared to €2.7 million in the year ended December 31, 2020.

For the year ended December 31, 2021, Other expenses include the net result related to share option plans vested and are expected to be one-time events.

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

Operating profit

For the reasons set forth above, our operating profit was €173.0 million for the year ended December 31, 2021, compared with €172.2 million for the year ended December 31, 2020.

Net finance expense

We recognized net finance expense of €88.9 million in the year ended December 31, 2021, compared with net finance expense of €144.7 million in the year ended December 31, 2020, a decrease of 38.6%.

The net loss from foreign exchange in amount of €21.9 million in the year ended December 31, 2021 (compared to a foreign exchange loss of €37.4 million from previous period) has contributed to the net finance loss.

Profit before taxation

For the reasons set forth above, our profit before taxation was €84.2 million for the year ended December 31, 2021, compared with a profit of €27.5 million for the year ended December 31, 2020.

Income tax expense

An income tax expense of €18.5 million was recognized in the year ended December 31, 2021 compared to a tax expense of €14.0 million recognized in the year ended December 31, 2020.

Profit for the year

For the reasons set forth above, our net profit for the year ended December 31, 2021 was €65.7 million, compared with a profit of €13.4 million for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Historical cash flows

The following table sets forth, for the years ended December 31, 2021 and 2020, our consolidated cash flows from operating activities, cash flows used in investing activities and cash flows from (used in) financing activities.

	For the year ended December 31,	
	2021	**2020**
		(€ millions)
Cash flows from operations before working capital changes	**531.8**	**487.0**
Cash flows from changes in working capital (1)	(66.0)	(51.9)
Cash flows from operations	**465.8**	**435.1**
Interest paid	(41.0)	(45.1)
Income tax paid	(19.5)	(9.4)
Net cash flows from operating activities	**405.3**	**380.7**
Net cash flows used in investing activities	**(540.8)**	**(338.2)**
Net cash flows from (used in) financing activities	**148.6**	**(43.8)**
Net increase/(decrease) in cash and cash equivalents	13.1	(1.3)
Cash and cash equivalents at the beginning of the period	6.5	7.9
Effect of exchange rate fluctuation on cash and cash equivalent held	0.0	0.0
Cash and cash equivalents at the closing of the period	**19.6**	**6.5**

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

Cash flows from operations before working capital changes were €531.8 million in the year ended December 31, 2021 and €487.0 million in the year ended December 31, 2020. The increase from 2020 to 2021 were due to the reasons discussed in *"—Historical Results of Operations—Results of operations for the years ended December 31, 2020 and 2021."*

The following table shows changes in our working capital:

	For the year ended December 31,	
	2021	**2020**
		(€ millions)
Increase in trade receivables, other and contract assets	(59.9)	(29.3)
Decrease/ (increase) in inventories	5.4	1.4
(Decrease)/increase in programming assets	(24.1)	(32.5)
(Decrease)/increase in trade payables and other current liabilities	8.8	11.0
(Decrease)/increase in deferred revenue/contract liabilities	3.8	(2.5)
Total	**(66.0)**	**(51.9)**

We had a negative working capital of €66.0 million in the year ended December 31, 2021. The negative working capital is higher than previous year due to increase of trade receivable balance and slightly increase of trade payables balance.

Cash flows from operating activities were €405.3 million in the year ended December 31, 2021 and €380.7 million in the year ended December 31, 2020. Interest paid was €40.5 million in the year ended December 31, 2021, compared with net interest paid of €45.1 million in the year ended December 31, 2020. Income tax paid was €19.5 million in the year ended December 31, 2021, compared with €9.4 million in the year ended December 31, 2020. The increase in cash flows from operating activities in the year ended December 31, 2021, as compared to the year ended December 31, 2020, was due to an increase in our subscriber's base and the improved performance of certain business lines.

Cash flows used in investing activities were €540.8 million in the year ended December 31, 2021, €338.2 million in the year ended December 31, 2020.

The following table shows our capital expenditures by category for the years ended December 31, 2021 and 2020:

	For the year ended December 31,	
	2021	**2020[(7) (8)]**
		(€ millions)
Network and equipment[(1)]	305.7	177.3*
Customer Premises Equipment (CPE)[(2)]	52.9	36.7*
Program assets—content for our own channels[(3)]	35.8	42.9
License and software[(4)]	162.9	27.6
Customer relationships[(5)]	14.3	51.7
Other additions to tangible assets[(6)]	29.6	49.7*
Other additions to intangible assets[(7)]	55.9	44.3*
Right of use asstes[(8)]	91.1	114.1*
Total additions to tangible and intangible assets	**748.2**	**544.3**
Differences between capital expenditures for tangible and intangible assets and additions to tangible and intangible assets[(9)]	(180.9)	(173.3)
Capital expenditures for the acquisition of tangible and intangible assets	**567.3**	**371.1**
Acquisitions of shares[(10)]	-	-
Total	**567.3**	**371.1**

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

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

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

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

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

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

(7) Composed primarily of subscriber acquisition costs incurred to aqcuire new subscribers in Romania, Hungary, Spain and Italy and cost to to install the customer. We have represented an amount of 31.8 mil from 2020 additions of network and equipment into cost to fulfill a contract, representing the cost of installing the customers.

(8) Composed of rights of use recognized in respect of future commitments for leasing contracts. At 2020 we have recognized these assets in network and equipment, customer premises equipment and other tangible assets. For this reason, comparative 2020 had changed.

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

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

During the year ended December 31, 2021, we acquired tangible and intangible assets for €748.2 million. We had €305.7 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber optic and mobile networks in Romania, Hungary and Spain. We had additions of €52.9 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We had €35.8 million in additions to our program assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions for contracts entered into in this and prior years. We had €162.9 million in additions to our intangible assets, primarily to recognize renewal of mobile licences in Romania and newly acquired mobile licences in Portugal, as well as software licenses for equipment for our mobile networks. We also had additions to customer relationships of €14.3 million, reflecting amounts incurred for the acquisition of customers from other cable and internet providers in Romania. Capital expenditures for the acquisition of tangible and intangible assets were €180.9 million lower than accounting additions to tangible and intangible assets during the year. This was primarily due to additions of right of use assets which are payable in the future period and longer payment terms, especially for part of the network, as well as equipment and CPE additions.

Cash flows from financing activities were a €148.6 million inflow for the year ended December 31, 2021.

During the year we drew €101 from the Incremental Facility signed on 21 July 2021, €49.5 from the revolving SFA 2020 B Facility as well as €122 from the SFA 2021 Spain signed on 26 July 2021.

Planned Cash Requirements and Capital Expenditure Plan

We anticipate that our cash requirements in the near to medium term will consist principally of expenditures to service our debt, to upgrade and build expansions to our fixed and mobile networks, to further develop our mobile telecommunication services business, to purchase further broadcasting rights for our premium TV channels and finance acquisitions and spectrum licenses. We evaluate acquisition opportunities in line with, or complementary to, our current business as and when they become available. We believe that such opportunities may be significant in the territories were we operate in the near-to medium term perspective. The following discussion sets out our principal cash needs based, among other things, on our existing capital expenditure plan, our outstanding bank loans and other contractual commitments.

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

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

As at December 31, 2021, our commitments to incur additional capital expenditures (consisting primarily of payments for content rights, and commitments to purchase of equipment and CPE) amounted to approximately €142.9 million discoiunted (€158.3 million undiscounted).

Contractual obligations

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

The table below sets out the maturities of our financial liabilities and other major contractual commitments, including estimated payments and excluding the impact of netting agreements as at December 31, 2021, based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in the table below.

	Carrying amount as at December 31, 2021	Contractual cash flows as at December 31, 2021	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
				(€ millions)			
Non-derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	1,286.3	1,421.4	133.7	60.7	195.3	617.5	414.2
Lease liabilities	196.7	196.7	36.3	35.3	45.7	51.0	28.4
Trade and other payables and other liabilities	568.1	568.5	430.6	37.2	85.1	15.5	0.0
Capital expenditure and operating expenditure contractual commitments(1)	354.0	354.0	76.9	76.9	74.3	63.7	62.2
vTotal	2,405.2	2,540.7	677.5	210.1	400.4	747.7	504.8

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

Financial obligations

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

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

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

The Notes were secured by the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

2) 2020 Senior Facilities Agreement ("2020 SFA")

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

(i) a term loan facility in a total aggregate amount representing the RON equivalent of EUR 100,000,000;

(ii) a revolving credit facility in a total aggregate amount representing the RON equivalent of EUR 50,000,000.

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

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

The revolving facility in amount of RON243,915,000 was drawn in July 2021 and it was used for capital expenditure, investments, general corporate, and working capital purposes (including intra-group loans) of the Digi group.

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

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

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

Incremental facility

As per the Senior Facility Agreement from December 15, 2020, an incremental facility was made available to RCS&RDS, which was established in accordance with the terms and limits set within the Senior Facilities Agreement. Pursuant to the Senior Facilities Agreement, on 21 July 2021, RCS & RDS requested the establishment of an incremental facility in an aggregate amount of RON 500,000,000 (the "Incremental Facility") to be used for the company's capital expenditure and general corporate purposes. The facility was entered into, besides RCS&RDS as borrower, by and between DIGI Tavkozlesies Szolgaltato Korlatolt Felelossegu Tarsasag („Digi Hu"), INVITEL Tavkozlesi Zrt ("Invitel"), the Company, Digi Spain Telecom SLU ("Digi Spain"), as original guarantors on one hand and the Original Lenders and BRD-Groupe Societe Generale S.A., on the other.

The Incremental Facility was drawn in November 2021.

As at December 31, 2021, the outstanding balances of the 2020 SFA were in amount of €216.1 million equivalent. In January 2022, the outstanding balance was repaid in full.

3) 2021 Senior Facilities Agreement Spain ("2021 SFA")

On 26 July 2021, Digi Spain, acting as borrower together with the Company, RCS&RDS, Digi Hu and Invitel, as Original Guarantors, Banco Santander S.A. and a syndicate of banks, acting as lenders, entered into a facilities agreement for an initial duration of three and a half years with the possibility of extension up to 5 years, under which Digi Spain was made available: (i) a term loan facility in a total aggregate amount of EUR 57,000,000; (ii) a term loan facility in a total aggregate amount of EUR 65,000,000; and (iii) a revolving facility in a total aggregate amount of EUR 10,000,000 to be used for several purposes, including CAPEX and general corporate purposes.

The interest rate under the SFA 2021 is composed of a margin of 2.25% per annum plus EURIBOR.

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

The 2021 Senior Facilities Agreement is secured by the Collateral on a pari passu basis pursuant to the terms of the Intercreditor Agreement.

As at December 31, 2021, the outstanding balances were in amount of €122 million equivalent.

Short term and working capital facilities

RCS & RDS short term financing

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

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

As at December 31, 2021, the outstanding balances were in amount of €87.2 million equivalent (December 31, 2020: €32.7 million equivalent). Out of these balances, in January 2022, we repaid the outstanding overdrafts facilities in amount of €55.7 million.

DIGI Spain short term financings

DIGI Spain is party to several short term and working capital facilities with Banco Santander, Caixabank, Bankinter and BBVA. As at December 31, 2021, the aggregate principal amount outstanding under these facilities was €5.4 million (December 31, 2020: €5.5 million).

DIGI Hungary short term financings

On August 5, 2019, DIGI Hungary entered into the Sberbank Facility Agreement in the aggregate principal amount of HUF640.0 million. DIGI Hungary's obligations under the Sberbank Facility Agreement are guaranteed by the RCS & RDS and are secured by pledges of certain real estate. This loan was repaid in full in December 2021 and closed.

Lease liabilities

As at December 31, 2021, we had lease liabilities as per IFRS 16, in place for a total outstanding aggregate amount of € 196.8 million (December 31, 2020: €241.6 million).

Contingent obligations

Apart from the commitments described under the section "—*Contractual Obligations*" we have no material contingent obligations.

See also *Note 27 from the Consolidated Financial Statements as at December 31, 2021*.

OFF-BALANCE SHEET ARRANGEMENTS

Other than commitments described under the caption "—*Contractual Obligations*" (including letters of guarantees in the aggregate amount of €47.9 million), we did not have any material off-balance sheet arrangements as at December 31, 2021. See also *Note 27 from the Consolidated Financial Statements as at December 31, 2021*.

Main variations of assets and liabilities as at December 31, 2021

Main variations for the consolidated financial position captions as at December 31, 2021 are presented below (for details, please see *Consolidated Financial Statements for the year ended 31 December 2021* included in this Annual report):

ASSETS

Financial assets at fair value through OCI

The available for sale financial assets at fair value through OCI of €47.9 million as at December 31, 2021 (December 31, 2020: €40.8 million) comprise of shares in RCSM obtained as result of the Share swap contracts between the Company and minority shareholders. The fair value assessment at year end was made based on the quoted price/share as of the valuation date, which is a relevant method of estimating the market value of a minority ownership in its equity.

For details, please see *Note 25 from the Consolidated Financial Statements as at December 31, 2021.*

Inventories

As at December 31, 2021 inventories were €17.6 million (December 31, 2020: €15.2 million). The increase is due mainly to inventories from the Spanish operations.

Trade and other receivables and contract assets

As at December 31, 2021 trade and other receivables were €74.0 million and contract assets were €71.2 (December 31, 2020: trade and other receivables €92.5 million; contract assets were €53.3), increase due to normal business development, mainly coming from Spain and Romania.

Derivative financial assets

As at December 31, 2021 derivative assets included embedded derivative assets for the Senior Notes measured at fair value, in amount of €8.9 million (December 31, 2020: €21.6 million) For details, please see *Note 26 from the Consolidated Financial Statements for year ended December 31, 2021.*

LIABILITIES

Interest bearing loans and borrowings

As at December 31, 2021 the non-current portion of the interest bearing loans and borrowings were in amount of €1,127.5 million (December 31, 2020: €941.5 million) and the current portion was in amount of €158.9 million (December 31, 2020: €87.2 million) including the effect of borrowing costs. The total increase in non-current portion of interest bearing loans and borrowings is mainly due to the SFA 2021 and the Incremental Facility signed in July 2021. For details, please see caption "Financial obligations" from above.

FINANCIAL INDICATORS

Below are presented consolidated financial indicators for the year ended 31 December 2021:

Financial Indicator	As at 31 December 2021	As at 31 December 2020
Current ratio		
Current assets/Current liabilities	0.73	0.33
Debt to equity ratio		
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	498%	530%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	83%	84%
Trade receivables turnover		
Average receivables/Revenues	40.99 days	43.80 days
Non-current assets turnover		
(Revenues/Non-current assets)	0.68	0.59

BOARD OF DIRECTORS' STATEMENTS

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

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

In accordance with the Dutch Decree Implementing Article 10 EU-Directive on Takeovers (Besluit artikel 10 overnamerichtlijn) the Company makes the following disclosures:

a. for information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Corporate Governance in this annual report. For information on the rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. For information on the rights attached to the Class B Shares, please refer to the Articles which can be found on the Company's website. As at 31 December 2021, the issued share capital of the Company amounted to €6,810,042.52 divided into 64,556,028 Class A Shares representing 64.56% of the total issued share capital and 35,443,972 Class B Shares representing 35.44% of the total issued share capital.
b. the Company has imposed no limitations on the transfer of Class A Shares and Class B Shares (with the exception of the Relationship Agreement). The Company is not aware of any depository receipts having been issued for shares in its capital.
c. for information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (Wet op het financieel toezicht) notification requirements apply, please refer to Corporate Governance of this annual report. There you will also find a list of shareholders who are known to the Company to have holdings of 3% or more.
d. Mr. Zoltán Teszári directly and indirectly, exercises control over 100% of the Company's Class A Shares. Mr. Zoltán Teszári owns 2.4% of the Class A Shares directly and controls the rest of the Class A Shares through his 91% share ownership of RCS Management S.A (economic interest). The Class A Shares have special rights in the Company. For information on the special rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. To summarize, each Class A Share confers the right to cast 10 votes, members of the Board of Directors are appointed and dismissed on nomination of the meeting of holders of Class A Shares, the meeting of holders of Class A Shares holds the right to make proposals to the general meeting of shareholders for remuneration of members of the Board of Directors in the form of shares, certain decisions of the Board of Directors concerning disposal or encumbrance of assets requires the approval from the meeting of holders of Class A Shares and amendment of the Articles of association of the Company which affect the rights of the Class A Shares, require the prior approval of the meeting of holders of Class A Shares.
e. current equity incentive plans adopted by the Company are administered by the Remuneration Committee.
f. no restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles do not allow the Company to cooperate with the issue of depository receipts for shares.
g. the Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights (with the exception of the Relationship Agreement).
h. the rules governing the appointment and dismissal of members of the Board of Directors of the Company are stated in the Articles of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders upon a binding nomination by the meeting of holders of Class A Shares. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles are stated in the Articles and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company. Any amendment of the Articles which affect the rights of the Class A Shares, requires the prior approval of the meeting of holders of Class A Shares.

i. the general powers of the Board of Directors are stated in the Articles of the Company which can be found on the Company's website. The Board of Directors does not hold the authority to resolve upon the issuance of shares. The Board of Directors is authorized to acquire shares in the capital of the Company for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 10 of the Articles.

j. the Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (Wet op het financieel toezicht), provided that certain financing and bonds agreements entered into by the Company do contain provisions that, as is customary for such documentation, may require early repayment or termination in the event of a change of control of the Company which in fact would mean that Mr. Zoltán Teszári would cease control of the Company Class A Shares. The Company's subsidiaries are also parties to a number of agreements concluded in the ordinary course of business that contain customary change of control clauses able to lead to the termination of the respective agreements.

k. the Company is not a party to any agreement with a Director or employee providing for payments upon termination of directorship or employment as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

In accordance with best practices 1.4.3 from the DCGC, with due consideration of the aforementioned inherent limitations and scope for improvement, the Board of Directors is of the opinion that:

→ the management board report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;

→ the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

→ based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; andthe report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

Independent Auditor's Report on Consolidated Financial Statements 2021

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Independent Auditors' Report

To the Board of Directors of DIGI Communications N.V.

75 Dr. Staicovici Street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania

Qualified Opinion

1. We have audited the accompanying non-statutory consolidated financial statements of DIGI Communications N.V and its subsidiaries (collectively, „the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information ("the financial statements").

2. In our opinion, except for the possible effects of the matters described in paragraphs 3, 4 and 5 of the *Basis for Qualified Opinion* section of our report, and except for the effects of the matters described in paragraphs 6, 7, 8 and 9 of that section, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

Basis for Qualified Opinion

3. As at 31 December 2021, the Group recognized deferred tax assets and deferred tax liabilities in the amounts of EUR 569 thousand and EUR 52,099 thousand, respectively. Management was unable to provide us with supporting documents and explanations that would enable us to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of the deferred tax balances. We were also unable to satisfy ourselves regarding those balances by alternative means. As a result, we were unable to determine whether any adjustments might have been necessary in respect of the stated amounts of deferred tax assets, deferred tax liabilities, assets held for sale and liabilities directly associated with the assets held for sale as at 31 December 2021, and in respect of income tax expense, result (loss) from discontinued operation, net of tax, and net profit for the year then ended.

4. As at 31 December 2021, the Group recognized property, plant and equipment of its subsidiary, DIGI KFT, in the amount of EUR 247,590 thousand, presented within assets held for sale, as explained in Note 23.2. Management was unable to provide us with supporting documents and explanations that would enable us to obtain sufficient appropriate audit evidence regarding the amounts of additions to the said property, plant and equipment during 2021. We were also unable to satisfy ourselves regarding those amounts by alternative means. As a result, we were unable to determine whether any adjustments might have been necessary in respect of the stated amounts of assets held for sale as at 31 December 2021, and in respect of the result (loss) from discontinued operation, net of tax, and net profit the year then ended.

5. Management was unable to provide us with supporting documents and explanations that would enable us to obtain sufficient appropriate audit evidence regarding the completeness of revenue recognized in the year ended 31 December 2021 by DIGI KFT, presented within the result (loss) from discontinued operation, net of tax. We were also unable to satisfy ourselves in that respect by alternative means. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the trade and other receivables and contract liabilities included within, respectively, assets held for sale and liabilities associated directly with the assets held for sale as at 31 December 2021 and the result (loss) from discontinued operation, net of tax, and net profit for the year then ended.

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

6. In accordance with IFRS 7 *Financial Instruments: Disclosures*, the Group is required to disclose quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes. The Group has not included such disclosures in the accompanying financial statements, and thus departed from the dislosure requirements of that Standard. It is impracticable for us to provide this information.

7. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group is required to disclose the net cash flows attributable to the operating, investing and financing activities of discontinued operations either in the notes or in the consolidated statement of cash flow. The Group has not included such disclosures in the accompanying financial statements, and thus departed from the disclosure requirements of that Standard. It is impracticable for us to provide this information.

8. Recognized in the financial statements, and presented within assets held for sale and liabilities directly associated with the assets held for sale as at 31 December 2021, are right-of-use assets, lease liabilities - long term and lease liabilities - current of the Group's subsidiary, DIGI KFT, in the amounts of, respectively, EUR 55,121 thousand, EUR 41,507 thousand and EUR 14,184 thousand. In our view, certain key inputs used by management in its lease accounting model could not be supported by the available evidence, including underlying lease contracts. It was impracticable for us to quantify the financial effects of the above departure from the requirements of IFRS 16 *Leases* on the stated amounts of assets held for sale and liabilities directly associated with the assets held for sale as at 31 December 2021, and on the result (loss) from discontinued operation, net of tax, and net profit for the year then ended.

9. As described in note 2.2, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* management has corrected prior period errors by restating the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020. The corrections included a reduction in deferred tax liabilities by EUR 19,123 thousand and by EUR 14,636 thousand as at as at 31 December 2020 and 1 january 2020, respectively, and a reduction in the income tax expense for 2020 by EUR 2,825 thousand. In our view, however, certain of the temporary differences underlying the said error corrections could not be supported by the available evidence. It was impracticable for us to quantify the financial effects of the above departure from the requirements of IAS 12 *Income Taxes* on the stated amounts of deferred tax liabilities and retained earnings as at I January 2020 and 31 December 2020, and on the income tax expense and net profit for the years ended 31 December 2021 and 31 December 2020.

10. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

11. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-statutory consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG

Cost of property, plant and equipment

As at 31 December 2021, property, plant and equipment: EUR 1,210,940 thousand (31 December 2020: EUR 1,240,712 thousand)

See Notes 2.3 (c) and 5 to the financial statements

The key audit matter	How the matter was addressed in our audit
As part of the expansion of its business across all territories, the Group incurs significant capital expenditure, mainly for self-constructed network and specialised telecommunications equipment. In the year ended 31 December 2021, such additions to property, plant and equipment (PPE) amounted to EUR 385,948 thousand. Significant level of judgement is required in measuring the cost of the said assets (both in respect of the initial and subsequent expenditure), primarily as regards the capitalization eligibility of the related expenditure, pursuant to the relevant requirements of IAS 16 *Property, plant and equipment*. Under that Standard, cost includes all expenditure directly attributable to bringing the asset to the location and condition necessary for its intended use, including, among other things, the cost of any employee benefits that are incurred for employees working directly on the construction or acquisition of the asset. We identified this matter as a key audit matter due to the magnitude of the amounts involved, and also due to the high degree of judgement required when performing audit procedures to evaluate compliance with the criteria for cost capitalization and the sufficiency of audit evidence obtained.	Our audit procedures in the area, performed where relevant with the support from our own information technology (IT) audit specialists, included, among other things, the following: – Evaluating the accounting policies used in the determination of the cost of PPE against the relevant requirements of the financial reporting standards; – Testing the selected application-level IT controls relied upon in the process of measuring the cost of PPE as well as the general IT controls supporting those applications; – For a sample of PPE additions during the year, challenging the capitalization eligibility and the amounts of the capital expenditure incurred, by, among other things: • assessing the appropriateness of the capitalized cost categories against the requirements of the financial reporting standards. As part of the procedure, we, among other things, challenged whether the nature of the costs capitalised reflected the nature of the underlying capital project; • tracing the purchase price, directly attributable expenditure (including material costs, personnel cost incurred and others) to external invoices, internal consumption notes and internal timesheets and payroll records; • evaluating whether any expenditure incurred subsequent to initial recognition of an item of property, plant and equipment is capitalised as part of its cost only if it is probable that future economic benefits associated with the item will flow to the Group; • challenging the completeness of decommissioning costs included in the cost of PPE, by reference to our understanding of the nature of the asset, past actual costs and market practice; • In respect of the personnel cost, materials cost, third party services and others, challenging the reasonableness of any allocation between the amounts capitalized and expensed. – Assessing the accuracy and completeness of the financial statement disclosures in respect of the measurement of property, plant and equipment cost, against the relevant requirements of the financial reporting standards.

Compliance with laws and regulations	
The key audit matter	**How the matter was addressed in our audit**
It is the responsibility of management, with the oversight of those charged with governance, to ensure that the Group's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on the financial statements. In the normal course of the Group's business, potential exposures arise from various court and regulatory proceedings, including those resulting from alleged non-compliance with laws and regulations. Among other things, as described in Note 27 of the financial statements, as at 31 December 2021, a subsidiary of the Group and certain 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 Group's reliance on transactions with government and government-controlled entities, and entities in certain higher-risk jurisdictions, coupled with the above allegations of non-compliance with anti-bribery and corruption laws and regulations, is associated with an increased risk of material misstatement in the financial statements due to non-compliance with laws and regulations. Accordingly, the area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area, performed with the support from our own forensic specialists, included, among other things, the following: — Testing the design and implementation of selected controls within the regulatory, procurement and contracting processes, such as those over the identification of any non-compliance with laws and regulations, assessment of the likelihood of outflow of resources and estimation of the amounts of related exposures. — On a sample basis, challenging the rationale for and/or the amounts of: • transactions with government and government-controlled entities and local authorities; • transactions with any suppliers based in higher-risk jurisdictions, and • significant license and programme assets acquisitions during the year; As part of the procedure, we analysed the counterparties' digital footprint and line of business and, where potential risks were identified, performed a detailed assessment of the legitimacy of supplier and related acquisitions; — Inspecting relevant legal documentation, decisions of the Management Board meetings and communications between the Group and its lawyers, including legal analyses of the matters and any developments through the date of our audit report; — Evaluating the external lawyers' responses to our audit inquiry letters, and discussing selected matters with the lawyers; — Assessing the Group's disclosures regarding actual and/or potential non-compliance with laws and regulations and contingent liabilities, considering the requirements of the relevant financial reporting standards.

Emphasis of Matter – Corresponding figures

12. We draw attention to Note 2.2 to the financial statements, which describes that the Group elected to voluntarily change its accounting policy for certain classes of property, plant and equipment from revaluation model to historical cost model. In addition, as also discussed in that Note, the Group presented one of its components as a discontinued operation and consequently re-presented the comparative consolidated statement of profit or loss and other comprehensive income and cash flow information. Furthermore, Note 2.2 describes that the corresponding figures presented as at and for the year ended 31 December 2020 have been restated to correct certain prior period errors. Our opinion is not modified in respect of these matters, except for the effects of the matter described in paragraph 9 of the *Basis for Qualified Opinion* section, above.

Other Matter – Corresponding figures

13. The corresponding figures as at and for the years ended 31 December 2020 and 1 January 2020 were derived from the statutory consolidated financial statements as at and for the years ended 31 December 2020 and 31 December 2019, prepared in accordance with IFRS EU and Part 9 of book 2 of the Dutch civil code. Those statutory consolidated financial statements, excluding the adjustments described in Note 2.2 to the accompanying financial statements, were audited by another auditor who expressed unmodified opinions thereon, respectively, on 6 April 2021 and 19 March 2020.

    As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 2.2 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended 31 December 2020 or 31 December 2019 (not presented herein) or to the consolidated statement of financial position as at 1 January 2020, other than with respect to the adjustments described in Note 2.2 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2.2 are appropriate and have been properly applied, except for the effects of the matter described in paragraph 9 of the *Basis for Qualified Opinion* section, above.

Other information

14. Management is responsible for the other information. The other information comprises the information included in the non-statutory Annual Report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

    In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

15. As described in the paragraphs 3, 4 and 5 of the *Basis for Qualified Opinion* section, above, we were unable to obtain sufficient and appropriate audit evidence in respect of deferred tax balances, assets held for sale and liabilities directly associated with the assets held for sale. Accordingly, we are unable to conclude whether or not the Annual Report is materially misstated with respect to these matters. Additionally, as described in paragraphs 8 and 9, above, certain key inputs in a subsidiary's lease accounting model and the amounts of error corrections in respect of deferred tax liabilities could not be supported by the available evidence. We have concluded that Annual report is misstated for the same reasons with respect to the amounts or other items affected by the matters mentioned above.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

16. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

17. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

18. Those charged with the governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

19. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

20. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    – Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    – Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

    – Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    – Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

    – Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

    – Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

21. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

22. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

23. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Giurcaneanu Aura Stefana.

For and on behalf of KPMG Audit S.R.L.:

Aura Giurcăneanu

Giurcaneanu Aura Stefana

registered in the electronic public register of financial auditors and audit firms under no AF1517

Bucharest, 27 May 2022

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: **GIURCANEANU AURA STEFANA**
Registrul Public Electronic: **AF1517**

KPMG Audit SRL

KPMG Audit SRL

registered in the electronic public register of financial auditors and audit firms under no FA9

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: **KPMG AUDIT S.R.L.**
Registrul Public Electronic: **FA9**

Consolidated Financial Statements for the year ended 31 December 2021

DIGI COMMUNICATIONS N.V.

NON-STATUTORY CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS **Page**

General Information

Directors:

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Emil Jugaru

Marius Catalin Varzaru

Zoltan Teszari

Registered Office:

Digi Communications N.V.

Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania

Auditors:

KPMG Audit SRL

Other information:

The present non-statutory consolidated financial statements of DIGI Communications N.V ("the Company", "the Group" or "DIGI Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). These are not the statutory consolidated financial statements of the Company, which have to be prepared in accordance with IFRS-EU and Part 9 of book 2 of the Dutch civil code.

On or before 31 July 2022, the Company estimates that it will publish its statutory consolidated and stand-alone financial statements prepared in accordance with the Dutch accounting standards applicable to the Company (i.e., IFRS as adopted by the European Union and Part 9 of book 2 of the Dutch civil code).

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(all amounts are in thousand EUR, unless specified otherwise)

Semnat pentru identificare KPMG 27. MAI. 2022 Initialised for identification

	Notes	31 December 2021	31 December 2020	1 January 2020
ASSETS			Restated	Restated [1]
Non-current assets				
Property, plant and equipment	5	1,210,940	1,240,712	1,155,469
Right of use assets	6	203,254	252,621	217,898
Intangible assets	7	406,470	318,311	266,188
Investment property		9,327	-	-
Financial assets at fair value through OCI	8	47,948	40,821	39,592
Investment in associates		644	974	969
Long term receivables		1,646	2,493	2,642
Other non-current assets		5,926	6,853	5,943
Deferred tax assets	22	569	999	2,620
Total non-current assets		**1,886,724**	**1,863,784**	**1,691,321**
Current assets				
Inventories	10	17,567	15,241	15,560
Programme assets	7	15,795	18,383	17,557
Trade and other receivables	11	74,002	92,481	72,824
Contract assets	11	71,281	53,274	50,715
Income tax receivable		1,200	-	9
Other assets	12	11,346	12,221	11,884
Derivative financial assets	26	8,857	21,578	40,095
Cash and cash equivalents	13	17,003	6,539	7,854
Assets held for sale	23.2	402,201	-	-
Total current assets		**619,252**	**219,717**	**216,498**
Total assets		**2,505,976**	**2,083,501**	**1,907,819**
EQUITY AND LIABILITIES				
Equity				
Share capital	14.1	6,810	6,810	6,810
Share premium		3,406	3,406	3,406
Treasury shares		(14,880)	(15,556)	(16,806)
Reserves	14.1	(22,591)	(29,500)	(32,613)
Retained earnings		261,278	214,434	202,949
Equity attributable to equity holders of the parent		**234,022**	**179,594**	**163,746**
Non-controlling interest	14.2	12,750	9,342	6,233
Total equity		**246,772**	**188,936**	**169,979**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings, including bonds	15	1,127,491	941,451	811,363
Lease liabilities	16	125,119	171,512	146,948
Deferred tax liabilities	22	52,099	52,343	52,855
Decommissioning provision	5	6,172	9,840	7,180
Other long term liabilities	17.2	100,621	59,967	40,312
Total non-current liabilities		**1,411,502**	**1,235,113**	**1,058,658**
Current liabilities				
Trade and other payables	17.1	467,499	462,418	436,826
Interest-bearing loans and borrowings	15	158,852	87,191	130,667
Lease liabilities	16	71,642	70,080	71,516
Income tax payable		1,996	4,584	1,498
Derivative financial liabilities	26	-	-	785
Provisions		9,457	10,180	10,372
Contract liabilities		15,732	24,999	27,518
Liabilities directly associated with the assets held for sale	23	122,524	-	-
Total current liabilities		**847,702**	**659,452**	**679,182**
Total liabilities		**2,259,204**	**1,894,565**	**1,737,840**
Total equity and liabilities		**2,505,976**	**2,083,501**	**1,907,819**

[1] The comparative information is restated on account of correction of errors and retrospective application of changes in accounting policies. See Note 2.2.

The notes on pages 9 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2021

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

	Notes	2021	2020 Restated and re-presented 1) 2)
Continuing operations			
Revenues	19	1,278,052	1,106,573
Other income		3,448	832
Operating expenses	20	(1,095,404)	(914,295)
Other expenses	30	(417)	-
Operating profit		**185,679**	**193,110**
Finance income	21	189	3,801
Finance expenses	21	(81,898)	(112,973)
Net finance costs		**(81,709)**	**(109,172)**
Profit before taxation		**103,970**	**83,938**
Income tax	22	(12,084)	(15,606)
Profit from continuing operations		**91,886**	**68,332**
Discontinued operation			
Result (loss) from discontinued operation, net of tax	23	(26,154)	(54,883)
Profit for the year		**65,732**	**13,449**
Attributable to owners		*61,321*	*12,737*
Attributable to non-controlling interests		*4,411*	*712*
Other comprehensive income			
Items that are or may be reclassified to profit or loss, net of income tax			
Foreign operations – foreign currency translation differences		(615)	(5,326)
Related tax		-	-
Items that will not be reclassified to profit or loss			
Revaluation of equity instruments measured at fair value through OCI	8	7,777	1,551
Revaluation of land and buildings		-	10,053
Related tax		-	(1,609)
Other comprehensive income for the year, net of income tax		**7,162**	**4,670**
Total comprehensive income for the year		**72,894**	**18,119**
Attributable to owners		*68,413*	*17,237*
Attributable to non-controlling interests		*4,481*	*882*
Earnings per share			
Basic earnings per share	9	0.6466	0.1348
Diluted earnings per share	9	0.6452	0.1343
Earnings per share -Continuing operations			
Basic earnings per share	9	0.9047	0.6783
Diluted earnings per share	9	0.9028	0.6761

1) The comparative information is restated on account of correction of errors and retrospective application of changes in accounting policies. See Note 2.2.

2) Comparative information has also been re-presented due to a discontinued operation. See Note 23.2.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2021	2020
Cash flows from operating activities			Restated
Profit before taxation from continuing operations		**103,970**	**83,938**
Profit before taxation from discontinued operations		**(19,782)**	**(56,481)**
Adjustments for:			
Depreciation, amortization and impairment	5, 6, 7	353,034	311,992
Interest expense	21	44,663	51,128
Finance cost		-	13,750
Impairment of trade and other receivables	20	5,219	7,124
Provisions		(723)	800
Losses/(gains) on derivative financial instruments	26	12,447	36,733
Equity settled share-based payments expense	25	1,110	123
Unrealised foreign exchange loss		28,700	40,597
(Gain)/loss on sale of assets		3,157	(2,723)
Cash flows from operations before working capital changes		**531,795**	**486,981**
Changes in:			
(Increase)/decrease in trade receivables, other assets and contract assets		(59,894)	(29,263)
(Increase)/decrease in inventories		5,372	1,393
(Increase)/decrease in program assets		(24,070)	(32,496)
(Decrease)/increase in trade payables and other current liabilities		8,780	11,014
(Decrease)/increase in contract liabilities		3,815	(2,519)
Cash flows from operations		**465,798**	**435,110**
Interest paid		(40,971)	(45,056)
Income tax paid		(19,505)	(9,369)
Net cash flows from operating activities		**405,322**	**380,685**
Cash flow used in investing activities			
Purchases of property, plant and equipment	5	(346,417)	(268,363)
Purchases of intangibles	7	(197,304)	(69,395)
Acquisition of subsidiaries, net of cash and acquisition of NCI	23	507	(825)
Proceeds from sale of property, plant and equipment		2,423	340
Net cash flows used in investing activities		**(540,791)**	**(338,243)**
Cash flows from financing activities			
Dividends paid to shareholders	14	(13,176)	(11,536)
Cash outflows from acquisition of treasury shares		-	(166)
Proceeds from borrowings	15	372,365	1,001,209
Repayment of borrowings	15	(110,568)	(911,996)
Transaction costs paid	15	(3,478)	(33,214)
Payment of lease obligations	16	(96,583)	(88,047)
Net cash flows (used in)/from financing activities		**148,560**	**(43,750)**
Net increase/(decrease) in cash and cash equivalents		**13,091**	**(1,308)**
Cash and cash equivalents at the beginning of the year	13	**6,539**	**7,854**
Effect of exchange rate fluctuations of cash and cash equivalents held		9	(7)
Cash and cash equivalents at the end of the year	13	**19,636**	**6,539**

The comparative information is restated on account of correction of errors and retrospective application of changes in accounting policies. See Note 2.2.

DIGI COMMUNICATIONS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(all amounts are in thousand EUR, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2020, as previously reported	**6,810**	**3,406**	**(16,806)**	**(36,701)**	**24,385**	**(6,220)**	**188,679**	**163,553**	**6,224**	**169,777**
Impact of correction of errors (see Note 2.2)				(2,207)			14,185	**11,978**	1,222	**13,200**
Impact of changes in accounting policies (see Note 2.2)				4,622	(16,492)		85	**(11,785)**	(1,212)	**(12,997)**
Balance at 1 January 2020 restated	**6,810**	**3,406**	**(16,806)**	**(34,286)**	**7,893**	**(6,220)**	**202,949**	**163,746**	**6,234**	**169,980**
Comprehensive income for the year, restated										
Profit/(loss) for the year	-	-	-	-	-	-	12,737	**12,737**	712	**13,449**
Foreign currency translation differences	-	-	-	(5,122)	-	-	-	**(5,122)**	(204)	**(5,326)**
Revaluation of equity instruments measured at fair value through OCI (Note 8)	-	-	-	-	-	1,551	-	**1,551**	-	**1,551**
Revaluation of land and buildings					8,071			**8,071**	374	**8,445**
Transfer of revaluation reserve (depreciation)					(286)		286	**-**	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**(5,122)**	**7,785**	**1,551**	**13,023**	**17,237**	**882**	**18,119**
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Purchase of treasury shares (Note 14)	-	-	(166)	-	-	-	-	**(166)**	-	**(166)**
Equity-settled share-based payment transactions (Note 25)	-	-	1,416	-	-	-	(1,254)	**162**	(39)	**123**
Dividends distributed (Note 14)	-	-	-	-	-	-	(12,630)	**(12,630)**	(457)	**(13,087)**
Total contributions by and distributions to owners	**-**	**-**	**1,250**	**-**	**-**	**-**	**(13,884)**	**(12,634)**	**(496)**	**(13,130)**
Changes in ownership interests in subsidiaries										
Changes in ownership interests in subsidiaries (Note 23)	-	-	-	(773)	(327)	-	12,346	**11,246**	2,723	**13,969**
Total changes in ownership interests in subsidiaries	-	-	-	(773)	(327)	-	12,346	**11,246**	2,723	**13,969**
Total transactions with owners	**-**	**-**	**1,250**	**(773)**	**(327)**	**-**	**(1,538)**	**(1,388)**	**2,227**	**839**
Restated balance at 31 December 2020	**6,810**	**3,406**	**(15,556)**	**(40,181)**	**15,351**	**(4,669)**	**214,434**	**179,595**	**9,343**	**188,938**

The notes on pages 9 to 100 are an integral part of these consolidated financial statements.

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserve	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)**	**(40,181)**	**15,351**	**(4,669)**	**214,434**	**179,595**	**9,343**	**188,938**
Comprehensive income for the year										
Profit/(loss) for the **year**							61,321	**61,321**	4,411	**65,732**
Foreign currency translation differences				(685)				**(685)**	70	**(615)**
Revaluation of equity instruments measured at fair value through OCI (Note 8)						7,777		**7,777**	-	**7,777**
Transfer of revaluation reserve (depreciation)					(185)		185	**-**	-	-
Total comprehensive income for the year				**(685)**	**(185)**	**7,777**	**61,506**	**68,413**	**4,481**	**72,894**
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions (Note 25)			676				398	**1,074**	36	**1,110**
Dividends distributed (Note 14)							(14,393)	**(14,393)**	(1,043)	**(15,436)**
Total contributions by and distributions to owners			**676**				**(13,995)**	**(13,319)**	**(1,007)**	**(14,326)**
Changes in ownership interests in subsidiaries										
Changes in ownership interests in subsidiaries (Note 23)							(667)	**(667)**	(66)	(733)
Total changes in ownership interests in subsidiaries							**(667)**	**(667)**	**(66)**	**(733)**
Total transactions with owners			**676**				**(14,662)**	**(13,986)**	**(1,073)**	**(15,059)**
Balance at 31 December 2021	**6,810**	**3,406**	**(14,880)**	**(40,866)**	**15,166**	**3,108**	**261,278**	**234,022**	**12,751**	**246,773**

The notes on pages 9 to 100 are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

The parent company of the Group is Digi Communications N.V. ("DIGI" or "the Company" or "the Parent"), a company incorporated in Netherlands, 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 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 and Digi Italy SL.

The Hungarian operations were sold on 3rd of January 2022. For details, please see Note 23B.

DIGI's registered office is located in Str. Dr. Nicolae Staicovici, no. 75, - Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania.

RCS&RDS is a company incorporated in Romania and its registered office is located at Dr. Staicovici 75, Forum 2000 Building, sect. 5, Bucharest, Romania.

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

In 1998 Romania Cable Systems S.A. established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market. In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS. RCS&RDS evolved historically both by organic growth and by acquisition of telecommunication operators and customer relationships.

The Group provides telecommunication services of cable TV (television), fixed internet and data, fixed-line telephony ("CBT"), mobile telephony and internet and direct to home television ("DTH") services in Romania, Hungary and Spain 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. At the end of 2021, DIGI group had a 21,833 total of employees (2020: 20,242 employees).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The non-statutory consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 27 May 2022.

(b) Non-statutory consolidated financial statements

These consolidated financial statements are not the statutory consolidated financial statements of DIGI.

On or before 31 July 2022, the Company estimates that it will publish its statutory consolidated and separate financial statements prepared in accordance with the Dutch accounting standards applicable to the Company (i.e., IFRS as adopted by the European Union and Part 9 of book 2 of the Dutch civil code), to be filed with the Dutch Authority for the Financial Markets ("AFM") and with the Bucharest Stock Exchange and to serve as a basis for determining distributions to shareholders.

(c) Basis of measurement

The non-statutory consolidated financial statements have been prepared on the historical cost basis, except for land and buildings measured at revalued amount, for financial assets measured at fair value through OCI, derivative financial instruments measured at fair value and liabilities for equity share-based payments arrangements measured at fair value through OCI, as described in the accounting policies under Note 2.3 below.

(d) Going concern assumption

The directors of the Company prepared the non-statutory consolidated financial statements based on the assumption that the Group will continue as a going concern, as the directors consider that future prospects of the business will allow the Group to obtain results and positive cash flows in the foreseeable future.

In recent years, including current year, the Group managed to achieve consistently strong local currency revenue streams and cash flows from operating activities and continued to grow the business. These results have been achieved during a period of significant investments in technological upgrades, new services and footprint expansion.

As at 31 December 2021, the Group had net current liability position of EUR 228,449 thousand (mainly due to trade payables amounting to EUR 467,499 thousand) and negative working capital (trade receivables plus inventories less trade payables) of EUR 375,930 thousand. The negative working capital position is structural and specific to integrated telecom operators and for companies this size. Customers generally pay subscription revenues before the end of the service month, with short days of sales outstanding and suppliers are paid under the Group's contractual commercial terms, thus generating negative working capital. Payables due the following month are covered by revenues and cash flows from operations (if needed).

The above is evidenced by the difference in the level of receivables and payables: at 31 December 2021 trade and other receivables amounted to EUR 74,002 compared to trade and other payables amounting EUR 467,499 thousand, (out of which EUR 197,135 thousand represents CAPEX suppliers); at 31 December 2020 trade and other receivables amounted EUR 92,481 thousand compared to trade and other payables amounting EUR 462,418 thousand (out of which EUR 168,394 thousand represented CAPEX suppliers).

During the year ended 31 December 2021, the Group registered a net profit of EUR 91,886 thousand from continuing operations (31 December 2020: EUR 68,332 thousand) and generated cash flows from operations of EUR 465,798 (31 December 2020: EUR 435,110 thousand).

As at 31 December 2021, the Group had an equity position of EUR 246,773 thousand compared to EUR 188,936 thousand as at 31 December 2020. The equity position increase from the prior period was mainly due to increase in net profit from continuing operations.

As at 31 December 2021, the Group's short-term borrowings comprised mainly loans from lenders of EUR 158,852 (31 December 2020: EUR 87,191 thousand). The short-term and long-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries (RCS&RDS and DIGI Spain).

The Board of Directors has considered the following elements in determining that the use of the going concern assumption is appropriate:

- Operating cash flows for the year ended 31 December 2021 were EUR 405,322 thousand (2020: EUR 380,685 thousand);
- At the date of the approval of these consolidated non-statutory financial statements, the Group has undrawn facilities in amount of EUR 82,690 thousand;
- Adjusted EBITDA for the year ended 31 December 2021 amounted to EUR 523,045 compared to an Adjusted EBITDA of EUR 486,836 thousand for the year ended 31 December 2020;
- The Group has unrestricted cash of EUR 17,003 thousand as at 31 December 2021, compared to EUR 6,539 as at 31 December 2020, which would allow the Group to cover any urgent cash needs.

Group's management tracks top line and collections trends closely, which allows Group's management as well as local management of our subsidiaries to ensure speed and flexibility to counter any unexpected events.

Accordingly, the Board of Directors is of the view that the Group will continue to act as a going concern for at least twelve months from the date of approval of these non-statutory consolidated financial statements, there is no material uncertainty and hence deemed appropriate to prepare these non-statutory consolidated financial statements using the going concern assumption.

(e) Functional and presentation currency

The functional currency of each Group entity is the currency of the primary economic environment in which the entity operates (the local currency), or in which the main economic transactions are undertaken (Romania: RON; Hungary: HUF; Spain and Italy: EUR).

In February 2020, the Company repaid the outstanding 2016 Notes which were denominated in EUR. Management performed an analysis of the main transactions of the Company following the repayment of the 2016 Bonds and concluded that the functional currency of the Company going forward should be the Romanian Leu ("RON"). Consequently, starting with the second quarter of 2020, the financial statements of the Company (stand-alone financial statements and consolidated financial statements, including the non-statutory consolidated financial statements) is prepared in RON, as functional currency. The impact on these non-statutory consolidated financial statements is not material.

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

- management analysis and reporting is prepared in EUR;
- EUR is used as a reference currency in telecommunication industry in the European Union;
- The Group's Senior Notes (held by RCS & RDS) are denominated in EUR.

The translation into presentation currency of the financial information of each group entity is described under Note 2.3 below.

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

(f) Significant estimates and judgments

In the process of applying the Group's accounting policies when preparing these non-statutory consolidated financial statements, management has made the following significant judgements and estimates, including assumptions, that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the estimates affect that period only, and future periods, if the change affects both.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note	Topic	Judgements	Estimates
2.3 (c) and 5	Property, plant and equipment and Investment property	X	X
2.3 (d) and 7	Intangible assets		X
2.3 (c) and 5	Customer premises equipment	X	
2.3 (j)	Leases	X	X
2.3 (i) and 5	Provision for dismantling and restoring sites		X
5,6,7	Impairment test of non-current assets, including goodwill		X
2.3 (d)	Programme assets	X	
11 and 24 i)	Allowance for trade receivables and contract assets		X
22	Income taxes	X	X
23.2	Discontinued operations	X	
27	Litigations	X	X
3, 15, 24 iv), 2(e), 8	Fair value of financial instruments, including financial assets at fair value through OCI		X
2.e (ii)	Reverse factoring	X	

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

Use of judgements

In addition to the accounting alternative methods selected by management and presented in the respective accounting policies notes, management exercises judgement in order to define the accounting policies for certain elements and transactions:

Notes	Topic	Nature of accounting judgement
2.3 (c) and 5	Property, plant and equipment	Determining the costs associated with tangible assets construction and installation activities
2.3 (c) and 5	Investment property	Determining whether a property qualifies as investment property or owner-occupied property
5	Customer premises equipment	Determining whether equipment is 'distinct' for the purpose of IFRS 15 and whether arrangements involving equipment contain a lease for the purpose of IFRS 16
2.3 (j)	Leases	Determining the non-cancellable lease term and assessment of the exercise or not of termination, extension. Separating the service and lease components of leases
2.3 (d)	Acquired programme assets	Determining the timing for recognition and the appropriate presentation in the consolidated statement of financial position and consolidated statement of cash flows
22	Income taxes	Measurement of technical merits of the interpretations and legislative positions and qualification of the facts and circumstances
2.3 (s), 23.2	Discontinued operations	Determining when the operation meets the criteria to be classified as held-for-sale under IFRS 5
27	Litigations	Measurement of technical merits of the interpretations and legislative positions and qualification of the facts and circumstances
2.e (ii)	Reverse factoring	Distinguishing operating debt and financial debt; presenting amounts related to supply chain financing arrangements in the consolidated statement of financial position and in the consolidated statement of cash flows

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

Use of estimates

In preparing the Group's non-statutory consolidated financial statements, management made estimates, insofar as many elements included in the non-statutory consolidated financial statements cannot be measured precisely. Management revises these estimates if the underlying circumstances evolve or in light of new information or more experience. Consequently, the estimates made as at 31 December 2021 may subsequently be changed.

Notes	Topic	Key sources of estimates on future income and/or cash flows
2.3 (c) and 5	Property, plant and equipment Investment property	Assessing assets' useful life according to the change in the technological, regulatory or economic environment; assessing fair value of land and buildings and investment property
2.3 (d) and 7	Intangible assets	Assessing the useful life of customer-related intangibles depending on rate of customer churn
2.3 (j)	Leases	Determination of whether changes in lease agreements represent a remeasurement or a new lease; Determination of the term of leases; Determination of the incremental borrowing rate of the lease when the implied interest rate is not identifiable in the lease
2.3 (i) and 5	Provision for dismantling and restoring sites	Determination of the dismantling timeframe, discount rate, expected cost
5,6,7	Impairment test of non-current assets, including goodwill - measurement of the recoverable values for the impairment tests (goodwill, property, plant and equipment and intangible assets, investments accounted for under the equity method)	Sensitivity of discount rates, perpetual growth rate and business plans assumptions which affect the expected cash flows; assessing the competitive, economic and financial environment of the countries where the Group operates
11 and 24 i)	Allowance for trade receivables and contract assets	Key assumptions in determining the weighted-average loss rate
22	Income taxes - measurement of the recoverable value of deferred tax assets	Assessing the deferred tax assets' recovery timeline when a tax entity reverts to profitability or when the tax legislation limits the use of tax loss carry forwards
27	Litigations - risk of resources outflow linked to claims and litigations	Underlying assumptions of the assessment of legal and fiscal positions; identifying and releasing of uncertain legal and tax positions
3, 15, 24 iv) , 2 (e), 8	Fair value of financial instruments, including financial assets at fair value through OCI	Models, selection of parameters, fair value hierarchy, evaluation of non-performance risks

2.2 ACCOUNTING POLICY CHANGES AND CORRECTION OF ERRORS

Correction of errors

During 2021, the Group discovered a series of errors in its past year's consolidated financial statements, disclosed below. The errors have been corrected by restating each of the affected non-statutory consolidated financial statements line items for prior periods, where applicable. The tables below summarise the impacts on the Group's consolidated financial statements.

Change in accounting policy

Group's management decided to voluntarily change the accounting policy for valuation of certain categories of property, plant and equipment (respectively network, equipment and devices and customer premises equipment ("CPE")) from revaluation model to historic cost model, starting with 1 January 2021.

Management considered the voluntary change in order to align the measurement after recognition model of the Group's specialized classes of property, plant and equipment (detailed above) to the one used uniformly within the telecommunication sector. Additionally, management gave consideration to the fact that, in practice, historical cost information is more accurate, less sensitive to changes in the technological, regulatory and economic environment, hence considerably more stable and reliable. Active market prices do not exist for the Group's specialized classes of property, plant and equipment assets, instead, the fair value of such non-current assets must be estimated based on inputs which may introduce intrinsic information asymmetries between management and investors. Management believes that, to the extent that investors look for comparability within a sector and perceive greater uncertainty in the fair value estimates of plant assets, they would put less weight on these estimates in valuation, which would reduce the fair value relevance for specialized plant assets.

The impact of voluntarily changing the policy has an effect on the current period and prior periods. The effect of the voluntary change in the accounting policy was estimated retrospectively, back to the earliest period practicable, by reversing previous revaluations and related deferred tax impact recognized in the accounting records.

The following tables summarize the impact of both the correction of errors and of the voluntary change in accounting policy on the Group's non-statutory consolidated financial statements.

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

Semnat pentru identificare KPMG 27. MAI. 2022 Initialised for identification

	Notes	As previously reported 31 December 2019	Effect of change in accounting policy	Effect of correction of errors	As restated 31 December 2019
ASSETS					
Non-current assets					
Property, plant and equipment	(a) (i,ii,iii,iv,v)	1,188,394	(15,252)	(17,673)	1,155,469
Right of use assets	(b) (i,ii)	197,930	-	19,967	217,898
Intangible assets	(a) (i,ii)	268,928	-	(2,739)	266,188
Other non-current assets		51,766	-	-	51,766
Total non-current assets		**1,707,018**	**(15,252)**	**(445)**	**1,691,321**
Current assets					-
Trade and other receivables	(c)	69,680	-	3,144	72,824
Cash and short-term deposits	(c)	10,998	-	(3,144)	7,854
Other current assets		135,820	-	-	135,820
Total current assets		**216,498**	**-**	**-**	**216,498**
TOTAL ASSETS		**1,923,516**	**(15,252)**	**(445)**	**1,907,819**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Reserves	(a) (i,ii,iii)	(18,536)	(11,870)	(2,207)	(32,613)
Retained earnings	(a) (i,ii,iii)	188,679	85	14,185	202,949
Other equity items		(6,590)	-	-	(6,590)
Total equity attributable to equity holders of the parent		**163,553**	**(11,785)**	**11,978**	**163,746**
Non-controlling interest	(a) (i,ii,iii)	6,224	(1,212)	1,222	6,233
Total equity		**169,777**	**(12,997)**	**13,200**	**169,979**
Non-current liabilities					
Lease liabilities	(b) (i,ii)	133,537	-	13,411	146,948
Deferred tax liability	(a) (i,ii,iii,iv,)	69,746	(2,255)	(14,636)	52,855
Other non-current liabilities		858,855	-	-	858,855
Total non-current liabilities		**1,062,138**	**(2,255)**	**(1,225)**	**1,058,658**
Current liabilities					

Trade payables and other payables	(e)	460,294	-	(23,468)	436,826
Lease liabilities	(b) (i,ii)	64,721	-	6,796	71,516
Provisions	(e)	6,118	-	4,254	10,372
Other current liabilities		160,468	-	-	160,468
Total current liabilities		**691,601**	**-**	**(12,419)**	**679,182**
Total liabilities		**1,753,739**	**(2,255)**	**(13,644)**	**1,737,840**
TOTAL EQUITY AND LIABILITIES		**1,923,516**	**(15,252)**	**(445)**	**1,907,819**

	Notes	As previously reported 31 December 2020	Effect of change in accounting policy	Effect of correction of errors	As restated 31 December 2020
ASSETS					
Non-current assets					
Property, plant and equipment	(a) (i,ii,iii,iv)	1,562,471	(334,199)	12,440	1,240,712
Right of use assets	(b) (i,ii)	242,969	-	9,652	252,621
Intangible assets	(a) (ii,iv)	317,048	-	1,263	318,311
Other non-current assets		52,141	-	-	52,141
Total non-current assets		**2,174,629**	**(334,199)**	**23,355**	**1,863,784**
Current assets					
Inventories	(a)(iv)	20,381	-	(5,140)	15,241
Trade and other receivables	(c)	88,473	-	4,045	92,518
Cash and short-term deposits	(c)	10,584	-	(4,045)	6,539
Other current assets		105,457	-	-	105,457
Total current assets		**224,895**	**-**	**(5,140)**	**219,755**
TOTAL ASSETS		**2,399,524**	**(334,199)**	**18,215**	**2,083,539**
EQUITY AND LIABILITIES					

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

Equity attributable to equity holders of the parent					
Reserves	(a) (i,ii,iii,iv,v)	237,286	(273,545)	6,760	(29,499)
Retained earnings	(a) (i,ii,iii,iv,v)	192,900	3,785	17,747	214,434
Other equity		(5,340)	-	-	(5,340)
Total equity attributable to equity holders of the parent		**424,846**	**(269,760)**	**24,507**	**179,595**
Non-controlling interest	(a) (i,ii,iii,iv)	26,430	(13,104)	(3,984)	9,342
Total equity		**451,276**	**(282,864)**	**20,523**	**188,937**
Non-current liabilities					
Lease liabilities	(b) (i,ii)	163,291	-	8,221	171,512
Deferred tax liability	(a) (i,ii,iii,iv)	122,801	(51,335)	(19,123)	52,343
Other long term liabilities	(g)	35,656	-	24,311	59,967
Other non-current liabilities		951,291	-	-	951,291
Total non-current liabilities		**1,273,039**	**(51,335)**	**13,409**	**1,235,113**
Current liabilities					
Trade payables and other payables	(e)(g)	490,905	-	(28,487)	462,418
Lease liabilities	(b) (i,ii)	63,464	-	6,616	70,080
Income tax payable	(a) (i,ii,iii,iv)	2,645	-	1,939	4,584
Provisions	(e)	6,005	-	4,175	10,180
Other current liabilities		112,190	-	-	112,190
Total current liabilities		**675,209**	**-**	**(15,757)**	**659,452**
Total liabilities		**1,948,248**	**(51,335)**	**(2,348)**	**1,894,565**
TOTAL EQUITY AND LIABILITIES		**2,399,524**	**(334,199)**	**18,215**	**2,083,539**

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

Consolidated statement of profit or loss

	Notes	As previously reported as at 31 December 2020	Discontinued operations	Effect of change in accounting policy	Effect of correction of errors	As restated and represented 31 December 2020
Revenues	(d)	1,281,569	(199,555)	-	24,559	1,106,573
Other revenues		-	-	-	832	832
Operating expenses	(d)	(1,111,543)	216,986	3,785	(23,523)	(914,295)
Other expenses/other revenue		(2,678)	3,510	-	(832)	-
Operating profit		**167,348**	**20,941**	**3,785**	**1,036**	**193,110**
						-
Finance expenses		(146,480)	35,540	-	(2,033)	(112,973)
Finance income		3,801	-	-	-	3,801
Net finance costs		**(142,679)**	**35,540**	**-**	**(2,033)**	**(109,172)**
						-
Profit / (loss) before taxation		**24,669**	**56,481**	**3,785**	**(997)**	**83,938**
						-
Income tax	(a) (i,ii,iii)	(16,833)	(1,598)	-	2,825	(15,606)
		-				-
Net profit / (loss) for continuing operations		**7,836**	**54,883**	**3,785**	**1,828**	**68,332**
Result (loss) from discontinued operation, net of tax		**-**	**-**	**-**	**-**	**(54,883)**
Profit for the year		**-**	**-**	**-**	**-**	**13,449**
Attributable to owners		*7,372*	*52,260*	*3,733*	*1,632*	*64,997*
Attributable to non-controlling interests		*464*	*2,623*	*52*	*196*	*3,335*

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

Effect on other comprehensive income

	As previously reported 31.12.2020	Effect of change in accounting policy represented	Correction of error	Restated 31.12.2020
Other comprehensive income				
Items that are or may be reclassified to profit or loss, net of income tax				
Foreign operations – foreign currency translation differences	(6,735)	-	1,409	(5,326)
Items that will not be reclassified to profit or loss				
Revaluation of land and buildings	330,028	(319,975)	-	10,053
Related tax	(52,805)	51,197	-	(1,609)
Other	1,551	-	-	1,551
Other comprehensive income for the year, net of income tax	272,039	(268,778)	1,409	4,670
Total comprehensive income for the year	279,875	(264,993)	3,237	18,119
Attributable to owners	*267,390*	*(253,196)*	*3,043*	*17,237*
Attributable to non-controlling interests	*12,498*	*(11,810)*	*194*	*882*

Earnings per share

	As previously reported 31 December 2020	As restated 31 December 2020
Earnings/(loss) per share (EUR/share) basic	0.0780	0.1348
Earnings/(loss) per share (EUR/share) diluted	0.0780	0.1343

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

Consolidated statement of cash flows

	Note	As previously reported as at 31 December 2020	Effect of correction of errors	As restated 31 December 2020
Net cash flows from operating activities (overstated)	(f)	407,042	(26,357)	380,685
Net cash flows used in investing activities(overstated)	(f)	(370,739)	32,496	(338,243)
Net cash flows (used in)/from financing activities (understated)	(f)	(36,722)	(7,028)	(43,750)
Net increase/(decrease) in cash and cash equivalents		(419)	(887)	(1,306)
Cash and cash equivalents at the beginning of the year		10,998	(3,144)	7,854
Cash and cash equivalents at the end of the year		10,584	(4,044)	6,540

Correction of errors

The following detail the errors corrected and their impact.

a) *Property, plant and equipment*

i. Certain elements of property, plant and equipment should have been tested for impairment, in accordance with the Group's policy and IAS 16. As impairment testing was retrospectively performed by the Group, a cumulative impairment charge was calculated, starting with the earliest period practicable. As a consequence, the carrying amount of property, plant and equipment was understated and the impairment expense related was understated.

ii. The useful lives of certain items of network were erroneously depreciated over a shorter useful life compared to similar items. As a consequence, the carrying amount of property, plant and equipment was understated and the depreciation charge was overstated.

iii. Certain items of equipment and materials used for construction of network were presented under inventories and accounted for under IAS 2 but they should have been presented under construction in progress, in property, plant and equipment. Consequently, the carrying amount of property, plant and equipment was understated and inventories were overstated.

iv. Previously, the Group was presenting discounts received from non current assets suppliers as a reduction of trade and other payables. Under IAS 16 such discounts should have been accounted for as a reduction of non current assets cost. Consequently, property, plant and equipment and intangible assets were overstated and trade and other payables were understated.

v. Previously, the Group incorrectly recognized deferred tax asset (presented on a net basis in deffered tax liability as it met the offsetting criteria set by IFRSs), for carry-forward fiscal losses, but had not performed an analysis of the recoverability of the asset. After performing the analysis, the conclusion reached was that the deferred tax asset could not be recognized. As a consequence, deferred tax liability was understated and retained earning overstated.
Furthermore, as a consequence of changes in useful lives of certain items of network, additional impairment of cable plant and alignment of the historical accounting and fiscal base, temporary differences arise which generated deffered tax. In the same time, previously the Group recognised a temporary difference also for derivative financial instruments which in the restatement was not taken in consideration. As result, the deffered tax liabilities was overstated.

The above errors were corrected by restating each of the affected financial statement line items for the earliest period presented (where applicable). The consolidated statement of financial position as at 1 January 2020 was restated to take in consideration points i., ii, iii and v. above. Additionally, the foreign currency translation reserve, income tax expense and income tax payable, and related deferred tax liability were adjusted as a consequence of the errors. Point iii. above has impact only on the comparative financial information as at 31 December 2020.

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

The table below presents the effect of both the correction of errors and the voluntary change in accounting policy as at 1 January 2020 and as at and for the year ended 31 December 2020.

	Caption	Note	Effect of change in accounting policy 31 December 2019	Correction of error 31 December 2019	Effect of change in accounting policy 31 December 2020	Correction of error 31 December 2020
SoFP	Property, plant and equipment	i.-iv.	(15,252)	(17,673)	(334,199)	12,440
	Intangible assets	iv	-	(2,741)	-	1,263
	Inventories	iii	-	-	-	(5,140)
	Reserves	i.-v.	11,870	2,207	273,545	(6,760)
	Retained earnings	i.-v.	(85)	(14,422)	(3,785)	(22,971)
	Non-controlling interest	i.-v.	1,212	(1,222)	13,104	3,984
	Trade payables and other payables	iv	-	19,214	-	-
	Income tax payables	i.-iii.	-	-	-	(1,939)
	Deferred tax liability	i.-iii, v.	2,255	14,636	51,335	19,123
SoPL	Operating expenses	i.-iii.	-	-	(3,785)	(2,690)
SoPL	Income tax	i.-iii, v.	-	-	-	(2,825)

	Note	Effect of change in accounting policy represented 31 December 2019	Correction of error 31 December 2019	Effect of change in accounting policy represented 31 December 2020	Correction of error 31 December 2020
Other comprehensive income					
Foreign operations – foreign currency translation differences	i.-iii.	4,622	(2,207)	-	1,409
Revaluation of land and buildings	i.-iii.	-	-	(258,732)	(61,244)
Related tax	i.-iii.	-	-	41,397	9,799

b) IFRS 16 application

i. The Group was recording amounts incurred for rental of satellite capacity as operating expenses. The Group has incorrectly implemented IFRS 16 Leases in respect of satellite capacity contracts. After reviewing the relevant criteria under IFRS 16 (as described in the significant judgment note – 2.3 (j)), the conclusion reached was that these contracts should have been accounted for as right of use assets ("ROuA") and lease liabilities, respectively. As a consequence, ROuA, lease liabilities, depreciation expense and interest expense were understated and operating expenses were overstated. In the statement of cash flows, cash flows from operating activities were understated and cash flows from investing and financing activities were overstated.

ii. The Group reassessed the remeasurement criteria as stated in IFRS 16 for all of the Group's contracts, and as a consequence noted that certain contracts where a remeasurement should have been applied were not correctly accounted for in previous periods. As a consequence, ROuA, lease liabilities, depreciation expense and interest expense were understated.

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

The errors have been corrected by restating each of the affected financial statement line items for the earliest period presented (i.e 1 January 2020), as detailed below.

Furthermore, in the 2020 statement of cash flows, cash flows from financing activities were understated and cash flows from operating activities were overstated by EUR 7,028 thousand.

	Caption	Correction of error 31 December 2019	Correction of error 31 December 2020
SOFP	Right of use assets	19,967	9,652
	Lease liabilities LT	(13,411)	(8,221)
	Lease liabilities ST	(6,796)	(6,616)
	Retained earnings	240	5,185
SOPL	Operating expenses	-	2,918
	Finance expenses	-	2,032

c) Cash and cash equivalents

As at 31 December 2019 and 31 December 2020 the Group presented amounts collected by third parties on behalf of the Group as cash and cash equivalents. Under the definitions of IAS 7 Statement of cash flows, these amounts should not have been presented as cash and cash equivalent. As a consequence, cash and cash equivalents were overstated and other receivables were understated. In the consolidated statement of cash flows, cash and cash equivalents were overstated and cash flows from operating activities were also overstated. The error has been corrected by restating each of the affected financial statement line items for the earliest period presented (i.e. 1 January 2020).

	Caption	Correction of error 31 December 2019	Correction of error 31 December 2020
SOFP	Trade and other receivables	3,144	4,045
	Cash and short-term deposits	(3,144)	(4,045)

d) Revenue from sale of energy

For the year ended 31 December 2020 the Group presented revenue and cost in relation with sales of energy on a net basis (i.e. it was considered that the Group acted as an agent). After re-analysing the criteria of principal versus agent, the Group concluded that in fact it acts as principal for this activity. Consequently, revenue and operating expenses were understated.

	Caption	Correction of error 31 December 2020
SOPL	Revenues	24,559
	Operating expenses	(24,559)

e) Allowance for accumulating paid absences

As at 31 December 2019 and 31 December 2020, the Group presented the allowance for accumulating paid absences under trade and other payables. Upon reconsideration of the nature of the allowance, the Group reclassified the allowance under provisions. The error has been corrected by restating each of the affected consolidated financial statement line items for the earliest period presented (i.e. 1 January 2020), as detailed below.

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

	Caption	Correction of error 31 December 2019	Correction of error 31 December 2020
SOFP	Trade payables and other payables	4,254	4,176
	Provisions	(4,254)	(4,176)

f) Cash flow presentation

Previously, the Group was presenting the acquisition of programme assets as cash flows from investing activities caption. Under IAS 7 these acquisitions of current intangibles should have been presented as cash flows from operating activities. Consequently, in the 2020 consolidated statement of cash flows, cash flows from investing activities were understated and cash flows from operating activities were overstated by EUR 42,883 thousand.

g) Trade and other payables (current) and other long term liabilities

Erroneously, at 31 December 2020 an amount of 24,311 EUR was presented under trade and other payables (current) although the contractual payment terms span over a period greater than one year. Consequently, trade and other payables were overstated and other long term liabilities were understated by the above amount.

	Caption	Correction of error 31 December 2019	Correction of error 31 December 2020
SOFP	Trade payables and other payables	-	24,311
	Other long term liabilities	-	(24,311)

2.3 SIGNIFICANT ACCOUNTING POLICIES

This section describes the significant accounting policies applied in the current reporting period that relate to the non-statutory consolidated financial statements as a whole and the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's non-statutory consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these non-statutory consolidated financial statements, except if mentioned otherwise (see Note 2.2). The Company prepared the non-statutory consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances for all Group entities.

These non-statutory consolidated financial statements do not include certain information or disclosures that, not having to be presented due to their qualitative significance, were deemed to be immaterial or of no relevance pursuant to the concepts of materiality or relevance defined in the IFRS conceptual framework, insofar as the DIGI Group's non-statutory consolidated financial statements, taken as a whole, are concerned.

a) Basis of consolidation

The non-statutory consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in associates as at 31 December 2021. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in profit or loss immediately. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. If the business combination in effect settles a pre-existing relationship, the acquirer recognises a gain or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay the contingent consideration that meets the criteria of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the non-statutory consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests ("NCI")

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity, unless it can be clearly demonstrated that the Group lacks the ability to exercise such influence over its investee.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The cost of the investment includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group's share of losses equals or exceeds its interest in an equity-accounted investee, including any other unsecured long term receivables, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the Group does not recognise further losses unless it has obligations or has made payments on behalf of the investee.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.d.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions (except for foreign currency transaction gains or losses), are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealized losses are also eliminated in the same way as unrealised gains unless the transaction provides evidence of an impairment of the transferred asset.

b) Foreign currency

As previously stated, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in EUR, which is the Group's presentation currency and all values are rounded to the nearest thousand EUR except when otherwise indicated.

Foreign currency - Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currencies using the exchange rate at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated to the functional currencies using the exchange rates at the date when the fair value was determined.

Foreign currency differences are generally recognised in profit or loss and presented within finance costs. However, foreign currency differences arising from the translation of financial assets at fair value through OCI, are recognized in OCI, except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss.

Translation to presentation currency

The assets and liabilities of the Parent and its subsidiaries (including goodwill and fair value adjustments arising on acquisition) are translated into EUR (presentation currency) at the rate of exchange ruling at the reporting date. The income and expenses of the Parent and of the subsidiaries are translated into EUR at transaction date exchange rates.

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

The exchange differences arising on the translation from functional currencies to presentation currency are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation reserve is allocated to NCI.

On disposal of an operation (in its entirety or partially such that control, significant influence or joint control is lost), accumulated exchange differences relating to it and previously recognized in equity as translation reserve are recognized in profit or loss as component of the gain or loss on disposal. The cumulative amount in the translation reserve related to that operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

Currency	2021			2020		
	Jan – 1	Average for the year	Dec – 31	Jan – 1	Average for the year	Dec – 31
RON per 1EUR	4.8694	4.9204	4.9481	4.7793	4.8371	4.8694
HUF per 1EUR	365.13	358.51	369.00	330.52	351.17	365.13
USD per 1EUR	1.2271	1.1835	1.1326	1.1234	1.1413	1.2271

c) Property, plant and equipment

Property, plant and equipment is carried:

- using the cost model, at purchase or construction cost less accumulated depreciation and accumulated impairment losses: network, customer premises equipment, vehicles, equipment and devices, furniture and office equipment; and
- using the fair value model, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land and buildings.

Until 1 January 2021 network, equipment and devices and customer premises equipment were carried using the revaluation model, at a revalued amount, which was the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. On 1 January 2021, the Group voluntarily changed the accounting policy for these categories of assets, from revaluation (fair value) model to the cost model. For details, please see Note 2.2.

Property, plant and equipment using the cost model

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use, and capitalised borrowing costs, when applicable. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. In case of volume discounts received from suppliers, the estimated value of the discount is applied to the cost of all similar items purchased and the carrying value is depreciated over their individual useful lives.

The costs of internally developed non-curret assets include direct material and labour costs, as well as costs relating to subcontracting the development services.

Cost includes the cost of replacing part of the plant or equipment when that cost meets the recognition criteria. If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives. Maintenance and repair costs are expensed as incurred.

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

Property, plant and equipment using the revaluation model

Fair value assessments are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Revaluation of land and buildings was performed as at 31 December 2020, by an independent evaluator, using revaluation methods such as Market Approach, Income Approach and Cost Approach.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in the profit or loss. A revaluation deficit is recognized in profit or loss, except where a deficit is directly offsetting a previous surplus on the same asset in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The revaluation reserve is considered to be realized as the asset is used by the entity or when the asset is derecognized. In the first case, the amount of the reserve realised, hence transferred to retained earnings, is the difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the asset.

For details regarding the revaluation performed and differences recorded, please see Note 5.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the carrying amount of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives applied as at 31 December 2021and 31 December 2020 are as follows:

	Useful life
Buildings	40-50 years
Fixed Network	up to 25 years
Mobile Radio Network (sites)	20 years
Equipment and devices	3-10 years
Customer premises equipment	5-10 years
Vehicles	4 years
Furniture and office equipment	3-9 years

The residual values, useful lives and the depreciation method of the assets are reviewed at each financial year-end and adjusted if appropriate. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

The carrying value of property, plant and equipment is tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognized upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year when the asset is derecognized.

Decommissioning

The present value of the expected cost for the decommissioning of the mobile radio network sites after their use, is included in the cost of the respective assets if the recognition criteria for a provision are met. See 2.3 i) for more information.

Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The Group is holding its investment properties for purposes of capital appreciation.

d) Intangible assets, including goodwill

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use. In case of volume discounts received from suppliers, the estimated value of the discount is applied to the cost of all similar items purchased and the carrying value is depreciated over their individual useful lives.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets relate mainly to software specific to our industry, developed within the group for own use purposes. Costs capitalized include the payroll costs of those employees directly associated with software development, services consumed in the development effort, as well as travel costs related to development work.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Customer relationships

Customer relationships represent the cost incurred by the Group to acquire customer contracts from other companies directly or by acquiring control of those companies.

Customer relationships acquired directly from other companies are recognized at the cost of acquisition, which is the fair value of the consideration paid. Customer relationships obtained by acquiring control of certain companies are recognized at their acquisition cost (based on fair value assessment) at the date of the acquisition and are presented separately from any residual goodwill resulting from the acquisition.

Costs to obtain a contract

Costs to obtain a contract represent the incremental costs for acquiring and connecting new subscribers by the Group companies, consisting of incremental commissions paid to employees or third parties for contracting new subscribers at the point at which the contracts are signed with the customers. Costs that will be incurred regardless of whether the contract is obtained – including costs that are incremental to *trying* to obtain a contract are expensed as they are incurred.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.3 (a). Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment.

Where goodwill forms part of cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Programme assets

The Group is concluding multi-annual contracts for the acquisition of broadcasting rights for national and international sports competitions ("sports rights"), as well as contracts for the acquisition of film and television broadcasting rights. When entering into such contracts, the rights acquired are classified as contractual commitments. They are recognised in the statement of financial position and classified as current intangible assets (programme assets) as follows:

- Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season. Sports rights are amortized over the broadcasting period on a straight line basis up to one year. Any rights not expected to be utilized are written off;
- Film and television broadcasting rights are recognized at their acquisition cost, when the programme is available for screening, and are amortised over their broadcasting period.

Advance payments for sports rights related to future seasons and for film and television rights are also presented as current intangible assets (programme assets).

Other intangible assets

Other intangible assets that are acquired by the Group are represented by mobile telephony licenses in Romania, Hungary, Portugal ("radio spectrum licenses"), software and other intangible assets which have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

When a radio spectrum license is granted, the authorization to use the spectrum requires an upfront payment, payable either as a single payment or in instalments, and an annual fee payable over the lifetime of the license. An asset is recognized for the amount of the upfront payment; annual fees are accounted for as operating expenses. Annual spectrum fees do not meet the criteria to be capitalized as the spectrum license can be cancelled at any time without any obligation of further such annual payments.

Amortisation

Intangible assets, except for goodwill, are amortized to expense their cost (with no residual value deducted) on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. The straight-line basis is applied. The useful lives are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates. If changes in accounting estimates occur they are recognized prospectively.

Main categories	**Amortization period (average)**
Customer relationships	7 years
Trademarks	up to 8 years
Mobile telecommunications equipment licenses	10 years for fixed network licenses and software licenses, server licenses, CBU licenses
	5 to 7 years for Cisco licenses, Fortinet licenses
	1 year for television software licenses
	10 to 15 years - radio spectrum licenses – the amortisation periods are the grant (contractual) periods, from the date when the networks are technically ready and the services can be marketed; in case of contract

	extensions, these are used to extend the amortisation period
Costs to obtain a contract	2 years

Costs to obtain a contract are recognised for post-paid mobile services and for fixed services (Romania) and for prepaid, post-paid mobile services and for fixed services (Spain). The amortisation periods for costs to obtain a contract are based on the minimum contractual period.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient , the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.l) Revenues.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument leve

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Classification

The Group classifies non-derivative financial assets into the following categories: cash and cash equivalents, financial assets at amortised cost, financial assets designated at fair value through OCI (equity instruments) and financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits at banks.

Cash and cash equivalents in the consolidated statement of cash flows comprise cash at bank and in hand and short-term deposits at banks with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes, mainly, trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group elected to classify irrevocably its unquoted equity investments as equity instruments designated at fair value through OCI. This category only includes equity instruments which the Group intends to hold for the foreseeable future. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as interest-bearing loans and borrowings, payables, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, payables and other financial liabilities net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, issued bonds and derivative financial instruments.

Subsequent measurement

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Group established vendor financing with suppliers and reverse factoring agreements with financial institutions.

Liabilities from vendor financing agreements represents liabilities to pay for goods or services which are invoiced following a formal agreement with the supplier. In some cases, payment terms are extended in agreements between the supplier and the Group. If these agreements imply payment terms beyond one year, these are classified as non-current liabilities.

The reverse factoring arrangements in place permit the supplier to obtain the amounts invoiced at agreed payment terms with the amounts paid by the financial institutions that participate in the reverse factoring structure. Generally, the Group will repay the financial institutions the full invoice amount, on the scheduled payment date as required by the reverse factoring agreement. If the payment terms are extended beyond the contractual agreement with the supplier, interest is charged by the financial institutions and the amounts are reclassified under Interest-bearing loans and borrowings. In such case, in the consolidated statement of cash flows corresponding cash flows are presented under financing activities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(3) Derivative financial instruments

Initial recognition

The Group uses derivative financial instruments, more specifically, interest rate swaps to hedge its interest rate risks. The Group applied the policy choice of continuing with hedge accounting requirements of IAS 39 and all the existing hedging relationships were eligible to be treated as continuing hedging relationships. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

The call option embedded in a host financial liability contract is closely related to the host contract. The exercise price of the prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. 'Lost interest' is the product of the principal amount prepaid, multiplied by the interest rate differential. The 'interest rate differential' is the excess of the effective interest rate of the host contract over the effective interest rate that the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract. This exception is conditional on the exercise price compensating the lender for loss of interest by reducing the economic loss from reinvestment risk.

Subsequent measurement

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(4) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Transactions between shareholders with the Company's A shares are considered completed at the date when the transfer of ownership has been agreed upon by the parties in a written contract. Transactions with B shares are trading on the stock exchange and are considered completed at the transaction date.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium. Transactions with non-controlling interest which result in surplus or deficit on the transaction are credited or debited to retained earnings. When treasury shares are cancelled the excess of cost above nominal value is debited to retained earnings.

Share and repurchase agreements related to treasury shares do not result in derecognition of the respective treasury shares and do not affect their cost.

Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share for continuing operations- as follows:

- basic earnings per share is calculated by dividing net profit for the year attributable to the equity holders of the Parent, by the weighted average number of ordinary shares outstanding during the year;
- diluted earnings per share is calculated based on the net profit. Average number of outstanding shares are adjusted by the dilutive effect of employee stock-options.

(5) Impairment

Non-financial assets

Property, plant and equipment, investment property, right of use assets and intangible assets other than goodwill

The carrying amount of the Group's property, plant and equipment, investment property, right of use assets and intangible assets other than goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment of Customer Premises Equipment

At each reporting period, the Group recognizes an impairment charge for the carrying amount of the CPE in custody at disconnected customers premises.

Impairment on Cost to obtain a contract

At each reporting period, the Group recognizes an impairment charge based on the percentage of churn applied to the carrying amount of costs to obtain.

An asset's or cash generating unit's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the value of money and the risks specific to the asset. In determining fair value less costs of disposals, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss, except for property, plant and equipment previously revalued where the revaluation was recognised in other comprehensive income. In this case the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless that asset is carried at revalued amount, in which case the reversal in excess of previous impairment loss recognised in profit or loss is treated as a revaluation increase.

After recording impairment losses or reversals the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is tested, at least annually, for impairment, based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lower level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized in profit or loss.

Impairment losses recognized for goodwill cannot be subsequently reversed.

Financial assets

Semnat pentru identificare
KPMG
27. MAI. 2022
Initialised for identification

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets not held at fair value through profit or loss. 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 receivables from customers, from contract assets and other current financial assets.

For trade receivables, contract assets and other current financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established provision matrices that comprise of the grouping of customers, in accordance with similar loss patterns (namely by geography, type of service and type of customer, namely residential and business clients). The provision rates are based on the Group's observed historical credit loss experience and default rates, adjusted for specific factors referring to the debtors, such as reciprocal payments and offsets of debts. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are analysed, if the case.

Trade receivables overdue by more than 6 months are fully impaired. The Group considers a financial asset in default when contractual payments are 60 days past due. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 11 and Note 24. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is one year past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is determined on a first-in first-out basis, and it comprises all costs of purchase, costs of conversion and other costs in bringing the inventories to their current location and condition.

Net realizable value of the inventories sold is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(7) Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pensions and other post-employment benefits

Under the regulatory regimes applicable in the countries where it operates, the Group is required to make payments to national social security funds for the benefit of its employees (defined contribution plans financed on a pay-as-you go basis). The Group has no legal or constructive obligation to pay future contributions if the state managed funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Its only obligation is to pay the contributions as they fall due and if it ceases to employ members of the state plan, it will have no obligation to pay the benefits earned by its own employees in previous years.

Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

The Group does not operate any other pension schemes or post employment benefit plans.

(8) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as a finance cost.

Decommissioning provision

The Company records a provision for decommissioning costs of its mobile telecommunication sites. Decommissioning costs are provided for at the present value of expected costs of dismantling using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at the risk-free rate. In determining the value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the site and the expected timing of those costs.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Accumulated paid absences provision

The expected cost of short-term compensated absences is recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.

(9) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Right-of-use asset

The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices at the commencement or on modification of a contract that contains a lease component.

The group recognizes a right-of-use asset at the lease commencement date (i.e. the date the underlying asset is available for use) Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the lease term. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are adjusted for certain remeasurements of the corresponding lease liabilities and are also subject to impairment, following the same principle as the property, plant and equipment. Refer to the accounting policies in note 2.3 (c).

Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rates were assessed by an external valuator.

The ranges used as incremental borrowing rates take into account:

- company specific rates that reflects the credit worthiness of the company; and
- the term of the arrangement;
- the amount of funds borrowed;
- the nature and quality of the underlying asset;
- the economic environment encompassing the jurisdiction, the currency and the date at which the lease is entered into.

A summary is presented below:

- Romania: range between 1.8%-5.0%
- Hungary: range between 1.2%-4.4%
- Spain: range between 1.2%-2.6%.

As the incremental borrowing rates take into account a 10-year maturity, an adjustment of the discount rates was considered in order to align them with contracts maturities using the yield spread for sovereign bonds. The incremental borrowing rates used by the Group also include inflation rate for each currency in which contracts are denominated.

The lease payments included in the measurement of the lease liability include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for early terminating a lease unless the Group is reasonably certain not to terminate early. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms that range from 1 month up to 30 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. For these specific cases, the Group took into consideration the characteristics of the leased assets as well as the Group's estimations included in the Group's business plans. For leases where we consider it reasonably certain that the extension option will be exercised, we considered the extended the lease term for the purpose of the computation of lease liabilities (on top of the non-cancellable period) with a period in the range of one to five years.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(10) Contingencies

Management applies its judgment to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable or not or remote. This judgment application is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

Contingent liabilities are not recognized in the accompanying consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the accompanying consolidated financial statements, but disclosed when an inflow of economic benefits is probable.

(11) Revenue and other income

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Below section summarize how and when revenue is recognized for each category of revenue.

Revenue from services

The Group's main sources of revenue from contracts with customers are:

- subscription revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV,;
- subscription revenue from the provision of internet and data communication services (fixed and mobile);
- subscription revenue from the provision of fixed-line and mobile telephony
- voice traffic revenue from fixed-line and mobile telephony services
- Interconnection
- Advertising
- Supply of electricity.

Subscription revenue

Video services subscriptions, pay TV fees, internet and data subscriptions, telephony subscriptions and voice minutes consumption revenues are recognised over time, based on the period when the services are provided. These revenues are collected through subscription fees that arise from the monthly billing of subscribers for these services and monthly billing of voice traffic. Revenue is recognized in the month the service is rendered. Voice traffic revenue is recognized in the profit or loss at a point in time, when the call is made. Revenue from interconnect fees is recognised at a point in time, when the services are performed.

Customer loyalty programme

The Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The stand-alone selling price of the consideration is deducted from the future subscription values and recognized as revenue when it is redeemed, or at expiration.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sales of mobile, CPE, CATV and DTH devices

The group recognizes revenue when a customer takes possession of the device. This usually occurs when the customer signs the contract. For devices sold separately (not in a bundled package), customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments, over a period of 12 months or 24 months. Where a finance component is significant this is accounted for as a reduction in revenue from sales of handsets against interest income.

Bundled services

Certain packaged offers comprise of the subscription service and the device. For bundled services, the Group accounts for individual products or services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list price at which the Group sells the devices and the telecommunication, CATV, DTH services.

Where a promotional offer includes a period of free service, the respective discount is allocated proportionally to each distinct performance obligation. Payment terms are, usually, up to 30 days since the invoice is issued.

Advertising

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized over time, when the relating advertising is performed. Payment terms are, usually, between 30-90 days since the invoice is issued.

Supply of electricity

Revenues from electricity production are recognized in the period when these have been delivered into the Romanian national electric grid and / or to customers. Payment terms are, usually, up to 30 days since the invoice is issued.

Revenue from sale of green certificates granted under Romania's renewable energy support scheme is recognized at a point in time, when control is transferred to the customers. Deferred green certificates are recognized at fair value, which includes for the green certificates for which trading is deferred, the assessment of the related under-absorption risk.

Contract balances

Contract assets

A contract asset must be recognized when the Group recognized revenue for fulfilment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist. The Group recognized revenue from promotions, energy and sales in instalments including, but not limited to.

The revenue related to promotions is recorded by the Group based on straight-line method (divided equally during the contractual period).

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Costs of obtaining the contract

We recognise incremental costs of obtaining the contract as non-current assets (in accordance with IFRS 15), as disclosed in Notes 2 d) and f) above.

(12) Finance income and finance expense

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance expense comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on derivative financial instruments that are recognised in profit or loss and reclassifications of net losses on hedging instruments previously recognised in other comprehensive income. Unamortised borrowing fees are expensed upon termination of related borrowings.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(13) Related parties

Parties are considered related when one party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly or indirectly control or significantly influence the other party. Related parties include individuals that are principal owners, management and members of the Board of Directors and members of their families, or any company that is related party to Group's entities.

(14) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments (when and if applicable), do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or are recognized when their utilisation has become probable.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(15) Dividends

Dividends are recognized as distributions within equity in the period in which they are declared to shareholders (at the date of the approval by the shareholders). Dividends for the year are declared after the reporting date.

(16) Share-based payment transactions

Certain members of the management team and certain employees of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ('equity- settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date on which they are granted, as evidenced by their market price.

The cost of equity-settled transactions is recognized as "Salaries and related taxes" expense, together with a corresponding increase in retained earnings, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting period'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or income in profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed by the Group as best estimate of the number of equity instruments that will ultimately vest. Market conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also also service / performance conditions.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided that the original terms of the award are met. In addition, an expense is recognized for any modification which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately through profit or loss. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(17) Segment reporting

The information by operating segment is based on internal reporting to the Board of Directors, identified as "Chief Operating Decision-Maker", as defined by IFRS 8 *Operating Segments*. The Board of Directors reviews segment information on revenue and non-current assets on a monthly basis and segment EBITDA (earnings before interest, taxes, depreciation and amortization) on a quarterly basis.

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of comprehensive income is disclosed in Note 30. All other information included in the disclosure per segment is prepared under IFRSs as adopted by EU applicable to the consolidated financial statements.

The Chief Operating Decision-Maker has chosen to review geographical operating segments because the Group's risks and rates of return are affected predominantly by the fact that it operates in different countries.

As part of our "Other" segment we reported (i) revenue from, and expenses of, our Italian operations and (ii) expenses of the Company and the Portugal operations.

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(18) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups comprising assets and liabilities are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 23. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.3. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these non-statutory consolidated financial statements.

A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined there is no material impact as at 31 December 2021.

B. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset 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.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Group's non-statutory consolidated financial statements.

– COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).b
– Annual Improvements to IFRS Standards 2018–2020.
– Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
– Reference to Conceptual Framework (Amendments to IFRS 3).

– Classification of Liabilities as Current or Non-current (Amendments to IAS 1).c
– IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
– Definition of Accounting Estimates (Amendments to IAS 8).

New or amended Standards and Interpretations, as endorsed by the EU as at 23 January 2022, that are effective for annual periods beginning after 1 January 2021

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021)

The amendments extend by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The original expedient was issued in May 2020 and has no impact on the Group's financial statements.

A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

The Group expects that the amendments will have no impact on its non-statutory consolidated financial statements.

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 plans to apply the amendment from 1 January 2022. The Group expects that the amendment, when initially applied, will have no impact on its non-statutory consolidated financial statements.

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 plans to apply the amendment from 1 January 2022. The Group expects that the amendment, when initially applied, will have no impact on its non-statutory consolidated financial statements.

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 plans to apply the amendment from 1 January 2022. The Group expects that the amendment, when initially applied, will have no impact on its non-statutory consolidated financial statements.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2021, not yet endorsed by the EU as at 23 January 2022

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.

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.

3. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods when applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Property, plant and equipment (Note 5) and Investment property (Note 5)

The fair value of property, plant and equipment recognised as a result of a business combination and of land and buildings and investment property carried under the revaluation model is the estimated amount for which property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, on the date of acquisition and respectively on the revaluation date. The fair value of items land and buildings and of investment property is based on the market approach. Market approach relies on quoted market prices for similar items when available, or on valuation models that use inputs observable or unobservable on the market (such as the income approach for certain buildings).

b) Intangible assets (Note 7)

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that contributed to the related cash flows. Main assumptions used are the churn rate, EBITDA % and the discount rate.

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c) Derivatives (Note 24 and 26)

The fair value of the derivative financial instruments is based on generally accepted valuation techniques. It reflects the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

d) Non-derivative financial assets and liabilities (Note 24)

Non-derivative financial assets and liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

e) Equity-settled share-based payment transactions (Note 25)

The fair value of the options granted to employees is measured using a generally accepted valuation technique, in which the main input is the market price of shares at the grant date (please refer to Note 25 for additional details). Given the short life of the options and the low volatility in the market value of the Group's shares, management estimates that the time value of the share options is not significant.

f) Financial assets at fair value through OCI (Note 8)

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of these shares held in RCSM at the end of each reporting period was performed based on the quoted price/share of the shares of the Company as at the valuation date, adjusted for the impact of other assets and liabilities of RCSM if material, given that the main asset of RCSM is the holding of the majority of the shares of the Company.

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4. SEGMENT REPORTING

31 December 2021	Romania	Spain	Other	Eliminations	Reconciling item	Total continued	Hungary Discontinued	Total
Continuing operations								
Segment revenue	891,765	362,027	24,261	-	-	**1,278,053**	194,632	**1,472,685**
Inter-segment revenues	4,340	659	277	(5,276)	-	-	-	-
Segment operating expenses	(474,109)	(310,669)	(27,387)	5,276	-	**(806,889)**	(142,751)	**(949,640)**
Adjusted EBITDA (Note 30)	**421,996**	**52,017**	**(2,849)**	**-**	**-**	**471,164**	**51,881**	**523,045**
Depreciation, amortization and impairment of non-current assets					(288,515)	(288,515)	(64,518)	(353,033)
Other income (Note 30)	3,448					3,448		3,448
Other expenses (Note 30)	(417)					(417)		(417)
Operating profit						**185,680**	**(12,637)**	**173,043**
Additions to non-current assets	425,345	195,058	65,041	-	-	685,444	54,271	739,715
Carrying amount of:								
Non-current assets	1,494,466	278,308	65,356	-	-	1,838,130	365,935	2,204,065
Investments in associates and financial assets at fair value through OCI	644	-	47,948	-	-	48,592	-	48,592

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31 December 2020 Restated	**Romania**	**Spain**	**Other**	**Eliminations**	**Reconciling item**	**Total continued**	**Hungary Discontinued**	**Total**
Segment revenue	809,593	273,962	23,018	-	-	1,106,573	199,555	1,306,128
Inter-segment revenues	2,957	640	398	(3,995)		-	-	-
Segment operating expenses	(433,512)	(218,727)	(26,720)	3,995	-	(674,964)	(144,328)	(819,292)
Adjusted EBITDA (Note 30)	**379,038**	**55,875**	**(3,304)**	**-**	**-**	**431,609**	**55,227**	**486,836**
Depreciation, amortization and impairment of non-current assets	-	-	-	-	(237,532)	(237,532)	(71,999)	(309,531)
Impairment arising from revaluation impact recognized in the consolidated statement of profit or loss (Note 5)	-	-	-	-	(1,795)	(1,795)	(660)	(2,455)
Other expenses (Note 30)	832	-	-	-	-	832	(3,510)	(2,678)
Operating profit	**-**	**-**	**-**	**-**	**-**	**193,114**	**(20,942)**	**172,172**
Additions to non-current assets	331,017	110,782	4,428	-	-	446,227	56,512	502,739
Carrying amount of:								
Non-current assets	1,284,403	145,417	3,352	-	-	1,433,172	388,816	1,821,989
Investments in associates and financial assets at fair value through OCI	974	-	40,821	-	-	41,795	-	41,795

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5. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At 31 December 2020 restated	**27,045**	**99,559**	**1,040,328**	**134,666**	**241,505**	**385,971**	**48,932**	**34,411**	**2,012,417**
Additions	-	120	56,099	313,058	-	12,869	2,842	960	**385,948**
Transfer from construction in progress ("CIP")/reallocation (assets taken into use)	445	8,107	204,310	(306,617)	56,813	36,218	(1,466)	2,191	-
Oher transfers(*)	-	-	1,519	(9,139)	(1,282)	1,282	-	-	**(7,620)**
Transfers from Right of use assets	-	-	-	-	7,469	-	9,076	-	**16,545**
Transfers to investment property	(4,348)	(4,978)	-	-	-	-	-	-	**(9,326)**
Transfers to discontinued operations	(3,730)	(13,982)	(239,495)	(14,010)	(24,418)	(209,244)	(6,557)	(4,710)	**(516,146)**
Disposals	(5)	(45)	(3,642)	(59)	(26,893)	(9,815)	(4,704)	(1,622)	**(46,786)**
Effect of movements in exchange rates	(1,280)	(1,690)	(17,494)	772	(5,734)	(5,815)	(820)	(416)	**(32,478)**
At 31 December 2021	**18,126**	**87,090**	**1,041,625**	**118,670**	**247,460**	**211,467**	**47,302**	**30,813**	**1,802,554**
Depreciation and impairment									
At 31 December 2020 restated	**-**	**15,299**	**384,651**	**(108)**	**120,923**	**188,107**	**36,425**	**26,408**	**771,705**
Depreciation charge	-	3,428	70,250	-	26,123	34,913	3,930	2,577	**141,219**
Impairment	-	-	(748)	917	3,530	-	-	-	**3,699**
Other transfers(*)	-	-	-	-	1,185	(1,185)	-	-	-
Transfers to discontinued operations	-	(1,118)	(116,782)	(891)	(14,467)	(125,713)	(5,244)	(4,345)	**(268,560)**
Transfers from Right of use assets	-	-	-	-	-	-	2,267	-	**2,267**
Disposals	-	-	(4,432)	-	(28,409)	(9,863)	(2,037)	(1,422)	**(46,163)**
Effect of movements in exchange rates	-	(337)	(6,313)	(26)	(1,822)	(3,034)	(654)	(369)	**(12,555)**
At 31 December 2021	**-**	**17,272**	**326,626**	**(108)**	**107,063**	**83,225**	**34,688**	**22,849**	**591,613**
Net book value									
At 31 December 2020 restated	**27,045**	**84,260**	**655,676**	**134,774**	**120,582**	**197,864**	**12,508**	**8,003**	**1,240,712**
At 31 December 2021	**18,126**	**69,818**	**714,998**	**118,779**	**140,398**	**128,242**	**12,615**	**7,964**	**1,210,940**

(*) Other net transfers mainly represent transfers from property, plant and equipment to inventories.

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	Land	Buildings	Network	Construction in progress	Customer premises equipment[1)]	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At 1 January 2020 restated	**23,288**	**108,444**	**951,783**	**106,430**	**215,571**	**380,308**	**46,468**	**31,341**	**1,863,633**
Additions	205	1,100	48,894	210,834	81	3,421	2,511	2,244	**269,290**
Transfer from construction in progress ("CIP")/reallocation (assets taken into use)	498	2,168	88,513	(171,060)	39,532	34,642	3,905	1,803	**-**
Disposals	-	(67)	(12,551)	(3,533)	(4,565)	(11,216)	(2,027)	(7)	**(33,966)**
Other transfers[(*)]	-	-	-	(4,482)	(2,890)	1,850	-	-	**(5,522)**
Revaluation impact (accumulated depreciation and impairment eliminated against cost)	-	(11,616)	-	-	-	-	-	-	**(11,616)**
Revaluation impact recognised in OCI	4,392	4,956	-	-	-	-	-	-	**9,348**
Impairment arising from revaluation, impact recognized in the consolidated statement of profit or loss	(368)	(2,088)	-	-	-	-	-	-	**(2,456)**
Effect of movements in exchange rates	(971)	(3,338)	(36,310)	(3,525)	(6,224)	(23,032)	(1,924)	(970)	**(76,294)**
At 31 December 2020 restated	**27,045**	**99,559**	**1,040,328**	**134,666**	**241,505**	**385,971**	**48,932**	**34,411**	**2,012,417**
Depreciation and impairment									
At 1 January 2020 restated	**-**	**22,386**	**345,299**	**(108)**	**106,001**	**174,511**	**35,626**	**24,449**	**708,164**
Depreciation charge	-	5,010	63,524	-	21,542	36,770	4,104	2,752	**133,701**
Impairment	-	-	(761)	-	191	-	-	-	**(570)**
Disposals	-	(7)	(8,442)	-	(3,862)	(8,448)	(2,054)	(7)	**(22,820)**
Other transfers[(*)]	-	-	-	-	40	(40)	-	-	**-**
Revaluation impact (accumulated depreciation and impairment eliminated against cost)	-	(11,616)	-	-	-	-	-	-	**(11,616)**
Effect of movements in exchange rates	-	(474)	(14,969)	-	(2,989)	(14,685)	(1,251)	(786)	**(35,154)**
At 31 December 2020 restated	**-**	**15,299**	**384,651**	**(108)**	**120,923**	**188,107**	**36,425**	**26,408**	**771,705**
Net book value									
At 1 January 2020 restated	**23,288**	**86,059**	**606,484**	**106,539**	**109,570**	**205,796**	**10,841**	**6,892**	**1,155,469**
At 31 December 2020 restated	**27,045**	**84,260**	**655,676**	**134,774**	**120,582**	**197,864**	**12,507**	**8,003**	**1,240,712**

[(*)]Other net transfers represent transfers from property, plant and equipment to intangibles and inventories..

(**) Customer premises equipment ("CPE") include customer dedicated equipment that works only in the group's network and allow the customer to gain access only to the services of the Group. Such CPE's include set-top boxes, ONT, mini-nods. See Note 2.3 (c)

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Property, plant and equipment additions

Most of the additions in 2021 relate to the triple play network, as the Group has continued to invest in expanding to new areas but also has continued the upgrade of the existing networks. Other additions relate to continued investment in the mobile radio network coverage in Romania and the development of fixed internet and data and fixed-line telephony services in Spain, as well as the construction and commissioning of the mobile radio network in Hungary.

Reconciliation to Cash flow statement

	31 December 2021	31 December 2020
Additions to PPE	385,948	269,290
Additions to CF	346,417	268,363
Difference	39,531	(927)
Out of which:		
Increase in payables in balance	39,531	(927)

Revaluation of land and buildings

At 31 December 2020, land and buildings were revalued using several methods:

The market approach, i.e. the Direct Comparison Method (DCM) was applied to some of the real estate assets (free land, properties). This method was considered appropriate due to the nature of the assets valued, which have an active market.

In estimating the value, it was taken into account the physical condition indicated by the company's representatives and found at the time of the field valuation of the assets, as well as the information available in relation to the analysed assets and data extracted from the market analysis. Assets were compared with other similar assets and adjustments were made accordingly to indicate the current value. Thus, the information on the offer prices of similar goods on the secondary market or the offers to which they are exposed on the market was analysed and some adjustments were made where necessary.

The income approach**,** i.e. the Revenue Capitalization Method (RCM) has been applied to most real estate assets, commercial real estate (office buildings, TV studio, cashiers, etc.). The value obtained by applying the income approach has been compared with the specific market information (global values for apartment properties and unit values for commercial real estate). Thus the value of the real estate consisting of land and construction was estimated, and the value thus obtained was allocated on the component elements of the property (land and construction). The allocation was made, generally based on the net replacement cost of the buildings, and the value of the land resulting in residual value after deducting the value of the building from the value of the real estate.

The valuation is sensitive to its main inputs, being the sales value per sqm (which was in the range of 673 EUR/sqm to 3,030 EUR/sqm for real estates located in different cities in Romania and 35 EUR/sqm to 1,365 EUR/sqm for market values estimated for the main land plots), the estimated replacement cost per unit for buildings in Romania ranging from 497 EUR/sqm to 3,024 EUR/sqm.

At 31 December 2021, management concluded that fair value of land and buildings does not differ materially from their carrying amount.

Decommissioning provision

Provision for decommissioning costs for the telecom sites was recognized as at 31 December 2021 in amount of EUR 6,171 (31 December 2020: EUR 9,840).Decommissioning costs are measured at the present value of internally estimated expected costs of dismantling using estimated future cash flows. The estimated cash flows were discounted rate based on Romanian Bond yield of 5.4% (31 December 2020: 2.27%), adjusted on yearly basis.

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Please see below the movement table of the decommissioning provision:

	31 December 2021	31 December 2020
Opening balance	**9,840**	**7,076**
Unwinding of discount and changes in discount rate	(1,886)	3,036
Transferred to discontinued operations	(1,653)	-
Translation differences	(129)	(272)
Closing balance	**6,171**	**9,840**

Collateral

For details regarding the pledges placed on the Group assets refer to Note 15 (vi).

Commitments for property, plant and equipment

For details regarding commitments for property, plant and equipment please see Note 27.

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6. RIGHT OF USE ASSETS

The Group has lease contracts for various items of land, commercial spaces, network, vehicles and equipment used in its operations.

The carrying amounts of right-of-use assets recognised and the movements during the period are presented below:

	Land	Buildings	Network	Customer premises equipment	Equipment and devices	Vehicles	Total
As at 1 January 2021 restated	**2,427**	**36,634**	**181,748**	**6,171**	**-**	**25,641**	**252,621**
Depreciation	-	(13,956)	(69,341)	(964)	(81)	(5,347)	**(89,690)**
Transfer to PPE - Depreciation charge	-	-	-	-	-	2,267	**2,267**
Additions	-	6,341	88,873	5,299	1,169	9,124	**110,806**
Disposals	-	(2,217)	(37)	-	-	(36)	**(2,290)**
Transfer to property, plant and equipment	-	-	-	(7,469)	-	(9,076)	**(16,545)**
Effect of movement in exchange rates	(101)	248	1,235	-	-	(177)	**1,205**
Reclassification to assets held for sale	-	(6,352)	(46,997)	-	-	(1,772)	**(55,121)**
At 31 December 2021	**2,326**	**20,698**	**155,481**	**3,037**	**1,088**	**20,624**	**203,254**

	Land	Buildings	Network	Customer premises equipment	Equipment and devices	Vehicles	Total
As at 1 January 2020 restated	**2,473**	**32,786**	**167,711**	**3,928**	**422**	**10,578**	**217,898**
Depreciation	-	(12,838)	(56,433)	(782)	53	(1,552)	**(71,552)**
Additions	-	17,680	78,130	3,025	(467)	16,922	**115,290**
Effect of movement in exchange rates	(46)	(994)	(7,660)	-	(8)	(307)	**(9,015)**
At 31 December 2020 restated	**2,427**	**36,634**	**181,748**	**6,171**	**-**	**25,641**	**252,621**

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7. INTANGIBLE ASSETS

7.A. NON-CURRENT INTANGIBLE ASSETS

	Goodwill	Customer relationships	Trade marks	Costs to obtain a contract	Licences and software	Total non-current intangible assets
Cost						
At 31 December 2020 restated	**77,749**	**156,124**	**8,449**	**201,508**	**237,907**	**681,737**
Additions	-	14,347	-	55,870	162,909	**233,126**
Disposals	-	-	-	-	(1,075)	**(1,075)**
Effect of movement in exchange rates	(1,019)	(2,442)	-	(1,873)	(3,689)	**(9,023)**
Reclassification to assets held for sale	***(24,907)***	***(12,860)***	***(5,689)***	***(26,383)***	***(43,094)***	**(112,933)**
At 31 December 2021	**51,823**	**155,169**	**2,760**	**229,122**	**352,958**	**791,832**
Depreciation						
At 31 December 2020 restated	-	**93,118**	**4,048**	**159,390**	**106,871**	**363,427**
Amortization	-	14,820	876	43,192	20,226	**79,114**
Impairment	-	-	-	1,548	-	**1,548**
Disposals	-	-	-	-	(1,075)	**(1,075)**
Effect of movement in exchange rates	-	(1,395)	(33)	(1,587)	(1,551)	**(4,566)**
Reclassification to assets held for sale	-	***(8,169)***	***(2,548)***	***(24,909)***	***(17,460)***	**(53,086)**
At 31 December 2021	-	**98,374**	**2,343**	**177,634**	**107,011**	**385,362**
Net Book Value						
At 31 December 2020 restated	**77,749**	**63,006**	**4,401**	**42,118**	**131,036**	**318,310**
At 31 December 2021	**51,823**	**56,795**	**417**	**51,488**	**245,947**	**406,470**

[1]*Within the additions of licenses and software an amount of EUR 3,080 (2020: EUR 2,358) represented internally generated intangible assets as software.*

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

	Goodwill	Customer relationships	Trade marks	Costs to obtain a contract	Licences and software	Total non-current intangible assets
Cost						
At 1 January 2020 restated	**80,844**	**107,194**	**8,449**	**161,379**	**217,304**	**575,170**
Additions	-	51,748	-	44,255	27,553	**123,556**
Disposals	(440)	(594)	-	-	(16)	**(1,050)**
Transfers from property, plant and equipment	-	-	-	-	1,040	**1,040**
Effect of movement in exchange rates	(2,655)	(2,224)	-	(4,126)	(7,974)	**(16,979)**
At 31 December 2020 restated	**77,749**	**156,124**	**8,449**	**201,508**	**237,907**	**681,737**
Depreciation						
At 1 January 2020 restated	**-**	**82,167**	**3,185**	**126,704**	**96,926**	**308,982**
Amortization	-	12,951	905	35,706	12,831	**62,393**
Impairment	-	-	-	744	-	**744**
Disposals	-	(176)	-	-	(10)	**(186)**
Effect of movement in exchange rates	-	(1,824)	(42)	(3,764)	(2,877)	**(8,507)**
At 31 December 2020 restated	**-**	**93,118**	**4,048**	**159,390**	**106,870**	**363,426**
Net Book Value						
At 31 December 2019 restated	**80,844**	**25,027**	**5,264**	**34,675**	**120,378**	**266,188**
At 31 December 2020 restated	**77,749**	**63,006**	**4,401**	**42,118**	**131,037**	**318,311**

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Main additions of non current intangible assets relate to acquisition of customer relationships and licences as detailed below, also to costs to obtain a contract in the normal course of business.

Customer relationships

The main additions of Customer relationships in the period ended 31 December 2020 and 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"). On 24 July 2020, the Competition Council issued the authorisation for the economic concentration accomplished by RCS&RDS through gaining sole control over certain assets pursuant to the agreements entered into on 28 November 2019 between RCS & RDS and the Assignors.

Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange for the payments made by RCS & RDS to the Assignors. The Agreements are concluded for an initial duration of 3 years, which can be extended at the option of either party for a new term of 3 years. At the end of the contract period, RCS & RDS has a call option to buy and the Assignors have a put option to sell the underlying assets and for RCS & RDS to buy the assets, using the same pricing mechanism defined in the agreement. The strike price is the same for both the put and the call options and therefore the substance of the transaction is a purchase rather than a lease. The total amount due by RCS&RDS under the Agreements are maximum EUR 77 million (taking into consideration the estimated total number of RGUs to be transferred until the closure of the transactions). The transfer of the RGUs is made gradually, in steps. RGUs' transfers were not finalized until year end 31 December 2020.

In accordance with IFRS requirements, for 2020 and 2021 financial reporting purposes, this transaction was treated as asset deal (aquisition of customer relationships).

Consequently, for RGUs transferred until 31 December 2020, customer relantionships acquired were recognized as intangible asset, with a cost of EUR 42,601 and a corresponding liability recognised as Trade and other payables.

The final transfer of RGUs was made in Q1 2021. Following the same accounting treatment as described above. Consequently, customer relantionships acquired were recognized as intangible asset, with a cost of EUR 9,870 and a corresponding liability recognised as Trade and other payables.

Radio spectrum licences

The main additions during 2021 refer to the following:

- In November 2021 RCS & RDS has exercised the extention option of usage for another 10 years, for an extension fee of EUR 25,000. The carrying amount of the *2100 MHz* license as at 31 December 2021 (including the extension option fee) is EUR 29,019 (2020: EUR 4,489);
- In November 2021, RCS & RDS was awarded additional spectrum in 2600 MHz bandwidth for consideration of EUR 20,704. The carrying amount of the additional spectrum in 2600 MHz bandwidth as at 31 December 2021 is EUR 20,704;
- In November 2021, RCS & RDS was awarded spectrum in 800 MHz bandwidth for a total consideration of EUR 22, 004. The carrying amount of the spectrum in 800 MHz bandwidth as at 31 December 2021 is EUR 22,004;
- In November 2021 the Group's subsidiary in Portugal has participated in the 5G auction and acquired from the Portuguese Authority for Telecommunications (ANACOM) spectrum in 900 MHz, 1800 MHz, 2.6 GHz, 3.6 GHz bands for a total consideration of EUR 67,337 (50% paid upfront and the remainder amount, of EUR 33,668, will be paid in equal instalments over the next 7 years). The license was granted and came into effect starting with 2022 and was recorded at a cost of EUR 60,710 that was determined at inception date by discounting the future payments using effective interest method (estimated at 5,8% p.a.) and its carrying amount as at 31 December 2021 is EUR 60, 710.

Costs to obtain contracts with customers (Subscriber acquisition costs "SAC")

In 2021 SAC was recognized in relation with contracting customers in Romania (EUR 24,574), Spain (EUR 27,440), Hungary (EUR 1,344) and Italy (EUR 2,512).

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

Reconciliation to Cash Flow statement:

	31 December 2021	31 December 2020
Additions to Intangible assets (non-current)	233,126	123,556
Additions to CF	197,304	69,395
Difference	35,822	54,161
Out of which:		
Increase in payables in balance	52,783	58,827
Off set	(16,961)	(4,666)

Impairment testing for cash-generating units containing goodwill

The Group defines cash-generating units (CGUs) based on three criteria:

- country;
- infrastructure used in providing the services;
- bundling of services affecting independence of cash flows.

The Group's cash-generating units ("CGUs") with allocated goodwill are:

- CBT Romania;
- CBT Hungary (discontinued)
- Mobile Spain;
- DTH Romania.

Goodwill allocated to Mobile Spain and DTH Romania is not material and is included in category "Other".

Goodwill	**31 December 2021**	**31 December 2020**
CBT Romania	51,442	52,239
CBT Hungary	24,907	25,095
Other	381	415
Reclassification to assets held for sale	(24,907)	-
Total	**51,823**	**77,749**

Recoverable amounts for the CGUs in Romania and Spain have been determined based on discounted cashflows using cash flow projections based on financial budgets approved by the board of directors covering a five-year period. For CGU in Hungary, the recoverable amount was considered to be the purchase price received by RCS & RDS in January 2022, following the closing of the sale of the Hungarian operations (refer to Note 23.2).

Key assumptions

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

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

Weighted Average Cost of Capital

Country	Discount rate (post –tax)		Discount rate (pre –tax)	
	2021	**2020**	**2021**	**2020**
Romania	**7.30%**	**8.73%**	**8.70%**	**9.14%**
Spain	**5.10%**	**6.72%**	**6.80%**	**7.36%**

The discount rate applied to the cash flows of each CGU is based in the Group's Weighted Average Cost of Capital in the respective territory (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use in the market.

Key inputs to the WACC calculation are the risk-free rate, beta (reflecting the risk of the Group relative to the market as a whole) as well as assumptions regarding the spread for credit risk and the market risk premium for the cost of equity. Group WACC is adjusted for risk relative to the country in which the CGU operates.

Terminal growth rates

The terminal growth rate for all CGUs was considered to be 2% p.a (2020: 2% p.a.).

The growth rate in perpetuity has been determined based on the long-term compounded annual growth rate in EBITDA estimated by management considering market maturity and market share in Romania and Spain, being also in line with publicly available market expectations.

EBITDA margins

For the Romanian CBT CGU, budgeted EBITDA is based on past experience and incremental increase in future years generated from incremental increase in revenues from new subscribers to our cable Tv, internet and mobile telephony business; budgeted EBITDA for the Spanish Mobile CGU is based on past experience and growth expectation and additional revenue from new subscribers connected to the fixed network.

Capital expenditure

Budgeted capital expenditure (tangible and intangible assets including programme assets) is based on past experience, forecasted growth of subscribers (new subscribers connected to the network) and other business drivers.

Management believes that as at 31 December 2021 no reasonable possible change in main assumptions would result in an impairment charge (31 December 2020: no reasonable change).

Revenues

Budgeted revenues are based on forecasted growth of subscribers (new subscribers connected to the network) and ARPU levels based on experience and other business drivers.

Collateral

For details on the pledges placed on the Group assets refer to Note 15 (vi).

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7.B. CURRENT INTANGIBLE ASSETS – PROGRAMME ASSETS

	31 December 2021	31 December 2020
Balance at 1 January	**18,383**	**17,557**
Balance at 31 December	**15,795**	**18,383**

Contractual obligations related to future seasons are presented as commitments in Note 27.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	31 December 2021	31 December 2020
Balance at 1 January	**40,821**	**39,592**
Fair value adjustment – OCI	7,777	1,551
Effect of movements in exchange rates	(650)	(322)
Balance at 31 December	**47,948**	**40,821**

The above financial assets at fair value through OCI comprise shares in RCSM (which is the parent of the Company). As at 31 December 2021 the percentage of ownership of DIGI in RCSM is 10%, similar to previous period. For additional disclosures on the fair values of the financial assets at fair value through OCI refer to Note 24 (iv).

9. EARNINGS PER SHARE (EPS)

	2021 Continuing operation	2021 Discontinued operation	2021 Total
Net profit/(loss) for the year	91,886	(26,154)	65,732
Non-controlling interests	(6,090)	1,679	(4,411)
Net profit/(loss) attributable to equity holders of the parent	**85,796**	**(24,475)**	**61,321**

	2020 Continuing operation	2020 Discontinued operation	2020 Total Restated
Net profit/(loss) for the year	68,332	(54,883)	13,449
Non-controlling interests	(4,235)	3,523	(712)
Net profit/(loss) attributable to equity holders of the parent	**64,097**	**(51,360)**	**12,737**

Weighted-average number of ordinary shares (basic)

In thousands of shares

	2021	2020
Issued ordinary shares at 1 January	94,719	94,264
Effect of share options exercised	236	455
Issued ordinary shares at 31 December	94,954	94,719
Weighted-average number of ordinary shares at 31 December	94,837	94,491

Weighted-average number of ordinary shares (diluted)

In thousands of shares

	2021	2020
Issued ordinary shares at 1 January	94,837	94,491
Effect of share options exercised	199	316
Weighted-average number of ordinary shares at 31 December	95,036	94,807

In accordance with IAS 33 *Earnings per share*, DIGI uses a reasonable approximation method to calculate the weighted average number of shares outstanding, by calculating the average between closing and opening balance of outstanding shares, considering that there are no significant movements during the year and taking in account that dividend rights of class A and class B are equal.

During 2020 and 2021, several share options plans have been implemented for management and key employees. These share options have a dilutive effect on earnings. For details, please see Note 25.

10. INVENTORIES

	31 December 2021	31 December 2020 restated
Merchandise and equipment	4,647	3,069
Materials and consumables	15,356	14,152
Allowance for inventories	(2,436)	(1,980)
Total inventories	**17,567**	**15,241**

In 2021, inventories from continuing of EUR 33,587 (2020: EUR 28,584) were recognised as an expense during the year and included in 'cost of goods sold'.

In 2021, inventories from discontinued of EUR 227 (2020: EUR 736) were recognised as an expense during the year and included in 'cost of goods sold'.

Merchandise and equipment

This category includes terminal equipment sold to customers. Such equipment includes mostly mobile phones.

Materials and consumables

This category mainly includes inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

Collateral

For details regarding the pledges placed on the Group's assets refer to Note 15 (vi).

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

11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	31 December 2021	31 December 2020 restated
Trade receivables	69,144	83,061
Contract assets	71,281	53,274
Receivable from related parties (refer to Note 18)	790	864
Other taxes receivable	487	1,549
Other receivables	3,581	7,007
Total trade and other receivables	**145,283**	**145,755**

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 24.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 are as below. The remaining performance obligations arise from promotional campaigns. All remaining performance obligations are expected to be recognized within two years.

	31 December 2021	31 December 2020
Unsatisfied performance obligations	21,735	15,616
Total	**21,735**	**15,616**

Collateral

For details regarding the pledges placed on the Group's assets refer to Note 15 (v).

12. OTHER ASSETS

	31 December 2021	31 December 2020 restated
Advances to suppliers	5,621	4,873
Prepayments	5,726	7,348
Total other assets	**11,347**	**12,221**

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

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13. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020 restated
Bank accounts	16,687	6,141
Petty cash	316	398
Total cash and cash equivalents	**17,003**	**6,539**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	31 December 2021	31 December 2020 restated
Bank accounts	16,687	6,141
Petty cash	316	398
Bank accounts and petty cash attributable to discontinued operations	2,632	-
Total cash and cash equivalents	**19,635**	**6,539**

Collateral

For details regarding the pledges placed on the Group's assets and restricted cash please refer to Note 15 (vi).

14. EQUITY

14.1 Share capital and reserves

The issued and paid-up capital as at 31 December 2021 was in amount of EUR 6,810 divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 35,443,972 class B shares, with a nominal value of one eurocent (EUR 0.01) each.

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

	31 December 2021	31 December 2020
Class A:		
Ordinary Shares – Issued and Paid (No.)	64,556,028	64,556,028
Ordinary Shares – Unissued (No.)	35,443,972	35,443,972
Nominal Value	0.10 EUR per share	0.10 EUR per share
Class B:		
Ordinary Shares – Issued and Paid (No.)	35,443,972	35,443,972
Ordinary Shares – Unissued (No.)	64,556,028	64,556,028
Nominal Value	0.01 EUR per share	0.01 EUR per share
Share Capital Value (EUR) thousand	6,810	6,810

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The rights attaching to class B shares are uniform in all respects except for the voting rights attached to class A shares.

Treasury shares buy-back

In 2018, the Board of Directors of the Company decided upon the initiation of the class B to be used for the purpose of several stock option programs. During year ended 31 December 2021 there were no shares repurchased through the buy-back program. As at 31 December 2021 there is a number of 5,045,587 oustanding treasury shares (2020:5,281,087).

Please see Note 25 for Stock Option Plan vested in 2020 and 2021.

Dividends

The profit available for distribution is the profit for the year and retained earnings recorded in the IFRS stand-alone statutory financial statements, which will differ from the result in these financial statements.

The AGM from 18 May 2021 approved the distribution of a gross dividend of RON 0.75 per share (EUR 0.15 per share) for 2020, which resulted in a total dividend of EUR 14.5 million (using 31 December 2020 fx rate).

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements from the functional currencies to the presentation currency.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets designated at fair value through other comprehensive income.

Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

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

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14.2 Non-controlling interests

The following table summarizes the consolidated financial information of RCS & RDS before intra-group eliminations which has non-controlling interest. Due to certain transactions with minority shareholders, for a part of 2020 the allocated percentage was lower than the percentage used to calculate net assets attributable to NCI

	31 December 2021	31 December 2020 restated
NCI percentage – 6.42%		
Non-current assets	2,221,996	1,841,693
Current assets	697,363	576,319
Non-current liabilities	(1,551,528)	(1,315,142)
Current liabilities	(1,166,542)	(955,003)
Net assets	**201,288**	**147,866**
Net assets attributable to NCI	**12,923**	**9,493**
Revenues	1,476,132	1,310,091
Profit	68,707	16,133
OCI	1,085	3,848
Total comprehensive income	**69,872**	**19,981**
Profit allocated to NCI	4,411	713
Total comprehensive income allocated to allocated to NCI	4,481	1,283
Cash flows from operating activities	**25,972**	**24,165**
Cash flows from investment activities	**(34,719)**	**(21,048)**
Cash flows from financing activities	**9,555**	**(3,212)**
Net increase (decrease) from cash flows	**808**	**(95)**
Dividends distributed	14,393	12,630
Dividends allocated to NCI	1,043	457

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

15. INTEREST BEARING LOANS AND BORROWINGS

Long term portion		**Nominal interest rate**	**31 December 2021**	**31 December 2020**
Senior Secured Bonds	(i)	2.5% & 3.25% p.a.	850,859	851,165
2020 Senior Facilities Agreement	(ii)	1M ROBOR + 2% p.a.	156,484	64,824
2021 Senior Facilities Agreement	(iii)	3M EURIBOR + 2.25% p.a.	120,148	-
Other loans and working capital facilities	(iv)		-	25,462
Total long term			**1,127,491**	**941,451**

Current portion		**Nominal interest rate**	**31 December 2021**	**31 December 2020**
2020 Senior Facilities Agreement	(ii)	1M ROBOR + 2%p.a.	56,372	31,979
Short term portion of other loans and working capital facilities	(iv)		4,228	10,636
Short term loans and working capital facilities	(v)	Variable linked to EURIBOR/ROBOR/LIBOR+ respective margin	98,252	44,576
Total current			**158,852**	**87,191**

For details regarding cash inflows and outflows for interest bearing borrowings please see the table below:

	Long term loans	**Bonds**	**Short term loan**	**Interest**	**Total**
Balance as at 1 January 2021	**132,901**	**851,165**	**34,612**	**9,965**	**1,028,642**
Proceeds from borrowings	303,500	-	68,865	-	**372,365**
Repayment of borrowings	(96,113)	-	(14,455)	-	**(110,568)**
Interest expense	-	-	-	33,159	**33,159**
Interest paid	-	-	-	(31,616)	**(31,616)**
Finance cost(1)	(3,405)	(73)	-	-	**(3,478)**
Embedded derivative recognized at inception	-	-	-	-	**-**
Amortisation of deferred finance costs(2)	1,913	(156)	-	-	**1,757**
Effects of movements in exchange rates	(1,564)	(77)	(686)	(1,591)	**(3,918)**
Balance as at 31 December 2021	**337,232**	**850,859**	**88,336**	**9,917**	**1,286,343**

(1) In the Cashflow statement, the amount of EUR 3,478 represents finance costs paid in 2021 related to Groups' borrowings (presented in the table above).

(2) The amortisation of deferred finance cost may be higher than finance costs due to previous capitalization of finance costs.

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

	Long term loans	Bonds	Short term loan	Interest	Total
Balance as at 1 January 2020	**320,107**	**552,433**	**61,005**	**8,486**	**942,030**
Proceeds from borrowings	149,519	850,000	1,690	-	**1,001,209**
Repayment of borrowings	(334,992)	(550,000)	(27,004)	-	**(911,996)**
Interest expense	-	-	-	37,772	**37,772**
Interest paid	-	-	-	(36,191)	**(36,191)**
Finance cost(1)	(2,166)	(17,037)	-	-	**(19,203)**
Embedded derivative recognized at inception	-	18,362	-	-	**18,362**
Amortisation of deferred finance costs(2)	4,549	(2,592)	-	-	**1,956**
Effects of movements in exchange rates	(4,116)	-	(1,079)	(102)	**(5,297)**
Balance as at 31 December 2020	**132,901**	**851,165**	**34,612**	**9,965**	**1,028,642**

(1) In the Cashflow statement, the amount of EUR 33,214 represents borrowing costs paid in 2020 related to Groups' borrowings of EUR 19,203 (presented in the table above) and early bond-prepayment fee of EUR 13,786 (not subject of being included in the amortized cost of borrowings, therefore not affecting the balance of borrowing and not presented in the table above) and EUR 225 related to borrowing cost paid from previous years).

i) Senior Secured Notes due 2025 & 2028 (Bonds)

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850,000, in two tranches: (i) EUR 450,000 2.50% senior secured notes due 2025 and (ii) EUR 400,000 3.25% senior secured notes due 2028 (collectively, the "Notes").

The gross proceeds of the Offering were used:

(a) to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company (2016 Bonds) and pay redemption premium and accrued interest to holders thereof.

(b) to prepay or repay partially the outstanding amounts under 2016 Senior Facility Agreement;

(c) to prepay the entire aggregate principal amount 2018 Senior Facility Agreement;

(d) to repay (without cancelling) certain overdraft facilities;

(e) to pay costs, expenses and fees in connection with the Refinancing; and

(f) for general corporate purposes (which may include acquisitions).

Arrangement fees

The total cost of concluding the 2020 Bonds is amortised using the effective interest method over the life of the Bonds.

As at 31 December 2021, the unamortized balance of bond issuance related fees was EUR 11,614 (2020: EUR 14,502). During the year, there were net borrowing costs recognized as a decrease in expenses in amount of EUR 156, including fair value adjustment at inception of EUR 18,362 related to the embedded derivative of the Bonds (2020: EUR 18,362). For details, please see table above.

Drawings

As at 31 December 2021, the nominal balance is EUR 850,000 (EUR 850,859 presented net of borrowing fees and including fair value of embedded derivative at inception date, i.e. February 2020).

Pledges

Details on pledges are presented further in section (vi) of the Note 15.

ii) 2020 Senior Facilities Agreement ("2020 SFA")

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

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

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

The revolving facility was drawn in July 2021 and was used for capital expenditure, investments, general corporate, and working capital purposes (including intra-group loans) of the Digi group.

The interest rate under the 2020 SFA is composed of a margin of 2% per annum plus ROBOR.

Incremental facility

As per the Senior Facility Agreement from December 15, 2020, an incremental facility was made available to RCS&RDS, which was established in accordance with the terms and limits set within the Senior Facilities Agreement. Pursuant to the Senior Facilities Agreement, on 21 July 2021, RCS & RDS requested the establishment of an incremental facility in an aggregate amount of RON 500,000,000 to be used for the company's capital expenditure and general corporate purposes. The facility was entered into, besides RCS&RDS as borrower, by and between DIGI Tavkozlesies Szolgaltato Korlatolt Felelossegu Tarsasag („Digi Hu"), INVITEL Tavkozlesi Zrt ("Invitel"), the Company, Digi Spain Telecom SLU ("Digi Spain"), as original guarantors on one hand and the Original Lenders and BRD-Groupe Societe Generale S.A., on the other.

The Incremental Facility was drawn in November 2021.

The Incremental Facility is a 3- year facility and follows the same terms and conditions as the SFA 2020.

Drawing

The term loan facility under the Senior Facility Agreement was used for the purposes of refinancing the amounts made available under the Facilities Agreement dated 7 October 2016. The term loan in amount of RON 487,830,000 (approximately 100,000 EUR equivalent) was drawn on 23 December 2020 and the amounts were used to repay Facility A from SFA 2016 (which was partially repaid using SFA 2020 drawing and partially using own funds).
The revolver facility was drawn in July 2021 and was used for general corporate purposes.

The Incremental Facility was drawn in November 2021 and used for general corporate purposes.

Maturities

For 2020 Senior Facilities Agreement there are monthly equal repayments of principal and interest for the term loan.

For the Incremental facility, there are monthly equal repayments interest. There is a one year grace for principal repayment.

Arrangement fees

The total cost of concluding the loan was amortised using the effective interest method over the remaining term of the 2020 Senior Facilities Agreement. As at 31 December 2021, the unamortized balance of borrowings related fees incurred in 2021 was EUR 2,816.

Repayment

The entire outstanding balance as at 31 December 2021 was repaid in January 2022. For details, please see Note 23.

Pledges

The 2020 Senior Facilities Agreement was unconditionally guaranteed by the Company on a parri-passu basis, and shares in the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

iii) 2021 Senior Facilities Agreement Spain ("2021 SFA")

On 26 July 2021, Digi Spain, acting as borrower together with the Company, RCS&RDS, Digi Hu and Invitel, as Original Guarantors, Banco Santander S.A. and a syndicate of banks, acting as lenders, entered into a facilities agreement for an initial duration of three and a half years with the possibility of extension up to 5 years, under which Digi Spain was made available: (i) a term loan facility in a total aggregate amount of EUR 57,000,000; (ii) a term loan facility in a total aggregate amount of EUR 65,000,000; and (iii) a revolving facility in a total aggregate amount of EUR 10,000,000 to be used for several purposes, including CAPEX and general corporate purposes.

The interest rate under the SFA 2021 is composed of a margin of 2.25% per annum plus EURIBOR.

As at December 31, 2021, the outstanding balances were in amount of EUR 122,000.

Drawing
Facility A and B term loans under the 2021 Senior Facility Agreement were used for the purposes of refinancing long term loans of Digi Spain and investments.

Maturities

There are quarterly equal repayments of interest for the term loans. There is an 18 month grace period for principal repayment.

Arrangement fees
The total cost of concluding the loan was amortised using the effective interest method over the remaining term of the 2021 Senior Facilities Agreement. As at 31 December 2021, the unamortized balance of borrowings related fees incurred in 2021 was EUR 1,852.

Pledges

The 2021 Senior Facilities Agreement was unconditionally guaranteed by the Company on a parri-passu basis, and shares in the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

iv) Other loans and working facilities

These include EUR 4,228 (31 December 2020: EUR 8,411) in respect of 2019 UniCredit Equipment Financing Agreement for the acquisition of equipment from Nokia, other facilities from Spain (31 December 2021: nil; 31 December 2020: EUR 27,433) and a facility from Romania (31 December 2021: nil; 31 December 2020: EUR 253).

v) Short term and working capital facilities

Besides the Senior Facilities and the Bonds, the Group has several short term loans and working capital facilities (overdrafts, facilities for issuing letters of guarantees, letters of credit, etc.) in Romania (31 December 2021: EUR 68,226; 31 December 2020: EUR 24,073), in Spain (31 December 2021: EUR 5,375; 31 December 2020: EUR 5,488) and in Hungary (31 December 2021: nil; 31 December 2020: EUR 5,048). Other short term facilities include 14,734 reverse factoring arrangements (31 December 2020: nil) and interest of EUR 9,917 (31 December 2020: EUR 9,967).

vi) Collateral

The obligations of the Group under the Bonds, as well as their obligations under the Senior Facilities Agreements and other bank facilities, on a pari-passu basis pursuant to the terms of the Intercreditor Agreement dated 4 November 2013 and amended on 26 October 2016, are secured by a first-ranking security interest in the following:

(a) Certain Capital Stock that DIGI holds in RCS& RDS, which as at 31 December 2021 accounted for 93.58% of the issued Capital Stock of RCS&RDS, as per Trade Register;

(b) All bank accounts of DIGI, including any new bank accounts;

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

(c) 100% of the quota in DIGI T.S. Kft Hungary (these guarantees were released as at the end of 2021, before the closure of the sale-for details please see Note 23.2);

(d) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(e) All DIGI T.S Kft Hungary's shares owned currently in Invitel representing 99.998395% (these guarantees were released as at the end of 2021, before the closure of the sale-for details please see Note 23.2).

(f) subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account monies, trade and other receivables, intragroup receivables, inventories, movable tangible property (including networks, machinery, equipment, vehicles, furniture and other similar assets), intangible assets, intellectual property rights,

insurance and proceeds related to any of the foregoing as described in the General Movable Mortgage Agreement between RCS&RDS and Wilmington Trust (London) Limited.

vii) Covenants

All of the above facilities include certain financial ratios ("loan covenants"), which are calculated based on the consolidated figures of the Group.

The breach of these ratios may constitute an event of default that can lead, unless waived or cured under the terms of the applicable instruments, to early repayment of indebtedness. As at 31 December 2021 the Group is in compliance with all loan covenants from all facilities presented above.

16. LEASE LIABILITIES

The Group leases mainly network pillars, land, commercial spaces, cars and equipment. Set out below are the carrying amounts of lease liabilities and the movements during the period ended 31 December 2021.

	2021	**2020**
		Restated
As at 1 January	**241,592**	**220,138**
Additions	106,800	117,488
Interest expense	8,347	7,461
Interest paid	(8,347)	(7,461)
Payments of principal portion of lease liabilities	(96,583)	(88,047)
Translation	643	(7,987)
Reclassification to Liabilities directly associated with the assets held for sale	(55,691)	-
As at 31 December	**196,761**	**241,592**
Current	**71,642**	**70,080**
Non-current*	**125,119**	**171,512**

** See Note 2.2

The maturity analysis of lease liabilities is disclosed in Note 24.

The following are the amounts recognised in the Consolidated statement of profit or loss for continuing operations:

	2021	**2020**
		Restated
Depreciation expense of right-of-use assets	67,211	50,307
Interest expense on lease liabilities	6,065	6,323

For the rent contracts which include a renewal clause, the lease liability computation was made based on the estimation that these clauses will be enforced up to a date which falls after the reporting date.

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

For details about the right of use asset, please see Note 6. For details regarding incremental borrowing rates used in the determination of lease liabilities refer to note 2j).

17. TRADE AND OTHER PAYABLES, OTHER LONG TERM LIABILITIES

17.1 TRADE AND OTHER PAYABLES (current)

	31 December 2021	31 December 2020 Restated
Trade payables	104,144	100,845
Payables to non-current assets suppliers	197,135	168,394
Accruals	85,037	89,409
Value added tax ("VAT")	13,876	27,713
Other payable related to investments	739	562
Salary and related taxes	33,511	46,845
Amounts payable to related parties (Note 18)	9	9
Dividends payable (Note 18)	14,530	12,617
Other	18,517	16,024
Total trade and other payables	**467,499**	**462,418**

Included in payables to fixed assets suppliers from above, there is a deferred consideration payable for customer relationship acquired in amount of EUR 39,339 (31 December 2020: EUR 31,737), please see Note 7A.

Other include mainly payables related to taxes.

17.2 OTHER LONG TERM LIABILITIES

	31 December 2021	31 December 2020 Restated
Payables to fixed assets suppliers	100,621	59,967

Included in Other long-term liabilities and Trade payables and in Payables to fixed assets suppliers there are payables recorded under vendor financing agreements with our suppliers, according to which we have negotiated longer payment terms especially for network and equipment as well as customer premises equipment (CPE) in total amount of EUR 123,825 (2020: EUR 85,499).

Our vendors obtain factoring financing facilities from banks in order to be able to accommodate different commercial terms in relation with the Group. These do not represent financing liabilities for the Group, since liabilities arise as part of the commercial negotiations with the vendors. Therefore, they are classified as Payables to fixed assets suppliers (current) and respectively Other long -term liabilities (depending on the payment terms negotiated with the vendors which are currently for maximum 3 years).

The rest of the Other long-term liabilities balance as at 31 December 2021 refer to the discounted future payments over 7 years for the 50% of the license price of spectrum awarded in Portugal in 2021, which was recognized as a long term liability. For details, please see Note 7.

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

18. RELATED PARTY DISCLOSURES

The non-statutory consolidated financial statements include the financial statements of DIGI and its subsidiaries (the main subsidiaries are included in Note 23); RCSM is the Group's ultimate holding company. Ultimate beneficial shareholder is Mr. Zoltan Teszari.

The following tables provide the total amount of balances with related parties:

Receivables from related parties

		31 December 2021	31 December 2020
Party			
Ager Imobiliare S.R.L.	(ii)	780	785
Fundatia Man	(ii)	-	68
RCSM	(i)	2	2
Other		8	9
Total		**790**	**864**

Payables to related parties

		31 December 2021	31 December 2020
Party			
RCSM	(i)	14,015	12,183
Mr. Zoltan Teszari	(iii)	488	409
Other		36	34
Total		**14,539**	**12,626**
Of which: dividends payable (Note 17.1)		*14,530*	*12,617*

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

Outstanding balances at year-end are interest free. For details regarding the guarantees and pledges between Group's companies please refer to Note 15 (vi). For the year ended 31 December 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2020: nil).

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

In 2021, RCS & RDS declared dividends in amount of 80 million RON (EUR 16,429 equivalent), from 2020 profit.

For dividends distributed by the Company, please refer to Note 14.

Compensation of key management personnel of the Group

	2021	2020
Gross Salary expense	3,981	3,989
Share-based payments	415	4,206
Other taxes	90	94
Total	**4,486**	**8,289**

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

Included in key management personnel are the Board members and top management of the Group.

In 2020 and 2021 several share option plans were implemented for certain members of management and employees. Several shares option plans vested in 2020 and 2021. For details, please refer to Note 25.

During 2020 and 2021, the Company distributed dividends to its shareholders. For details, please see Note 14.

Transactions with related parties			
		31 December 2021	**31 December 2020**
Sale of services			
Ager Imobiliare S.R.L.	(ii)	35	35
Fundatia Man	(ii)	15	61
Total		**50**	**96**
Purchase of services			
Fundatia Man	(ii)	72	-
Total		**72**	**-**
Others			
Sponsorships and donations			
Fundatia Man	(ii)	534	476
Total		**534**	**476**

19. REVENUES

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

	2021	**2020 Restated and represented**
Continuing operations		
Country		
Romania	891,765	809,592
Spain	362,027	273,962
Other[(1)]	24,261	23,019
Total Revenues continued operations	**1,278,053**	**1,106,573**
Category		
Fixed services [(2)]	621,128	537,804
Mobile services	534,502	462,974
Other [(3)]	122,423	105,795
Total Revenues continued operations	**1,278,053**	**1,106,573**

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

Discontinued operation[4]		
Revenues from discontinued operation	**194,632**	**199,555**
Total revenues (continued and discontinued)	**1,472,685**	**1,306,128**

(1) Includes revenue from operations in Italy.
(2) Includes mainly revenues from subscriptions for CATV, fixed internet and fixed telephony and DTH services.
(3) Includes mainly revenues from sale of handsets and other CPE, energy as well as advertising revenues.
(4) On 3rd of January 2022, the Hungarian operations were sold. For details please see Note 23.2

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

Timing of revenue recognition	**2021**	**2020 Restated and represented**
Goods transferred at a point in time	35,941	30,886
Services transferred over time	1,242,112	1,075,688
Total revenues	**1,278,053**	**1,106,573**

The transfer of goods to the customer at a point in time are presented in the first table above as part of Other revenues.

Revenues recognised in the period ended 31 December 2021, which were included in contract liability at the beginning of the period (of EUR 24,999) amounted to EUR 24,346. The amounts in balance as at 31 December 2021 are to be recognised gradually as revenues until 31 December 2022.

20. OPERATING EXPENSES

	2021	**2020 Restated and represented**
Depreciation of property, plant and equipment (Note 5)	105,722	89,322
Depreciation of right of use asset (Note 6)	67,211	50,306
Amortization of programme assets (Note 7)	37,767	41,711
Amortisation of non-current intangible assets (Note 7)	73,579	56,361
Impairment of property, plant and equipment (Note 5)	2,757	(596)
Impairment of non-current intangible assets (Note 7)	1,480	428
Revaluation impact (Note 5)	-	1,796
Salaries and related taxes	205,648	174,606
Contribution to pension related fund	21	43
Content expenses	69,656	62,746
Telephony expenses	283,976	237,422
Cost of goods sold	33,587	28,584
Invoicing and collection expenses	18,695	17,821

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

	2021	2020 Restated and represented
Taxes and penalties	7,680	7,831
Utilities	29,089	23,202
Copyrights	9,987	9,357
Internet connection and related services	48,364	29,966
Impairment of receivables and other assets, net of reversals	3,643	2,761
Taxes to authorities	8,651	8,453
Other materials and subcontractors	15,983	11,750
Electricity cost	18,501	22,432
Other services	28,840	21,632
Other operating expenses	24,567	16,362
Total	**1,095,404**	**914,296**

The 2020 and 2021 share option plans expenses accrued in the period are included under the caption "Salaries and related taxes". For details, please see Note 25.

Salaries and related taxes capitalized for the development of network during the year ended 31 December 2021 amount to EUR 116,861 (2020: EUR 67,690).

Other services, Other operating expenses and Other materials and subcontractors' expenses mainly include expenses related to advertisings costs, expenses related to own TV channels, settlements of contracts, network maintenance expenses and various other fees and commissions to third parties.

21. NET FINANCE COSTS

	2021	2020 Restated and represented
Finance income		
Interest from banks	39	91
Gain on derivative financial instruments	150	3,710
	189	**3,801**
Finance expenses		
Interest expense	(35,693)	(37,307)
Interest for lease liability	(6,065)	(6,323)
Loss on derivative financial instruments	(12,447)	(40,095)
Other financial expenses	(9,886)	(11,562)
Foreign exchange differences (net)	(17,807)	(17,686)
	(81,898)	**(112,973)**
Net Finance Costs	**(81,709)**	**(109,172)**

As at 31 December 2021, the fair value of the embedded derivative assets attached to our EUR 850,000 Senior Secured Notes is in amount of EUR 8,857. The fair value movement of EUR 12,447 was recognised in loss on derivative financial instruments.

As at 31 December 2020, the fair value of the embedded derivative assets attached to our EUR 850,000 Senior Secured Notes is in amount of EUR 21,578. The fair value movement of EUR 3,355 was recognised in other finance income in the period. An amount of EUR 18,362 representing fair value at inception date of embedded derivatives, at February 2020, was recognized against the bond liability.

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

The fair value of the embedded derivative options attached to our EUR 550,000 Senior Secured Notes as at 31 December 2019 was in amount of EUR 40,095. At repayment, the 2016 Senior Secured Notes embedded derivative asset was derecognized and the above amount was included in finance expenses in 2020.

For details, please see Note 26.

22. INCOME TAX

The Company is a Romanian tax resident having its place of effective management in Bucharest, Romania, where all the strategic and commercial decisions are made, as well as the day-to-day management is carried out.

The statutory tax rate applied in Romania during 2021 and 2020 was 16%; in Hungary during 2021 and 2020 was 9%; in Spain during 2021 and 2020 was 25% and in Italy during 2021 and 2020 was 24%.

Components of income tax expense for the periods ended 31 December 2021 and 2020 respectively were:

	2021	**2020 Restated and represented**
Current income tax charge	13,115	8,246
Changes in estimates related to prior years	-	1,385
Origination and reversal of temporary differences	(1,031)	5,976
Income tax expense recognised in profit or loss	**12,084**	**15,606**

Reconciliation of effective tax rate

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Group's effective income tax rate for the financial years 2021 and 2020 is as follows:

	2021	**2021**	**Restated and represented 2020**	**Restated and represented 2020**
Profit before tax from continuing operations		**103,970**		**83,938**
At statutory income tax rate of the Company	16.00%	16,635	16.00%	13,430
Effect of tax rates in foreign jurisdictions	-0.75%	(785)	2.30%	1,928
Tax effect of:				
Non-deductible expenses	2.70%	2,803	5.07%	4,254
Tax-exempt income	-1.74%	(1,805)	-2.89%	(2,425)
Changes in estimates related to prior years and correction of errors		-	2.31%	1,939
Tax incentives (tax credit for reinvested profit*)	-4.58%	(4,765)	-4.19%	(3,520)
Effective tax expense / (gain)	11.62%	**12,083**	18.59%	**15,606**

Deferred taxes in the consolidated statement of financial position are**:**

	31 December 2021	**31 December 2020 Restated**
Deferred tax assets	569	999
Deferred tax liabilities	(52,099)	(52,343)

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

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	(51,529)	**(51,344)**

Movement of deferred taxes:

	2021	**2020 Restated and represented**
Deferred taxes recognized in the statement of financial position	**(51,529)**	**(51,344)**
Difference from prior year balance	185	(1,109)
Of which:		
Recognized in the profit or loss continuing operation	(1,032)	5,976
Deferred tax liability related to revaluation reserve, recognised in other comprehensive income	1,929	-
Recognized in the profit or loss from discontinued operation	-	(4,418)
Effect of movement in exchange rates	(712)	(2,667)

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The deferred tax (asset)/liability for the financial year 2021 comprises the tax effect of temporary differences related to:

	Balance 1 January 2021 Restated	Recognised in profit or loss	Discontinued operation	Effect of movement in exchange rates	Balance 31 December 2021
Property, plant and equipment	**42,305**	(2,507)	3,995	(14)	**43,779**
Intangibles	**12,784**	-	857	78	**13,719**
Accounts receivable	**50**	36	161	(52)	**(292)**
Accounts payable	**(360)**	-	387	425	**452**
Inventory	**667**	(667)	-	-	**-**
Deferred tax liabilities	***55,446***	***(3,211)***	***5,004***	***420***	***57,659***
Property, plant and equipment	**(755)**	745		10	**-**
Intangibles	**-**	108		(108)	**-**
Accounts receivable	**(526)**	529	(61)	(3)	**(61)**
Accounts payable	**-**	379	(568)	(379)	**(558)**
Inventory	**(1,259)**	1,253	(756)	6	**(756)**
Fiscal losses	**(1,563)**	437		-	**(1,126)**
Deferred tax assets	***(4,102)***	***2,179***	***(1,375)***	***(1,132)***	***(2,502)***
Offsetting (refer to Note 2.3 o)	*(3,103)*				*(1,932)*
Transfer to discontinued operation			(3,628)		**(3,628)**
Deferred tax liabilities	**52,343**				**55,727**
Deferred tax assets	**(999)**				**(569)**
Net deferred tax liability	**51,344**	**898**	-	**(713)**	**51,529**

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

The deferred tax (asset)/liability for the financial year 2020 comprises the tax effect of temporary differences related to:

	Balance 1 January 2020 Restated	**Recognised in profit or loss Restated**	**Discontinued operation**	**Effect of movement in exchange rates**	**Balance 31 December 2020 Restated**
Property, plant and equipment	**46,937**	3,116	(6,634)	(1,144)	**42,305**
Intangibles	**10,381**	4,126	(465)	(1,258)	**12,784**
Accounts receivable	**289**	50	(262)	(27)	**50**
Accounts payable	**1,295**	(442)	(1,097)	(115)	**(360)**
Long term borrowings	**(33)**	-	(30)	63	**-**
Inventory	**-**	**-**	**-**	*667*	*667*
Deferred tax liabilities	***58,869***	***6,849***	***(8,488)***	***(1,784)***	***55,446***
Property, plant and equipment	**-**	(755)	-	-	**(755)**
Intangibles	**(191)**	(191)	-	381	**-**
Accounts receivables	**(535)**	9	-	1	**(526)**
Accounts payable	**776**	-	96	(872)	**-**
Inventory	**(4,390)**	(1,259)	3,974	416	**(1,259)**
Fiscal losses	**(3,188)**	1,323	-	302	**(1,563)**
Deferred tax assets	***(7,529)***	***(873)***	***4,070***	***229***	***(4,102)***
Offsetting (refer to Note 2.3 o)	*(12,198)*				*(3,103)*
Recognition					
Deferred tax liabilities	**52,855**				**52,343**
Deferred tax assets	**(2,620)**				**(999)**
Net deferred tax liability	**50,235**	**5,976**	**(4,418)**		**51,344**

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

Deferred tax asset in respect of the fiscal loss from Italy was recognised in amount of EUR 2,826 (2020: EUR 3,188) similar to previous year.

For statutory purposes, RCS&RDS has performed several revaluations of its land and buildings. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders it would become taxable. No deferred tax liability was recognised in this respect.

The Company did not recognise deferred tax liabilities on taxable temporary differences arising from investments in direct subsidiaries (mainly RCS&RDS) due to the fact that it enjoys a participation exemption status. Uncertainties associated with the fiscal and legal system are disclosed in Note 27.

The Romanian Tax Code currently in force, defines the categories of assets for which companies may apply the tax exemption on reinvested profit as follows: technological equipment, electronic computers and peripheral equipment, cash machines, control and billing machines, software programs, and the right to use software, products and / or purchased software, including on the basis of financial leasing contracts, and commissioned, used for the purpose of development of economic activity

The amount of the profit for which the reinvested corporate tax exemption was granted shall be distributed at the end of the financial year to reserves.

Under IAS 12 these transactions will generate a permanent difference and no deferred tax will be recognized in the non-statutory consolidated financial statements.

23. SUBSIDIARIES AND NON-CONTROLLING INTEREST

23.1 Subsidiaries

The non-statutory consolidated financial statements incorporate the financial information of the following main subsidiaries in each of the countries:

Below are presented the subsidiaries of the Group, excluding dormant subsidiaries and subsidiaries with only intra-group transactions:

Subsidiary	Country of Incorporation	Field of activity	Legal Ownership	
			2021	2020
RCS&RDS.	Romania	CATV, Internet, DTH, Telephony	93.58%	93.58%
Digi T.S. Kft	Hungary	CATV, Internet, DTH, Telephony	93.58%	93.58%
Invitel Távközlési Zrt	Hungary	CATV, Internet, DTH	93.58%	93.58%
DIGI SPAIN TELECOM S.L.U.	Spain	Telephony	93.58%	93.58%
DIXAROBIL TELECOM, SOCIEDADE UNIPESSOAL, LDA.	Portugal	Telecom	93.58%	0%
DIGI ITALY SL	Italy	Telephony	93.58%	93.58%
ITV	Hungary	CATV	93.58%	93.58%
Campus Radio SRL	Romania	Advertising	93.58%	93.58%
CFO Integrator	Romania	Duct Rent	93.58%	93.58%
ENERGIAFOTO SRL	Romania	Solar energy	93.58%	93.58%
NOVITAS Electro	Romania	Solar energy	93.58%	93.58%
DELALINA S.R.L.	Romania	Solar energy	93.58%	93.58%

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

23.2 Discontinued operation

DISPOSAL GROUP HELD FOR SALE

On 29 November 2021 the Company's Romanian subsidiary (**RCS&RDS**) and 4iG Plc. (**4 iG Plc**.), concluded the sale and purchase agreement regarding the 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 (representing the whole Hungary reportable segment of the Group). Following completion of the conditions set by the parties in the sale and purchase agreement, on January 3, 2022, approximately EUR 624.98 million, representing the value of the transaction, was transferred by 4iG to the RCS & RDS during 2022.

Analyzig the criteria of IFRS 10 regarding deconsolidation of accounts, we concluded that loss of control occurred at the closing of the sale, on January 3, 2022. Therefore, as at 31 December 2021, we applied IFRS 5 requirements: assets and liabilities of the Hungarian operations are presented as held for sale in the balance sheet and net result is presented in the profit and loss account as discontinued operation.

The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations

A. Assets and liabilities of disposal group classified as held for sale

At 31 December 2021, the carrying amounts of the Hungarian operations classified as held for sale were stated at fair value less costs to sell, as presented below, including the effect of disposal on the financial position of the Group:

	Note	31-Dec-21
Property, plant and equipment	5	247,590
Right of use assets	6	55,121
Intangible assets	7	59,848
Long term receivables		3,377
Total non-current assets		**365,936**
Inventories		4,500
Programme assets	7	63
Trade and other receivables		22,013
Contract assets		2,506
Income tax receivable		265
Other assets		4,286
Cash and short-term deposits		2,633
Total current assets		**36,266**
Total Assets held for sale		**402,202**
Lease liabilities	16	41,507
Deferred tax liability	22	3,582
Decommissioning provision	5	1,653
Total non-current liabilities		**46,742**
Trade payables and other payables		48,516
Lease liabilities	16	14,184
Contract liability		13,082
Total current liabilities		**75,782**
Total liabilities directly associated with the assets held for sale		**122,524**
Net assets and liabilities		**279,678**

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B. Results of discontinued operation

	Notes	2021	2020
Discontinued operations			
Revenues	19	194,632	199,555
Operating expenses	20	(207,269)	(216,986)
Other expenses/revenues*	30	-	(3,510)
Operating profit		**(12,637)**	**(20,941)**
Finance expenses	21	(7,145)	(35,540)
Net finance costs		**(7,145)**	**(35,540)**
Loss before taxation		**(19,782)**	**(56,481)**
Income tax	22	(6,372)	1,598
Loss from discontinued operations, net of tax		**(26,154)**	**(54,883)**
Other comprehensive income - discontinued operations			
Items that are or may be reclassified to profit or loss, net of income tax			
Foreign operations – foreign currency translation differences		11,268	2,290
Related tax		-	-
Items that will not be reclassified to profit or loss			
Revaluation of equity instruments measured at fair value through OCI		-	-
Revaluation of land and buildings		-	6,503
Related tax		-	(788)
Other comprehensive income for the year, net of income tax		**11,268**	**8,005**
Total comprehensive income for the year		**(14,886)**	**(46,878)**
Attributable to owners		*(13,207)*	*(43,354)*
Attributable to non-controlling interests		*(1,679)*	*(3,523)*
Earnings per share - Discontinued operations			
Basic earnings per share		(0.2581)	(0.5435)
Diluted earnings per share		(0.2575)	(0.5417)

The loss from the discontinued operation net of tax of EUR 26,154 (2020: loss of EUR 54,883) is attributable to the owners of the Company.

Operating expenses from discontinued operations are further detailed as follows:

	2021	2020
Discontinued operations		
Depreciation of property, plant and equipment	37,764	44,379
Depreciation of right of use asset	20,209	21,245
Amortisation of non-current intangible assets	5,535	6,033
Impairment of property, plant and equipment	942	26
Impairment of non-current intangible assets	68	316
Revaluation impact	-	660
Salaries and related taxes	39,440	41,766

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

Contribution to pension related fund	4,798	5,636
Content expenses	40,946	41,997
Telephony expenses	4,442	3,644
Cost of goods sold	227	736
Invoicing and collection expenses	6,422	5,995
Taxes and penalties	6,546	5,798
Utilities	7,389	6,981
Copyrights	3,397	2,732
Internet connection and related services	1,002	694
Impairment of receivables and other assets, net of reversals	1,576	4,363
Taxes to authorities	1,274	1,222
Other materials and subcontractors	2,690	2,574
Other services	11,849	11,481
Other operating expenses	10,754	8,707
Total discontinued operations	**207,270**	**216,985**

24. 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 non-statutory consolidated financial statements.

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

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

i) Credit risk

Credit risk exposure

The Group regularly monitors its customers' debts and expected credit losses are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

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 customer credit risk mainly by monitoring the subscribers to continuous services (telecommunications and energy) and identifying potential bad debt cases, which are suspended, in general between 10 and 30 days after the invoice due.

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

The maximum exposure to credit risk at the reporting date was:

Derivative and non-derivative financial assets by category – exposure to credit risk

	Note	31 December 2021	31 December 2020 Restated
Trade and other receivables	11	74,002	92,481
Contract assets	11	71,281	53,274
Cash and cash equivalents	13	17,003	6,539
Long term receivables		1,646	2,493
Total		**163,932**	**154,787**

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

The credit exposure for derivatives is limited, as there will be no incoming cash-flow arising from the embedded derivatives.

Cash & cash equivalents

The maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

	31 December 2021	31 December 2020 Restated
Citibank	74	212
ING Bank	779	694
Banca Comerciala Romana	532	537
BRD Groupe Societe Generale	798	32
Unicredit Tiriac Bank	536	478
Banco Santander	5,061	45
Banco La Caixa	3,668	165
Banco BBVA	2,387	341
Petty Cash	316	397
Other	2,852	3,638
Total	**17,003**	**6,539**

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.

Trade and other receivables and contract assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The entity has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component is considered immaterial.

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

ii) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2021:

	31 December 2021						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**1,286,343**	**1,421,441**	133,719	60,705	195,289	617,484	414,244
Lease liabilities	**196,761**	**196,761**	36,303	35,339	45,741	51,011	28,367
Trade and other payables and other liabilities	**568,120**	**568,519**	430,648	37,203	85,147	15,520	1
Total	**2,051,224**	**2,186,721**	**600,670**	**133,247**	**326,177**	**684,016**	**442,611**

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2020:

	31 December 2020 Restated						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**1,028,643**	**1,173,591**	79,194	36,211	72,192	558,598	427,395
Lease liabilities	**241,592**	**241,592**	35,357	34,861	57,762	70,632	42,981
Trade and other payables and other liabilities	**522,385**	**522,460**	426,573	35,903	37,375	18,313	4,297
Total	**1,792,619**	**1,937,643**	**541,125**	**106,975**	**167,329**	**647,543**	**474,673**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

iii) Market risk

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

Exposure to currency risk

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

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

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

The Group's exposure to foreign currency risk was as follows (amounts expressed in thousands of the respective currencies):

	31 December 2021		31 December 2020	
	USD	**EUR**	**USD**	**EUR**
Trade and other receivables	1,280	2,377	1,923	2,376
Cash and cash equivalents	664	295	19	67
Interest bearing loans and borrowings, including bonds	-	(854,416)	-	(858,831)
Bank overdraft	(11,356)	(9,769)	(13,222)	(5,739)
Lease liabilities	(1,000)	(97,604)	(1,465)	(97,727)
Trade and other payables	(45,239)	(68,598)	(46,096)	(63,150)
Gross exposure	**(55,651)**	**(1,027,715)**	**(58,841)**	**(1,023,004)**

The following significant exchange rates applied for the year ended 31 December 2021:

	2021	2020
Romania		
USD	4.3707	3.9660
EUR	4.9481	4.8694
Hungary		
USD	325.71	297.36
EUR	369.00	365.13

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

Sensitivity analysis for currency risk

A 10 percent strengthening of the currencies listed above against the functional currencies of the Parent and of the subsidiaries at 31 December would have decreased profit before tax/increased the loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect on profit before tax	Effect on profit before tax
	2021	**2020**
		Restated
EUR	102,771	102,300
USD	4,916	5,884
Total	**107,687**	**108,184**

A 10 percent weakening of the above-mentioned currencies against the functional currencies of the Parent and of the subsidiaries at 31 December would have had the equal but opposite effect on profit or loss, on the basis that all other variables remain constant.

The effect in equity is the effect in profit or loss before tax, net of tax (16%) (excluding translation effect into presentation currency).

Exposure to interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (USD and EUR) through market fluctuations of interest rates. The interest rates of borrowings are disclosed in Note 15 and for lease liabilities see Note 2.

The Board of Directors performs from time to time ad-hoc analysis of exposure to variable rate borrowings and decides if it should change the structure of variable / fixed rate borrowings or whether to hedge through Interest Rate Swap.

At the reporting date the interest rate repricing profile of the variable rate interest-bearing financial instruments was:

	All reprice at 6 months or less	
	31 December 2021	**31 December 2020**
Interest bearing payables	84,052	72,434
Senior Facility Agreement (2020 & 2021)	338,079	100,183
Other	4,416	33,280
Total	**426,547**	**205,897**

The 2020 Senior Facilities Agreement bear variable interest rate.

Except for the ones presented in the table above there are no other major interest-bearing financial instruments.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates, after taking into consideration the effect of the IRS, at the reporting date would have increased (decreased) profit or loss before tax by:

	Profit or loss	
	100 basis points increase	100 basis points decrease
31 December 2021		
Variable rate instruments	(3,425)	3,425
	Profit or loss	
	100 basis points increase	100 basis points decrease
31 December 2020		
Variable rate instruments, after IRS effect	(1,449)	1,449

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The effect in equity is the effect in profit or loss before tax, net of tax (16%).

iv) Fair values

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

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation techniques with all significant inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: valuation techniques using significant inputs that are not observable or based on observable market data (i.e. unobservable inputs).

The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements of financial instruments are categorised are as follows:

	Level 1	Level 2	Level 3	Total
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**

	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets at fair value through OCI	40,821	-		**40,821**
Embedded derivatives	-	-	21,578	**21,578**
Total	40,821	-	**21,578**	**62,399**

Financial assets at fair value through OCI

As at 31 December 2021, the fair value assessment of the financial assets at fair value through other comprehensive income shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as at the valuation date of RON/share 41.05 (daily average) (31 December 2020: RON/share 34.35), 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.

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

Sensitivity analysis for financial assets at fair value through OCI

A change in share price at the reporting date would have an impact as follows:

	Share price	
	10% increase	10% decrease
31-Dec-21		
Financial assets at fair value through OCI	4,795	(4,795)
31-Dec-20		
Financial assets at fair value through OCI	4,082	(4,082)

Embedded derivatives

Redemption Options Bonds

As at 31 December 2020 and 31 December 2021, a discounted cash flow valuation technique was used in order to estimate the option-free value of the bond at this date. Main inputs were the callable bond market value, coupon, payment terms and maturity date. The fair value of the redemption option is the difference between market price of the bond and the estimated option free value. The fair value was obtained from an independent valuation specialist. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

	Discount rate	
	10 bps increase	10 bps decrease
31-Dec-21		
Embedded derivative asset	(3,500)	3,519

	Discount rate	
	50 bps increase	50 bps decrease
31-Dec-20		
Embedded derivative asset	(21,624)	22,351

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2021 is as follows:

	Financial assets at fair value through OCI (Notes 8, 14)	**Embedded derivatives**
1 January 2021	**40,821**	**21,578**
Gains or (losses) recognised in profit or loss for the year (derecognition)	-	(12,447)
Gains or (losses) recognised in other comprehensive income	7,777	-
Effect of movements in exchange rates	(650)	(274)
31 December 2021	**47,948**	**8,857**

The asset at FV through OCI and the embedded derivative are fully unrealized.

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

	Financial assets at fair value through OCI (Notes 8, 14)	Embedded derivatives	Redemption Options share contracts
1 January 2020	**39,592**	**40,095**	**(770)**
Gains or (losses) recognised in profit or loss for the year (derecognition)	-	(36,385)	-
Gains or (losses) recognised in other comprehensive income	1,551	-	-
Embedded derivative recognized at inception	-	18,362	-
Settlement	(322)	-	770
Effect of movements in exchange rates	-	(494)	-
31 December 2020	**40,821**	**21,578**	**-**

Assets and liabilities not measured at fair value but for which the fair value is disclosed

The fair value of long term loans and their corresponding carrying amount (excluding the interest accrued at 31 December 2021 and 2020) and fair value measurement hierarchy are presented in the table below:

			31 December 2021
	Carrying amount	**Fair Value**	**Hierarchy**
Loans (Note 15)	**1,188,091**	**1,192,400**	
Bonds*	850,859	850,867	Level 1
Senior Facilities (2020 & 2021)	333,004	337,121	Level 3
Other	4,228	4,412	

			31 December 2020
	Carrying amount	**Fair Value**	**Hierarchy**
Loans (Note 15)	**984,066**	**1,026,032**	
Bonds*	851,165	889,610	Level 1
2020 Senior Facilities	96,803	99,887	Level 3
Other	36,098	36,535	

** Fair value of bonds is disclosed at mid-market price, which includes the embedded derivative asset*

The fair value of bonds is calculated on the basis of the market price while the fair value of the loans is based on contractual cash flows discounted using a market rate prevailing at the reporting date (latest EURIBOR/ROBOR reset rate, after giving effect to interest rate swaps, plus the market credit spread received by the Group for financial liabilities with similar features).

Financial instruments which are not carried at fair value on the statement of financial position also include trade and other receivables, cash and cash equivalents, other interest bearing loans and borrowings, other long term liabilities and trade and other payables.

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The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (or recognized recently carrying values for other long term liabilities) and low transaction costs of these instruments.

v) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreements' requirements and in accordance with the Senior Notes.

w) Climate risks

In the 2021 financial year, the Group analysed potential sustainability risks in the areas at climate change and scarcity of resources. The Group did not identify any key risks to its business model in either area and, as such, also does not currently anticipate any significant impacts from such risks on its business model or on the presentation of its results of operations or financial position.

25. SHARE- BASED PAYMENTS

The Group implemented share-based payment plans for certain members of the management team and key employees. The options vest if and when certain performance conditions, such as revenue, subscriber targets and other targets of the Group were met. Some of the share option plans vested in past years and were closed.

Currently, the following share option plans are in place or impacted the period ended 31 December 2021:

25.1 On 30 April 2020, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive Board members in 2020.

Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company) and Mr. Valentin Popoviciu (Executive Director of the Company), have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 30 April 2020. The number of options of class B shares granted as part of this stock option plan amounts to a total of 130,000 stock options. The fair value at grant date was EUR 2,516.

These options vested in Q2 2020 upon the fulfilment of the performance criteria (EBITDA, RGUs and leverage ratio levels) and the programme was closed.

25.2 On 19 May 2020, the Board of Directors of the Company has approved the grant of stock options for the benefit of certain employees and managers of RCS&RDS S.A., its Romanian subsidiary and of DIGISOFT IT SRL, a subsidiary of RCS&RDS S.A. The options granted are for a number of 185,500 Class B shares. The vesting of such options is conditional upon fulfilment of several performance criteria, with the vesting period being a minimum of 1 year. The fair value at grant date was EUR 3,562.

These options vested in Q2 2020 upon the fulfilment of the criteria and the programme was closed.

25.3 On 19 May 2021, Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company), Mr. Valentin Popoviciu (Executive Director of the Company) and Mr. Bogdan Ciobotaru (Non-Executive Director of the Company) have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 18 May 2021. The total number of options of class B shares granted as part of this stock option plan (applicable for the year 2021) amounts to 160,000. The further vesting of all option shares granted will be conditional upon several performance criteria (EBITDA, RGUs and leverage ratio levels) and the passage of a minimum duration of 1 year. The fair value at grant date was EUR 3,565.

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

25.4 On 25 august 2021, the Company's Board of Directors has approved the grant of a number of 39,000 stock options within the stock option program granted to the benefit of employees of the Company's Romanian subsidiary, RCS&RDS S.A, pursuant to the Company's Stock Option Plan.

The vesting of the options is conditional upon the fulfilment of the performance criteria, with the vesting period being set at a minimum of 1 year as at the grant date. The fair value at grant date was EUR 923.

For details regarding the movement of share options during the period, please see below:

	31 December 2021		31 December 2020	
Class B treasury shares	**Number**	**WAEP**	**Number**	**WAEP**
Outstanding as at 1 January	**315,500**	**-**	**602,090**	**-**
Exercised during the year	(235,500)	8.30	(483,290)	7.14
Granted during the year	199,000	-	315,500	-
Outstanding as at 31 December	**199,000**	-	**315,500**	-
Expired, for which the service or performance conditions were not met	*80,000*	-	*118,800*	-

As at 31 December 2021 the related share option net result of EUR 417 (31 December 2020: EUR 109, out of which 832 EUR continuing operations) is included in the Consolidated statement of profit or loss and other comprehensive income included in the line item Operating expenses, within salaries and related taxes (Note 20).

26. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2021 the Group had both derivative financial liabilities and derivative financial assets.

	31 December 2021		31 December 2020	
	Fair value	**Notional**	**Fair value**	**Notional**
Derivative financial asset (see also Note 24)	**8,857**		**21,578**	
Embedded derivatives	8,857	n/a	21,578	n/a

Embedded derivatives of EUR 8,857 related to the bond (31 December 2020: EUR 21,578) (the 2020 Bond include several call options as well as one put option, for which the combined fair value of these embedded options was assessed and recognized a separate embedded derivative asset).

As at 31 December 2021 and 31 December 2020, a discounted cash flow valuation technique was used in order to estimate the option-free value at this date. The fair value was obtained from an independent valuation specialist.

As at 31 December 2021 the Group had no derivative financial liabilities (31 December 2020: nil).

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27. CONTINGENCIES AND COMMITMENTS

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.

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 non-statutory consolidated financial statements. Specifically, for the matter described below the Group did not recognize a provision as management assessed that the outcome of this litigation does not meet the criteria of "more likely than not" resulting in material cash outflows for the Group. Where the Group assesses that it is more likely than not that the outcome of legal proceedings will result in a financial outflow, and a reliable estimate can be made with respect to the amount of that obligation, a provision is recognised. 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].

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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

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

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. 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. The next hearing in the case is established for June, 3, 2022.

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.

Material commitments

Capital commitments are presented both on a discounted and an undiscounted 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.

	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**

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.

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

Discontinued						
-undiscounted	12,238	619	619	1,238	3,715	6,047
-discounted	7,605	566	566	1,035	2,600	2,839
Total						
-undiscounted	**472,688**	**83,402**	**83,402**	**86,410**	**86,109**	**133,366**
-discounted	**361,631**	**77,465**	**77,465**	**75,337**	**66,280**	**65,082**

	31 December 2020 restated					
	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	86,309	4,506	4,506	9,011	26,974	41,313
Capital expenditure	36,636	16,208	16,208	3,049	1,170	-
Contractual obligations for programme assets	56,425	7,909	7,909	15,949	22,832	1,827
Contractual obligations for energy contracts	14,076	7,038	7,038	-	-	-
	193,446	**35,661**	**35,661**	**28,009**	**50,976**	**43,139**
Discounted						
Annual fee for spectrum license*	61,187	4,216	4,216	7,890	20,714	24,150
Capital expenditure	33,998	15,185	15,185	2,670	959	-
Contractual obligations for programme assets	48,250	7,410	7,410	13,974	18,208	1,248
Contractual obligations for energy contracts	12,992	6,496	6,496	-	-	-
	156,427	**33,307**	**33,307**	**24,535**	**39,881**	**25,398**

**For the discounted presentation, the line Annual fee for spectrum license was changed from EUR 53,910 as per 2020 financial statements to EUR 61,187.*

Regarding the Network agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunicatios S.R.L.which entered into force on 24 July 2020, RCS & RDS has atfered certain commitments regarding the acquired clients, which will be binding for a period of three years as at the date of the authorisation and they mainly refer to the undertaking made by RCS&RDS upgrade the network and to provide to at least 95% of the clients communications services of the same technical quality as atfered to its existing customers.

In addition, RCS&RDS has to offer to all customers the opportunity to benefit from the packages and prices offered by RCS&RDS to its existing customers and refrain from price increases during the three year period under review.

In addition to these commitments, which are expressed in monetary terms, the Group made certain commitments to the national regulatory authorities such as ensuring certain coverage of the population regarding fixed or mobile networks, particularly in the context of assignment of licenses and quality of service. These commitments (the part which pertains to 2021 awarded licences, as all the others are already fulfilled) will require investment expenditure in future years to roll out and enhance the networks. They are not shown in the note above if they have not been expressed in monetary terms, which is usually the case. The Group has accordingly agreed to meet the following conditions:

2100 MHz license (Romania)

The obligations included in the authorization to use the additional spectrum are as follows:

- to provide coverage with mobile data services with at least 2 Mbps speed for inhabited zones of at least 30% of the population in Romania by the 5th of April 2023;
- obligations to provide national roaming services;

- obligations regarding network access to mobile virtual network operators;
- fulfilment of technical indicators of service quality.

800 MHz license (Romania)

The obligations included in the authorization to use the additional spectrum are as follows:

- to provide coverage with mobile data services with at least 2 Mbps speed for 56 specific settlements by the 31st of December 2023;
- obligations to provide national roaming services;
- obligations regarding network access to mobile virtual network operators;
- fulfilment of technical indicators of service quality.

900 MHz, 1800 MHz, 2.6 GHz, 3.6 GHz bands license (Portugal)

The obligations included in the authorization to use the acquired spectrum are as follows:

- to ensure within 3 years (from the moment of entering into a national roaming agreement) that Dixarobil will provide a mobile coverage of 25% of the Portugal population and within a total of 6 years to reach a mobile coverage of 50% of the Portugal population. These coverages will be considered fulfilled with the provision of a broadband service with a minimum speed of 30 Mbps;
- within 3 years of the issue of the license Dixarobil must offer commercial services to the public.

Letters of guarantee and letters of credit

As at 31 December 2021, there were bank letters of guarantee and letters of credit issued in amount of EUR 47,861 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2020: EUR 29,764).

28. PROVISIONS

As at 31 December 2021, the Group have recorded provision for untaken holiday and litigations in amount of EUR 9,457 (31 December 2020: EUR 10,180). During 2021, the Group recognised additional provisions in amount of EUR 3,377 and released provisions in amount of EUR 4,100.

29. SUBSEQUENT EVENTS

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.

Refer to Note 23.2 Discontinued operation.

Partial repayment of debt

In January 2022, the Group made partial repayment of the Group's financial debt in the aggregate amount of EUR 272 million. The outstanding balance of SFA 2020 and of the short term & working capital facilities from Romania were repaid.

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

Situation in Ukraine

The evolution of the situation in Ukraine is uncertain and is closely followed by the Group with respect to potential indirect consequences on the financial markets that could impact refinancing conditions in the future. The Group has no direct interests in Ukraine and the areas at conflict and as a result the Group estimates that the situation in Ukraine will have limited effect on its operations and financial performance for future periods.

30. EBITDA

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

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

	2021	**2020 Restated**
Continuing operations		
Revenues	**1,278,052**	**1,106,573**
Operating profit	185,679	193,110
Depreciation, amortization, impairment and revaluation impact (Note 5, 6, 7)	288,516	239,328
EBITDA	**474,195**	**432,438**
Other income	(3,448)	(832)
Other expenses	417	-
Adjusted EBITDA for continuing operations	**471,164**	**431,606**
Adjusted EBITDA (%) for continuing operations	*36.87%*	*39.00%*
Discontinued operations		
Revenues	*194,632*	*199,555*
Operating profit	*(12,637)*	*(20,941)*
Depreciation, amortization, impairment and revaluation impact (Note 23.2)	64,518	72,659
EBITDA	**51,881**	**51,718**
Other expenses	-	3,510
Adjusted EBITDA for discontinued operations	**51,881**	**55,228**
Adjusted EBITDA (%) for discontinued operations	*26.66%*	*27.68%*
Adjusted EBITDA total	**523,045**	**486,834**
Adjusted EBITDA total(%)	**35.52%**	**37.27%**

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

For the year ended 31 December 2021 and 31 December 2020, EBITDA was adjusted to exclude Other income and Other expense.

For the period ended 31 December 2021, other expenses include expenses related to share option plans vested and are expected to be one-time events and other income represent reversal of litigation provision.

For the period ended 31 December 2020, Other expenses include (i) the net result from the sales of Invitel's operations in selected locations in amount of EUR 3,510, and (ii) the net result related to share option plans vested and are expected to be one-time events in amount of 832 EUR.

Serghei Bulgac,	Bogdan Ciobotaru,	Valentin Popoviciu,	Piotr Rymaszewski,	Emil Jugaru,	Marius CatalinVarzaru,	Zoltan Teszari,
CEO	*Independent Non-Executive*	*Executive Director*	*Independent Non-Executive*	*Non-executive Director*	*Non-executive Director*	*President*

[redacted]

Other information

PROFITS, DISTRIBUTION AND LOSSES

As per the Company's Articles of Association (Article 28), from the profits, shown in the annual accounts, as adopted, the board of directors shall determine which part shall be reserved. Any profits remaining thereafter shall be at the disposal of the general meeting. The board of directors shall make a proposal for that purpose.

Distributions on the shares shall be made to each share equally, irrespective of the class and nominal value of such share. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.

If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.

The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted. The board of directors may, with due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution in certain circumstances.

At the proposal of the board of directors or the class A meeting, the general meeting may resolve to make a distribution on shares, which can be either (wholly or partly) in cash or in shares. At the proposal of the board of directors or the class A meeting, the general meeting may resolve that distributions are made in another currency than Euro.

The board of directors may, subject to due observance of the policy of the company on reserves and dividends and with the prior approval of the class A meeting, resolve that distributions to holders of shares shall be made out of one or more reserves.

Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the board of directors shall determine. The board of directors may determine that entitled to dividends and other distributions of profits shall be, the shareholders, usufructuaries and pledgees, as the case may be, at a record date within four (4) weeks after notification thereof. A claim of a shareholder for payment of a distribution shall be barred after five years have elapsed.

For details regarding the Company's dividend polcy, please see chapter Dividend Policy from this Annual report.

AUDIT REPORT

In 2021, the Company replaced Ernst & Young Accountants LLP with KPMG NV, as the Group's external financial auditor from

The appointment occured outside of the typical financial reporting cycle and, as a result, the Company expects to be late with the issuance of 2021 statutory audited financial statments, also for reasons related to standard audit procedures and inherent processes and requirements related to onboarding of new clients by an audit firm.

Nevertheless, the Company discloses the 2021 Annual Report to the market, which incorporates relevant management information, including management accounts. Therefore, the 2021 Annual Report is acompanied by audited non-statutory consolidated financial statements issued in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

On or before 31 July 2022, the Company estimates that it will publish the audited statutory consolidated and stand-alone financial statements issued in accordance with Dutch accounting standards applicable to our Company (i.e., IFRS as adopted by the European Union and Part 9 of book 2 of the Dutch civil code).

The consolidated financial statements of the Group presented have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and were audited by KPMG Audit SRL. Their independent auditor's report is included below.

Annex

ANNEX 1

Important Information

Cautionary Note Regarding Forward-Looking

Certain statements in this Report are not historical facts and are forward-looking. Forward- looking statements appear in various locations, including, without limitation, in the sections entitled *"Risk Factors"*, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and *"Business"*. We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Report includes forward- looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "Risk Factors," as well as those included elsewhere in this Report. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward- looking statements. These factors include:

- → significant competition in the markets in which we operate;
- → rapid technological changes leading to increased competition and the rendering of our technologies or services obsolete;
- → our capital expenditure not being able to generate a positive return or a significant reduction in costs or promote the growth of our business;
- → deterioration of the general internal economic, political and social conditions in our principal countries of operation;
- → continued uncertainties, challenging conditions in the global economy or volatile credit markets;
- → currency transactional and translation risks associated with exchange rate fluctuations;
- → a systems failure or shutdown in our networks;
- → our ability to use Intelsat's and Telenor's satellites to broadcast our DTH services and failure to find a commercially acceptable alternative in a reasonable amount of time;
- → difficulty in obtaining adequate managerial and operational resources as a result of our rapid growth and expansion in new areas of business;
- → our ability to attract and retain key personnel without whom we may not be able to manage our business effectively;
- → our ability to attract new customers and retain existing customers if we do not maintain or improve our reputation for quality of service;
- → continued demand for cable TV and telecommunications products and services;
- → our ability to retain or increase our subscriber base and increasing costs of operations if we cannot acquire or retain content or programming rights or do so at competitive prices;
- → a decrease in our ARPU figures as a result of our business strategy;
- → failure to manage customer churn;

- our insurance not adequately covering all potential losses, liabilities and damage related to our business and certain risks being uninsured or not insurable;
- problems with and interruptions to our billing and credit control systems that our business relies upon;
- discontinuing of products or services by terminating contracts with, or charging of non-competitive prices by our current hardware, software and service suppliers;
- volatility in the cost of electricity we supply to our customers;
- our dependence on various intellectual property rights that we license from or that may be claimed by third parties;
- our dependence on our interconnection, roaming and MVNO arrangements with other telecommunications operators and third party network providers, over which we have no direct control;
- concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers;
- leakage of sensitive customer data in violation of laws and regulations, and any other failure to fully comply with applicable data protection legislation, resulting in fines, loss of reputation and customer churn;
- undertaking future acquisitions on an opportunistic basis;
- downgrading of our credit ratings by an international rating agency;
- changes to IFRS standards for lease accounting and revenue recognition;
- changes in the determination of our tax residency;
- claims relating to breaches of competition law and investigations by competition authorities to which we may have been and may continue to be subject;
- our failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, which could result in substantial additional compliance costs or various sanctions or court judgments;
- difficulty in obtaining required licenses, permits or other authorisations to operate our existing network, and any subsequent amendment, revocation, suspension, or termination of licenses and permits obtained;
- disruption of service and additional expenses incurred as a result of being required to move some of our networks which are based on contracts and which may be terminated;
- inadvertent infringement of the intellectual property rights of others, which could lead to liability for infringements in relation to information disseminated through our network, protracted litigation and, in certain instances, loss of access to transmission technology or content;
- variation in payments related to copyrights;
- adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations;
- major litigation with the Antena Group and other parties and unfavorable court decisions;
- failure to comply with anti-corruption laws or allegations thereof;
- other contractual claims, complaints, litigation and negative publicity therefrom;
- higher vulnerability of the economies of the countries where we operate to fluctuations in the global economy;
- social, political and military conflicts in the region of our operations;
- political and economic uncertainty and risk resulting from the UK's vote to leave the European Union;
- difficult business climate as a result of corruption in some of the markets where we operate;
- rapid or unforeseen economic or political changes characteristic of emerging markets such as the markets in which we operate;
- downgrading of Romania's or Hungary's credit ratings by an international rating agency;
- Romania's difficulties related to its integration with the European Union and Hungary's repeated backlashes against the European Union;
- less developed legal and judicial systems in some of our markets of operation;
- difficulty of service of process in, and enforcement of judgments rendered by courts of, the United States and the United Kingdom;
- our substantial leverage and debt servicing obligations;
- debt covenants that restrict our ability to finance our future operations and capital needs and to pursue business opportunities and activities;

- impairment of our ability to draw funds under the Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement;
- the significant amount of cash required to service our debt and sustain our operations and the fact that our ability to generate cash depends on many factors beyond our control and we may not be able to generate sufficient cash to service our debt;
- our inability to refinance maturing debt on terms that are as favorable as those from which we previously benefited or on terms that are acceptable to us or at all;
- our exposure to unexpected risk and potential losses relating to derivative transactions;
- the other factors discussed in more detail under "Risk Factors"; and
- factors that are not known to us at this time.

This list of important factors and the other factors discussed in the section entitled "Risk Factors" is not exhaustive. Other sections of this Report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

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

Presentation of Financial and Other Information

Presentation of Financial Information

The financial information presented in this Report is, unless otherwise indicated, the historical consolidated financial information for the Group. DIGI is the holding company for the Group and holds the majority of the outstanding shares of RCS & RDS. DIGI has no significant operations and has not engaged in any significant activities other than financing activities relating to the Group and acting as its holding company.

Included herein are the consolidated financial statements of the Group as at and for the year ended December 31, 2020, prepared in accordance with the IFRS as adopted by the EU (the "Annual Financial Statements").

The Group's presentation currency is the euro, as further described in the sections entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Capital Structure—Exchange Rates"*. Accordingly, the Financial Statements included herein are presented in euros.

We currently have operations in Romania, Hungary, Spain and Italy. In Note 4 of the Annual Financial Statements, as part of our "Other" segment we reported (i) revenue from, and expenses of, our (a) Italian operations and (b) Discontinued Operations, in each case, for the applicable periods and (ii) expenses of the Company. In this Report, unless otherwise stated, as part of our "Other" segment we only present the results of our Italian operations, for revenue, and the results of our Italian operations and expenses of the Company, for operating expenses.

Operating and Market Data

RGUs and ARPU

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

More specifically:

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

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

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

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

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

Non-Gaap Financial Measures

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

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

Rounding

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

ANNEX 2

Risk Factors

Any investment in the Shares and/or the Notes is subject to a number of risks. Prior to investing in the Shares and the Notes, prospective investors should carefully consider the risk factors associated with any such investment, the Group's business and the industry in which it operates, together with all other information contained in this Report including, the risk factors described below.

The occurrence of any of the following events could have a material adverse effect on our business, prospects, results of operations and financial conditions. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Shares and/or the Notes may decline and investors could lose all or part of their investment. An investment in the Shares and/or the Notes involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether any such investment is suitable for them in the light of the information in this Report and their personal circumstances.

Risks Relating to Our Business and Industry

We face significant competition in the markets in which we operate, which could result in decreases in the number of current and potential customers, revenue and profitability.

We face significant competition in our markets and business lines, which is expected to intensify further. For example, in Romania we face intense competition in our cable TV, DTH, fixed internet and data and fixed-line telephony business lines from local entities controlled by Orange ("**Orange Romania**"), who acquired in July 2021 the cable TV, DTH, fixed internet and data and fixed-line telephony business lines of the Deutsche Telekom local entity, *i.e.*, Telekom Romania Communications) and Vodafone ("**Vodafone Romania**"), following Vodafone's acquisition of Liberty Global's business in Romania in July 2019). In the Romanian mobile telecommunication services market, we compete with Vodafone Romania, Orange Romania and Telekom Romania Mobile. Increased competition may encourage the customers to stop subscribing to our services (an effect known as "churn") and thereby adversely affect our revenue and profitability.

These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that we do not, such as having greater economies of scale, easier access to financing, access to certain new technologies, more comprehensive product offerings in certain business lines, greater personnel resources, greater brand name recognition, fewer regulatory burdens and more experience or longer-established relationships with regulatory authorities, customers and suppliers. In particular, all our principal competitors in our core Romanian market are part of much larger international telecommunication groups.

In recent years, the telecommunications industry has experienced a significant increase in customer demand for multiple-play offerings, which combine two or more fixed and mobile services in one package. Although we believe that the combination of our own fixed and mobile infrastructures in Romania is unparalleled, all of our principal competitors in the country have made arrangements to significantly enhance their multiple-play capabilities.

In addition to competition in our traditional services and technologies, we also experience significant pressure from the rapid development of new technologies and alternative services, which are either offered by our existing competitors or new entrants. See "*—Rapid technological changes may increase competition and render our technologies or services obsolete, and we may fail to adapt to, or implement new technological developments in a cost-efficient manner or at all*." For example, our fixed-line telephony and fixed internet and data business lines in Romania are experiencing increased competition from the country's mobile telecommunication services sector. This may result in slower growth or a decrease in our fixed-line telephony and fixed internet and data services penetration rates as our subscribers may migrate from fixed to mobile services, choosing to switch to our competitors such as Orange Romania, Vodafone Romania or Telekom Romania, who currently have stronger market positions than us in the mobile telecommunication services sector. These competitors are also aiming to offer increasingly innovative integrated solutions to customers, such as 5G (currently in limited operation by us and Orange Romania and Vodafone Romania) and financial services combined with traditional telecommunication offerings (such as "Orange Money" proposition offered by Orange Romania). We also have to compete with companies offering other technologies alternative to our telephony services, such as Zoom, Teams, Skype, WhatsApp, Google Hangouts and Facebook Messenger, as well as with companies offering alternative platforms that make TV and entertainment content available to customers, such as OTT platforms Netflix, HBO Go, Amazon Prime, Apple TV, and Google Play, along with other services which allow legal or illegal downloading of movies and television programs.

Our success in these markets may be adversely affected by the actions of our competitors in a number of ways, including:

- → lower prices, more attractive multiple-play services or higher quality services, features or content;
- → more rapid development and deployment of new or improved products and services; or
- → more rapid enhancement of their networks.

Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors, changes in consumer preferences and economic, political and social conditions in the markets in which we operate. Any failure to compete effectively or any inability to respond to, or effectively anticipate, consumer sentiment, including in terms of pricing of services, acquisition of new customers and retention of existing customers, could have a material adverse effect on our business, prospects, results of operations or financial condition.

Rapid technological changes may increase competition and render our technologies or services obsolete, and if we don't adapt to, or implement, new technological developments in a cost-efficient manner or at all.

The markets in which we operate are characterized by rapid and significant changes in technology, customer demand and behavior, and as a result, by a changing competitive environment. Given the fast pace of technological innovation in our industry, we face the risk of our technology becoming obsolete. We may need to make substantial investments to upgrade our networks or to obtain licenses for and develop and install new technologies (such as 5G, which is expected to become the standard for providing mobile telecommunication services in the foreseeable future and may, to a certain extent, present a viable alternative to, and a replacement for, fixed-line offerings) to remain competitive. The cost of implementing these investments could be significant, and there is no assurance that the services enabled by new technologies will be accepted by customers to the extent required to generate a rate of return that is acceptable to us. In addition, we face the risk of unforeseen complications in the deployment of these new services and technologies and there is no assurance that our original estimates of the necessary capital expenditure to offer such services will be accurate. New services and technologies may not be developed and/or deployed according to expected schedules or may not be commercially viable or cost effective. Should our services fail to be commercially viable, this could result in additional capital expenditures or a reduction in profitability. Any such change could have a material adverse effect on our business, prospects, results of operations or financial condition.

In addition, rapid technological change makes it difficult to predict the extent of our future competition. For example, new transmission technologies and means of distributing content or increased consumer demand for, and affordability of, products based on new mobile communication technologies could trigger the emergence of new competitors or strengthen the position of existing competitors. There is no guarantee that we will successfully anticipate the demands of the marketplace with regard to new technologies. Any failure to do so could affect our ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on our financial condition and results of operations. Conversely, we may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that we introduce fails to achieve market acceptance, our revenue, margins and cash flows may be adversely affected, and as a result we may not recover any investment made to deploy such new technology or service. Our future success depends on our ability to anticipate, react and adapt in a timely manner to technological changes. Responding successfully to technological advances and emerging industry standards may require substantial capital expenditure and access to related or enabling technologies to introduce and integrate new products and services successfully. Failure to do so could have a material adverse effect on our competitive position, business, prospects, results of operations or financial condition.

We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business.

The expansion and operation of our fixed and mobile networks, as well as the costs of development, sales and marketing of our products and services, require substantial capital expenditure. In recent years, we have undertaken significant investment to attract and retain customers, including expenditures for equipment and installation costs, license acquisitions, implementation of new technologies (such as GPON), as well as upgrades of existing networks, such as the FTTB/FTTH roll-out. As at the date of this report, we have the following material ongoing capital requirements:

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

In addition, we may, from time to time, incur significant capital expenditure in relation to our opportunistic mergers and acquisitions. See "*—We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.*"

However, no assurance can be given that any existing or future capital expenditures will generate a positive return, a significant reduction in costs, or promote the growth of our business. If our investments fail to generate the expected positive returns or cost reductions, our operations could be significantly adversely affected and future growth could be significantly curtailed.

In order to finance our capital expenditures and working capital needs, we use a combination of cash from operations, financial indebtedness, reverse factoring and vendor financing arrangements. In the near future, we expect to fund significant capital expenditures, such as acquisition of new licenses (including mobile bandwidth) to expand our existing offerings and local telecommunication services providers to grow our network, predominantly with external financing sourced from international financial institutions or debt capital markets. Our working capital needs have fluctuated in the past years along with the need to finance the development of our mobile telecommunication services business (where we continue to acquire ancillary CPE (such as handheld devices) that are further on-sold to customers subject to deferred payments). We generally pay our suppliers within a relatively short period after acquiring products, but on-sell CPE to our customers subject to a deferral of payments for up to 12 months. For our working capital needs, we enter into certain reverse factoring and vendor financing agreements to extend the terms of our payments to suppliers. If we fail to negotiate or renegotiate such arrangements, our ability to finance the continued expansion of our business would be materially adversely affected.

In addition, our liquidity and capital requirements may increase if we expand into additional areas of operation, accelerate the pace of our growth or make acquisitions. If, for any reason, we are unable to obtain adequate funding to meet these requirements, we may be required to limit our operations and our expansion plans, including plans to expand our network and service offering, our operations could be significantly adversely affected, future growth could be significantly curtailed and our competitive position could be impaired.

We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.

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

As part of our strategy, we may undertake, additional acquisitions in the future in our existing business lines or complementary to them, as, and if, appropriate opportunities become available. Such acquisitions could be significant, especially in Romania, in particular in light of the recent publicly reported developments of the competitive landscape there and the resulting potential for further market consolidation or new entrants. See "*-We face significant competition in the markets in which we operate, which could result in decreases in the number of current and potential customers, revenue and profitability.*" We regularly monitor potential acquisition targets in order to be able to act in an expedient fashion should an attractive opportunity arise. However, a decision to proceed with any such acquisition will be subject to a number of conditions that may or may not materialize, including regulatory support and availability of third-party financing (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital expenditure*") and we expect to have other strategic alternatives, which we will consider as appropriate. Should we decide to proceed with any such transaction, we may not be successful in our efforts to estimate the financial effects thereof on our business, especially as our previous acquisitions were relatively small in size and there is no guarantee that future acquisitions would not be larger businesses, which may prove more difficult to integrate. In addition, acquisitions may divert our management's attention or financial or other resources away from our existing business or require additional expenditures. Such developments could have a material adverse effect on our business, results of operations or financial condition.

Our ability to acquire new businesses may be limited by many factors, including availability of financing, the debt covenants in our financing agreements, the prevalence of complex ownership structures among potential targets, government regulation and competition from other potential acquirers. If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of businesses we acquire, generate expected margins or cash flows or realize the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze acquisition targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

Even if we are successful in acquiring new businesses, the integration of new businesses may be difficult for a variety of reasons, including differing languages, cultures, management styles and systems, inadequate infrastructure and poor records or internal controls. In addition, integrating any potential new acquisitions may require significant initial cash investments and present significant costs, which may result in changes in our capital structure, including the incurrence of additional indebtedness, tax liabilities or regulatory fines. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our operating results as a result of costs, challenges, difficulties or risks, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overhead expenses; integrating personnel, networks, financial and operational systems;

unforeseen legal, regulatory, contractual and other issues; unforeseen challenges from operating in new geographic areas; and the diversion of management's attention from our day-to-day business as a result of the need to deal with the foregoing challenges, disruptions and difficulties.

Furthermore, even if we are successful in integrating our existing and new businesses, expected synergies and cost savings may not materialize as anticipated or at all, resulting in lower than expected profit margins. There is no assurance that we will be successful in acquiring new businesses or realizing any of the anticipated benefits of the companies that we may acquire in the future. If we undertake acquisitions but do not realize these benefits, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our growth and expansion in new areas of business may make it difficult to obtain adequate operational and managerial resources, thus restricting our ability to expand our operations.

We have experienced substantial growth and development in a relatively short period of time, and our business may continue to grow in the future. For example, in 2014 we relaunched our mobile telecommunication services business line in Romania and focused on growth in this area, achieving approximately 4.2 million mobile telecommunication services RGUs as at December 31, 2021, an increase of approximately 2.1 million RGUs compared with approximately 2.1 million such RGUs as at December 31, 2014. During 2021, we have also provided mobile telecommunications service in Hungary as a subscription pack (we have sold our Hungarian subsidiary to 4IG on 3 January 2022, on the basis of a sale and purchase agreement concluded on 29 November 2021. For further details regarding the sale of the Hungarian operations from 2022, please see chapter *Key Figures, Objectives and Strategic Directions)*.

The operational complexity of our business as well as the responsibilities of our management has increased as a result of this growth, placing significant strain on the relatively limited resources of our senior management. We will need to continue to improve our operational and financial systems and managerial controls and procedures to keep pace with our growth. We will also have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Managing our growth will require, among other things:

- the ability to integrate new acquisitions into our operations;
- continued development of financial and management controls and IT systems and their implementation in newly acquired businesses;
- the ability to manage increased marketing activities;
- hiring and training new personnel;
- the ability to adapt to changes in the markets in which we operate, including changes in legislation;
- the ability to successfully deal with new regulators and regulatory regimes; and
- the ability to manage additional taxes, increased competition and address the increased demand for our services.

In particular, in relation to investments in Portugal, we have limited experience operating in this geography. There can be no assurance that we will be successful in adapting to the demands of this market and realize the contemplated benefits from growth and expansion in new areas of business, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

An inability to ensure appropriate operational and managerial resources and to successfully manage our growth could have a material adverse effect on our business, prospects, results of operations or financial condition. We may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom we may not be able to manage our business effectively.

We depend on the availability and continued service of a relatively small number of key managers, employees and other individuals, including our founder and President, Zoltán Teszári, directors and senior management. These key individuals are heavily involved in the daily operation of our business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise our development. The loss of any of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans, which could in turn affect our ability to comply with the financial covenants under the Notes and our existing credit facilities. In particular, Mr. Teszári's continued involvement in the strategic oversight of the Company is key for our continued development and competitive position. In addition, competition for qualified executives in the telecommunications industry in the markets in which we operate is intense. Our future operating results depend, in significant part, upon the continued contributions of our existing management and our ability to expand our senior management team by adding highly skilled new members, who may be difficult to identify and recruit. If any of our senior executives or other key individuals cease their employment or engagement with us, our business, prospects, results of operation or financial condition could be materially adversely affected.

We are subject to transactional currency risks associated with exchange rate fluctuations.

For the year ended December 31, 2021 we generated approximately 73.77% of revenue in our functional currencies different from EUR, the Romanian leu and the Hungarian forint (however, we have sold our Hungarian subsidiary to 4IG on 3 January

2022, on the basis of a sale and purchase agreement concluded on 29 November 2021. For further details regarding the sale of the Hungarian operations from 2022, please see chapter *Key Figures, Objectives and Strategic Directions*; this means that going forward Hungarian forint will no longer be one of our functional currencies), and approximately 26.2% representing revenue collected in local functional currencies, but denominated in euro. As at December 31, 2021, we had € 1,030 million and US$ 57.6 million of obligations denominated in euros and U.S. dollars, respectively. Our euro obligations principally relate to outstanding financial debt, and our exposure to the U.S. dollar primarily relates to purchases of content for our cable TV and DTH businesses and mobile CPE acquisitions. A significant depreciation of our principal operational currencies relative to the euro and, to a lesser extent, the U.S. dollar, could have a material adverse effect on our business, prospects, results of operations or financial condition.

In particular, our ability to repay or refinance our euro-denominated financial indebtedness could be adversely impacted by a significant depreciation of our functional currencies relative to the euro. In this respect, from December 31, 2020 to December 31, 2021, the Romanian leu has declined compared to the euro by approximately 1.7%. Such depreciation of our functional currencies relative to the euro could also markedly reduce our consolidated financial results as reported in euros (see "*—We are subject to currency translation risks associated with exchange rate fluctuations*"). This could result in a breach of certain financial covenants under the 2019 UniCredit Equipment Financing Agreement, the 2020 Senior Facilities Agreement, the 2021 Senior Facilities Agreement, the ING Facilities Agreement and other existing credit facilities, thereby requiring us to seek waivers from these creditors or causing the acceleration of this indebtedness. In addition, this could make it more difficult for us to comply with the incurrence financial covenants under the Notes. In accordance with our historical approach, we may hedge the interest payments and/or repayments of the whole or a portion of the principal amount of our financial indebtedness. However, any hedging arrangements we enter into may not adequately offset the risks of foreign exchange rate fluctuations and may result in losses. In addition, further appreciation of the euro and the U.S. dollar could require us to offset the impact of such exchange rate fluctuations by price increases for customers in Romania that are invoiced in the local currency, which could cause a reduction in the number of RGUs and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Exchange rates—Liabilities denominated in euros and U.S. Dollar*."

We are subject to currency translation risks associated with exchange rate fluctuations.

Our Financial Statements are presented in euros. However, the majority of our revenue and expenses are denominated in the Romanian leu (and, until our disposal of the Hungarian subsidiary to 4IG on 3 January 2022, in the Hungarian forint as well, (for further details regarding the sale of the Hungarian operations from 2022, please see chapter *Key Figures, Objectives and Strategic Directions*) and are translated into euros at the applicable exchange rates for inclusion in our consolidated Financial Statements. In addition, some of our borrowings and their related interest payments, as well as other assets and liabilities, are denominated in currencies other than the euro, which also require translation into euros at the applicable exchange rates when we prepare our consolidated Financial Statements. Therefore, we are exposed to fluctuations in exchange rates when converting non-euro amounts into euro for reporting purposes. Any fluctuation in the value of a relevant functional currency against the euro may affect the value of our revenue, costs, assets and liabilities as stated in our consolidated Financial Statements, which may in turn affect our reported financial condition and results of operations in a given reporting period.

A systems failure or shutdown in our networks may occur.

Our cable TV, fixed internet and data and fixed-line telephony services are currently carried through our transmission networks composed primarily of fiber-optic cables. In addition, as at December 31, 2021, we had approximately 6,572 mobile network base stations in Romania for our mobile telecommunication services (as well as and 2,550 base stations in Hungary; however, we have sold our Hungarian subsidiary to 4IG on 3 January 2022, on the basis of a sale and purchase agreement concluded on 29 November 2021. For further details regarding the sale of the Hungarian operations from 2022, please see chapter *Key Figures, Objectives and Strategic Directions)*. Furthermore, our information technology system comprises numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. Failure to maintain or update these systems, particularly where updates may be required to support new or expanded products or services, could result in their inability to support or expand our business, as it is dependent on the continued and uninterrupted performance of our network. Our ability to deliver services may be subject to disruptions of our systems from communications failures that may be caused by, among other things, computer viruses, power failures, natural disasters, software flaws, transmission cable cuts, sabotage, acts of terrorism, vandalism and unauthorized access. Any such disruption or other damage that affects our network could result in substantial losses, for which we are not adequately covered by our existing insurance policies. Disaster recovery, security and service continuity protection measures that we have undertaken or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time. Such disruptions may affect our provision of new or existing services and reputation, leading to costly repairs and loss of customers. For so long as any such disruption continues, our revenue could be significantly impacted, which in turn could have a material adverse effect on our operating cash flows, business, prospects, results of operations or financial condition.

We may be unable to use Intelsat's and Telenor's satellites to broadcast our DTH services and may fail to find a commercially acceptable alternative in a reasonable amount of time.

We currently broadcast programming for our DTH services using nine transponders (and use an additional transponder for transmitting non-DTH signals), of which three are located on a satellite operated by Intelsat Global Sales & Marketing Ltd ("**Intelsat**"), and six (including the one used for transmitting non-DTH signals) are leased through Intelsat on a Telenor satellite. Our current lease arrangement with Intelsat covering both sets of transponders is effective until 30 November 2022. There can be no assurance that an extension of the term of this arrangement can be agreed on similar financial terms following such date or that we will not have to find alternative providers. As DTH is a competitive, price-sensitive business, we may not be able to pass an increase in satellite transmission costs, in whole or in part, to our DTH customers.

Satellite broadcasts may also be disrupted for various reasons.

Furthermore, the amount of satellite capacity that we are able to obtain is limited by the amount of efficient transmission spectrum allocated by the relevant national, regional and international regulatory bodies of the satellite operators that provide satellite coverage over our areas of operations. Intelsat is not contractually obligated to increase the satellite capacity it makes available to us.

Should the satellites we use significantly deteriorate, or become unavailable for regulatory reasons or any other reason, we may not be able to secure replacement capacity on an alternative satellite on a timely basis or at the same or similar cost or quality. Our ability to recoup losses related to service failures from Intelsat may also be limited. Even if alternative capacity were available on other satellites, the replacement satellites may need to be repositioned in order to be co-located with the satellites we currently use. If it is not possible to co-locate replacement satellites, we would be required to repoint all our existing customers' receiving dishes to enable them to receive our signal. Accurate repointing requires specialist tools and expertise, and we believe that there could be substantial costs of repointing all of our existing subscribers' receiving dishes in the event the satellite networks we currently use fail. Moreover, the time needed to repoint our dishes to alternative satellites would vary depending on the market. Accordingly, the inability to use Intelsat's or Telenor's satellites or otherwise to obtain access to sufficient levels of satellite bandwidth on a timely basis and at commercially acceptable prices, or any system failure, accident or security breach that causes interruptions in our operations on the satellite networks we use could impair our ability to provide services to our customers and could have a material adverse effect on our business, prospects, results of operations or financial condition.

If we do not maintain or improve our reputation for the quality of our service, our ability to attract new customers and retain existing customers may be harmed.

Our ability to retain customers and to attract new customers depends in part on our brand recognition and our reputation for the quality of our service. Our reputation and brand may be harmed if we encounter difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to our traditional product offerings, financial difficulties, or for any other reason. Damage to our reputation and brand could have a material adverse effect on our business, prospects, results of operations or financial condition.

If we cannot acquire or retain content or programming rights or do so at competitive prices, we may not be able to retain or increase our customer base and our costs of operations may increase.

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our customers. We depend substantially on third parties to provide us with programming TV content and we license rights to broadcast certain high interest sports events and movies on our own premium channels in Romania. Our programming agreements generally have terms ranging from one to five years (including options to extend) and contain various renewal, cancellation and annual price adjustment provisions. No assurance can be provided that we will succeed in renewing our rights for content upon the expiry of currently applicable contractual terms on competitive terms or at all. If we fail to negotiate or renegotiate programming agreements for popular content on satisfactory terms or at all, we may not be able to offer a compelling and popular product to our customers at a price they are willing to pay.

Generally, our programming agreements may be terminated if we fail to make any of our payments or breach our obligations to keep our transmission signal secure or within agreed technical parameters and we fail to address any such breaches within a certain time period, typically between 10 and 30 days.

The ability to broadcast certain sports competitions, especially football matches, is integral to our ability to attract and retain customers. Although during 2021 we renewed existing broadcasting rights and even managed to acquire new broadcasting rights, there is no assurance that we will succeed in acquiring new or renewing existing broadcasting rights upon the expiration of the underlying contracts.

We believe that in order to compete successfully, we must continue to obtain attractive content and deliver it to our customers at competitive prices. When we offer new content, or upon the expiry of existing programming agreements or broadcast licenses, our content suppliers may decide to increase the rates they charge for content or they may opt out of the "must carry" (free air regime) and start charging for the retransmission of their channels by us, thereby increasing our operating costs. In addition, some of the channels we broadcast in Romania are subject to "must carry" rules, meaning that the content suppliers have opted to make them available free of charge, which, under certain conditions, creates an obligation for us to include them in our cable TV package. If some or all of the main channels we carry in Romania on the "must carry" basis opted out of this regime, we may have to pay for their retransmission or discontinue the transmission of such channels as part of our services, which may lead to increases in costs or potential customer churn. Regulatory requirements in some jurisdictions affect content suppliers by, for example, requiring them to produce channels in high definition, and may lead them to increase the rates they charge to us. Increases in programming fees or license fees or changes in the way programming fees or license fees are calculated could force us to increase our subscription rates, which in turn could cause customers to terminate their subscriptions or lead potential new customers to refrain from subscribing. In addition, if we were to breach the terms of the applicable agreements, the license content providers could decide to withhold certain content or we could lose the right to retransmit certain programs or broadcast certain competitions. Also, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as Internet-based platforms, or may enter into exclusive arrangements with other distributors. If we cannot pass on any increased programming or license fees to our customers, or if we lose rights to transmit certain programming or broadcast certain competitions, it could have a material adverse effect on our reputation, competitive position, business, prospects, results of operations or financial condition.

Our business strategy may cause our average revenue pre unit (ARPU) figures to decrease.

In Romania, our customer base for services other than DTH is located primarily in more affluent urban population centers. However, as we expand into less affluent demographic segments of our geographic markets, our ARPU figures may decline depending upon changes in our mix of customers and the prices at which our packages are offered. For example, reduced versions of our analog and digital cable TV packages in Romania, targeted at rural customers, offer less content and generate less revenue than their standard versions. Further, our reported ARPU for cable TV, DTH and fixed internet may be affected by fluctuations in exchange rates. See "*—We are subject to currency translation risks associated with exchange rate fluctuations.*" A material decrease in ARPU from current levels could have a material adverse effect on our business, prospects, results of operations or financial condition.

We may fail to manage customer churn.

The pay TV (which includes cable TV and DTH business lines), fixed internet and data, fixed-line telephony and mobile telecommunication services industries all experience churn as a result of, among other things, high levels of competition and technological advancements. In particular, our DTH and fixed-line telephony service has experienced relatively high levels of churn in recent years. Although churn may have a negative effect on our business, we focus on growth in total number of RGUs, ARPU, revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin as key indicators of our performance, rather than churn. We believe that our churn levels are in line with those of our principal competitors in our core markets.

Customer churn could increase as a result of:

- → the availability of competing services, some of which may be less expensive or technologically superior to those offered by us or offer content or features that we do not offer;
- → customers moving to areas where we cannot offer services;
- → customer dissatisfaction with the quality of our customer service, including billing errors;
- → interruptions in the delivery of services to customers over our network and poor fault management; and
- → customers choosing to discontinue a certain service without replacing it with an equivalent service provided by us or our competitors.

Our inability to control customer churn or an increase in customer churn, particularly in relation to our DTH and fixed-telephony services, as a result of any of these factors can lead to a reduction in revenue and RGUs or increased costs to retain these customers, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our insurance may not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or are not insurable.

We maintain an insurance policy in respect of our critical communications equipment in data centers in Bucharest and certain key network nodes throughout Romania for the services we provide, including our up-link facilities in Bucharest. This insurance policy has an aggregate coverage of up to approximately €38.2 million equivalent as at December 31, 2021. We also maintain civil liability insurance policies and property damage insurance policies for our car fleet. We can provide no assurance that insurance will continue to be available to us on commercially reasonable terms or at all. Our insurance may not be adequate to cover all our potential losses or liabilities. At present, we have no coverage for business interruption or loss of key management personnel and a substantial proportion of our assets are not insured. Should a significant event affect one of our facilities or networks, we could experience substantial property loss and significant disruptions in the provision of our services for which we would not be compensated. Additionally, depending on the severity of the property damage, we may not be able to rebuild damaged property in a timely manner or at all. We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our business relies on sophisticated billing and credit control systems, and any problems with these systems could disrupt our operations.

Sophisticated billing and credit control systems are critical to our ability to increase revenue streams, avoid revenue losses, monitor costs and potential credit problems and bill our customers properly and in a timely manner. New technologies and applications are expected to increase customers' expectations and to create increasing demands on billing and credit control systems. Any damage, delay or interruptions in our systems or failure of servers or backup servers that are used for our billing and credit control systems could disrupt our operations, and this, in turn, could have a material adverse effect on our reputation, business, prospects, results of operations or financial condition.

Our business relies on hardware, software, commodities and services supplied by third parties. These suppliers may choose to discontinue or reduced for a number of reasons, including because these suppliers may be precluded from manufacturing and delivering their products and services (such as in the context of the COVID-19 pandemic or the ongoing semiconductor and shipping crisis), may choose to discontinue their products or services, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We have important relationships with certain suppliers of hardware, software and services (such as ECI, Ericsson, Wuhan Fiberhome, Huawei, Kaon, Nagravision S.A. ("Nagravision"), Nokia, and ZTE). These suppliers may, among other things, extend delivery times, supply unreliable equipment, raise prices and limit or discontinue supply due to their own shortages, business requirements, regulatory intervention, changes in trade policies or otherwise. Conversely, we may ourselves need to discontinue or reduce the use of products and services from particular suppliers due to similar or other reasons, including with limited notice. For example, some of our suppliers (particularly Chinese ones) have been affected in the context of the COVID-19 pandemic, as well as the ongoing semiconductor and shipping crisis, resulting in increased supply lead times, reduced manufacturing capacity, supply disruptions, as well as shortages of air and ocean freight options from affected regions. In addition, such suppliers may in the future be affected by restrictions imposed by certain countries as a result of trade disputes and/or state security considerations. Although we are not entirely dependent on hardware, software and services supplied by particular suppliers, in many cases we have made substantial investments in the equipment or software of a certain supplier. This makes it difficult for us to find replacement suppliers quickly in the event that a supplier refuses to offer us favorable prices, ceases to produce the equipment we use or fails to provide the support we require. In the event that hardware or software products or related services are defective, or if the suppliers are insolvent, it may be difficult or impossible to enforce claims against them, in whole or in part. The occurrence of any of these risks may create technical problems, damage our reputation, result in the loss of customers and could have a material adverse effect on our business, prospects, results of operations or financial condition. Further, our contractual obligations to customers may exceed the scope of the warranties we have obtained from suppliers.

We are also exposed to risks associated with the potential financial instability and business continuity issues of our suppliers. If our suppliers were to discontinue certain products, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, whether as a result of bankruptcy, regulatory actions, court decisions or otherwise and if we were unable to procure satisfactory substitutes, it could have a material adverse effect on our business, results of operations or financial condition.

Our business relies on third-party licenses and other intellectual property arrangements.

We rely on third-party licenses and other intellectual property arrangements to enable us to carry on our business. Network elements and telecommunications equipment including hardware, software and firmware deployed on our network are licensed or purchased from various third parties, including from vendors holding the intellectual property rights to use these elements and equipment. Although these agreements provide warranties, indemnities and the right of termination in the event of any breach or threatened breach of any intellectual property rights, no assurance can be provided that competitors or other third parties will not challenge or circumvent the intellectual property rights we own or license or that the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide us with any competitive advantage. In addition, certain license holders are entitled to control our compliance with the underlying license arrangements and no assurance can be provided that we will be able to satisfy their requirements at all times. Any resulting loss, withdrawal or suspension of those intellectual property rights could result in a significant increase in our costs or otherwise have a material adverse effect on our business, prospects, results of operations or financial condition.

Our ability to provide commercially viable services depends, in part, upon interconnection, roaming and MVNO arrangements with other operators and third-party network providers and on the impact of EU roaming regulations.

Our ability to provide commercially viable mobile and fixed-line telecommunication services depends, in part, upon our interconnection and roaming arrangements with other operators. In particular, we are dependent, in certain regions, on interconnection with our competitors' mobile and fixed-line networks and the associated infrastructure for the successful operation of our business. In Romania, ANCOM regulates the frameworks governing interconnection charges in an effort to facilitate access to other companies' networks. ANCOM sets price caps on the interconnection charges that major telecommunications operators, including us, may charge. We are also dependent on third-party network providers for the provision of MVNO services in Spain and Italy, the offering of fixed-line services in Spain and the supply of international roaming services.

In addition, Regulation (EU) No. 531/2012 on roaming on public mobile communications networks within the European Union ("**EU Roaming Regulation**") requires mobile communications providers within the European Union to ensure that their customers could continue using their service while travelling to a different EU country as if they were using it in their home jurisdiction, save for paying wholesale charges to the relevant service provider. However, on July 1, 2021, ANCOM allowed us to continue to apply roaming surcharges for an additional year (such extension is only permissible for one year periods). Had we been required not to apply such surcharges, it could have had a material negative impact on our mobile telecommunications business as we generally offer unlimited packages to our customers for a fixed fee. This model is predicated on domestic calls pricing, and lack of roaming charges could lead to massively increased consumption in roaming, which would generate material wholesale roaming expense for us that we could not recover under our current business model. Although we intend to apply to ANCOM for subsequent one-year extensions and believe that there is reasonable chance that such extensions will be granted, there can be no assurance that we will be able to obtain any such further extension on terms favorable to us, and if we failed to do so and failed to adjust our business model accordingly, we would be required to fully bear, in whole or in part, the wholesale cost of roaming for our clients.

Although we have interconnection and other agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnection and other services they provide. There can be no assurance that interconnection, resale, roaming or MVNO agreements will be easy to agree, that we will be able to renew these agreements on commercially acceptable terms, that they will not be terminated, or that ANCOM, other national regulators or the European Commission will not take any action that could materially adversely affect our operations. If we fail to maintain these agreements on commercially acceptable terms, or if there are any difficulties or delays in interconnecting with other networks and services, or a failure of any operator to provide reliable roaming services to us on a consistent basis, this could have a material adverse effect on our business, prospects, results of operations or financial condition.

The ongoing COVID-19 pandemic may be prolonged, which may materially adversely affect our business.

The Group, its customers and its suppliers may be adversely impacted by the coronavirus (SARS-CoV-2) and the respiratory disease (COVID-19) it causes. Since early 2020, the spread of COVID-19 has negatively impacted the economic environment in the countries in which we and our suppliers operate. This, among other things, has resulted in significant volatility in international capital markets and reduced availability of capital. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The European region, where all our countries of operations are located, has been particularly severely affected

The ongoing COVID-19 pandemic could, among other things, lead to significant changes in how our customers use our services. Our residential customers who are quarantined at home or are working from home may increase their fixed-line and mobile data and voice usage, which could strain on our network and systems. Further, increased reliance on our fixed and mobile network capabilities by our corporate customers at a time when in-person business interaction is severely restricted or completely suspended may present significant additional challenges for our network, which we may not be able to resolve promptly.

The COVID-19 pandemic may also negatively impact the ability of our suppliers (particularly Chinese ones, in the context of the COVID-19 outbreak in the first half of 2022 and the restrictions imposed by the Chinese authorities) to provide equipment necessary to develop our mobile or fixed-line telecommunication networks and otherwise operate our business, resulting in increased supply lead times, reduced manufacturing capacity, supply disruptions, as well as shortages of air and ocean freight options from affected regions.

Any of the above consequences of the COVID-19 pandemic may have a significant adverse effect on our business, prospects, results of operations or financial condition.

As at the date of this Report, the COVID-19 pandemic is still ongoing. The COVID-19 pandemic and resulting disruption of market conditions globally and in the markets in which we operate could adversely affect our business, prospects, results of operations or financial condition. There can be no assurance that governmental or other actions would result in prompt and adequate improvement of such market conditions in the future.

Customer data is an important part of our daily business and leakage of such data may alter the trust of our customer and secondly may violate laws and regulations. Any such data security breach, as well as any other failure to fully comply with applicable data protection legislation could result in customer churn, reputational damages and fines.

We collect, store and use in our operations data, which may be protected by data protection laws. Although we take precautions to protect customer data in accordance with the applicable privacy requirements and information security practices, laws and regulations, it is possible that we may be the target of an attack in the future.

The telecommunications sector has become increasingly digitalized, automated and online-based in recent years, exclusively in the last ones due to COVID-19, increasing our exposure to risks of unauthorized or unintended data release through hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to our network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of our services, compromise the confidentiality of our customer data or cause service interruptions, and may result in the imposition of fines and other penalties.

In April 2018, we were fined by the Romanian National Supervisory Authority for Personal Data Processing for breaches of national data protection legislation (for clarity purposes, breaches of the legal provisions not breaches/incidents which involves personal data) (contrary to certain provisions in the telecommunications' field) , especially in relation to the types of data that we process, and although we are committed, and have made significant efforts, to fully align our practices with the requirements of the regulator, as at the date of this report this process has not been completed yet. We continue to closely observe the consistency with all legal requirements relating to data protection as well as with the opinions and the guides from the European Data Protection Board and with the relevant European jurisprudence. However, we are subject to the interpretation of the data protection legal requirements by the local authorities from the countries where we operate our business. Therefore, there can be no assurance that the adjustments we have already made, as well as those that we are planning to make in the future, will fully satisfy the manner in which authorities interpret GDPR's requirements. Moreover, on January 11, 2017, the European Commission published a proposal for its new e-Privacy regulation, which is expected to replace the currently effective e-Privacy Directive 2002/58/EC. The new e-Privacy regulation is expected to be adopted in a near future and we are currently evaluating whether our practices need to be adjusted to ensure compliance therewith. There can be no assurance that such compliance could be achieved within the regulatory timeframes, when set, or at all.

Any suspension, downgrade or withdrawal of our credit ratings by an international rating agency could have a negative impact on our business.

The Group's corporate rating is B1 by Moody's and BB- by S&P. Any adverse revisions to our corporate credit ratings for domestic or international debt by international rating agencies may adversely impact the credit rating of our existing indebtedness (including the Notes), our ability to raise additional financing and the interest rates and other commercial terms, under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers may materially adversely affect the prospects of our mobile telecommunication services business.

Media and other reports have linked radio-frequency emissions from mobile handsets and mobile telecommunication towers to various health concerns, including cancer, and interference with various electronic medical devices, including hearing aids and pacemakers. In particular, in May 2011, the World Health Organization classified radiofrequency electromagnetic fields as potentially carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. In addition, certain media have speculated that health risks may be intensified by 5G networks/technology, although no conclusive studies providing any negative impact have been published to date. Concerns over radio frequency emissions may discourage the use of mobile handsets or may create difficulties in the procurement of tower sites for our mobile telecommunication business, which could have a material adverse effect on the prospects of such business.

If there is sound scientific evidence of a link between radio frequency emissions and health concerns or if concerns about such health risks increase in countries in which we do business, the prospects and results of operations of our mobile telecommunication services business could be materially adversely affected. In addition, the actual or perceived health risks associated with electromagnetic radio emissions and wireless communications devices and antennas and the resulting costs and lowered usage, as well as any related potential new regulatory measures could have a material adverse effect on our business, results of operations or financial condition.

Risks Relating to Legal and Regulatory Matters and Litigation

Failure to comply with anti-corruption or money laundering laws, or allegations thereof, could have a material adverse effect on our reputation and business.

While we are committed to doing business in accordance with applicable anti-corruption and money laundering laws, we face the risk that members of the Group or their respective officers, directors, employees, agents or business partners may take actions or have interactions with persons that violate such laws, and may face allegations that they have violated such laws. In general, if we are alleged or found to have violated applicable anti-corruption or money laundering laws in any matter, any such allegations or violation may have a material adverse effect on our reputation and business, including, among others, application of criminal sanctions against us or our officers or employees, disgorgement of property, termination of existing commercial arrangements, our exclusion from further public or private tenders, as well as affect our ability to comply with certain covenants under our existing indebtedness.

For example, on January 15, 2019, the Bucharest Tribunal issued its January Judgment in relation to the investigation conducted by the DNA into alleged bribery and money laundering in connection with our entry into a joint venture with Bodu S.R.L. in 2009 and certain subsequent transactions. The joint venture related to an events hall in Bucharest. At the time of our original investment, Bodu S.R.L. was owned by Mr. Bogdan Dragomir, a son of Mr Dumitru Dragomir, who served as the President of the Romanian Professional Football League (the "**PFL**"). The DNA's original enquiry (that followed allegations by Antenna Group that unlawful bribes had been advanced to Mr Dumitru Dragomir) centred around the €3.1 million investment that we made into the JV from 2009 to 2011. The DNA's subsequent money laundering enquiry related to later transactions entered into with Bodu S.R.L in 2015 and 2016, through which we ultimately acquired the sole ownership of the events hall. We undertook those transactions in order to ensure continuity of our business in relation to the events hall and recover our original investment. However, the DNA alleged that these were attempts to conceal unlawful bribes.

The January Judgment:

- dismissed the giving of bribe related allegations against RCS & RDS and its past and current directors on the basis that they had become time-barred;
- convicted RCS & RDS of money laundering and (a) ordered it to pay a criminal fine of approximately RON1.25 million; (b) confiscated €3.1 million of our original investment in the JV and RON 655,124 as alleged unlawful profits derived by RCS & RDS from the JV; and (c) maintained seizure of the two previously attached real estate assets;
- convicted Integrasoft S.R.L. (one of our Romanian subsidiaries and RCS & RDS's partner in the JV following the 2016 acquisition) of accessory to money laundering and ordered it to pay a criminal fine of approximately RON 700,000;
- cancelled (a) the original 2009 joint venture agreement (along with all subsequent amendments thereto); (b) the 2015 settlement agreement (along with all subsequent amendments thereto); and (c) the 2016 purchase by RCS & RDS of the events hall's real estate and business;
- convicted Mr. Ioan Bendei (who at the time was a member of the board of directors of RCS & RDS and is a director of Integrasoft S.R.L.) of accessory to money laundering (in his capacity as director of Integrasoft S.R.L.) and sentenced him to four years' imprisonment;
- acquitted Messrs. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of RCS & RDS), Mihai Dinei and Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of RCS & RDS) of all charges; and
- convicted Mr. Dumitru Dragomir and a director of Bodu S.R.L. of unlawfully receiving the bribes allegedly paid through the JV investments (which, owing to different limitations periods, had not yet become time-barred).

We believe that the convictions and related sanctions in the January Judgment were erroneous and not supported by the evidence provided to the court. See "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*." We continue to deny any allegations against RCS & RDS S.A. (the main Romanian subsidiary of the Company), Integrasoft S.R.L. or any of our or their current or former officers or employees in relation to this matter and believe that they at all times acted in compliance with applicable law. Notices of appeal against the January Judgment were filed to the Bucharest Court of Appeal on behalf of RCS & RDS, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei on January 16, 2019. On November 1, 2021, the Bucharest Court of Appeal has overturned the January Judgement (such decision being final, with no remedy being admissible). The Bucharest Court of Appeal will proceed with a full re-trial of the factual matters and legal issues in this case.

If the Bucharest Court of Appeal's decision follows the reasoning of the January Judgement on the factual matters and legal issues in this case and such decision ultimately becomes effective, our ability to participate in public tenders in Romania may be impeded (for example, if the terms of such tenders specifically prohibit legal entities with a criminal record to participate). In addition, even while re-trial is pending, it cannot be excluded that the pending file could result in increased scrutiny of our operations and adversely impact perceptions of us (including as to the effectiveness of our compliance policies and procedures). If any of this were to occur, our relationships with governmental authorities, commercial partners or lenders and our perceived attractiveness as a licensee or commercial counterparty may deteriorate, which, among other things, may impair our ability to renew or sustain existing material arrangements with such governmental authorities or counterparties or to enter into new commercially desirable arrangements.

We have been and may continue to be subject to competition law investigations and claims.

We have been in the past and may continue to be the subject of claims regarding alleged anticompetitive behavior on the markets of the jurisdictions where we operate to restrict competition and limit consumer choice.

In addition, the telecommunications and media sectors, amongst other industries, are under constant scrutiny by national competition regulators in the countries, in which we operate and by the European Commission. Whether in the context of sector inquiries, antitrust investigations or in relation to requests for information, competition authorities may, from time to time, have different interpretations of our behavior in the relevant markets or of the clauses in the agreements that we enter into and construe them as potentially non-compliant with applicable competition legislation. As a result, we could be subject to fines up to the amount mentioned above and/or other restrictive measures.

For example, in April 2013, the Romanian Competition Council (the "**RCC**") launched a sector inquiry regarding (a) electronic communication services offered in Romania as part of multiple-play packages and on a standalone basis; (b) access to electronic communications infrastructure in Bucharest; and (c) examination of the sector in the rest of Romania in order to evaluate the relative market power of participants. Its inquiry in connection with the access to electronic communications infrastructure in Bucharest was completed in early 2016 and recommended increased oversight by ANCOM of communication infrastructure operators (us included) and monitoring of non-discriminative access to such infrastructure by communication providers. The RCC's inquiry regarding electronic communication services in Romania was finalized in late 2017. As a result thereof, relevant existing practices of market participants (us included) could be subjected to stricter scrutiny in the future. In addition, the RCC's 2017 report included certain findings on common potentially abusive provisions in agreements with individual customers, such as termination clauses. The RCC alerted the Romanian National Authority for Consumer Protection ("**NACP**"), which re-addressed the matter to ANCOM. There is no further information available at the moment. However, should NACP and/or ANCOM deem some of such provisions to be indeed abusive vis-à-vis customers, market participants (us included) may be required to amend existing customer agreements, and may face fines and other sanctions in connection with current practices.

Sector inquiries are not targeted at particular companies and are concluded with reports describing the markets analyzed and including recommendations for better market functioning. The competition authorities cannot apply fines as a result of sector inquiry proceedings for anticompetitive conduct, but may decide to open new investigations targeted at particular companies, which may result in stricter scrutiny of our business and/or the imposition of fines or other sanctions. Additionally, the results of an inquiry could lead to lawsuits being brought by third parties.

We fully cooperated with the relevant competition authorities in any proceedings, in which we have been involved and intend to continue to do so if we are the subject of future proceedings, but such proceedings are typically lengthy and could take several years to be resolved. There is no assurance that the RCC (or any other antitrust authority in our countries of operations) will not conduct further investigations on us or, if they do, that they will not impose sanctions on us as a result of such investigations. Such sanctions may include fines of up to 1% of our total turnover in the year prior to the decision if we fail to provide accurate and complete information to the relevant authority within the terms indicated by it or imposed by applicable law and up to 10% of our total turnover in the year prior to the decision per individual violation of competition law, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Sanctions by the NACP in relation to our 2019 increase of tariffs in Romania may force us to lower prices and, provided customers claim reimbursement, pay them back.

In the beginning of 2019, we increased certain tariffs we charge to our Romanian customers for electronic communication services. In April and May 2019, the NACP carried out a review of those increases (along with their review of prices charged by our competitors), as a result of which it issued minutes sanctioning RCS & RDS with a fine of RON70,000 for allegedly having violated the law in so increasing the tariffs. According to the NACP, those increases were the result of RCS & RDS transferring to its customers the costs that had increased on account of the Government Emergency Ordinance 114/2018 (the "**December Ordinance**"). The NACP also ordered RCS & RDS to reverse the price increases (which order could entitle our Romanian customers to claim the difference between what they actually paid us based on the new tariffs and what they would have paid us based on the old tariffs).

We believe that the NACP's minutes and order are without merit as (i) the disputed tariff increases were not unlawful; and (ii) there were good economic reasons therefor, which were not related to the additional costs imposed by, or that could be the result of, regulatory changes. On June 14, 2019, RCS & RDS appealed the NAC's minutes to a Romanian court of first instance (thereby suspending their application). The appeal was granted on November 18, 2019. The NACP filed an appeal against the judgement. On 27 October 2020, the court dismissed the appeal filed by the NACP. The decision is final.

On July 18, 2019, RCS & RDS filed for injunctive relief requesting that the NAC's order be suspended. The injunctive relief was granted on August 9, 2019 but was appealed by the NACP. On June 3, 2020, the court dismissed the appeal filed by the NACP.

On September 26, 2019, RCS & RDS filed to a Romanian court of first instance a substantive appeal against the NACP's order itself. The hearing of this appeal took place on March 3, 2020 with the issuance of the decision being initially postponed for March 17, 2020 and subsequently for March 25, 2020. On April 22, 2020, the first court admitted our claim and annulled the NACP order. On 14 May 2021, NACP appealed the decision of the first court. The High Court of Cassation and Justice established the first hearing for 6 December, 2022.

Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial fines, additional compliance costs or various other sanctions or court judgments.

Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audio-visual, energy, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorizations and monitoring licensees' compliance with the terms thereof. We may sometimes disagree with the way legal provisions are interpreted or applied by regulators and we may, from time to time, challenge or contest regulatory decisions in the course of our business, which may affect our relations with regulators. The competent authorities in the countries where we carry out our activities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year. Any such future inspections may result in the conclusion that we have violated laws, decrees or regulations. We may be unable to refute any such conclusions or remedy the violations found.

Moreover, regulatory authorities may, from time to time, decide to change their interpretation of the applicable legal or regulatory provisions, their policies or views of our businesses in ways that can significantly impact our operations. For instance, we are subject to certain obligations as an operator with significant market power in the market of access to fixed-line telephony and mobile telephony and, as our market share increases or market conditions change, we could become subject to significant additional restrictions in the future, such as having to comply with higher technical standards. Such restrictions may decrease or eliminate our competitive advantage and could have a material adverse effect on our business, prospects, results of operations or financial condition. To the extent these restrictions are deemed to be insufficient and the relevant telecommunications regulator concludes that our market power is significant to the degree that there is no competition, we may even become subject to user tariff control measures.

Because we are subject to a large number of changing regulatory requirements and market and regulatory practices, we may not be in compliance with certain requirements under telecommunications and media laws, consumer protection laws, personal data protection laws and regulations or regulatory decisions. For instance, we have not always complied in a timely fashion with obligations relating to compliance of certain technical and administrative parameters and the obligation that we pay our regulatory fees. We were in breach of certain technical obligations/parameters relating to our network and the provision of our services (e.g., level of noise/radiation above the threshold, poor TV signal in certain villages/towns, etc.), for which we have received warnings from ANCOM and small fines. We have generally remedied such breaches after receiving such sanctions from ANCOM, but we may be unable to remedy (or do that in a timely fashion) such breaches in the future. In addition, from time to time, our satellite spectrum license may not cover some of our channels or up-link connections and our retransmission endorsements may not cover some of our channels or may cover certain channels that we are not currently broadcasting. See "Industry Regulation—Romania—Television and Radio Services—Licenses—Satellite Spectrum License." We may also, from time to time, not be in full compliance with our "must carry" obligations and may have differing interpretations of such obligations than the regulators. Our failure to comply with existing laws and regulations and the findings of government inspections may result in the imposition of fines or other sanctions on us by ANCOM or the National Audiovisual Council of Romania ("**NAC**"). The recent regulatory changes introduced by the December Ordinance entitle ANCOM to impose fines of up to 10% of our total turnover in the year prior to ANCOM's decision in the event of repeated violations of regulatory obligations under current law in Romania. See *"—Risks relating to investments in countries where we operate—Any potential deterioration of the general internal economic, political and social conditions in Romania, our principal country of operation, or any adverse changes in the Romanian tax or regulatory environment, may not be offset by developments in other markets.*" Should ANCOM impose such fines for any actual or alleged violation, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

To the extent certain provisions in our agreements with individual customers are deemed unenforceable by ANCOM or NACP, a court may decide that such provisions are invalid and must be removed from such agreements and we may face minor administrative fines. In certain cases, some agreements may be terminated in full. See also *"—We have been and may continue to be subject to competition law investigations and claims."* While we are not aware of any relevant claims, there can be no assurance that no such claims will be filed in the future.

It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed.

The operation of telecommunications networks and the provision of related services are regulated to varying degrees by European, national, state, regional or local governmental and/or regulatory authorities in the countries where we operate. Our operating licenses or authorizations specify the services we can offer and the frequency spectrum we can utilize for mobile operations. The operating licenses are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to them may also be amended. There is no assurance that the relevant authorities will not take any action that could materially adversely affect our operations. Our operating licenses are generally renewable upon expiration. However, there is no assurance that licenses will be renewed. If we fail to renew any of our licenses, we may lose the ability to continue to operate the relevant business and the realizable value of our relevant network infrastructure and related assets may be materially adversely affected. Some of these licenses and other authorizations are particularly complicated and lengthy to obtain and may subject us to ongoing compliance obligations. Moreover, if we fail to comply with the requirements of the applicable legislation or if we fail to meet any of the terms of our licenses, our licenses and other authorizations necessary for our operations may be suspended or terminated. The difficulty in obtaining and/or renewing licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations may be exacerbated by the COVID-19 pandemic and efforts to contain its spread, which may result in disruptions to or suspension of the activity of certain public authorities and governmental or local agencies for the duration of the pandemic. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operations.

Further, the deployment of our networks requires obtaining access rights from various third parties services, as well as various approvals or permits from European, national, state, regional or local governmental and/or regulatory authorities, particularly in relation to establishing base stations for our mobile telecommunication services.

In addition, such approvals and permits may include building, construction and environmental permits, antenna and mast deployment approvals and various other planning permissions. Obtaining these access rights, approvals and permits can be a complex process and is often characterized by different practices and requirements at the various regulatory authorities which frequently results in inconsistent and bureaucratic processes and/or by varying demands of third parties from whom access rights are obtained. Moreover, in certain instances, applicable regulatory regime has deteriorated over time and otherwise may be not fully adapted to the requirements and realities of modern telecommunications business, while regulatory authorities have recently significantly intensified enforcement activities, including imposition of fines. Though we have a dedicated team tasked with obtaining the required access rights, licenses, permits and other authorizations, due to the inherent challenges of these regimes, we have experienced, and may continue to experience, difficulties in obtaining some of these access rights, approvals and permits, which has led us to operate (in full or in part) without necessary authorizations in some instances and may require us to exert considerable effort and incur considerable expenses in order to implement suitable alternatives or could result in fines or other penalties being imposed by regulators.

Many components of our network are based on contracts, which may currently be undocumented or may be terminated or otherwise cancelled, and we may be required to move some of our networks, which may disrupt service and cause us to incur additional expenses.

In Romania, we currently provide our cable TV, fixed-line telephony and fixed internet and data services through networks that are mostly above-ground and for which we lease the right to use poles from electricity and public transportation companies. In Romania, market participants (us included) may not always be able to obtain or use the necessary permits for developing, building and completing networks in a timely manner or at all, and this may result in such networks (including mobile network base stations) not being fully authorized. Although current urban regulations allow above-ground infrastructure building in rural areas, the overall negative regulatory trend imposed pressure to move of existing (above ground) networks underground and may lead to forced changes to network building practices, as well as to requirements to alter existing network locations, which can involve significant capital expenditure. We are moving our networks underground in cities where local authorities have granted us the required authorizations expediently or where the necessary infrastructure was already available. However, we may not always be in full compliance with obligations to move our networks underground or we may have different interpretations with respect to the imposition of such obligations by public authorities. If we were forced to place our above-ground networks underground pursuant to plans of authorities that contemplate impractical solutions, our costs for providing services may increase and our customer satisfaction may be adversely affected. In addition, if we are found not to be in compliance with such obligations, or otherwise in violation of restrictive covenants, easements or rights of way, we may face fines or service interruptions while we relocate our networks.

Certain agreements we entered into for the purpose of developing our networks, including majority of leases of poles that support our above-ground fixed fiber-optic networks, are with persons whose title thereto or authority or capacity to enter into such agreements were not fully verifiable or clear at the time, among other reasons, because of unclear and constantly changing legislation. In addition, certain agreements with third parties with respect to our network (including mobile network base stations) were not documented or executed in the authenticated form required by Romanian law and, as such, they, or the building permits obtained on the basis thereof, may be invalidated or easily discontinued. Moreover, certain agreements were entered into without full compliance with other applicable formalities, such as public tender requirements. No assurance can be provided that such agreements will not be subject to cancellation or revocation in the future. Further, a significant portion of our above-ground fixed fiber-optic network in Romania is built on poles leased from various regional electricity distribution companies. Renewal of agreements concluded with these operators is often delayed and problematic. In addition, certain of our lease agreements have provisions allowing the lessor to terminate the lease at its option, subject to prior notice ranging from 10 to 90 days.

We are not aware of any significant claims with regard to any irregularities related to any of the above arrangements. However, if such claims were to arise and be numerous and successful, or if there is any failure to renew these arrangements (or these agreements are terminated or cancelled), it may result in additional significant costs, material capital expenditure, service interruptions, contractual penalties or regulatory fines or other sanctions or, in the worst case, loss of business if there is no adequate alternative or there is a delay in securing such alternative. Any of these network-related risks could have a material adverse effect on our business, prospects, results of operations or financial condition.

If we infringe the intellectual property rights of third parties, or if we are otherwise held liable for infringements in relation to information disseminated through our network, we could face protracted litigation and, in certain instances, lose access to transmission technology or content.

The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks from third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. Further, as the number of entrants into the Romanian market increases and the overlap of product function expands, the possibility of such allegations increases. Defending intellectual property claims, such as the foregoing, requires us to engage in lengthy and costly litigation and divert the attention of our senior management and technical personnel from our businesses. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to incur monetary liability, temporarily or permanently discontinue the use of the respective intellectual property, or enter into royalty or licensing agreements, which may not be available on commercially reasonable terms or at all. If we were required to take any such action, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

The infringement of patents and proprietary rights of others may also lead to the loss of access to transmission technology or programming content, damage third-party interests and render us unable to deliver the content that our customers expect, which could materially adversely affect our business, prospects, results of operations or financial condition. In the event that access to transmission technology is lost, alternative technology would need to be purchased, which may result in an interruption of services and increases in costs.

We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network, publish on our websites or to which our customers have access online though our network. Any such claims could include actions under the censorship and national security laws of countries in which we broadcast or provide internet access. In the event that we receive a valid and substantial infringement claim, we would need to cease broadcasting or block from our internet system the infringing content or information, which may increase customer churn.

We are subject to payments related to collective copyright organizations which may vary.

In Romania, we are obliged to make payments to various collective copyright protection organizations as compensation for the use of copyrighted content in the programming delivered by us through our cable TV and DTH services, and copyrighted content used on our website. These amounts are not fixed and are determined by negotiation in accordance with a methodology based on certain legal provisions and relevant European practices. There can be no assurance that amounts payable to various collective copyright protection organizations will not increase in the future or that additional claims could not arise in relation to our past activity or that we will not be subjected to penalties or fines for delaying payments. Since we may not be able to pass on such increases in costs to our customers, such increases, penalties or fines could have a material adverse effect on our results of operations or financial condition.

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.

The tax laws and regulations in Romania, the Netherlands, Spain and Italy may be subject to change, and there may be changes in interpretation and enforcement of tax law. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for us to predict, and we may therefore be unprepared for these changes. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws or regulations are modified by the competent authorities in a manner, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period. For example, the Romanian Fiscal Code currently provides, subject to certain conditions, an exemption from Romanian withholding taxes for the interest paid on receivable instruments/titles issued by Romanian companies set up in accordance with Romanian Company Law 31/1990 (as amended and supplemented). Based on advice it has received from recognized tax experts experienced in such matters, we believe that this exemption should be applicable to interest payments made by RCS&RDS on the Notes to non-resident holders thereof. If the above provisions of the Romanian Fiscal Code, or the interpretation thereof, were to change, we could be required to pay certain Additional Amounts in relation to the Notes, which could be significant.

In addition, such competent authorities periodically examine or audit the Group. Reviews was for verification purposes only (i.e., not due to an infringement) are common in Romania for companies of our size and we regularly consider the likelihood of assessments and, for probable adverse assessments, have established tax allowances, which represent our management's best estimate of the potential assessments. However, the actual resolution of any of these tax matters could differ from the amount provisioned, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period.

We may be subject to fines, awards of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom.

We are involved in legal proceedings from time to time, which may lead to the imposition of damages, fines or other penalties on us. We may be adversely affected by other contractual claims, complaints and litigation, including from counterparties with whom we have contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that we may attract. Any such litigation, complaints, contractual claims, or adverse publicity could have a material adverse effect on our business, reputation, results of operation or financial condition.

Risks Relating to Investments in Countries where We Operate

Any potential deterioration of the general internal economic, political and social conditions in Romania, our principal country of operation, or any adverse changes in the Romanian tax or regulatory environment, may not be offset by developments in other markets.

Our success is closely tied to general economic developments in Romania. Romania has undergone substantial political, economic and social change in recent years. As is typical of emerging markets, it does not possess the full business, legal and regulatory infrastructures that would generally exist in more mature free market economies. In addition, the tax, currency and customs legislation in Romania is subject to varying interpretations and changes, which can occur frequently. See "—*Romania's legal and judicial systems are less developed than in other European countries, which makes an investment in the Shares and the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system*." These issues continue to result in relatively high poverty rates and low wages.

Moreover, Romania experienced periods with significant political instability. In particular, for the past several years, the political environment in Romania, our primary market, has been unstable, dominated by political conflict. Political instability in Romania continues and could delay or stop economic and regulatory reforms in the country.

The future economic direction of the markets in which we operate remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by their respective governments, together with tax, legal, regulatory, and political developments. Our failure to manage the risks associated with our business in emerging markets could have a material adverse effect on our results of operations.

Negative developments in, or the general weakness of, the Romanian economy, in particular increasing levels of unemployment may have a direct negative impact on the spending patterns of retail consumers, both in terms of subscriber and usage levels. Because a substantial portion of our revenue is derived from residential customers who may be impacted by such conditions, it may be more difficult for us to attract new customers or maintain ARPU at existing levels. Deterioration in the Romanian economy may further lead to a higher number of non-paying customers or generally result in service disconnections. Additionally, any uncertainty or instability in, or related to, the political conditions in Romania, including any changes to its political regime, legal, tax and regulatory frameworks or governing policies, could negatively affect our business and operations.

In addition, Romanian policy-making and regulatory frameworks are often subject to rapid and sometimes dramatic changes, the consequences of which may be difficult to foresee, or which could potentially lead to slower economic growth or general deterioration of economic conditions in Romania. For example, the Romanian government has implemented a series of reforms, including numerous increases to minimum wage rates, as well as changes to the country's social security taxation regime and a transfer of its burden from employers to employees; it also introduced certain one-off exceptional taxes. Some of those measures may have a severe impact on various sectors of Romanian economy, including telecommunication and energy companies. In particular, on December 29, 2018, it issued the December Ordinance, which became effective on January 1, 2019 and introduced major changes affecting the energy, banking and private pension sectors of the Romanian economy. Most importantly for our business, it (i) increased ANCOM's annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year (the "**Monitoring Fee**"); (ii) provided for very significant fees for extending existing, or acquiring new, telecommunications licenses; and (iii) significantly increased penalties for breaches of regulations governing the Romanian telecommunication industry (up to 10% of the violator's turnover in the year prior to the decision to impose such penalties). The December Ordinance was repeatedly amended thereafter, most recently on January 6, 2020 through the Government Emergency Ordinance 1/2020. These amendments have disapplied the vast majority of the December Ordinance's original provisions affecting our business in Romania, with the exception of the Monitoring Fee, which remains in place at a reduced rate of up to 2.0%, and the penalties. However, whether or not ANCOM will be entitled to charge the Monitoring Fee is currently conditional on whether its other funding is sufficient to cover its operational requirements (an arrangement which was also in place prior to the issuance of the December Ordinance in its original form). ANCOM has not applied such fees over the previous several years and for 2020 the Monitoring Fee was set to zero. Unfavorable economic conditions, regulatory uncertainty and special taxation may ultimately have a direct and/or indirect negative impact on consumers' spending and/or the prices we are able to charge for our products and services. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Regulation*".

Any such negative developments in Romania may not be offset by positive trends in other markets. Therefore, a weak economy and negative economic or political developments in the principal country in which we operate may jeopardize our growth targets and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also "*—Risks Relating to Investments in Countries Where We Operate—Romania's legal and judicial systems are less developed than in other European countries.*"

Political and military conflicts in the region may materially adversely affect our business.

Political and military instability in the region generated by the Russian invasion of Ukraine (preceded by loss of control over the Crimean Peninsula to the Russian Federation, as well as the conflict in Eastern Ukraine with pro-Russian separatists), the failed negotiation between the US and Russian Federation regarding NATO's presence in Eastern European countries and potential expansion to Ukraine, as well as Russian Federation's apparent request for NATO to withdraw from Romania and Bulgaria, can lead to deeply unfavorable economic conditions, social unrest or, in the worst case, military confrontations in the region.

Effects are to a large extent unpredictable, but may include drop in investments caused by uncertainty, further economic sanctions, which may negatively affect the economies of our countries of operation, significant currency fluctuations, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices.

These and other unforeseen negative effects of the crises in the region could have a material adverse effect on our business, prospects, results of operations and financial condition.

The upward trend in the inflation rate could have a significant negative impact on the Group's performance.

According to the NBR, the annual inflation rate is expected to sharply increase in the second quarter of 2022, with it being projected to peak at 14.2% in June 2022 (when the current support schemes for household electricity and gas consumers is set to expire). It is further projected that the inflation rate will see a gradual downward trend over the next three quarters, but will remain much higher than previously forecast, with the inflation rate being 12.5% in December 2022.

The unpredictability of the inflation rate may have a negative effect on the Group's business by increasing the difficulty of estimating the Group's total costs related to its activities and creating a potential non-correlation of the Group's prices charged to customers with the Group's costs, with significant negative effect. A significant difference between the anticipated inflation rate in a given period and the actual amount recorded during that period may significantly affect the Group's allocation of resources and could have a material adverse effect on our business, prospects, results of operations or financial condition.

Moreover, an unpredictable increase in the inflation rate can lead to macroeconomic imbalances, characterized by rising interest rates, declining living standards and general slowdown of economic development in our countries of operation, imbalances that could have a material adverse effect on our business, prospects, results of operations or financial condition.

Corruption could create a difficult business climate in some of the markets where we operate.

Corruption is one of the main risks confronting companies with business operations in Romania. International and local media, as well as international organizations, have issued numerous alerting reports on the levels of corruption in Romania. For example, the 2021 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and assigns scores countries from 0 (least corrupt) to 100 (most corrupt), gave Romania a score of 45 corresponding to a ranking of 66 out of 180 countries (2020: 44 score for Romania, 69 rank out of 180 countries and territories).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania, which may be relevant for our business. Although it is difficult to predict all of the effects of corruption on our operations, it can, among other things, slow down approvals of regulatory permits and licenses we need to conduct our business. Therefore, corruption could have a material adverse effect on our business, prospects, results of operations or financial condition.

Any downgrade of Romania's credit ratings by an international rating agency could have a negative impact on our business.

The long-term foreign and domestic currency debt of Romania is currently rated BBB-/A-3 (stable outlook, revised from negative on April 17, 2021) by S&P, Baa3 (stable outlook, revised from negative on October 15, 2021) by Moody's and BBB- (negative outlook) by Fitch.

Any adverse revisions to Romania's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact our ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Romania's difficulties related to its integration with the European Union may adversely affect our business.

Romania joined the European Union in January 2007 and continues to undergo legislative changes as a result of EU accession and continued EU integration. As part of the accession process, the EU has established a series of measures that Romania must comply with in order to meet the basic requirements for EU membership. The European Commission has been tasked with monitoring Romania's progress, through the issuance of annual compliance reports, through the Cooperation and Verification Mechanism.

If Romania does not comply with the measures it must comply with in order to meet the basic requirements for EU membership or does not implement the recommendations issued by the European Commission under the Cooperation and Verification Mechanism, it may be subject to EU sanctions which could have a significant negative effect on the financial operations, investments and capital flows of the country and, consequently, on our activity, prospects, results of operations and financial situation.

Romania's legal and judicial systems are less developed than other European countries, which makes an investment in the Shares and/or the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.

The legal and judicial systems in Romania are less developed than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law in Romania are relatively new to local judges and such related legal provisions have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to a market economy and EU legislation. Existing laws and regulations in Romania may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner. The relatively limited experience of a significant number of the magistrates practicing in Romania, specifically with regard to capital markets issues, and the existence of a number of issues relating to the independence of the judiciary system may lead to ungrounded decisions or to decisions based on considerations that are not grounded in the law.

In addition to the foregoing, resolving cases may at times involve considerable delays. The court system in Romania is underfunded relative to those of other European countries. The enforcement of judgments may also prove difficult, which means that the enforcement of rights through court systems may be laborious, especially where such judgments may lead to closure of businesses or job losses. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect our business, and may also make it difficult for investors in the Additional Notes to address any claims that they may have.

We may be adversely affected by unfavorable conditions in the global economy or volatile equity and credit markets.

Concerns about increased global political instability and trade controversies, as well as the potential economic slowdown and recession in Europe and the United States, the availability and cost of credit, diminished business and consumer confidence and inflation contribute to increased market volatility and diminished expectations for global, European and emerging economies, including the jurisdictions in which we operate.

This instability was further exacerbated by the COVID-19 pandemic and efforts to contain its spread, as well as the ongoing military conflict in Ukraine, which has increased volatility in the global financial markets and is likely to continue to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets before and after these events pass.

The effects of an economic downturn or recession caused by the COVID-19 health emergency and the military conflict in Ukraine in global markets may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income (which may, in its turn, lead to a decrease in consumption spending), and government responses to the economic crisis, such as austerity measures, exceptional one-off taxes to compensate for decreasing budget revenues and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations.

Negative developments in, or the general weakness of, the economies in the countries where we operate, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of our customers, both in terms of subscribed services and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect all or part of the services they subscribe to and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections. Therefore, a weak economy and negative economic development may jeopardize our growth targets and may have a material adverse effect on our business, prospects, results of operations and financial condition.

Reduced availability of credit has had, and could in the future have, an indirect negative effect on our business by reducing overall spending in the countries in which we operate, causing or helping to cause significant decreases in the value of certain asset classes and, therefore, decreases in the overall wealth of our customers and, together with the overall economic climate, increases in the number of payment defaults and insolvencies among our customers.

In addition, volatile credit markets have also affected us in the past, and may affect us in the future, through increases in interest rates of our floating rate debt and other financial obligations, particularly the 2019 UniCredit Equipment Financing Agreement, the 2020 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement. The lack of easily available credit in the future may also restrict our ability to grow at a pace commensurate with the business opportunities we can identify. See "*—We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business*." Additionally, this uncertainty can lead to an increase in costs for us due to legal and regulatory changes, as well as currency exchange rate fluctuations between the euro, the U.S. dollar and Romanian leu. These effects could have an adverse effect on our business, investments and potential growth into Europe. These factors could increase our operating costs, delay capital expenditure programs, or place additional regulatory burdens on us that could have a material adverse effect on our business, prospects, results of operations or financial condition. Furthermore, as a result of this uncertainty, financial markets could experience significant volatility, which could adversely affect the value of the Notes. All these factors and other effects of a continued economic downturn that we may fail to predict could have a material adverse effect on our business, prospects, results of operations or financial condition.

Risks Relating to Our Financial Position

Our substantial leverage and debt servicing obligations could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our financial covenants as at 31 December 2021 as per the Senior Facilities and Senior Notes are presented in Note 15 of the *Consolidated financial statements as at 31 December 2021*.

Our leverage can have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations with respect to our debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations.

Additionally, we may incur substantial additional indebtedness in the future which could increase the risks listed above. Although the Indentures, the intercreditor agreement originally dated November 4, 2013, as amended and restated on October 26, 2016 and which establishes the relative rights of certain of our creditors under our financing arrangements (the "**Intercreditor Agreement**") and certain of our existing credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, such agreements do not prevent us from incurring obligations that do not constitute indebtedness as such term is defined therein. Any of these or other consequences or events could have a material adverse effect on our business, prospects, results of operations or financial condition.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture limits our ability to:

- incur or guarantee additional indebtedness that would cause us to exceed a Consolidated Leverage Ratio (as such term is defined in the Indenture) of 4.25 to 1;
- pay dividends or make other distributions, purchase or redeem our stock or prepay or redeem subordinated debt;
- make investments or other restricted payments;
- sell assets and subsidiary stock;
- enter into certain transactions with affiliates;
- create liens;
- consolidate, merge or sell all or substantially all of our assets;
- enter into agreements that restrict certain of our subsidiaries' ability to pay dividends; and
- engage in any business other than a permitted business.

In addition, the 2020 Senior Facilities Agreement and 2021 Senior Facilities Agreement from Spain contain covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.50 to 1 (and a consolidated EBITDA to total net interest ratio of 4.25 to 1 (as such terms are defined therein). 2019 Unicredit Equipment Facility contains covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.25 to 1 and a consolidated EBITDA to total interest ratio of 4.25 to 1 (as such terms are defined therein). Further, our existing financing arrangements require us to have positive equity and limit, among other things, our ability to acquire or sell certain assets, to undergo certain corporate actions (such as mergers and de-mergers), to create security over our assets and to open or maintain bank accounts or to enter into banking relationships with certain financial institutions.

Although all of these limitations are subject to significant exceptions and qualifications, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

If we fail to comply with any of these covenants, we will be in default under our financial indebtedness (including the Indenture and the Notes), and the relevant trustee, holders of the indebtedness or the applicable lenders could declare the principal and accrued interest on the Notes or the applicable loans due and payable, after any applicable cure period. These restrictions could materially adversely affect our ability to finance future operations or capital needs or engage in other business activities that may be in our best interest.

Any impairment of our ability to draw funds under the 2020 Senior Facilities Agreement, 2021 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement could materially adversely affect our business operations.

Our operations have been primarily financed using cash generated in our operations and debt financing. We rely on our senior credit facilities under the 2020 Senior Facilities Agreement, 2021 Senior Facilities Agreement the Citi Facilities Agreement and the ING Facilities Agreement to fund our business operations and for various other purposes. Further, if we were unable to draw funds under our senior revolving credit facilities, we may need to find alternative sources of funds which may be at higher interest rates. In addition, the overdraft facilities under the ING Facilities Agreement and the Citi Facilities Agreement are provided on an uncommitted basis and can be withdrawn at any time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw funds depends on, among other things, our ability to maintain certain ratios. Our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. In addition, our inability to maintain these financial ratios may also result in an event of default under the 2020 Senior Facilities Agreement, 2021 Senior Facilities Agreement or the ING Facilities Agreement, which would prohibit us from drawing funds under those facilities and potentially trigger a cross-default under the Notes. See *"—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities."* This inability to draw funds or to maintain our operations due to a lack of cash flow could have a material adverse effect on our business, prospects, results of operations or financial condition.

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.

Our ability to make payments on and to refinance our indebtedness, and to fund working capital and to make capital expenditures in the longer term, will depend on our future operating performance and ability to generate sufficient cash over the longer term. This depends on the success of our business strategy and on economic, financial, competitive, market, legislative, regulatory and other factors, as well as the factors discussed in these "*Risk Factors*," many of which are beyond our control.

No assurance can be provided that our business will generate sufficient cash flows from operations or that future debt or equity financings will be available to us to pay our debt when due or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources (including borrowings under the 2020 Senior Facilities Agreement, 2021 Senior Facilities Agreement the ING Facilities Agreement, the Citi Facilities Agreement and the BRD Agreements) are insufficient to pay our obligations as they mature or to fund our liquidity needs in the longer term, we may be forced to:

- reduce or delay our business activities or capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or part of our debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

No assurance can be provided that we would be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on our indebtedness on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the 2020 Senior Facilities Agreement, 2021 Senior Facilities Agreement and the ING Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and could have a material adverse effect on our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

We may not be able to refinance maturing debt on terms that are as favourable as those from which we previously benefited or on terms that are acceptable to us, or at all.

Our ability to refinance our debt depends on a number of factors, including the liquidity and capital conditions in the credit markets and we may not be able to do so on satisfactory terms, including in relation to the covenants, or at all. In the event that we cannot refinance our debt, we may not to be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances. Such terms, including in relation to the covenants and additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition.

Furthermore, our inability to meet repayment obligations under the existing agreements could trigger various cross-default and cross-acceleration provisions, resulting in the acceleration of a substantial portion (if not all) of our debt and could have a material adverse effect on our business, prospects, results of operations or financial condition.

Derivative transactions may expose us to unexpected risk and potential losses.

As at December 31, 2021, we had € 8.9 million of embedded derivative assets related to the Notes (which include several call options, as well as one put option). We had no derivative financial liabilities.

From time to time, we may be party to certain derivative transactions, such as interest rate swap contracts, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments, that are not cash flow hedges, are reported in profit and loss, and accordingly could materially affect our reported results in any period. Moreover, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could have a material adverse effect on our financial condition, financial returns or results of operations.

Risks Relating to the Shares and the Notes

Certain Shareholders hold a significant interest in and exert substantial influence over the Group and their interests may differ from or conflict with those of other Shareholders or with those of holders of the Notes.

Mr. Zoltán Teszári directly and indirectly beneficially owns 54.07% of the Company and 100% of the issued and outstanding Class A Shares and therefore will have 100% of the voting rights in a shareholders meeting for holders of Class A Shares ("**Class A Meeting**") (no votes can be cast on shares that the Company holds in its own capital).

Due to his ability to exercise control over the Class A Shares and their voting rights as well as the special rights attached to Class A Shares, including in relation to the appointment of the Board of Directors, Mr. Zoltán Teszári will be able to exercise control over all decisions of the Board of Directors and matters requiring shareholder approval, including payment of dividends and approval of significant corporate transactions. Furthermore, the interests of Mr. Zoltán Teszári may not always be aligned with those of other holders of Shares.

If the Principal Shareholder no longer holds a direct or indirect interest in at least 30% in the issued and outstanding nominal share capital of the Company, the rights accruing to the Class A Meeting as set out in the Articles shall cease to exist. For the avoidance of doubt, the provisions relating to the binding nomination right cease to apply in that circumstance.

Holders of Class B Shares have lower voting rights than holders of Class A Shares which may impact the trading price of Class B Shares as well as control over the Company.

Holders of Class A Shares and Class B Shares have different voting rights. Each Class A Share has 10 votes, and each Class B Share has one vote. When holders of Class A Shares and Class B Shares vote together, holders having a majority of the votes (or 66.67%, in the case of a vote requiring a special resolution for which a quorum requirement exists and such quorum is not present or represented (i.e. can only be adopted by a majority of at least two-thirds of the votes cast, if less than one half of the issued share capital is presented or represented at the General Meeting)) present and voting will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among the Shareholders or has a greater impact on one group than the other. Therefore, holders of Class A Shares will have more control over the outcome of Shareholder votes and decision-making. As only the Class B Shares are listed on the Bucharest Stock Exchange, the value of Class B Shares may be adversely affected given this distribution of voting rights and control. Our equity capital structure may inhibit or prevent acquisition bids, may decrease the value of the listed Shares and may make it difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. The existence of different classes of Shares with different voting rights limits the amount of control that holders of Class B Shares have over the Company.

There is no assurance that the holders of the Shares and/or Notes will be able to sell them.

The Shares are listed on the regulated market of the Bucharest Stock exchange and the Notes are listed on the regulated market of the Irish Stock Exchange. We cannot guarantee the liquidity of any market that may develop for the Shares and/or the Notes, the ability of the holders of the Shares and/or the Notes to sell such Shares and/or Notes or the price at which they may be able to sell. Liquidity and future trading prices of the Shares and/or the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for securities such as the Shares and/or the Notes and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Shares and/or the Notes that does develop and any market price quoted for the Shares and/or the Notes. As a result, we cannot ensure that an active trading market will be available for the Shares and/or the Notes.

Trading on the Bucharest Stock Exchange may be suspended.

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests or to the extent the relevant issuer is in breach of its obligations under the relevant securities laws and regulations. Also, the Bucharest Stock Exchange is entitled to suspend from trading Shares in other circumstances, in accordance with its regulations. Any suspension could affect our Shares' trading price and would impair the transfer of the Shares.

The 2020 Notes may not remain listed on the Irish Stock Exchange.

Although RCS&RDS will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List and admitted on the regulated market of Euronext Dublin as long as the Notes are outstanding, RCS&RDS cannot assure prospective investors that the Notes will remain listed. If RCS&RDS cannot maintain the listing of the Notes on the regulated market of Euronext Dublin or it becomes unduly onerous to make or maintain such listing, RCS&RDS may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS&RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List on the regulated market of Euronext Dublin or another recognized listing exchange for high yield issuers in accordance with the Indentures, failure of the Notes to be approved for listing, or the delisting of the Notes from the Official List on the regulated market of Euronext Dublin or another stock exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Furthermore, although RCS&RDS, in the Indentures, agreed to use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange as long as they are outstanding, RCS&RDS cannot assure existing and prospective investors that the Notes will remain listed.

If RCS&RDS cannot maintain the listing of the Notes on the regulated market of the Irish Stock Exchange or it becomes unduly onerous to make or maintain such listing, it may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS&RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Irish Stock Exchange, failure to be approved for listing or delisting from another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

The Shares and/or the Notes may be subject to market price volatility and the market price of may decline disproportionately in response to developments that are unrelated to the Company's operating performance.

The market price of the Shares and/or the Notes (following their listing) may be volatile and subject to wide fluctuations. The market price of the Shares and/or the Notes may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these "Risk Factors," as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavorable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares and/or the Notes, which could lead to investors getting back less than they invested or a total loss of their investment.

Not all rights available to shareholders in the United States or other countries outside the Netherlands or Romania will be available to holders of the Shares.

In the event of an increase in our ordinary share capital, holders of Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded by a resolution of the General Meeting, which requires a proposal thereto by the Board of Directors which in turn requires the approval by resolution of the shareholders of the relevant class in respect of the pre-emptive rights of the holders of such class only or, if such increase can be decided by the Board of Directors and the Articles so permit, by a resolution of the Board of Directors. However, certain holders of Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Shares are registered under the Securities Act or such rights and Shares are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Shareholders in other jurisdictions outside the Netherlands or Romania may be similarly affected if the rights and Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. We intend to evaluate at the time of any issue of Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to U.S. Shareholders, as well as the indirect benefits to us of enabling the exercise of U.S. Shareholders of their pre-emptive rights to Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive, share option plan or de-leveraging or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities, may issue shares in relation to share incentives or share option plans, or may raise finance for the purposes of de-leveraging. We may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

Our ability to pay dividends to Shareholders may be constrained.

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends to us. The actual payment of future dividends by us and the payment of dividends, if any, to us by our subsidiaries and the amounts thereof will depend on a number of factors, including (but not limited to) the amount of distributable profits and distributable reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws and financial restrictions on the debt instruments of our subsidiaries, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies and such other factors as the Board of Directors may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains.

Foreign shareholders may be subject to exchange rate risk.

The Shares are denominated in euro, but traded in Romanian lei. An investment in the Shares by an investor whose principal currency is not the leu exposes the investor to foreign currency exchange rate risk. Any depreciation of the leu in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms. In addition, we are required, under Romanian law, to pay our dividends through the system operated by the Central Depository.

Transfers of the Shares and/or the Notes may be restricted, which may adversely affect the value of the Shares and/or the Notes.

The Shares and the Notes have been offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Shares and the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, an investor in the Shares and the Notes may not transfer or sell the Shares and/or the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and may be required to bear the risk of an investment in the Shares/ and or the Notes for an indefinite period of time. It is the investors' obligation to ensure that their offers and sales of Shares and/or the Notes within the United States and other countries comply with applicable securities laws.

We are subject to additional regulatory obligations and incur additional costs in connection with the trading of our Shares and Notes on the regulated market.

We are required to meet regulatory requirements pertaining to entities with shares admitted to trading on the Bucharest Stock Exchange and the 2020 Notes, as well as those pertaining to entities registered in the Netherlands (such as the Dutch Corporate Governance Code), in particular with respect to disclosure, corporate governance and financial reporting, and allocate staff and resources to such purposes. Such increased costs could have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, the regulations and requirements applicable to companies whose securities are listed on the Bucharest Stock Exchange and/or the Irish Stock Exchange are subject to change, and any future changes can be difficult to predict, increasing the risk that the Company may in the future be in violation of such rules and regulations, which can result in extensive fines and administrative fees. In addition, the Board of Directors and management may be required to devote time and effort to ensure compliance with such rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

The rights of minority shareholders may be limited under Dutch law.

The Company is organized under the laws of the Netherlands. The rights of holders of the Shares, including the Shares, are governed by the Company's Articles and by Dutch law. These rights, including the rights of minority shareholders, as well as other matters affecting such rights, may be different in the Netherlands from those elsewhere, and an investor's ability to exercise such rights may be limited.

ANNEX 3

Non financial information

For 29 years, DIGI Group has contributed to the increase of the digitization and development of the markets where it operates, by providing accessible connectivity to European consumers. During this period, DIGI Group, with its subsidiaries from Romania, Hungary[1] (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions)*, Spain, Italy and Portugal, has established, with responsibility, a sustainable vision on the future of connectivity, expressed by constant investment in infrastructure and in the latest technologies, by people empowerment, high quality of services provided at accessible prices, as well as customer care and citizenship.

Because we are aware of the consequences of our actions and have a bold vision for the future, we are committed to creating an organizational culture based on accountability to employees, customers, partners, communities and society as a whole.

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

Responsibility, care, forward-looking, trust, diversity, team spirit - these are not just magic words, but core values for DIGI Group. During difficult times, we consider that it is most important to strengthen the values that drive our corporate culture. By acting proactively, we contribute, together with all stakeholders, to the development of a sustainable and confident future. During 2021 we were one of the key drivers of the economy, as a telecommunications operator, and an accelerator of well-being in communities. We have been involved in projects that bring comfort and ensure a better quality of life in the communities where our employees work, through digitization and social inclusion, which, are presented transparently in this chapter.

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

KEY FIGURES

		Measure	2021	2020
Environment	Total energy consumption	GWh	316,480	250,413
	Energy saved from initiatives	Tons	0,372	N/A
	Total waste generated	Tons	2,141.03	311.08
	Waste recycled	%	100	100
Our people*	Employees	number	15,114	14,933
	Average training hours	number	1	0.87
	Women in management	%	34	40
	Employees from vulnerable groups	number	50	50
Our community	Total Community Investments	EUR	120,414**	2,086,976**
	Money	%	41.90%	8.35%
	Time	Hours	2,345 ****	4,455 ***
	In-kind	EUR	69,956*****	41,610****

**RCS & RDS numbers only.*
***Cumulated sponsorships and donations signed in 2021 in Romania, Hungary and Spain.*
**** Hours counted for employees involved in volunteering, including blood donations, in 2021 in Romania, Hugary and Spain.*
***** Hours counted for employees involved in volunteering, including blood donations, in 2021 in Romania, Spain and Italy.*
****** Electronic communications services – mobile data, voice and fixed telephony – offered in-kind in 2021 in Romania and Spain.*

[1] All information concerning Hungary represents data reported up to 30 November 2021

Corporate management

Cybersecurity

For the DIGI Group, cybersecurity is the guarantee of a secure digital future for all users. The security of our own network is just as important as the security of the equipment through which customers access our connectivity services. All users, whether security-savvy, cyber-smart or any other categories,find prompt guidance and support from our company's specialist teams.

Through partnerships with relevant authorities and educational institutions, we contribute to the development of a digital society where we all surf, communicate, learn and work safely.

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

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

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

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

- → Consistently providing information to employees and customers about cybersecurity alerts, ways to identify and prevent various types of attacks, thereby helping to mitigate risks related to the security of data and information systems;
- → Frequently sustaining and enforcing awareness campaigns related to: cyber security vulnerabilities and threats, malware, SPAM/Phishing scams, spyware campaigns aimed at collecting users' personal and financial data, voice phishing;
- → Delivering technical solutions for optimizing projects to the internal team in charge with network and devices protection of cyber-attacks;
- → Encouraging research and development teams involved in creation of future services and products;
- → Continuous cooperation with authorities to set-up cybersecurity framework and ensure safe services for clients and employees.

DIGI teams are constantly working to prevent our network from being exposed to attacks or malicious acts and provide assistance to corporate clients who have faced various types of security threats (DDoS, for example).

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

InfoSec Department has been running communication campaigns targeting all kind of users such as residential clients, corporate clients and employees. The main communication channels are: our website, the internal portal DigiOneVoice, internal and external newsletters, internal blog dedicated to topics of interest in cyber security, direct mailing and press releases. However, users can check the level of security for their equipment on DIGI.ro website and all public information about misleading/ fraud campaigns or cyber security threats are disclosed in the media section on DIGI.ro.

In 2021, InfoSec and Communication Departments introduced employees to *Cibernică,* DIGI's internal cybersecurity ambassador. Through this identity they’ve created numerous internal campaigns to increase safe internet usage. Among these was the initiative to introduce two-factor authentication for internal applications on the DigiOneVoice intranet website.

As the number of phishing and malware attacks increased, both in intensity and diversity, this trend being expected to be maintained for the future, DIGI InfoSec Department from the Company’s Romanian subsidiary constantly invests in developing and increasing the capabilities needed to monitor, prevent and address cyber security challenges. There is a continuous dynamic and adaptation to the latest developments, from a technological point of view, especially by encouraging and supporting the development of the specialist teams and the entire staff.

În 2021 all of DIGI Hungary (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions)* employees participated to CISO Trainings, in order to enhance their skills in developing and executing an information security management strategy.

In 2021, as in the previous years, RCS & RDS, the Company’s Romanian subsidiary maintained a good collaboration with all state authorities, in particular with the National Cyber Security Directorate, with which it sustained awareness and prevention campaigns for the general public, materials that were distributed both with the help of its own media and the official communication pages and channels of the Directorate.

Customer privacy

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

The respect we have for our customers, employees and business partners is based on how we view and build long-term relationships with them. The trust placed in us by every customer connected to our services motivates us to put all our skills and care into the way we manage the personal data of our users and collaborators. We are guided in all our operations by the relevant legislation, which we have translated into our own internal policies and rules:

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

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

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

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

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

Principle 3: Increasing and strengthening trust with privacy

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

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

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

Principle 4: Privacy rights protect finances

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

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

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

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

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

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

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

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

At DIGI Group, we believe that data protection is intrinsic to the services provided. Clients and partners expectations on confidentiality are beyond any doubt important and compliance with the laws is a certitude, even though regulations applying do not always keep pace with technological advancement. In this age of new technologies and new practices related to marketing strategies, IoT, AI, DIGI Group is committed to the dialogue with stakeholders, for the benefit of the customers underlining the benefits of the technological advance.

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

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

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

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

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

Any request from customers regarding data protection is handled promptly and transparently through the existing channels.

In 2021, DIGI Group have not registered complaints concerning breaches of customer privacy and losses of customer data.

Material topics (or Materiality assessment)

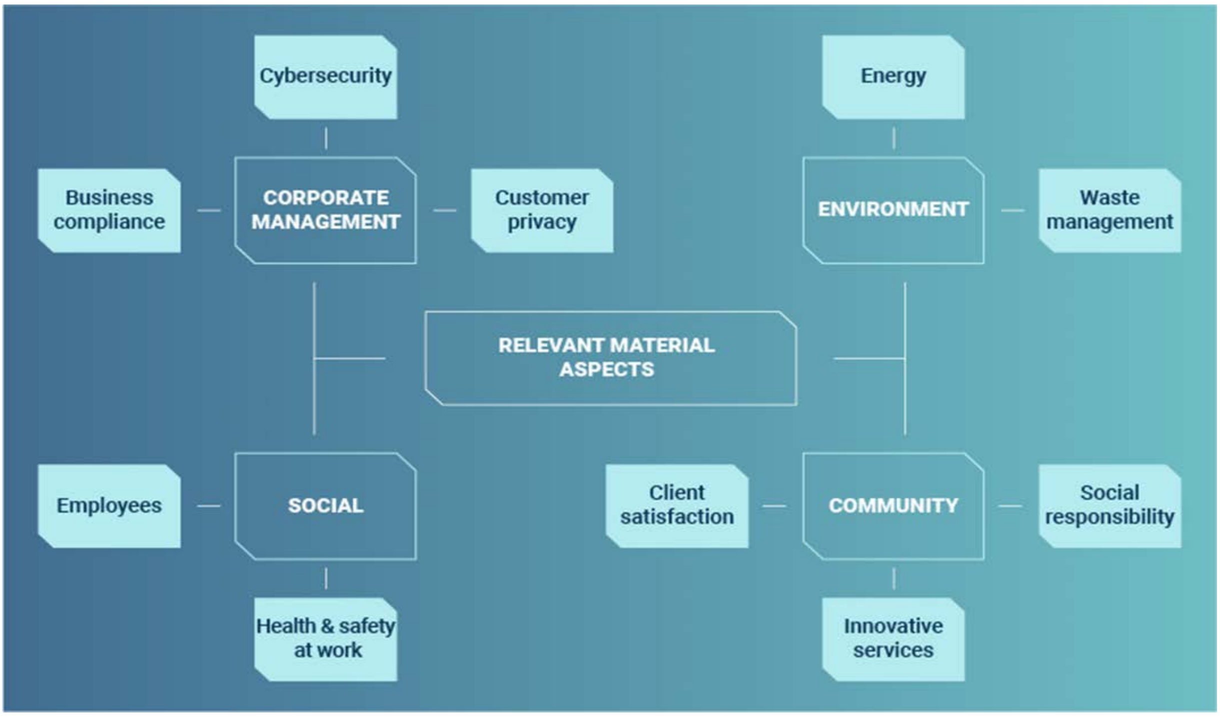
Material topics identified in previous year were also relevant in 2021.

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

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

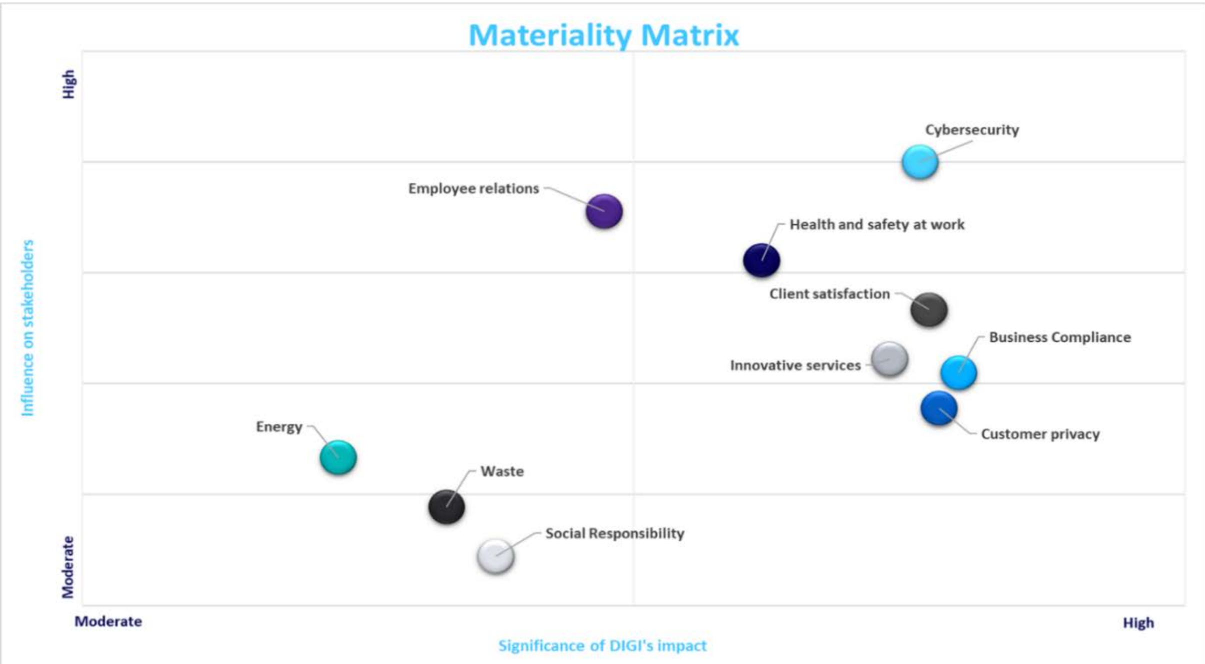
Stage 2: Out of the 15 material aspects identified, **10 most relevant material aspects** were prioritized, according to their **perceived impact on DIGI Group activity and potential influence on stakeholders**.

These aspects were classified according to four strategic orientations:



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

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



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

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

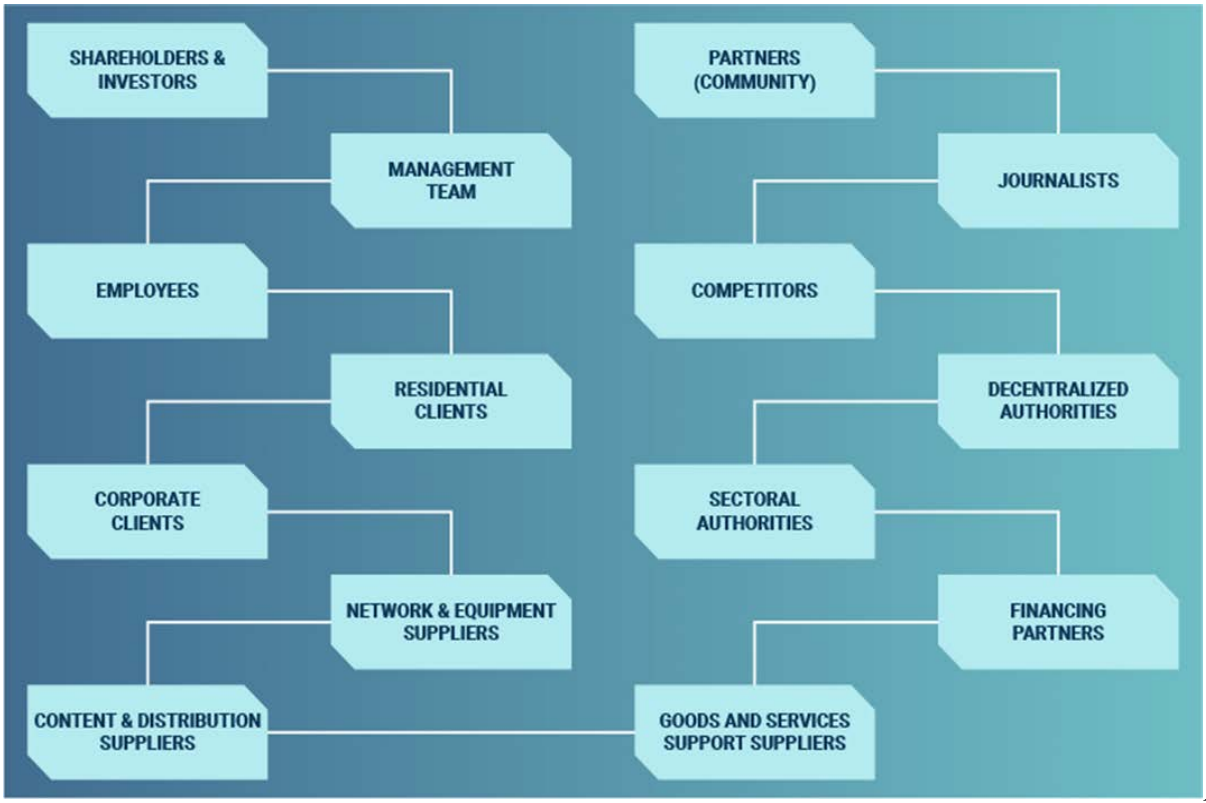
Stakeholders

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

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

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

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



An annual survey regarding internal communications efficiency and feedback related to contents is conducted to collect outtakes from the internal stakeholders. An internal communication specialists (communication correspondents) network operates in Bucharest and the main cities in other regions in Romania, sustained by the company's administrative structure. At the same time, similar activities are carried out by HR and PR teams from Hungary and Spain. In 2021 HR and Communications teams created and coordinated extended communications campaigns dedicated to special health and safety rules and regulations in the context of the medical crisis.

The dialogue with clients is mainly organized by the Customer Care Department (call center, complaints department, point of purchase network, marketing campaigns, DIGI.ro, newsletters, invoices, press releases, events, partnerships and sponsorships). According to the study Customer Experience Excellence Report developed by KPMG, DIGI was placed the second on the telecommunications market in terms of customer excellence.

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

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

Journalists and mass-media represent important stakeholders and the company has built, in the last period, a relationship based on transparency, pro-activity and constant cooperation. The DIGI Group published in Romania, in 2021, 34 press releases related to the company's operations, 4 releases regarding the financial results, 27 press releases and announcements to the market, generating 2,864 articles (total coverage through traditional and online media was 8,315 mentions in 2021). DIGI Group's officials (Mr. Serghei Bulgac – CEO, Mr. Valentin Popoviciu – Vice-President, members of the Board of Directors, representatives of subsidiaries: DIGI Spain, DIGI Kft Hungary and DIGI Italy) or other relevant professionals participated to the main industry events (ZF Digital Summit, ZF Mobilio, Communications Day 2021) and presented to the market and general public the company`s position on different topics or the latest progress registered by the Group.

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

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

Awards and recognition

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