DIGI
communications n.v.

ANNUAL REPORT

For the year ended December 31, 2021

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This copy of the 2021 annual report of Digi Communications N.V. is not in the European single electronic reporting format (ESEF) as specified in the RTS on ESEF (Regulation (EU) 2019/815). The ESEF version of the 2021 annual report is available at *Annual reports (digi-communications.ro)*

MESSAGE FROM THE CEO

Dear Reader,

The year 2021 was challenging for the European economies and our markets of operation. Most sectors rebounded after the Covid pandemic struck in 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 demanding context, for DIGI[1], 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[2] to 4iG Group for a total consideration of EUR[3] 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 have continued expanding our networks and growing our customer base. The underlying number of users, revenue generating unit ("RGU") (including discontinued operations) reached 20.5 million from 18.1 million in 2020. Growth was generated by 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 from continuing operations at the Group level, retaining second position within the three markets in which we operated in 2021.

Group sales (including discontinued operations) increased by 12.8% year on year reaching EUR 1.47 billion from EUR 1.31 billion a year ago. EBITDAaL[4] (including discontinued operations) reached EUR 427 million from EUR 406 million, 5.1% 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 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.

We are 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. We would like to thank our clients, investors and partners for their trust which empowers and motivates us to continue our growth.

Sincerely,
Serghei Bulgac, Chief Executive Officer

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[1] Digi Communications Group ("the Group" or "DIGI Group") comprises Digi Communications N.V., RCS & RDS S.A. and their subsidiaries
[2] In the annual report the Hungarian operations are presented as discontinued operations, consistent with the presentation in the consolidated financial statements, unless otherwise is stated
[3] In the annual report all amounts are presented in EURO which is abbreviated as 'EUR' or using the symbol '€'
[4] EBITDAaL stands for **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation, **A**mortisation and after leases

Management board report

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 a Mobile Virtual Network Operator (MVNO) 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 frequency spectrum in Portugal which we intend to use to expand our services in that country.

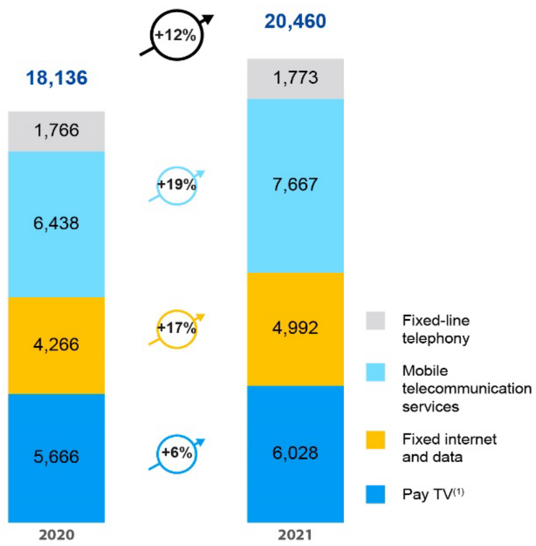
The Group's offerings include pay-TV (Cable and Direct to Home ("DTH") television) services, fixed internet and data, mobile telephony and data as well as fixed-line telephony. In Romania, our fixed telecommunication and entertainment services are offered through our technologically advanced fiber optic 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 MVNO (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 **MVNO** in Italy. Recently, we expanded operations in Portugal, where we were attributed mobile spectrum at the 2021 5G auction and subsequently during 2022 in Belgium we won the new entrant spectrum package in the 5G-auction amoung Citymesh (part of the IT-group Cegeka). 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.") being one of the leading companies of the Hungarian IT and ICT market agreed on 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 successfully and an aggregate price of approximately EUR 625 million has been received by RCS & RDS.

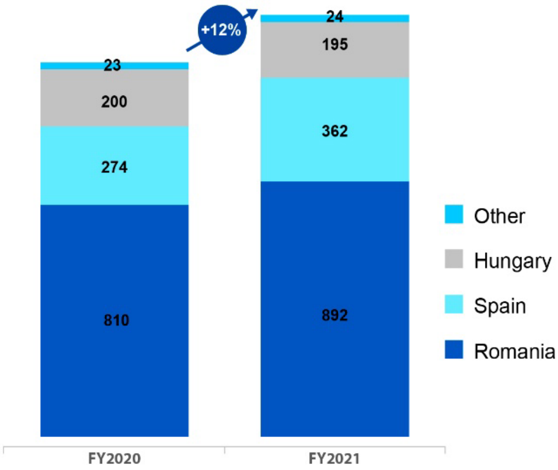
We have grown mainly organically from approximately 18.1 million RGUs as at December 31, 2020 to approximately 20.5 million RGUs as at December 31, 2021 (including discontinued operations).

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 (including discontinued operations)



Cable TV and DTH services

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



The Group's operations generated an Adjusted EBITDA of €523.0 million for the year ended December 31, 2021, including discontinued operations compared to €486.8 in prior period, an increase of 7.4%.

The Adjusted EBITDA margin was 35.5% in the year ended December 31, 2021 including discontinued operations; slight decrease compared to the year ended December 31, 2020 (December 31, 2020: 37.3%).

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 (2020: €371.1 million). This represented 38.5% of our total revenue for the year ended December 31, 2021 (2020: 28.4%).

We have maintained prudent capital and liquidity structures with a leverage ratio (computed as total net financial debt divided by EBITDA including discontinued operations) of 3.2x for the year ended December 31, 2021 and 2.6x for year ended December 31, 2020).

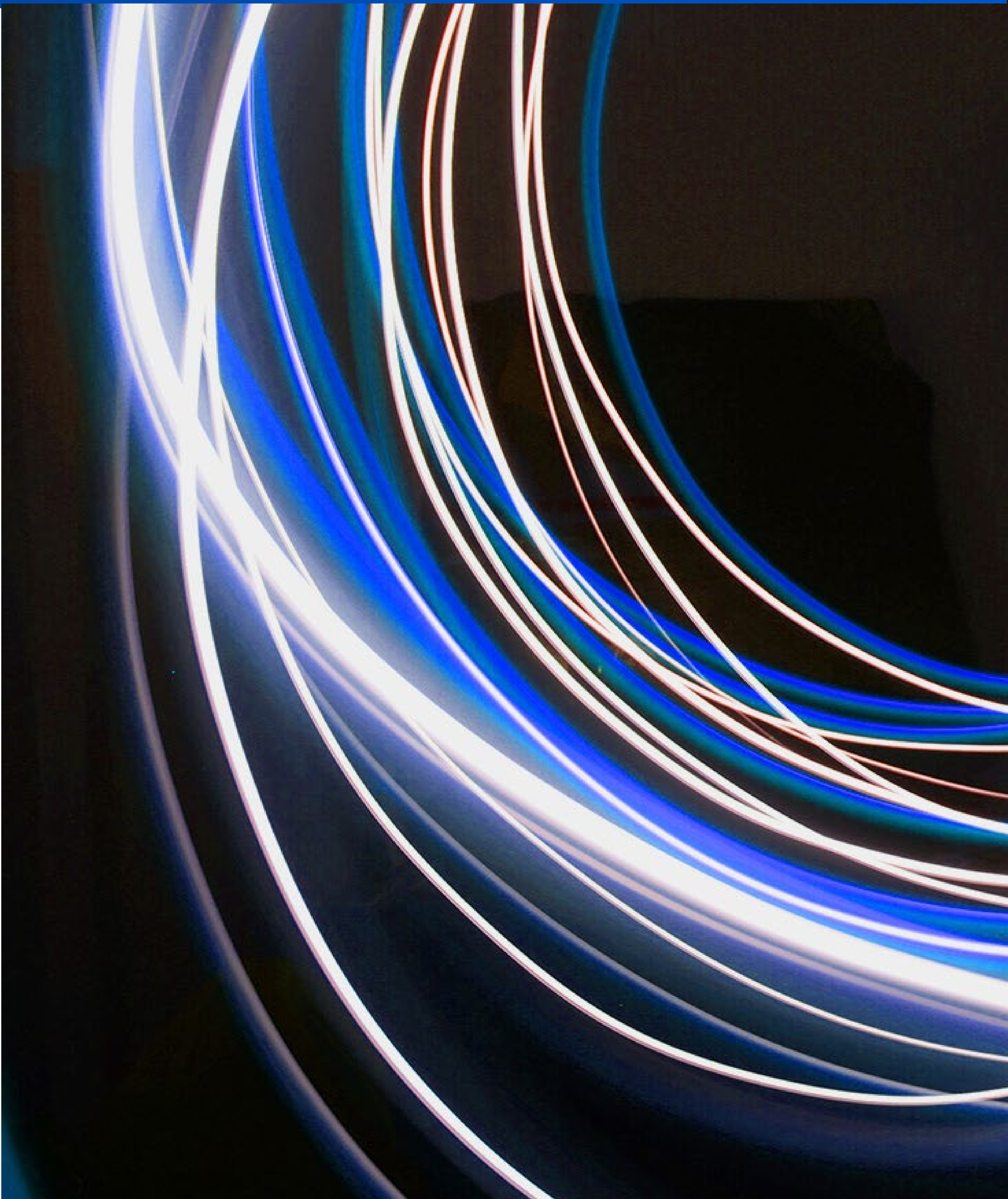
OBJECTIVES AND STRATEGIC DIRECTIONS

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 mobile telecommunication services covered approximately 99.5% of Romania's population. We have 2G, 3G and 4G licenses and we have started providing 5G services in several localities based on our existing radio frequency licence in 3400-3800 Mz.
- 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 and subsequently during 2022 in Belgium we won the new entrant spectrum package in the 5G-auction amoung Citymesh (part of the IT-group Cegeka).
- ***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 the 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 network. In addition to these core markets, we remain open to explore further expansion opportunities in other markets as well. In Q4 2021 our Portuguese subsidiary was awarded the mobile spectrum in the auction. As of the date of this report our joint venture with Citymesh mobile won mobile spectrum rights in the auction organized by Belgian Authorities.
- 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.

Management structure.
Corporate Governance



MANAGEMENT STRUCTURE. CORPORATE GOVERNANCE

Introduction

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

As its shares are listed on the Regulated Spot Market of the Bucharest Stock Exchange and as its principal place of business, center of management and tax residency are located in Romania, the Company applies the BSE Corporate Governance Code, while aiming to comply with as many principles of the DCGC as possible. The Company has provided explanations in relation to those principles of the BSE CGC or DCGC with which it does not comply in Annex 2 and Annex 3 to this report.

Compliance with the Corporate Governance Code of the Bucharest Stock Exchange

During 2021, we continued our efforts to comply with the BSE CGC.

The main principles of the BSE CGC that we did not implement[5] are the following:

- the directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal made by a nomination committee consisting of non-executive directors. Although we have not implemented a specific selection procedure for board members and we do not follow the provisions of the BSE CGC when it comes to the nomination of directors, the corporate governance principles sought by the BSE CGC are achieved as the nomination of director candidates at the Company's level seeks to fulfil a series of requirements and the Class A Meeting upon making a proposal seeks to ensure that the board of directors (the "**Board of Directors**") is composed by members that have the requisite expertise, background, competences and – as regards the non-executive directors – independence, allowing thus the Board of Directors to carry out its duties properly;
- the cash dividend distribution policy is approved by the General Meeting, rather than being approved at the level of the Board of Directors. This setup provides greater shareholder protection by escalating the decision to the General Meeting;
- the president of the Audit Committee is not an independent director, as required by the BSE CGC, however, the majority of the Audit Committee's members are considered independent. In addition, the Audit Committee's terms of reference were developed to incorporate market best practices (these are available for consultation at *https://www.digi-communications.ro/en/corporate-governance*);
- the Company has not yet implemented a specific policy for the assessment of the Board and has conducted only informal self-assessment processes with the involvement of the Audit Committee.

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

Compliance with the Dutch Corporate Governance Code

We acknowledge the importance of good corporate governance. In addition to its compliance with the corporate governance requirements under the BSE CGC (with the exceptions described above), the Company also ensures that it complies with the provisions DCGC, with some exceptions. In particular, the Company does not comply with the following best practice provisions of the DCGC[6]:

- best practice provision 2.1.5 of the DCGC: the Company does not have a diversity policy in relation to the Board of Directors. The desired expertise and background of the candidates are decisive when Board

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

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

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

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

- best practice provision 3.3.2 of the DCGC: Non-executive Directors who are directors in other Group companies or employees of other Group companies may be awarded remuneration in the form of share options. Any such grant of shares as part of share option plans will need to be expressly decided by the Company's general shareholders resolutions and considering the activity under the functions occupied by the Non-executive Directors within the Group companies.
- best practice provision 4.3.3 of the DCGC: which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Director or to remove such a Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. Instead, such resolution can be adopted by the General Meeting with a majority of two-thirds of the votes, representing at least half of the issued share capital. This deviation is meant to avoid vote inefficiencies or blockages upon the appointment or dismissal of any relevant Director.
- best practice provision 3.4.2 of the DCGC: the main elements of the agreement of an Executive Director with the Company have not been published on the Company's website. However, sufficient information was disclosed regarding the remuneration of Directors (see Management - Compensation for directors and managers).

Annex 3 to this report includes a descriptive tablewith respect to the Company's compliance with the BSE CGC.

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

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

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

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

Management

Board of directors

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

Current Composition of the Board of Directors

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

Name	Age	Position
Zoltan Teszari	52	President (Non-executive Director)
Serghei Bulgac	46	Chief Executive Officer (Executive Director)
Valentin Popoviciu	48	Executive Director
Emil Jugaru	49	Non-executive Director
Marius Varzaru	43	Vice-President Non-executive Director
Bogdan Ciobotaru	44	Independent Non-executive Director
Piotr Rymaszewski	58	Independent Non-executive Director

Biographical Details of the Directors

Zoltán Teszári (President and Non-Executive Director)

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

Serghei Bulgac (Chief Executive Officer and Executive Director)

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

Valentin Popoviciu (Executive Director)

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

Mr. Emil Jugaru (Non-executive Director)

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

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

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

Bogdan Ciobotaru (Independent Non-executive Director)

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

Piotr Rymaszewski (Independent Non-executive Director)

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

Senior Management team

The current senior management team of the main subsidiaries of the Group, in addition to the Board of Directors listed above, is as follows[7]:

Name	Age	Position
Dan Ionita	44	Non-executive Director at RCS & RDS and Chief Financial Officer of the Company
Mihai Dinei	53	Non-executive Director at RCS & RDS
Silviu Georgescu	45	Technical Director for IP fixed services, software and security of RCS & RDS
Catalin Neagoe	42	Deputy CEO DIGI Spain
Angel Alvarez	43	Chief Commercial Officer DIGI Spain
Ismael Serrano Casero	47	Chief Technical Officer DIGI Spain
Carlos Sanz Tejedor	50	Chief Financial Officer DIGI Spain
Emil Grecu	45	Director Digi Portugal
Mihaela Toroman	42	Accounts Manager and Treasurer of RCS & RDS and Financial Manager of the Company
Dragos Chivu	51	Managing Director of Digi Italy
Dragos Spataru	46	Managing Director of Digi Hungary (until the disposal of the Hungarian operations on January 3, 2022)

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

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

The Board of Directors is collectively responsible for the Company's general affairs. The Articles divide duties of the Board of Directors among its members. The Executive Directors are responsible for the continuity of the

[7] The list does not include the management positions occupied by the Board members

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

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

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

The Articles provide that Directors are appointed by the General Meeting upon a binding nomination by the meeting of Class A shareholders. The General Meeting may at all times deprive such a nomination of its binding character with a two-thirds majority of the votes representing at least half of the issued share capital, following which the Class A Meeting shall draw up a new binding nomination. When making a nomination, the Class A Meeting shall take into account that the Board of Directors shall be composed such that the requisite expertise, background, competences and – as regards certain of the Non-executive Directors – independence are present for them to carry out their duties.

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

Operation of the Board of Directors

Rules regarding the meetings and the voting

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

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

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

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

During 2021, starting with the date of the previous annual report and until the date of this report, the Board of Directors adopted a number of 38 resolutions, in writing. These resolutions mainly regarded, amongst others, operational decisions such as the appointment of chair and secretary for AGA and EGM, the appointment of the Company's representatives to attend the General Ordinary Meetings of the Shareholders of Digi's Romanian subsidiary, the conclusion of facility agreements and additional documents to facility agreements, the approval of DIGI Group's Hungarian operations acquisition by 4iG and the release of Hungarian subsidiaries from their obligations as guarantors under the facility agreement, the approval of the previous year's annual report and the convocation documentation of 2021 AGM and EGM, the Company's estimated 2021 Financial Calendar, the reappointment of the Company's Secretary, the appointment of the new Compliance Officer, approval of new stock option programmes, and other matters relating to the appointment of external auditor. All meetings were held by telephone conference and the attendance was of 100%. With the few exceptional situations of particular objective conflict of interest, all Board of Directors decisions were adopted unanimously.

The Board of Directors is advised and supported by the Senior Management Team, formed by individuals playing key roles for the Company's subsidiaries in Romania, Hungary (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions*), Spain and Italy, whom do not hold executive positions with the Company. The Senior Management Team is an operational decision-making body of the Company, which is responsible for operating performance of the business and making decisions on certain operational matters. The Senior Management Team comprises financial, accounting and legal specialists. The role of these specialists is to conduct the day-to-day operations and management of the Company, ensure compliance by the Company with applicable legal, financial, accounting, tax and any other relevant regulations, prepare the due filings and reporting incumbent on the Company, and advise the Board of Directors with respect to the daily operations during the Board of Director's decision-making process. The financial and legal members of the Senior Management Team with specific roles within the Company provide continuous support to the Audit Committee and have the duty to prepare and support the relationship and the meetings between the members of the Audit Committee and the external and internal auditors of the Company.

Board committees

The Board of Directors has established two board committees: an audit committee (the "**Audit Committee**") and a remuneration committee (the "**Remuneration Committee**"). The board committees have a preparatory and/or advisory role to the Board of Directors. The Board of Directors from 14 and 15 May 2017 have adopted rules on each board committee's role, responsibilities and functioning. The board committees consist of Non-executive Directors only. They report their findings to the Board of Directors, which pursuant to Dutch law remains fully responsible for all actions undertaken by such committees. Per its Term of Reference, the Audit Committee is to report to the Non-executive Directors separately on its deliberations and findings, if and when so requested in individual cases by the chief executive officer or by two Non-Executive Directors.

Audit Committee – the Audit Committee's activity during 2021

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

Terms of reference of the Audit Committee

Set out below are the main responsabilities of the Audit Committee, as per its Terms of Reference.

The Audit Committee shall assist, supervise, review, advise and challenge the Board of Directors with respect to, *inter alia*:

(a) the integrity and quality of the financial reporting of the Company and its subsidiaries;
(b) the operation of the internal risk-management and control systems;
(c) the provision of financial information by the Company (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company's annual accounts);
(d) compliance with recommendations and observations of the Company's internal and external auditors;
(e) the role and functioning of the Company's internal auditors;
(f) the Company's tax policy;

(g) the Company's relationship with its external auditor, including the independence and remuneration of the external auditor;
(h) the funding of the Company;
(i) the assessment of any situation that may generate a conflict of interest in transactions involving the Company, its subsidiaries and their respective related parties; and
(j) matters relating to information and communication technology.

During 2021, starting from the date of the previous annual report until the date of this report, the Audit Committee held a number of 9 mettings which are documented in 9 minutes. Given the restrictions imposed in order to stop the spread of COVID 19 virus, all meetings were held by telephone conference and the attendance was of 100%.

The Audit Committee activity during 2021 was mainly related to (i) approving auditing services, (ii) financial reporting, where the Audit Committee reviewed and approved quarterly and half-year financial reports, (iii) assessment of particular risk management activities, (iv) reviewing the internal audit activity, mainly with respect to the approval of the annual audit plan and review the implementation of the approved audit plan and its effectiveness, updating the risk assessment, (v) the relation with the external auditor and (vi) the compliance officer's activity.

Remuneration Committee – the Remuneration Committee's activity during 2021

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

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

Terms of reference of the Remuneration Committee

Set out below are the main responsabilities of the Remuneration Committee as per its Terms of Reference.

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

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

    When drafting the proposal for the remuneration of the Directors, the Remuneration Committee shall take note of individual Directors' views with regard to the amount and structure of their own remuneration. The Remuneration Committee shall ask the Directors to pay attention to the aspects as included in the remuneration policy.
(c) preparing the remuneration report;
(d) making it aware of and advising the Board of Directors on any major changes in employee benefit structures throughout the Company or its subsidiaries; and
(e) administering all aspects of any executive share scheme operated by or to be established by the Company.

During 2021, the Company complied with the Remuneration Policy applicable to the Company's Directors as approved by the Company's shareholders' resolutions from 30 April 2020. Neither the Board of Directors nor the Remuneration Committee agreed on or implemented deviating rules or practices. The Remuneration Policy adopted at the Annual General Meeting 2020 was revised pursuant to the Revised European Shareholder's Rights Directive, which was implemented under Dutch law with effect as per 1 December 2019. The most important changes of the revised Remuneration Policy are amendments made according to the implementation of the EU Shareholders Rights Directive indicating the mission of the Company and the objective of the Policy, detailing the remuneration package of the Company's directors by categories of fixed and variable remuneration, as well as presenting the performance criteria and pay out levels of the variable remuneration. Going forward, the Remuneration Policy will need approval from the General Meeting every 4 years.

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

On 30 April 2020 the Board of Directors decided to grant stock options to the Executive Directors of the Company (the ***SOP 6***). 130,000 Class B Shares were designated for the purposes of the SOP 6. SOP 6 vested on 27 May 2021, in line with the vesting schedule established by the General Meeting and in compliance with the performance conditions established by the General Meeting on 30 April 2020.

On May 14, 2020, the Board of Directors decided to grant certain stock options to a limited number of key employees of RCS & RDS S.A. and DIGISOFT IT (the ***SOP 7***). 185,500 Class B Shares were designated for the purposes of the SOP 7. SOP 7 vested in 24 May 2021.

On 18 May 2021, the General Meeting decided to grant stock options to the Executive Directors of the Company and to a Non-Executive Director in consideration of his position in the Company's subsidiaries. 420,000 class B shares were designated for the purposes of **SOP 8**.

SOP 8 was approved for three years (2021, 2022 and 2023) for the Executive Directors and for one year for the Non-Executive Director. For 2021, SOP 8 was granted on 19 May 2021. SOP 8 may vest within one year as of the grant date, subject to the fulfilment of the performance conditions established by the General Meeting, which are described in Annex 5.

On August 24, 2021 the Company approved granting a number of 39,000 stock options to employees of one of the Company's subsidiaries. The vesting date shall be within one year as of the grant date if performance criteria are met (SOP 9).

From the previous annual report until the date of this report, the members of the Remuneration Committee held a meeting on November 15, 2022, which was concluded with the adoption of a remuneration report by undertaking an analysis and preparing an overview on the remuneration standards, ratios and employment related regulatory requirements and conditions applicable at the level of the Company's subsidiaries in Romania, Hungary (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions)*, Spain and Italy, which has been reported to the Board of Directors.

The Board of Directors has, through its Remuneration Committee, prepared a remuneration report for 2021 in line with the legal disclosure requirements – see Annex 5 of this report.

Capital, shares and voting rights

As at December 31, 2021, the authorized share capital of the Company amounts to €11,000,000 (the "**Authorized Share Capital**") and is divided into:

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

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

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

As at December 31, 2021, the issued share capital of the Company amounted to €6,810,042.52 divided into:

- 64,556,028 Class A Shares with a nominal value of €0.10 each in the share capital of the Company; and
- 35,443,972 Class B Shares with a nominal value of €0.01 each in the share capital of the Company.
- DIGI owned a number of 4,409,361 Class A Treasury Shares and 636,226 Class B Treasury shares.

General Meeting

Annual General Meetings

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

Annual General Meetings 2022

The 2022 Annual General Meeting of Shareholders to approve, inter alia, the 2021 statutory consolidated and stand-alone financial statements will be convened simultaneously with the publication of the audited statutory consolidated and stand-alone financial statements issued in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Part 9 of Book 2 of the Dutch Civil Code.

Extraordinary General Meetings

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

During 2021 the Company held an Extraordinary General Meeting in order to appoint KPMG Accountants N.V. as the Company's new statutory auditor for the 2021 financial year.

Place of General Meetings

General Meetings of the Company will be held in Amsterdam or at Schiphol Airport, municipality of Haarlemmermeer, the Netherlands and each shareholder entitled to vote and each usufructuary or pledgee of shares to whom the voting rights accrue shall be entitled to attend in person the general meetings.

In light of the public health risks caused by the COVID-19 pandemic, the Company recommended its shareholders not to attend in person the annual general meeting of shareholders held on May 18, 2021 as well as the extraordinary general meeting held on November 4, 2021. The Company made available to its shareholders the possibility to cast their votes by proxy or via the Evote by ING Bank N.V. The Company published on its website the deed of record of the annual meetings, however, the broadcast of the meetings was not made available.

Convocation notices and agenda

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

The agenda for the annual General Meeting must contain certain subjects, including, among other things, the discussion of the directors' report, the discussion of the applied remuneration, the discussion and adoption of the Company's annual accounts and dividend proposal (if applicable), insofar as this is at the disposal of the General Meeting. In addition, the agenda shall include such items as have been included therein by the Board of Directors or Shareholders (with due observance of the laws of the Netherlands as described below). If the agenda of the General Meeting contains the item of granting discharge to the Directors concerning the performance of their duties in the financial year in question, the matter of the discharge shall be mentioned on the agenda as separate items for the Executive Directors and the Non-executive Directors, respectively.

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

Admission and registration

The General Meeting is usually chaired by the President or the Vice-President. Due to the restrictions pertaining to the COVID-19 pandemic, the 2021 General Meetings were chaired by a deputy civil law notary acting on behalf of the Board of Directors.

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

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

Voting rights

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

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

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

Dividend and distributions

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

Principal shareholder

The Company is controlled by Mr. Zoltán Teszári, our President. He holds a direct stake of 2,280,122 Class A Shares, representing approximately 3.6% of the voting rights in the Company. In addition, Mr. Teszári holds a stake of approximately 90.7% of the voting rights in RCS Management S.A., which in turn holds a direct stake of 57,866,545 Class A Shares, representing approximately 91% of the voting rights in the Company. Mr. Teszári's direct holding represents approximately 2.4% of the economic interest in the Company and RCS Management S.A.'s holding represents approximately 61% of the economic interest in the Company.

The Company has implemented various corporate governance measures as described in section *"Conflict of interest"* from this report.

Conflict of interest

In this respect, starting with 2017, the corporate governance framework includes the Conflict of Interest Policy applicable to the Company's directors together with the provisions of the Articles and the Audit Committee Terms of Reference. Based on the Conflict of Interest framework during the financial year 2021 there were no (potential) conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties, except for a few exceptional situations described in the section "*Rules Regarding the Meeting and the Voting"* of this report. Any potentially conflictual situation or incident are to be solved by members of the Audit Committee who are not in a situation of conflict of interest or by the independent Non-executive Directors who are not in a situation of conflict of interest in accordance with the corporate governance rules of the Company.

Risk management, risks and internal control systems

Risk management

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

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

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

This report states and summarizes in the table below those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the date of this report, and aims to provide reasonably sufficient insight into the most significant failings in the effectiveness of the relevant internal risk management and control systems that the Company has put in place or that need to be further implemented.

Internal audit

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

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

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

The compliance and internal audit functions are independent from the operational units and report directly to the Audit Committee. The two functions have a cohesive, coordinated approach and work together to help the Company manage the risks, strengthen corporate governance framework and improve the operational processes.

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

The Audit Committee has a permanent agenda to cover Internal Audit related topics. For the year 2021 the Audit Committee reviewed and approved the annual audit plan and reviewed the operational initiatives for the continuous improvement of the internal audit function's effectiveness. The Audit Committee constantly reviews the progress against the approved audit plan and the results of internal audit activities, with strong focus on high risks identified and improvement areas that require attention. Audit analyzed the results by risks identified and affected processes, to highlight the improvements in the internal control environment.

The internal audit function continued in 2021 to update and enhance the formal enterprise risk assessment system and to suggest improvement paths for the major issues identified in connection with the activity of the Company. This process represents an ongoing assessment of the overall Company's internal control system, covering the entire range of risks. The operational processes addressed were assessed for risk based on a combination of two criteria: their importance to the Company and the likelihood of a material error occurring in the respective process, as well as from the respective of the risk levels (high, moderate, low).

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

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

During 2021, Internal Audit coverage across all local markets focused on principal risks regarding underground network development, implementation of sale strategy for business and residential clients, computation, verification and approval flow for installation commissions, the process of obtaining permits, approvals and authorizations, monitoring the client's services installation activity and client services troubleshooting, customer service and claims, payroll, treasury, payment process, taxes, CAPEX, general expenses, human resources procedures, facility management and fleet management.

Considering the evolving pandemic situation, the Internal Audit Plan was constantly under review to ensure that the main risks for the Group are captured and the audit work was adapted appropriately to the changing needs of the business for adding value. Based on the work performed by the Internal Audit function the watchlist of the main risks and issues identified is reviewed on regular basis by internal audit, senior management and Audit Committee in order to monitor changes.

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

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

The Internal Audit is responsible for verifying, by means of appropriate evidence, the adequate functioning of the internal control system and detecting the possible inefficiencies or non-compliance with the controls points embedded in the Company's processes. As such, the Internal Audit, as an independent function from the Company's management, should support the Audit Committee in its responsibilities with regards to assurance, risk management and the internal control system.

Risks

In Annex 4 — Risk Factors from this report, as well as in the share and notes risk factors related to the most recent Prospectuses[8] issued by the Company and by RCS & RDS, the Company and RCS & RDS summarized the potential overall risk exposure that could prevent the Company and the Group from achieving their objectives. Through its assessment process, the Board of Directors has identified the primary risk drivers presented in the table below systematized into 5 overall risk categories. The risk drivers refer to significant topics, such as regulatory compliance, legal and litigation risks, business operations or competitive factors.

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

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

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

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

A selective summary of main risks applicable for the year 2021 (and until the date of this report) is referenced below (however, for a complete and in-depth analysis with respect to the Company's risks and operational exposure, we kindly invite our investors and the market to read Annex 4 — Risk Factors from this report, as well as in the share and notes risk factors related to the most recent Prospectuses issued by the Company and by RCS & RDS, the Romanian subsidiary of the Company). The risk appetite of the Company is aligned with its strategy and priorities. Some of the risks and uncertainties the Company faces are outside its control, others may be influenced or mitigated. The Company has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols. This process is to a large extent ongoing. The mentioning of these mitigating actions may not in any way be viewed as an implied or express guarantee that such mitigation will in practice be effective in limiting the risk exposure and/or the potential damage to the Company from any such risk materializing.

[8] The Prospectuses are available at: *https://www.digi-communications.ro/en/investor-relations/shares/archive-shares/listing-materials-shares-arhive* ; *https://www.digi-communications.ro/en/investor-relations/bonds/notes-2025-2028*

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
Preliminary note applicable to all risks mentioned below: The Group is not reasonably able to give clear or exact estimations on the likelihood of occurrence of any of the below risks. However, if materialized, each of the below are medium to high risks from the perspective of the potential (either relatively important or highly significant) impact on the Group's business and operations.		
Risk relating to our business and industry, and related to the countries where we operate	Strategic risks may affect the Group's strategic business plan performance targets and operational and development objectives. The strategic risks to which our operations are continuously exposed relate to, amongst others:	The Group aims to have a (reasonably) responsible appetite concerning strategic and operational risks. By reference to the complexity, unpredictability of such risks and the inability for the Group to prevent the occurrence or ensure complete or successful reaction, for the future, the Company (and its Group) will continue to aim for a reasonably responsible appetite.
	Competition pressure and changes in the client demand, client churn, technological changes, average revenue per unit (ARPU) decrease, opportunistic growth, intensive capital needs, risks exposures for our energy supply business;	From a strategic and management perspective, the Group has so far proven to be relatively efficient in managing its growth and development expectations. However, we cannot guarantee that the significant competition that we face in all our markets and business lines will not encourage the movement of customers to our competitors and thereby adversely affect our revenue and profitability. We cannot benefit from same competitive advantages that our principal competitors in the local markets enjoy, such as greater economies of scale, easier access to financing and more comprehensive product offerings in certain business lines. From a technological and development perspective, we invest significant amounts to upgrade our network offerings, adopt new technologies and increase the network coverage. However, there is no assurance that customers will accept these developments to the extent required to generate a rate of return that is acceptable to us. Additionally, our working capital needs have substantially increased in recent years and we may be required to limit our operations and expansion plans if, for any reason, we are unable to obtain adequate funding to meet these requirements. Our success is closely tied to general economic developments in Romania and Spain and any negative developments may not be

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

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
		offset by positive trends in other markets, potentially jeopardizing our growth targets and adversely affecting our business, prospects, results of operations and financial condition. We did not put in place a mitigation system in this respect.
	Rapid speed of disruptive innovations and/or new technologies within the industry may outpace the Group's ability to compete and/or manage the risk appropriately, without making significant changes to the business model. Failure to prioritize technology initiatives and effectively allocate resources in order to achieve the strategic Group's goals and objectives. The migration to new technologies is not sufficiently analyzed and documented in order to identify the compatibility with existing network elements. Thus, there may be a risk of network malfunctions and/ or additional costs generated to fix the incompatibility. The rollout of 5G will require major investments in the future for acquiring additional spectrum and network construction.	The innovation, exploring the possibility to introduce new technologies and digitalization are front-and-center priorities of the Group. However, the capital constraints may adversely affect the Group's ability to innovate and reduce the pace of introducing new technologies. The Group implemented internal flows for analyzing and testing the proposals for new network development technologies to ensure compatibility with existing network elements. The Group has a competitive advantage as the percentage of core fiber coverage is high and it will not require material investments for 5G rollout.
	The general internal, European and international economic, political and social context, instability of the credit markets, currency risks, our credit rating, general tax matters; including the political and military instability in the region generated by the Russian invasion of Ukraine;	Given its business profiles and presence on a reduced number of countries[10] (Romania, Hungary *-for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions-*, Spain, Italy, Portugal and Belgium), the Group's exposure to these country, market and industry risks cannot be at all times reasonably anticipated or mitigated.
	System failure/ shutdown, termination of main supplier agreements, failure to get sufficient/ appropriate managerial	Customary contractual agreements are put in place to protect the Group. The Group aims to look for alternative supplies and

[10] In Portugal and Belgium licences and/or other assets were acquired, but provision of services to customers has no commenced until the date of this annual report

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
	resources, insufficient insurance coverage, failure of billing, credit control and other operational systems, health risks affecting the mobile site architecture and development, personal data leakage, logistics, quality control, labor relations, information technology, force majeure.	partnership options. However, in some cases, the Group might not be able to have access to sufficient or substitute alternatives. The Group is actively recruiting talent and is actively making use of experienced middle-management. However, given the high specialization of the industry and know-how of skilled professionals, replacing or increasing several functions might not be a timely or successful process.
	IT risks relating to malfunction or disruption in the operational and accounting systems, or cyber-security breaches, could adversely impact the Group's ability to compete in a very active market. The risk of cyber-attacks will continue to trend as one of high to medium operational risks for the Group given the dependence on IT systems and technologies. Also, the cyber risk is constantly evolving in line with technological advances such as teleworking, 5G launch. Failure to protect customer data and ensure service availability could have an adverse impact on customer experience and may lead to financial, reputational and regulatory risks.	The Group invests heavily in IT infrastructure and is actively recruiting highly specialized IT professionals. The majority of software applications were developed internally, this offering the possibility to rapidly react to environment changes which ensure a competitive advantage. Additionally, lower prevalence of external business software and applications ensure control over application source and increased security. The Group constantly implements appropriate technical and organizational measures for ensuring a strong level of security to address the current cybersecurity threats. One of the main objectives is to ensure ongoing integrity, availability and resilience of data processing systems. The Group's Information Security Department is comprised of highly-skilled personnel, being responsible for regularly testing the efficiency of the IT network and applications. The Group monitors the security incidents and security control effectiveness. An incident response procedure was designed and implemented. Nevertheless, we draw attention that such systems cannot provide absolute assurance considering the complex environment of cyber security threats and knowing that cyber fraudster continuously working to develop new and unusual ways to siphon money from companies.
	Adoption of new software-based technologies and continuous digitalization of the Group's process may involve increased cost in transformational projects. There may be	The majority of software applications are internally developed, this offering the possibility to rapidly react to environment changes which ensure a competitive advantage.

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
	encountered difficulties in attracting and retaining skilled software developers.	The Software Department is composed of a team of experts in different programming languages and with wide relevant experience.
	Loss of mobile base stations, fixed stations, data center and other technologies used in providing services to customers could result in a material adverse impact on customers, revenues and reputation. Our resilience plan also extends to wider service platform, including television, online services, energy. Our mobile base stations are subject to possible complaints from other residents from the area which may lead to possible fines from local authorities and the risk of being compelled to move the mobile base station to other location resulting in additional costs and possible adverse impact on service coverage. There should be considered the stringent environmental regulations to reduce radiation from base station may impede with infrastructure development.	The Group implemented resilience and redundancy levels for the technologies used in providing services to customers. Ongoing monitoring systems are implemented for the entire network structure (backbone, fixed fiber optic, mobile and other technologies) in order to increase the resilience levels and to identify improvements opportunities based on lessons learned from past incidents. Back-up solutions are implemented and updated. There are designed internal procedures and controls to ensure that all agreements required by the laws and regulations are obtained before mobile base station construction. Nevertheless, there may be situations when we will face complaints from other residents or instances when not being in full compliance with all applicable laws and regulations considering the complexity and diversity of legal framework.
	Reliance on suppliers for sourcing equipment, network devices, and other components and materials needed for infrastructure development may increase the concentration of risk and conduct to delays in rolling out plans and increased costs. Additionally, poor supply chain management and inefficiencies in managing the suppliers' financing may adversely impact the relations with critical suppliers. The sourcing risks increases during current pandemic, military and, in general, geo-political crises. Changes to national and European regulation regarding security threats could result in increased operating costs determined by changing the sourcing of our main equipment	The Group negotiates agreements with alternative suppliers for reducing the reliance on a single supplier for critical equipment. The cash flow management is closely monitored. Nevertheless, there may be instances when the payment terms are not fully observed. During current pandemic crises the Group focused on obtaining in time the equipment and materials required for driving forward technological advances according with strategic plan. This was possible due to extensive suppliers' network and highly-skilled procurement specialists. Our subject matters experts closely monitor the changes in national and European regulations regarding security threats and the political situation around our key suppliers.

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
	for network development. Also, there may be the risk of being compelled to change part of our existing network that may need additional investments.	
	Failure to deliver the planned technological advances, difficulties in maintaining the service quality delivered to clients, client churn and unrecoverable receivable due to current evolving pandemic situation and potential macro-economic downside risks arising as a result of COVID-19 outbreak. The COVID-19 pandemic situation has impacted and may continue to impact the way how the business is operated, the employees and all partners conducting to an increased risk of uncertainty in achieving the strategic objectives. Increased health and safety risks for Group's employees.	The Group's senior management and the Board was continuously focused in delivering strong results even during pandemic crises by changing the way how the operations are performed in order to ensure a safe environment for employees, clients, suppliers and all other partners. The complementary selling channels were maximized for consolidating the market share. The Group speed-up the process's digitalization and automation for increasing the efficiency and reducing the physical contact. There were implemented work from home solutions for reducing the health and safety risks. The work procedures were under ongoing review for rapid and constant improvement. All the applicable pandemic rules and laws were timely observed and incorporated into Group's internal procedures.
Risk relating to legal and regulatory matters and litigation	Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures. The telecommunications and media sectors are under constant scrutiny by national competition regulators in the countries in which we operate and by the European Commission. We have been in the past, and may continue to be, the subject of competition investigations and claims in relation to our behavior in the markets of the jurisdictions where we operate. Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audiovisual, environmental, health and safety, labor, building and urban	The Group has an adverse risk appetite with respect to legal and compliance risks and requires full compliance. The Company will continue to keep the same (and work to enhance) adverse risk appetite with respect to these risks. The Group aims to take appropriate measures in the event of a breach of applicable laws or the Group's corporate governance regulations. The Group endeavors to stay abreast of changes to legislation and to ensure compliance. The legal in-house teams at the level of all Group companies and the collaborations with independent legal counsels have been constantly increasing for the past years. The Group pursues to strengthen its legal and regulatory team, and to increase in-house and partner education on applicable compliance expectations.

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
	planning, personal data protection and consumer protection laws, regulations and standards. Any increase in governmental regulation of our operations could increase our costs and could have a material adverse impact on our business, prospects, results of operations and financial condition. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operation. Additionally, from time to time we may not be in full compliance, temporarily, with applicable laws and regulations regarding permitting the construction of various components of our network. We have experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits. Certain agreements we have entered into for the purposes of developing our networks, including some of the agreements entered into with electricity distribution companies and public authorities for the lease of the majority of the poles that support our above-ground fixed fiber optic networks, have been entered into with persons whose title to the leased assets or authority and capacity to enter into such agreements were not fully verifiable or clear at the time they entered into the agreement. Additionally, certain agreements for the lease of poles from third parties are and continue to be arranged on the basis of oral agreements or tacitly accepted practices, creating a risk that they could be discontinued in the future. Termination or cancellation of the agreements may result in additional costs for re-execution of such agreements or for the implementation of an alternative solution or, in the worst case, in a loss of business. The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks by third parties and claims based on	

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
	allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network or publish on our websites.	
	The Company is subject to insider trading risks and potential violations of financial supervision laws due to unauthorized sharing of price sensitive information. In the event that any person involved with the Group (whether internal or external) is (alleged of being) involved in insider trading, this might cause significant reputational damage to the Group.	The Group has implemented an insider trading policy and has concluded trainings for the handling of price sensitive information. The Company endeavors to increase awareness of applicable insider trading prohibitions through dedicated non-disclosure agreement and acknowledgement correspondence. Awareness programs are periodically updated for the target groups.
	The Group's employees or any other independent partners or consultants may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on the Group's business. If any actions for violation of regulatory standards are instituted against the Group, and the Group is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of significant fines or other sanctions, and its reputation. If allegations of fraudulent conduct are made against the Group this may significantly impact the Group's reputation.	The Company and the Group subsidiaries was in process of redesigning and extending the compliance framework during 2018 – 2021 by working on the new Anti-bribery and Anti-corruption, Anti-Money Laundering and Conflict of Interest policies and procedures and this process is still ongoing, the compliance framework is being updated and as a result will be submitted for approval revised versions of such policies and procedures. The Company conducted training and awareness campaign for its employees from critical functions in “Code of Conduct”, “Conflict of Interest, Anti-Corruption and Anti-Money Laundering”; the training programs help in setting the ethical culture across the Company and ensures employees understand their role in ensuring compliance. The Group constantly worked in improving the ethical culture across the organization.
	Inadequate information classification standards may lead to security, privacy and data protection issues and failure to comply with GDPR requirements and to adhere to customer permission requirements.	The Group assessed the internal framework for classifying, processing the personal data in order to ensure that the data is collected, processed and stored in line with applicable laws and regulations.

Risk type / category[9]	Description of main risk drivers	Risk appetite. Available mitigations, if any
Risk relating to our financial position	Financial risks include uncertainty of financial return and the potential for financial loss due to capital structure imbalances, inadequate cash flows, asset impairments and the volatility of financial instruments related to foreign exchange and interest rate exposure. Main financial risk drivers relate to: our substantial leverage and debt servicing obligations, applicable restrictive debt covenants, impairment of the ability to draw funds under the existing facilities agreements, ability to generate sufficient cash to service our debt, (in)ability to refinance maturing debt on favorable terms, exposure from derivative transactions.	The Group has a prudent risk appetite with respect to financial risks. The Group's desire is to keep the prudent risk appetite. The management aims to constantly monitor leverage ratios according to the covenants of the Group's facilities commitments and the Notes / Indenture documentation. Based on the current state of affairs, it is justified that the financial reporting is prepared on an ongoing concern basis. The management aims to constantly monitor the optimal financing alternatives for its business plans. The Group has started implementing periodical cash management controls and reconciliations in order to ensure an efficient utilization for daily business needs. The management aims to constantly monitor the efficiency of the derivative instrument and the associated risks. The Company's financial reporting includes those policies that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Code of Conduct

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

Insider trading policy

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

Business Compliance Matters

Compliance framework

In May 2017, the Group implemented a compliance framework (the "**Compliance Framework**"), which consists of the following:

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

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

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

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

(ii) have established a centralized electronic procurement system, which requests a prior approval from Group's legal, accounting and internal control functions for any acquisitions, as well as top management review and approval;

(iii) through the same centralized electronic procurement system, the Group seeks to take into account and closely monitor any payment inflows and outflows (including seeking to ensure that all such payments are properly documented); and

(iv) require that any interactions with government officials be conducted in compliance with applicable law (e.g the Anti-Corruption and Business Ethics Policy provides that the personnel are prohibited from giving or receiving gifts to or from public officials).

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

- **The Anti-corruption and Business Ethics Policy**, which sets the standards regarding business ethics and measures in order to prevent corruption, requires compliance with all applicable anti-corruption laws and regulations, bans bribery and corruption in any form and allows engagement only with business partners with high integrity standards.

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

The Group has implemented an electronic Gifts and Hospitality Register where all employees with access to IT systems must record all gifts and hospitality provided to or received from business partners.

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

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

In line with DIGI Group's Partner Anti-Corruption and Business Ethics Due Diligence Guidance, beginning with 2020, we have conducted the Know Your Partner (KYP) checks and we have established the appropriate risk-based due diligence for Business Partners with whom the DIGI Group conclude contracts or purchase orders in amount of and exceeding €100k. We implemented appropriate measures to reduce the potential identified risks, for example by carrying out a complete Legal Entity Partner Due Diligence Form, by inserting Anti-Corruption and Business Ethics Clauses or by requesting additional information or documents to clarify identified risks.

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

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

The Group uses an electronic format of Conflict of Interest disclosure regarding family members and transactional conflict.

The above-mentioned Policies are applicable to all entities within the Group and mandatory for all our employees, officers and directors and we also plan to strongly recommend our business partners that they adhere to these principles. These Policies are applied through detailed internal procedures. Where appropriate, the procedures are implemented and completed using documents (such as work instructions, internal orders or decision instructions) approved at the level of the Company's subsidiaries in order to incorporate the requirements of local law provisions.

In addition to our global compliance function, in order to comply with the legal provisions and the Group's policies and procedures, every Group department, business unit and employee is responsible for identifying potential risks that may result in violation of the Compliance Framework and for preventing these risks, if possible. Managers of departments and business units periodically report on relevant issues to Digi's Compliance Group. Should any serious irregularity be identified, it is required under the internal procedures and documents to be reported promptly to the Group's top management.

Compliance trainings and communications

Digi's Compliance Group supports all employees to act with integrity and to proactively avoid potential violations by implementing a compliance training program (which is structured according to separate themes, such as anti-corruption and bribery, know your partner, conflict of interest) as well as communication campaigns which are adapted to target groups and based on identified needs, for example the KYP process for procurement employees.

- In 2018, employees from several key procurement departments within the Group received training designed to ensure that they understand the requirements of, and comply with our Compliance Framework.
- In 2019, our global compliance function conducted a series of awareness campaigns regarding insider trading, Code of Conduct principles and anti-corruption rules. All these concepts were presented to the Group's employees and officers in various events such as management meetings or the annual technical meeting. In addition, during 2019, employees and officers of the Romanian subsidiary of the Group, acting in departments and roles considered to have a high compliance and integrity risk, signed an integrity declaration confirming their adherence to the Compliance Framework. Our aim is to further extend the Compliance Framework and also the compliance activities, focusing on awareness campaigns, trainings and controls within the Group.
- In 2020, due to the pandemic restrictions, the aforementioned compliance training program was provided in electronic format, being webinars facilitated by a trainer.
- Furthermore, we launched a video training about the Anticorruption rules applied in the Digi Group. The employees were invited to watch and to listen to the training, and afterwards, they had to answer a multiple-choice question quiz.
- All of the selected employees who took part in the above-mentioned compliance training program have a risk exposure taking into consideration the nature of the activity of each department and function or they are employees who have coordinating or guidance role.
- Also, in 2020 we inserted a brief in the induction program which described anti-corruption and conflict of interest principles and rules and explained how new employees could report and related incidents on induction program. The induction program is addressed to new employees from the Business Sales Department.
- In June 2021, Digi's Compliance Officer led the reassessment of the Procurement Department regarding its anti-corruption measures. The questionnaire, composed of five questions, was based on two articles published in April 2021 on the Digi OneVoice website, under the heading "Ethics and Compliance". All of the employees in the department obtained a score of 100%, proof of the fact that the information in the articles was correctly assimilated and it can be applied during the daily activities carried out at work.

ISO 37001:2016 Anti-Bribery Certification (SR ISO 37001:2017)
Since July 2021, RCS & RDS, the Company's subsidiary, has been certified in terms of ISO 37001:2016. This accreditation certifies that the measures and procedures implemented in the field of Anticorruption and Business Ethics by the Digi's Compliance function Group are in line with international good practices, and that the Company's Anti-Bribery Management System is applied in compliance with the ISO 37001:2016 Standard.

The purpose of the Anti-Bribery Policy, certified and implemented within the Digi Group, as well as the Management System is to support the organization to: avoid, or to reduce the risks or the possible costs and damages of involvement in bribery actions; to promote trust in trade negotiations; to improve its reputation.

Any suspected or potential breaches of the above policies can be reported by the Group's officers, directors, employees and contractors by e-mail at *grup.conformitate@digi-communications.ro*. Furthermore, through *Anti-Corruption and Business Ethics Clauses* included in contracts, and Digi Group's Commitment to Anti-Corruption and Business Ethics which is provided to any business partner at the beginning of a new relationship the Group encourages all of its business partners to report any concerns about business ethics by emailing to *grup.conformitate@digi-communications.ro*. In this respect, reports should be as detailed as possible in order to facilitate an appropriate decision about next steps, which may include further internal investigation and/or reporting of the matter to relevant external authorities.

Potential violations of these policies will be investigated as appropriate by Digi's Compliance Group and substantiated violations will result in remedial action. There is no policy implemented for remedial action considering the divers nature of potential violations. In case of a violation the specific legal provision will be applied as provisioned by the laws. Where appropriate, the Group may also recommend potential violations be reported to relevant law enforcement and/or regulatory authorities.

Environmental and Social Responsibility

INTRODUCTION

For over 27 years, DIGI Group has contributed to the increase of the digitization and development of the markets where it operates, by providing accessible connectivity to the European consumers. During this period, DIGI Group, with its subsidiaries from Romania, Hungary[11] (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions)*, Spain, Italy and Portugal, have established, with great responsibility, a sustainable vision on the future of connectivity, expressed by constant investment in infrastructure and in the latest technologies, by people empowerment, best quality of services, provided at the most accessible prices on the market, as well as in customer care and citizenship.

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 information 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 2016, figured in GRI content index table, at the end of the Chapter.

NON-FINANCIAL KEY FIGURES[12]

			Measure	2021	2020
Environment	Total energy consumption		GWh	316,480	250,413
	Energy saved from initiatives		GWh	0,372	N/A[13]
	Total waste generated		Tons	2,141.04	311.08
	Selectively collected waste *		%	100	100
Our people	Employees		number	15,114	14,933
	Average training hours		number	0.98	0.86
	Women in management positions **		%	30.71	40
	Employees from vulnerable groups		number	50	50
Our community	Total Community Investments ***	$a = b + c$	EUR	120,414	2,086,976
	Money	b	EUR	50,456	174,166
	In-kind ****	c	EUR	69,957	1,912,810
	Time *****		Hours	2,350	4,455

** For details regarding the waste categories, please refer to the table at page 47*
*** This is defined as senior and middle management positions*
**** Cumulated sponsorships and donations signed in Romania, Hungary, Spain and Italy.*
***** Electronic communications services – mobile data, voice and fixed telephony and products; The variation in the value of the investments in the two years is due to the fact that, in 2020, DIGI supported the medical system, by donating medical equipment to hospitals, which were overstretched in terms of facilities, due to the high flow of patients that fell ill during the COVID-19 pandemic.*
****** Hours counted for employees involved in volunteering, including blood donations.*

[11] All information concerning Hungary represents data reported up to November 30, 2021.
[12] The data included in "Environment" and "Our people" segments is reported at Romanian operations level, while the data from" Our community" is reported at Group level.
[13] During 2021 new indicators were monitored, hence for 2020 this appears with N/A.

Cybersecurity

For 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, will always find prompt guidance and support from our company's specialist teams.

Through cooperation with relevant authorities and educational institutions, we are contributing 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 2013, 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;
- Always delivering technical solutions for optimizing projects to the internal team in charge with network and devices protection of cyber-attacks;
- Encouraging research and development teams involved in creation of future services and products;
- Continuous cooperation with authorities to set-up cybersecurity framework and ensure safe services for clients and employees.

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 of the Romanian subsidiary 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 to the Romanian 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.

At DIGI Hungary level (*for details regarding the sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic directions)* all the employees participated, in 2021, 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 them 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 always adapts, 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, on all markets, is committed to the dialogue with stakeholders, for the benefit of the customers underlining the benefits of the technological advance.

We believe that, in addition to these aspects, it is very important to try to continually educate all those involved (both data subjects and data controllers) on the principles of safety and data processing and their importance, regardless of field and expectations, as well as on customers' expectations that exceed third parties' wishes to access the data.

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

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

Complementary, we have incorporated 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)

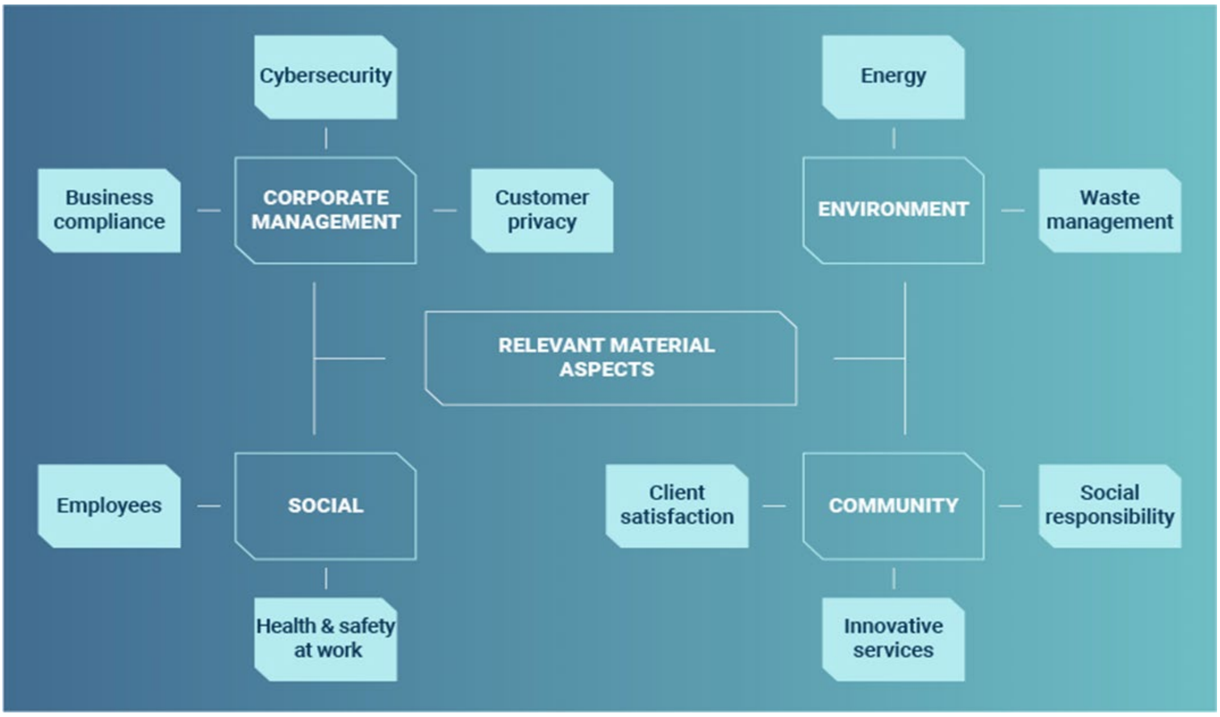
Material topics identified in previous year were also relevant in 2021.

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 analysing general trends in the sector and also on analysing 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 analysed and prioritized, emphasizing the actual or potential impact and the general approach that DIGI Group has about these topics;

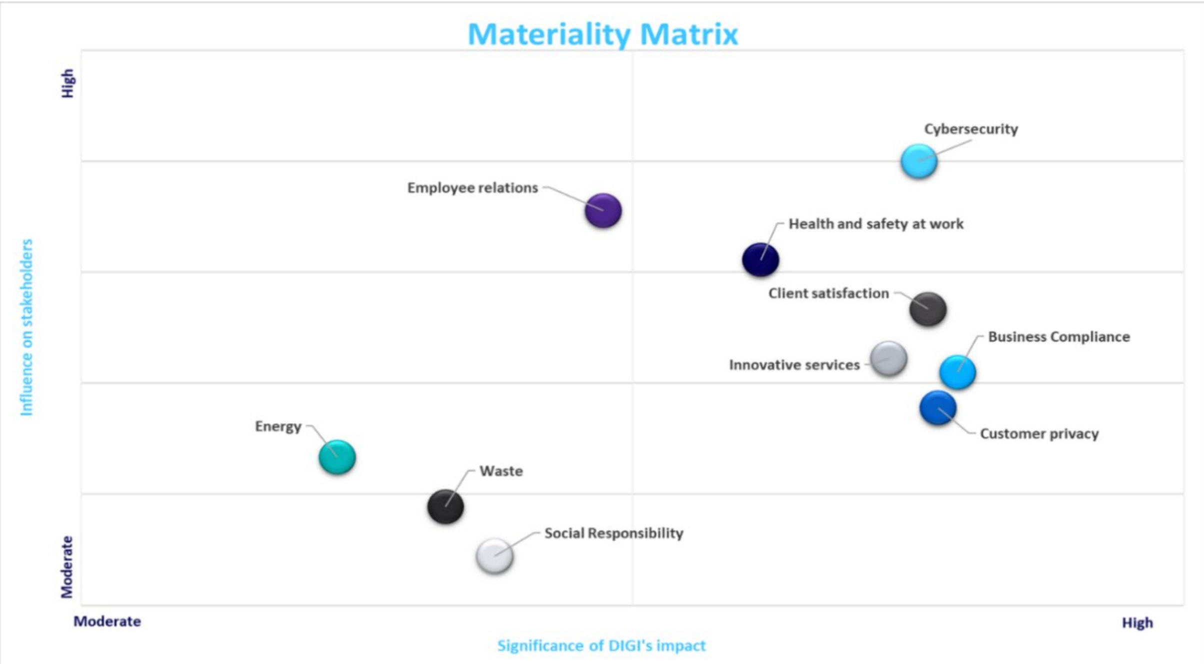
Stage 2: Out of the 15 material aspects identified, **10 most relevant material aspects** were prioritized, according to their **perceived impact on DIGI Group activity and potential influence on stakeholders**.

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).

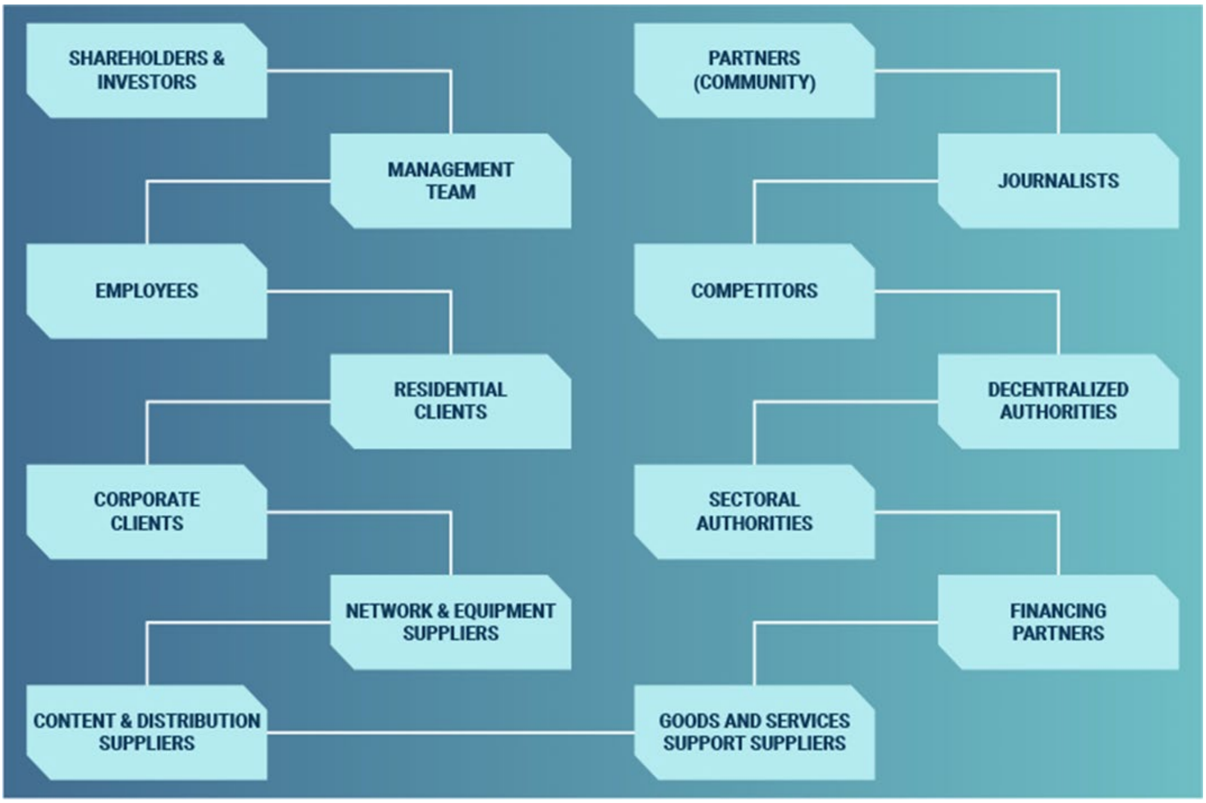
STAKEHOLDERS

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 Communications & CSR and HR Departments.



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 PR and HR teams from Hungary and Spain. In 2021, Communication and HR 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 centre, 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 a reputable consulting firm, DIGI is on the second place 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. Moreover, we will further assess our internet and data services development and access to state resources like spectrum/ national networks and grids etc.

Journalists and mass-media represent important stakeholders and the company has built, in the last period, a relationship based on transparency, pro-activity and constant cooperation. DIGI Group published in Romania, 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. Since several years ago, DIGI Group has established an open and supportive relationship with NGO's, foundations and local authorities, participating in events, summits and work-groups on different sustainability and social responsibility themes (diversity, social environment and education, positive business, community welfare).

AWARDS AND RECOGNITION

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

ENVIRONMENTAL MATTERS

DIGI Group's activity is subject to environmental laws and regulations and the company is constantly trying to reduce the environmental impact of its operations on all the markets where the group operates (Romania, Hungary, Italy, Spain, Portugal during 2021 and starting 2022 in Belgium). These laws and regulations enforce, among other things, the management and disposal of hazardous materials and waste, air emissions, water discharge and the clean-up of contaminated sites.

In 2021, only one case of non-compliance with the applicable legislation on waste management in Romania was reported to us by the authorities, in regard with sparate collection of waste. The situation was quickly remedied by our team. Further, our teams have worked to put in place and improve effective general internal environment policies and procedures[14] targeting compliance with local regulations and, where necessary, EU regulations, as follows:

- *Procedure on the identification of the environmental aspects and the associated impacts* that mainly focuses on exhaustively identifying the environment aspects that are related to the ongoing activities of operations, on collecting data about any relevant environmental aspect, setting up proper documentation and mechanism to enhance compliance and conducting internal investigations to verify compliance. The Romanian subsidiary, RCS & RDS has drawn up and adopted an Environmental Management Program under which were established objectives regarding the reduction of the impact of the company's activity on the environment. Based on this program the company is monitoring the environmental aspects and takes informed decisions for their effective management.
- *Procedure on the Emergency Situations and the Capacity to Respond to Emergency Situations* that *identifies* the critical points that might generate harmful impact over the environment, based on the environmental challenges identified through the Procedure on the identification of the environmental aspects and the associated impacts.
- *Procedure on waste management* that mainly focuses on identifying main waste streams generated by our activities significant waste that connects to our activities and instructing our employees to follow the approved Plan for the waste management. Based on this procedure, electrical and electronic equipment, that is no longer in use, and was returned by our customers, is collected and handed in for recycling. RCS & RDS also notifies, on a monthly basis, the *Romanian National Administration of the Environment Fund* of the quantity of the equipment and packaging categories it introduces on the market from other countries (e.g. paper & cardboard, plastic or wood packaging – pallet).
- as well as the several notifiable categories of ancillary packaging.

Energy

The above-mentioned internal procedures follow the SR EN ISO 14001:2015 recognized management system. We have been working on updating and fulfilling these procedures since the beginning of 2018. RCS & RDS, the Group's main subsidiary, has an internal department particularly dedicated to preparing due environmental procedures and putting into effect compliance activities.

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

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

Other relevant environmental considerations arising from our operations also include the potential risk for electromagnetic pollution. RCS & RDS uses various network infrastructure strategies in order to achieve radiation emission ranges that are lower than the maximum levels permitted by applicable Romanian regulations. Where requested under the relevant planning certificates, we have also obtained or are in the process of obtaining certificates from the public health authorities of each county where we install mobile telecommunication base stations that we are complying with accepted electromagnetic radiation standards in our mobile telecommunication activity. As a result of these activities or operations at our sites, DIGI Group could in the future incur costs or additional liability. See Annual report, "Annex 4 —Risk Factors—Failure to comply with existing laws and regulations or the findings of

[14] The procedures above are in regard with the operations located in Romania.

government inspections, or increased governmental regulation of our operations, could result in substantial additional compliance costs or various sanctions or court judgments."

Policy and guidelines for environmental management

Energy

Energy, alongside the frequency spectrum and the equipment and technologies we use to produce and deliver services to customers, is one of the core resources used in our day-to-day operations. We understand that without this important resource, it would be impossible to develop projects and we would not be able to reach every device connected to our networks with internet, cable TV, fixed and mobile telephony. Significant amounts of energy pass through our data centres and network components.

Energy consumption

Indicators[15]:

	Measure	2021	2020
Non-renewable fuel			
Diesel	**GWh**	85.29	74.33
Petrol	**GWh**	2.73	6.23
Natural gas	**GWh**	9.60	8.88
Electricity, heating and cooling			
Electricity *	**GWh**	410,285	349,763
Heating & cooling	**GWh**	N/A	N/A
Electricity sold **		191,425	144,233
Total energy consumption***	**GWh**	316,480	250,413

** Total energy purchased, parks production and total energy purchased by parks.*
The variation concerning the energy consumption is due to the 2020 pandemic circumstances (e.g. work-from-home activity, decreased activity in the headquarters and stores.)
*** Sale to customers and suppliers*
**** Sum of total energy consumption from non-renewable fuel and electricity, heating and cooling, minus electricity sold.*

Energy efficiency

We devote particular attention to rational electricity consumption, green energy production - through our own photovoltaic panel parks, to the study of energy-efficient equipment and the modernization and optimization of energy consumption at our sites.

For several years now, RCS & RDS, the Romanian subsidiary, has been moving from a system based on CATV and Internet signal distribution boxes in the stairwells of power-supplied blocks, to a passive distribution system based solely on fiber optic. This new system is both much more efficient in terms of signal and internet strength, and also greatly reduces electricity consumption.

Over the recent years, there has been a technological transition towards 5G, at the moment the internet speeds have been upgraded from 100 Mbps to 10 Gbps in certain areas.

This significant improvement in service could have resulted in an increase in consumption, but due to the careful selection of equipments, air conditioning systems and power paths, energy consumption has been minimally affected.

One investment in this domain is the hybrid system for 4G sites. This requires the installation of photovoltaic panels within the site. Although the PV system also operates in the winter, during summer it can reduce electricity consumption from the grid to zero. In Romania, during 2021, we've managed to produce 0.372 GWh as a result of energy generated from green initiatives.

There are currently around 30 4G sites in Romania, which are mainly off-grid locations. For off-grid sites, the photovoltaic system has a major influence, directly reducing the diesel consumption of the generator.

[15] The information presented in the table above is concerning Romanian operations.

DIGI Spain improved the energy systems functions in order to reduce consumption: the local headquarters and DIGI's delegations in Madrid Office are using LED sources illumination and centralized heating and cooling system of offices and warehouses to avoid unnecessary expenses.

Employee's mobility

The mobility of our teams, provided by a fleet of company vehicles of various capacities and functionalities, is also a concern, both in terms of economical and environmental-friendly travel, as well as by encouraging responsible driving behaviour. For every part of our business value chain, we are committed to steadily reducing fossil fuel consumption and addressing cleaner and more energy efficient technologies.

DIGI Group teams involved in installation and network development are the ones helping our technical team to achieve their performance indicators, in safe conditions and in timely manner for the clients. Our technical, maintenance, installation and infrastructure development or sales teams from Romania have access to an enterprise fleet of 4,200 passengers and commercial vehicles from different segments. The dimension of our fleet is directly influenced by the expansion of our networks, the increasing needs of the clients and the diversity of professions and operations on our main market, Romania. Cars with start/stop systems have been purchased to reduce fuel consumption in urban areas.

DIGI Group has been working to limit fuel consumption and CO2 emissions. In order to do so, a significant number of the cars in the fleet operate on a start and stop engine system.

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

Our commitment to reduce the environmental impact is reflected in the fact that, as at December 31, 2021 in Romania, 53% of our fleet is represented by vehicles that meet the EURO 6 standards and 69% of the vehicles in our fleet are between 9 months and less than 1 year old (13% less than 1 year old).

As of October 31, 2021, at DIGI Hungary level, 78.04% of the vehicles in the fleet were between 9 months and less than 1 year old.

Waste management

Waste management is a priority in our activities and the Group is committed to contribute to the change of our society towards waste collection, recycling and reuse. We are always seeking to reduce the environmental impact of our activities by complying with environmental legislation and regulations in all markets where we operate. Due to the specific nature of our industry, the management and disposal of materials and waste is one of our priorities. We pay particular attention to waste electronic and electrical equipment and batteries & accumulators and employees are encouraged to support the company's efforts to prevent waste from entering the environment. In 2021, in Romania, many projects started on the environmental area, regarding especially waste management and gathering of the corresponding information in order to report to the authorities.

Out of all the 2021 projects, the most important are:

- Updating the registration number of RCS & RDS in the National Register of Producers of Electrical and Electronic Equipment (EEE) for EEE that we put on the market;
- Launching a campaign to provide all locations, head offices, cash desks and warehouses with containers for selective waste collection and thematic messages to encourage employees to adopt an eco-responsible behaviour;
- Establishing partnerships with OTR (Organisation for the Transfer of Responsibility), Environ Association, SNRB (National Battery Recycling System Association) and Financiar Recycling SA in order to hand over responsibility for the management of equipment, batteries and packaging placed on the domestic market, as well as to achieve the collection rate for WEEE (Waste Electrical and Electronic Equipment), WBA (Waste Batteries and Accumulators) and packaging waste;
- Initiating a project for the collection of small WEEE and WBA in DIGI stores and, simultaneously, creating awareness campaigns on the negative environmental impact of these types of waste;
- Establishing several contracts with authorised operators in order to collect and recycle different types of waste (e.g. tyres, drums, different types of cables) resulting from the company's activity at national level;
- Initiating verification, release and delivery actions to companies authorized to collect and recycle all waste resulting from the operator's activity;

- Working on a project to register all packaging, EEE, batteries and accumulators placed on the market in electronic systems in order to provide detailed reports and evidence to the requesting authorities;
- The development of agreements for the collection and the recycling of WEEE and WBA that we generate in order to achieve the individual objectives imposed by law and to protect the environment;
- Updating waste management procedures for delivered and collected waste for fulfilling our legal objectives established by law.
- Successfully recycling 100% of selective waste collected in DIGI Hungary headquarters and central archive.

Indicators[16]**:**

Waste Code	Description	Total Waste collected (in tons)	
		2021	**2020**
15 01 01	Paper and cardboard packaging	145,80	23,4
15 01 02	Plastic packaging	17,02	8,54
15 01 03	Wooden packaging	3,9	1,28
15 01 04	Metal packaging waste	1,16	N/A
15 01 06	Mixed packaging waste	0,6	N/A
15 01 07	Glass packaging waste	0,26	N/A
07 02 13	Plastic waste	23,12	N/A
08 03 18	Waste printer toner, other than that specified in 08 03 17	3,16	N/A
16 01 03	End-of-life tires	12,69	N/A
16 02 11*	Discarded equipment containing chlorofluorocarbons, HCFC, HFC	1,44	1,44
16 02 13*	Discarded equipment containing hazardous components other than those mentioned in 16 02 09 to 16 02 12 (CRT TV, equipment containing hazardous components)	0,90	1,30
16 02 14	Discarded equipment other than those mentioned in 16 02 09 to 16 02 13 (Telephones, Electric devices)	191,78	180,93
16 06 01*	Lead acid batteries	0,12	N/A
16 06 05	Other batteries and accumulators	2,68	20
17 04 01	Copper, bronze, brass	0,07	6,18
17 04 05	Iron and steel	9,04	25,71
17 09 04	Mixtures of construction and demolition wastes other than those mentioned in 17 09 01, 17 09 02 and 17 09 03	65,8	N/A
19 02 03	Premixed wastes composed only of non-hazardous wastes (non-ferrous metals)	0	0,5
19 12 03	Non-ferrous metal (AL non-ferrous metal)	0,18	1,1
20 01 01	Paper and cardboard packaging	5,13	13,26
20 01 33	Batteries and accumulators included in 16 06 01, 16 06 02 or 16 06 03 and unsorted batteries and accumulators containing these batteries	29,99	11,49
20 01 36	Discarded electrical and electronic equipment other than specified on 20 01 21, 20 01 23 and 20 01 35	1	N/A
20 01 39	Plastic materials	0,1	N/A
20 03 01	Household waste (mixed municipal waste)	1,539.48	N/A
17 04 11	Cables other than those mentioned in 17 04 10 (Data cable, power cable)	85,57	15,95
Grand total:		**2,141.04**	**311,08**

**We use 1,000 kilograms as the measure for a metric ton.*
The waste was delivered to an external specialized recycling company.
All waste was delivered to the final recycler. The data is available only for Romania.

[16] During 2021, a larger waste management system was implemented and new indicators were monitored. Hence, certain indicators from 2020 appear with N/A.

EU TAXONOMY REGULATION

The EU Regulation 2020/852 on the EU-Taxonomy establishes an EU framework for classification of sustainable economic activities. It aims to provide transparency to the market participants and to prevent “greenwashing” by defining classification criteria under which a financial product or activity can be described as “environmentally sustainable”. The EU Taxonomy came into force on 12 July 2020 and the first disclosures in this area are as of 2022 over 2021 with detailed analyses on the taxonomy alignment becoming mandatory in the following years. In accordance with the current regulatory framework, taxonomy eligible and taxonomy not eligible economic activities were assessed only by reference to climate change mitigation and climate change adaptation EU objectives, with further regulatory requirements for other objectives being expected to be issued at EU level in the following years.

In this regard, we included below our preliminary assessment of our taxonomy alignment on three KPIs (Turnover, Capital Expenditure and Operational expenditure). We performed a high-level assessment of our economic activities by reference to the actual list of environmentally sustainable activities defined by the EU Commission[17].

We identified as eligible economic activity the production and supply of solar energy under category 4.1 - *Electricity generation using solar photovoltaic technology* – which was classified within the table below as a Taxonomy eligible.

Moreover, we will further assess our internet and data services for eligibility under the taxonomy considering that our fiber networks are based on energy efficient technologies. For the purposes of the present reporting, they have been included in the non-eligible economic activities.

Group KPIs – 2021	**Total absolute level (000 euro)**	**Out of which:**	
		Eligible economic activities (%)	**Non-eligible economic activities (%)**
Turnover	1,278,270	2.30%	97.70%
Capital expenditure	567,284	0.00%	100.00%
Operational expenditure	(1,095,626)	3.03%	96.97%

EMPLOYEES

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

Our people represent the core strength of the DIGI Group. As an organization, we identify ourselves through each of our DIGI people, while we encourage and support them in their personal development, valuing the individual contribution of each of our more than 21,000 employees on all of our markets. Through each of our subsidiaries we don't just offer a job, we build successful careers. Diversity, loyalty, commitment and entrepreneurship are the cornerstones of a sustainable working relationship. The multitude of career prospects attracts young people to start working at our company.

Experienced professionals and experts in various fields work alongside enthusiastic newcomers, providing mutual support and working together to ensure the individuality of DIGI's way of being and acting.

The year 2021 reconfirmed the importance and vulnerability of a company's most valuable resource: its people. Following the first year of the pandemic, the focus during 2021 has been on recovering operations in an attempt to reconfigure how we operate as close to normal conditions as possible. The occupational health and safety of our people remained a vital concern for the company. In this regard, we continued to conduct a series of specific actions and measures.

We have pursued and intensified our efforts to automate activities, simplify processes and maintain adequate communication with the management team and employees as a whole.

[17] https://ec.europa.eu/sustainable-finance-taxonomy/

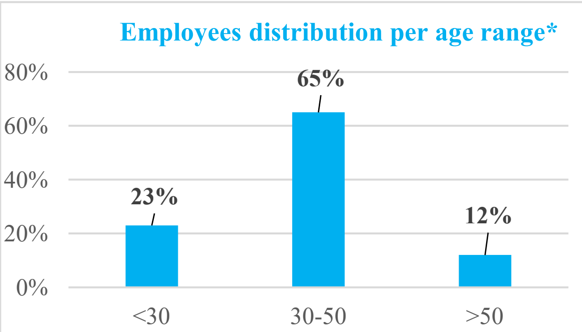
Our people

For DIGI Group, principles such as equality of opportunity and diversity represent the pillar of strong respect, regardless of ethnicity, national origin, gender, age, disability, sexual orientation, education or religion. We reinforce our commitment to recognizing and respecting differences between people, while valuing the contribution each can make to our business.

Considering the technical profile of our business, our objective is to ensure a balanced distribution of workforce based on gender, thus women now represent about 30% of the total number of employees from Romania. There are functions dominated by male employees such as technical ones, but also areas where female employees are in the majority.

Encouraging diversity, we hired employees of different nationalities in our Group, which is noteworthy for any company with local roots.

In terms of the age structure of our employees, in Romania, as of December 31, 2021, we record the following distribution:



**data only for Romania as at 31 December 2021*

Regarding people with disabilities, in Romania, as at December 31, 2021, we have the same number of people belonging to this category as we had the previous year, meaning a total of 50 employees, out of which 22 females and 28 males. In terms of inclusion, we always look for the proper workplace for each of our employees who face different kind of difficulties, so that the rate of dismissal for medical or other type of issues is close to zero. Furthermore, during 2021, we have run several internal campaigns to support some of our employees who had to manage critical personal problems, the majority of which were health-related.

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

While recruiting, the main criterias used within DIGI Group, are exclusively professional: experience, performance and specialization. We never consider information about sexual orientation, religion, ethnic origin or other non-work-related features of our employees' private life. These rules are mandatory and they are clearly mentioned in our Internal Set of Rules. The recruitment process is both external and internal, during which we communicate clearly and formally with the candidates, while giving them all the necessary details.

In terms of opportunities to grow internally, during 2021, in Romania, **a total number of approximate 700 open positions** (including new and existing positions) were occupied by internal employees, as a result of internal recruitment processes. This is one of the most valuable characteristics of our employer brand - the multiple and various internal opportunities.

Regarding **Learning and performance area,** in Romania, training sessions continued online and we were able to run some valuable projects according to the specific needs of 2021. The *helpline* for emotional support, provided for free, by psychologists for our employees since last year remained a valuable resource in 2021. During a period of two months (November-December) we ran an online learning campaign named **Choose to develop yourself**, where **585** participants were presented topics like: emotional intelligence, conflict management techniques, productivity, motivation, working remotely, the effects of stress, feedback, negotiation techniques.

We have sustained 3 sections of articles in our **bi-monthly newsletter,** accessible on the company intranet: **leadership, development and perspicacity.**

Thus, **74 articles were published** dedicated to our employees from Romania, with topics such as: goals, values, productivity, relationship and stress management. The newsletter, which contained the articles, registered 70,587 hits in 2021, with a monthly average of 3,069.

Another significant project, started in 2020 in Romania, continued in a new format, expanding in terms of themes and mentoring contributions across several technical departments.

The learning project run under the title "Technical Academy", which succeeded the "Voice Academy" from 2020, had its first session in July 2021 and continued for eight months, until March 2022. The aim is to develop the specific skills of **30 internal trainees over 8 months**, involving 7 mentors for technical and soft modules and 2 coaches. There are **132 hours of training** dedicated exclusively to this project and, at the end of this programme, trainees learned to provide support to technical teams (fixed and mobile communications, IP/MPLS, CBU, Security, IT/Soft) and some of them had the opportunity to be promoted within those teams in the following months after the completion of the programme.

The Group's subsidiary from Hungary organized in 2021 training sessions through online platforms in order to improve the skills of its employees. There were four training sessions where participants were introduced to topics such as anti-corruption, occupational safety and fire protection, information security and GDPR (which covered the entire company).

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

Indicators:

Total number of employees by country

Country	**2021**	**2020**
Romania	15,114	14,933
Hungary	2,584	3,035
Spain	4,096	2,200
Italy	83	74
Portugal	6	-
Total	**21,883**	**20,242**

Total number of employees by function

Department	**2021**	**2020**
Customer Service	2,874	2,854
Administrative, Purchasing, Logistics	2,047	1,586
Technical	12,054	11,122
Sales and marketing	4,147	3,889
TV	761	791
Total	**21,883**	**20,242**

Employee training		**Total number**
	2021	**2020**
Average hours of training that the organization's employees have undertaken during the reporting period by gender (Hours per FTE) *		
Average hours/FTE	0.98	0.86
Total hours of training that the organization's employees have undertaken during the reporting periods by category*		
Sales	2,393	189
Call Centre	12,106	11,694
Technical	2	3
Complaints	196	427
Other	148	534
Total	**14,845**	**12,847**

**Data refers only to Romania*

Employees by gender and by employee category who received a regular performance review during the reporting period*	Total number	%	Total number	%
	2021	2021	2020	2020
Employees by gender who received a regular performance and career development review during the reporting period				
Female	2,181	47,67%	845	18.7%
Male	4,144	39,32%	3,852	37.9%
Total	**6,325**	**41,85%**	**4,697**	**32%**

	Total number	
	2021	2020
Employees by category who received a regular performance and career development review during the reporting period		
Sales	1,506	-
Technical	3,650	3,520
Call centre	1,104	1,046
Complaints	65	131
Total	**6,325**	**4,697**

**Data refers only to Romania*

Human rights

In terms of human rights, there are detailed and clear statements referring to employees' rights and obligations both in the Internal Set of Rules and in the individual employment contracts, the employees having at their disposal a direct communication channel with the DIGI Group ethics manager to whom they can report any possible human rights violations. In its over 27 years of existence, DIGI Group has built its journey from a local entrepreneurial company to a European player in the field of electronic communications, relying on respect for its employees, customers and partners. The Company's success would not have been possible if its development plans had not shown that one of the priorities was to be a citizen company, which has built the future for hundreds of thousands of families and has offered a better life to thousands of employees.

Our people have always been treated with respect and fairness. DIGI Group way has been based on values like entrepreneurship, free speech and free will, diversity of gender, age, religion, nationality, background, empowerment, trust and inclusion.

The Company has always treated with respect and in a balanced manner the employees and the clients. The principles of The Universal Declaration of Human Rights (UDHR) are transposed into the European and national legislation, according to which the Code of Conduct, Internal Set of Rules and other internal regulations are designed. One aspect that defines us as a Group is the diversity of our people in terms of nationalities. The employees of the Spanish subsidiary are the most diverse in this regard, with more than 41 nationalities registered in the company. Among them are: Spanish, Venezuelan, Peruvian, Colombian, Moroccan, Portuguese, Ecuadorian and Italian.

In 2021, the second year of the sanitary crisis COVID-19, our top management took all the measures to secure the life and health of DIGI's employees in all the territories, to protect their families and loved ones and to provide safe and quality services to clients, no matter in which areas they lived.

Throughout 2021 we have aligned our operations in accordance with the constantly changing legislation, so that we comply with the legal provisions, taking care, first of all, of DIGI's people. We continued to advocate to respect the regulations imposed by the authorities while, in Romania, #amgrijă (#Itakecare) remained a call to action for all those working on the frontline, providing basic goods and services to all the population during the medical crisis.

Benefits offered to employees

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

At our branches in Romania, in seven of our largest cities, **we offer freshly cooked lunches to employees working from offices or on the field.** Regarding healthcare, since November 2021, as a pilot programme, we **have** purchased **medical services for a segment of employees**, and all of them can purchase **medical services at preferential prices**. In addition, we have implemented the program of **granting additional rest** days according to seniority for all group employees. We have also maintained and renegotiated with suppliers a number of better offers for sports and wellbeing activities.

HEALTH AND SAFETY AT WORK

Appreciating employees and their efforts means, above all, providing them with a safe, risk-free, healthy and pleasant working environment to innovate, develop or implement sound professional projects. As a responsible employer, DIGI gives its employees the opportunity to discover the skills that help them grow, individually or as a team, while always taking care of their physical and emotional health. Regardless of seniority, DIGI people know that being responsible means being aware of and preventing any risk to the integrity of oneself or those around.

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

During 2021, we have implemented further steps to update safety and health procedures at work place.

In 2021, in Romania, we implemented a new health and safety procedures according to SR ISO 45001:2018 (recognized management system on occupational health and safety)

Our Romanian subsidiary, RCS & RDS, continued to improve its occupational health and safety (OHS) and environmental protection procedures in accordance with SR ISO 45001: 2018 (recognized management system for occupational health and safety) and SR ISO 14001: 2008 (environmental management) through surveillance audit. Occupational injury and illness risk assessment is a continuous process that underpins the prevention of occupational accidents and diseases. These ongoing reassessments help us to identify the most exposed employees to physical factors in the workplace (e.g. high or low temperatures, working at heights, working near electricity etc.), as well as to develop measures plans to reduce the risks at employees' workplaces.

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

DIGI Group's approach regarding accident prevention is also based on risk identification and management processes that are found in the conduct of Occupational Health and Safety training at the time of hiring (first day of employment), at the workplace, periodically, additionally (after the occurrence of an event in the organization, when the worker is absent for more than 30 days etc.) and on the occasion of mandatory internal authorizations specific to electrotechnical engineering departments, employees working at height and in the vicinity of electrical power and for those that use installations/equipment/tools.

These trainings are intended to make colleagues aware of the risks of occupational injury or illness that they encounter in the workplace, to learn about measures and ways of preventing accidents at work and to effectively apply the appropriate actions presented in the trainings. Nevertheless, the aim is to inform them about the risks encountered in the course of their work, thus preventing accidents at work.

Thus, we train our employees and we invest in technology programs and processes, to guarantee the safety of our facilities and operations, for employees, external stakeholders and the environment.

DIGI Group pays special attention to monitoring labour incidents and closely analyse their causes. As a result of the employee awareness measures, we managed to keep at a low level the severity of the effects of the accidents that occurred during 2021.

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

During the year 2021, in Romania, 41 employees were involved in 41 major accidents. According to the Romanian law on health and safety at work (319/2006), a major accident is a violent injury to the body, as well as acute occupational intoxication, occurring during the work process or in the performance of work duties and causing temporary incapacity for work of at least 3 calendar days, disability or death. All of the cases mentioned above are under investigation by the territorial labour inspectorate. In all the cases, RCS & RDS provided all the financial, medical and psychological support to the employees and their families, confronted to an unpredictable and regrettable situation.

The measures taken by RCS & RDS were, first, informing all employees about the causes of accidents and safety regulations, updating the risk assessment and prevention plan, monthly trainings with work team coordinators by OHS inspectors, and then increasing the number of on-site inspections to verify whether employees are wearing personal protective equipment and to check the level of compliance with occupational health and safety rules.

During 2021, RCS & RDS continued the implementation of the emergency and crisis management system that requires the clear definition of people, workflows, call flows and responsibilities through emergency plans. The Company's Romanian subsidiary prepared simulations for testing the alarm systems and trainings for the first intervention teams, evaluated the capacity of the auxiliary services cooperation, organized the crises management team and its good functioning and the communication lines.

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

In Romania, during 2021, due to the alert status activated by the authorities at national level, the Company's Romanian subsidiary took the following measures at national level to effectively reduce / eliminate the spread of the SARS-CoV-2 virus:

- Adoption of the IPSSM procedure no. 41 - updated - containing instructions for safety and health at work to avoid the spread of SARS CoV-2 virus;
- Providing information, primarily by electronic means, on the risks of infection and spread of the virus, on the protective measures and social distancing rules that apply within the establishment, and on the rules for handling situations where employees or other persons with access to the workplace show symptoms of SARS-CoV-2 infection;
- Training all employees and managers on supervising subordinate staff for the preventive detection of any symptoms that may be identified as specific to SARS CoV-2 infection, in order to prevent infection and/or spread of the virus;
- Adopting the method of periodic training in terms of Occupationall Health and Safety through a teleconferencing platform to protect employees against infection with the SaRS-Cov2 virus and to maintain distance;
- Ensuring the protective equipment (respiratory protective masks, visors and disposable gloves), as well as the provision of disinfectants throughout the activity at its headquarters and for carrying out the activity in the field under the best possible protective conditions;
- Ensuring flexible working hours within each department, so that there is no overcrowding on arrival and departure;
- Implementing the remote working system so that employees can work from home without having to be present in the office.
- Measuring body temperature at the entrance to the company's headquarters and points-of-presence (shops), for the fast and automatic performance of the epidemiological triage;
- Carrying out the mandatory sanitation at least once a week with external services that ensure the specialized disinfection, as well as daily sanitizations with own resources by cleaning every 1 hour all door handles and common surfaces exposed to frequent use by employees;
- Ensuring PCR tests for employees with symptoms or who have been contacts of potentially infected people - carrying out an average of 1,304 tests just in Bucharest, and a couple of thousand in the country, in 2021;
- The field activity is carried out by mobile teams consisting of 2 people, using service machines that are disinfected on a daily basis. The teams had the obligation to wear protective equipment, consisting of protective mask, visor, gloves and to use disinfectants, in order to sanitise themselves and the machines, before and after each intervention at the client.
- RCS & RDS put in place all the recommendations suggested by the health authorities (safety distance marked and traffic flows indications in DIGI's points-of-presence and in office buildings, plexiglass protection for the clients and front-office personnel).

In order to manage the workplace during the sanitary crisis, DIGI Italy implemented several measures, as follows:

- The health and safety team has worked with the RSPP (safety manager) and created a document that defines rules and procedures on how to share office space safely. This document has been communicated through email to all employees and has been uploaded to its local intranet.;

- In addition, the specialized teams have created and published on the office bulletin boards several posters with the mandatory rules during working hours (hand washing, keeping distance, use of mask).
- To understand the emotions of its employees, DIGI Italy conducted a survey on the pandemic and its effects on mental and emotional health;
- A remote working policy for employees was created and implemented. In certain periods, such as lockdown, 100% of them adopted this system;
- Since the green pass was required by Italian authorities for employees working in the office, DIGI Italy helped its employees to better understand and comply with the procedures;
- The subsidiary continued to provide employees with essential sanitary items, such as masks and hand sanitizer, as well as sanitizing meeting rooms and personal offices.

In 2021, regarding health and safety, DIGI Hungary maintained the same regulations as the previous year. Employees were encouraged to work remotely, in order to minimize the spread of the virus and the company provided them license for teleconferencing platforms. In headquarters and working spaces, DIGI Hungary ensured that every employee has access to basic hygiene materials, such as masks and hand sanitizers, while the meeting rooms and shared spaces are regularly disinfected. On January 3, 2022, the Hungarian operations were sold. For details regarding the sale, please see chapter Key Figures, Objectives and Strategic Directions.

In addition to the general measures mentioned above, DIGI Spain offered all employees health and safety training, in collaboration with external specialized agencies.

	2021	2020
Occupational health & safety[18]		
Injury rate (per 200,000 hours worked)	0.31	0.23
Occupational disease rate (per 200,000 hours worked)	0	0
Lost day rate (per 200,000 hours worked)	12	9
Absentee rate (% of total workdays)	0.04%	0.03%
Work-related fatalities	1	3

Employee training on occupational health and safety	2021	2020
Average training hours (Hours per FTE)	12	11.19
Average training investment (EUR per FTE)	212.97	175.9

OUR COMMUNITY

The DIGI community means the millions of customers who welcome us every day into their homes and businesses. The quality of our service is the guarantee of the sustainable vision that we, DIGI, have projected for the future of our business.

Client satisfaction

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

For DIGI Group, customer satisfaction has always been a value which stands at the core of its activity. This matter continued to be a priority in 2021, as the social context caused by the sanitary crisis has not substantially improved, hence, the significant changes in the way employees work remained a key aspect. With a very high percentage of our clients choosing to work remotely again this year, customer satisfaction with our services remained a priority for us and was closely monitored. We are dependent on feedback from our customers, which provides us with valuable information on how we can improve the quality of our services and also leads to the creation of long-term fidelity.

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

[18] The data from the table above concerns Romanian operations.

During 2021, within the Customer Relations Department, RCS & RDS continued the "Welcome Call", a project through which newly installed customers are contacted through a survey and asked for a short feedback in order to analyse the degree of satisfaction related to the installation of services.

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

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

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

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

Measures taken by us to increase operational efficiency

During 2021, as the context of the COVID-19 pandemic has been marked by periods of fluctuation, DIGI Group offered the possibility to all employees to continue working from home (except for employees from the essential departments, who were directly dealing with customers, as well as a part of the media employees, who could not carry their activity in an on-line environment).

In Romania, in order to continue to offer the same high-level quality services to customers, we have improved the digitization process of contracts established a year before. Furthermore, we guided all our clients/potential clients to our site DIGI.ro and we have encouraged online payments.

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

In 2021 we've focused foremost in streamlining and digitizing internal workflows, as follows:

- new features in the IVR in order to identify faster and more accurate the network's failures;
- we offer customers the possibility to upgrade or to add new services directly from the IVR;
- we have designed real-time call and ticket reports to identify and anticipate any customer complaints;
- we've improved the internal CRM tools by adding in new features;
- we've implemented the standardization of procedures and workflows.

During 2021, the number of complaints registered a slight decrease in comparison to 2020, as things settled, while the work-from-home system and online home schooling remained the norm. In Romania, the complaints made by customers are usually divided into categories, depending on the type of service that they relate to.

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

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

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

- clients are able to be informed of the products and the services offered, by accessing the website of the provider;
- customers take into account the information which is available on-line or offered by our sales persons;
- customers can rely on skilled employees to find the best solutions to their problems.

Accessibility to services

DIGI Group's fixed infrastructure in Romania, Hungary and Spain continued to expand, in 2021, in line with the Group's strategy, and also as a response to the still increasing need of broadband internet for millions of users working from home or remotely.

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

DIGI's Group vision of providing connectivity for all, regardless of their background, is reflected in the customized offers it provides to customers. The Romanian subsidiary is adhering to responsible marketing and has special packages in its portfolio for disabled and rural customers.

In 2021, the digital transformation and the safe means of interaction with customers, have been recurring needs, therefore all subsidiaries of DIGI Group have continued implementing measures to make the customer experience even easier, and with reduced health risks. In Romania, electronic invoice activation increased by 41% compared to 2020 along with the online orders, which also increased. In Spain, the design of the invoice has been improved since last year, so that it is easier to read and the essential information is more visible. DIGI Italy launched new offers, at the end of June, consisting of unlimited minutes for calls to national numbers and DIGI numbers in Italy, Romania and Spain, and more mobile data at the maximum speed provided by 4G technology.

Our network quality and reliability have been confirmed by the ability to absorb increasing traffic, both during the lock-down and in the subsequent period. For details about our network coverage and services portfolio, you can also see the chapter *Business Overview***.**

Innovative services

10 Gbps service, the fastest internet service for customers

In 2021, DIGI launched for the first time in Romania, Spain and Hungary the fastest fiber internet service, bringing customers speeds of up to 10 Gigabits per second. By introducing this innovative service to the market, the company marked the evolution towards a new stage of development. With the new service, customers can experience the real-time benefits of the internet of the future – boosted speed for multiple devices connected to the wireless network at the same time, enhanced remote working and online learning experience, superior connection for gaming enthusiasts and instant access to high-quality video content.

WIFI 6 Router

In 2021, DIGI offered to its internet clients a promotion regarding the rental of new router WIFI 6, which offers higher traffic speeds than alternatives, greater signal coverage, improved security standards and reduced device battery consumption This represented the first step in providing superior connectivity for all and limitless access to the internet of the future.

Ultra-HD programs for CATV subscribers

In 2021, DIGI Group continued to provide **4K TV extra-option** that offers to subscribers' access to a broad variety of sports programs and broadcasts in the Ultra HD standard, through its own DIGI 4K channel and Eurosport 4K channel. DIGI 4K broadcasts a mix of content consisting of premium sports (UEFA Champions League, UEFA Europa League, La Liga, Bundesliga, Formula 1) and documentaries. On Eurosport 4K, viewers can watch Grand Slam tennis tournaments, major cycling tours, Summer Olympics, snooker, winter sports and more.

5G connectivity roll-out and new devices

Since July 2019, RCS & RDS – the Company's Romanian subsidiary has made possible the users' access to the most advanced technology of the moment, in the field of mobile electronic communications - the 5G technology. DIGI Mobil 5G Smart network reached in 2021 more areas in Bucharest and 13 other cities in the country. In parallel, RCS & RDS diversified its offer of 5G compatible terminals, proposing a portfolio of 17 models, at the end of 2021, from various brands of mobile devices.

Up-to-date solutions for corporate clients

RCS & RDS - the Company's Romanian subsidiary provides business customers with a variety of solutions, according to their identified needs. As cybersecurity vulnerabilities are becoming increasingly widespread, threatening the integrity and continuity of corporate clients' activities, we've created and offered to the B2B clients two solutions developed to prevent and reject DDoS (Distributed Denial of Service) or DoS (Denial of Service) attacks.

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

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

Social Responsibility

In 2021, the social environment caused by the ongoing sanitary crisis fluctuated between peaceful and turbulent months. Either way, DIGI Group continued to support communities, reaching to those in need and helping the most vulnerable categories – children, families in rural and isolated communities and patients. 2021 was a time when consistency and reliability prevailed.

DIGI Group maintained its social responsibility goals and has taken forward the commitments it pledged to fulfil years ago, thus becoming a pillar of support for the vulnerable by upholding the company's Corporate Social Resposibility axes: **education, digitization to increase the quality of life and social inclusion, health, volunteering and spirit of initiative**.

Considering that online home schooling and work-from-home system remained the general norm in 2021, vulnerable communities still needed a more specific intervention and support from the electronic communications providers. DIGI Group central social mission has not changed and continued delivering the services that all citizens needed to stay connected with their loved ones, with their businesses.

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

1. Revision of *Internal Instructions on CSR projects implementation*; a complementary *Procedure for CSR projects assessment and selection* (which are in the process of approval);
2. Independent assessment of DIGI's community investments (Romania Community Index 2021)
3. Independent assessment of DIGI's CSR initiatives (Romania CST Index 2021);
4. The reporting of the non-financial data in an independent section in the Annual Report which also includes referenced claims in line with the 2016 GRI standards.

Between November - December 2021, RCS & RDS conducted, for the third year consecutively, a study regarding Romanian's perception on responsibility and areas that the company should support through social responsibility activities **– "What does RESPONSIBILITY mean to you?".**

Romanians acquire information and form responsible attitudes towards society in **family (49%), in the community (18%), at school (12%),** or in **all** these situations of **social interaction (17%),** the survey shows. Regarding the **areas** in which **companies should be involved in the future,** the respondents nominated in the first place, the **mass education (41%)**, followed by **health (17%) environmental protection (11%).**

A responsible company in Romania is actively involved, supports its community and contributes to the improvement of education, health and environment. These are the pillars that underpin both a solid sustainable development strategy and a sustainable identity, built in a genuine and conscious manner.

Respondents considered a company to be responsible only when, through its actions and policies, **it supports the community (28%), cares about employees (21%), supports education** (11%) or puts technology at the service of people (7%).

Given the actions that RCS & RDS undertook, **66% of the respondents** to the company's study considered that the social responsibility projects in which DIGI has been involved have brought changes in the community**,** and **84%** rated RCS & RDS as a **"definitely responsible"** or **"rather responsible"** company. Compared to 2020, public perception of involvement in the CSR field activities improved noticeably.

This is shown beyond doubt by the rankings generated by the spontaneous mentions of the company's corporate socially responsible projects. The respondents mentioned the following campaigns: Digi #EDU (donations of connectivity equipment and services for children in disadvantaged areas or remote/rural communities, **27%**), immunisation and prevention campaigns against COVID-19 **(22%)**, and the **DIGI Donates Life** blood donation campaign **(20%)**. The ranking also includes the **DIGI CoRRRner project (9%)**, **Casiopeea - Pink Race** (annual run and walk for women suffering from breast cancer, **6%**), **#amgrijă (5%)**, **Școala fără pauză (The School Without a Break)** campaign, a DIGI FM and Banca de Bine Association partnership **(3%)** and the **Cyber Security** actions **(2%)**.

In terms of the information channels that they had used to find out about the company's projects, **66%** of the respondents mentioned **online means (website, social media platforms)** and **radio (29%)**, followed by **television (5%).** These results show that our actions met the communities needs and expectations, profiling an involved company, with a significant presence in the community.

The survey "What does RESPONSIBILITY mean to you?" was completed online by 1,050 respondents between 23 November and 20 December 2021, at the Group's initiative.

Social actions and campaigns

DIGI's vision regarding corporate social responsibility is based on acknowledging the strength of its actions. Through the projects the company develops, it is preparing for tomorrow by working today. In Romania, Spain and Hungary, DIGI Group's CSR activities were mainly focused on digitisation in order to reduce disparities, increase quality of life and promote social inclusion. Donations of tablets, mobile phones or services for connectivity to the children in communities and vulnerable categories, systematic immunisation actions, helplines and call centre technical support for NGO's providing social services and assistance to isolated or quarantined people, psychological advice to families confronted with panic and fear of uncertainty and initiatives to support youth were among the projects implemented in 2021.

At the beginning of 2022, DIGI subsidiaries from Romania and Spain have been actively involved in supporting people affected by the humanitarian crisis in Ukraine, by providing free of charge connectivity services, such as voice, SMS, mobile data roaming, as well as broadband internet and TV subscriptions in some refugee's camps.

Support for mass education - #DIGIEdu

#DIGIEdu is one of the four strategic CSR axes of the company and an important project in mass-education implemented in Romania. RCS & RDS opened the door for the children from disadvantaged backgrounds to a future in which they can trust their qualities, talent and their chances. The campaign has been implemented in cooperation with local authorities, NGOs with focus on two objectives: supporting school access for children from rural communities and reducing school drop-outs among vulnerable groups during online home-schooling by preventing courses absenteeism.

Actions:

- over 30 digital equipments (laptops, phones, routers and SIM cards) donated to disadvantaged students:
- +100 mobile data subscriptions to students in vulnerable communities in Romania;
- the modernization of a specialized laboratory of the Faculty of Journalism and Communication Sciences in Bucharest;
- Implementation of *Together we are DIGI #DIGIPeople* campaign, through which diversity, inclusion and non-discriminatory conduct was encouraged.

Beneficiaries:

- +200 students in Romania;
- + 60 communities in Romania;
- Over 10,000 employees from Romania and 300,000 reach (TV audience and online visitors).

Digitization for increasing quality of life and social inclusion #DIGIActiv

The future of our society is determined by the level of digitization and the reduction gaps between rural and urban areas in terms of access to information. In long term, RCS & RDS **aims to increase the number of Romanians with digital skills,** but also **to support social inclusive projects through connectivity services.**

Actions:

- 1.288 minutes of psychological support provided to families confronted to panic and fear in the context of the pandemic wave through 2 helplines implemented with Save the Children (Salvați copiii);
- Connectivity services provided in-kind to several NGOs in Romania: United Way Romania, Friends Association, The Door Romania Humanitarian Aid Project Foundation, Friendship Association, Metropolis Philanthropic Foundation, SOS Children Villages, Workshops Without Borders, Council of Institutionalised Young People, DoR Media Association and Grow Up Project Association;
- Tablets and DIGI SIM cards donation for the Romanian Language Day to Embassy of Romania in Madrid, an initiative of DIGI Spain;
- Partnership with Startup Foundry in order to support Media Cyber Security, a competition dedicated to students to promote cybersecurity.

Beneficiaries:

- +100 people who received psychological counselling;
- 705 communities in Romania;
- 13 NGOs in Romania;
- 3 children, winners of the contest organized by the Embassy.

Encouraging volunteering and supporting the initiatives #DIGIBenefit

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

Actions:

- Blood donation campaigns in Romania, Hungary and Italy - DIGI donates life campaign – involving 200 employees;
- Donating 10,000 euros to Rayo Vallecano football team and Cruz Roja (Red Cross) for the delivery of food to needy families in several cities around Madrid, involving 6 employees;
- DIGI CoRRRner project in Romania. From January 2021, DIGI customers and employees who wanted to be ambassadors of environmental responsibility could support the collection of WBA and WEEE through the DIGI store network. DIGI CoRRRner is implemented in the company's headquarters and points of presence, where there are specially designed spaces for the collection of these types of waste;
- DIGI Forest project in Alcobendas (Spain), a reforestation initiative of DIGI Spain, more than 1,000 trees and pollinating bushes were planted in 2021;
- Donation of toys to children who receive hospital treatment in Madrid and Sevilla (Spain) - involving 10 employees;
- Partnership with GRASP – Global Romanian Society of Young Professionals, committed to contributing to the development of young Romanian professionals, partners and communities based in Milan. This collaboration includes art-themed competitions and monthly mentoring events for personal and small business development;
- Employees fundraising for SOS Children Villages of miscellaneous (blankets, toys, clothes etc.) for supporting children in the public care system in Hungary.

Beneficiaries:

- + 600 patients in Romania, Hungary and Italy;
- + 1000 persons in Spain;
- DIGI customers and employees in Romania;
- + 110,000 habitants in Alcobendas (Spain);
- 500 children in Spain;
- local Romanian communities in Milan (Italy);
- disadvantaged children in Hungary.

Health and wellbeing #DIGIWell

Health is a priority for DIGI Group. The Group invests continuously in improving working conditions and ensuring a healthy workplace. Employees are encouraged to adopt preventive attitudes and a healthy lifestyle through blood donation campaigns and participation in sport activities. During 2021, RCS & RDS, the Romanian subsidiary encouraged its employees to get vaccinated against COVID-19.

Actions:

- Providing a mobile vaccination centre for employees and their family;
- 60 employees participating to Casiopeea Pink Cross (running race to support breast cancer patients);
- Child vaccination campaign in Africa, supported by DIGI Spain and La Caixa;
- Hero of the day project – project initiated by DIGI Hungary to support local young athletes;
- Sponsorship of *Together for Cancer-Fighter Children Foundation,* an association that owns special housing, centres and runs camps where children can play and study.

Beneficiaries:

- +700 employees and family members in Romania;
- 14 breast cancer patients in Romania;
- 2,120 children from Africa;
- 250 young athletes in Hungary;
- numerous children that the foundation helps.

The steps taken by DIGI Group in the last three years to increase its presence in the community and the relevance of its involvement led also to the improvement of the public perception of our Company's image. RCS & RDS' progress in meeting social responsibility commitments was also appreciated by the organizers of Community Index 2021, who awarded the company at its first participation Silver Recognition. Community Index is a ranking conducted by an independent agency, which evaluates programs and projects run by companies in Romania to assess their investments in communities. Additionally, DIGI won a Bronze Level Recognition at Romania CST Index 2021. This is the second year in a row that the company has received such an award.

The actions undertaken by DIGI Group in 2021 have proven that solidarity and consistency are the fundamental traits of a socially-responsible company. Its mission remains to be one of the most significant social contributors in the markets where it activates.

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[19] This material references 2016 GRI Sustainability Reporting Standards and where applicable the latest edition of specific standards was used

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.

Dividend Policy

DIVIDEND POLICY

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

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

At the Annual General Meeting of Shareholders, to be held on December 27, 2022, the interim dividend of RON 0.85 per share (EUR 0.17 equivalent) in respect of 2021, approved by the Company's Board of Directors on September 1st 2022 will be submitted for Shareholders' approval. For the calculation of dividends, treasury shares of the Company were not treated as outstanding ordinary shares and were excluded from the number of issued ordinary shares.

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

Group Overview

BUSINESS

Overview

Introduction

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Source: Group and peer reporting*). We are a leading provider of telecommunication services in 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 November 29, 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 January 3, 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 €892.0 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 €1,472.9 million for the year ended December 31, 2021. We have reported Adjusted EBITDA and Adjusted EBITDA margins for continuing and discontinued operations of €523.0 million and 35.5%, respectively, for the year ended December 31, 2021.

We offer five principal types of services (continued 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 January 3, 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 sale 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 and as at June 30, 2021, respectively. 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 network 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 sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions)*, the fixed network 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 €1,472.9 million, respectively. We have historically had robust Adjusted EBITDA and a prudent approach to capital expenditure. Our Adjusted EBITDA was €486.8 million and €523.0 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 15 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 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 January 3, 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 sale 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 sale 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 sale 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 sale 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 (2)	-	**4,992**
Mobile Telecommunication Services	4,177	194	2,972 (3)	324 (3)	**7,667**
Fixed-line Telephony	984	624	165 (2)	-	**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 sale of the Hungarian operations from 2022, please see chapter Key Figures, Objectives and Strategic Directions*). As at December 31, 2021 where we are the largest and respectively, and as at June 30, 2021, 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.

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 sup 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

Sport	Competition	Romania	Hungary	Period
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	✓		2020 – 2025
Racing	Formula One	✓		2020 – 2022
Racing	Moto GP	✓		2020 – 2023
Tennis	WTA	✓	✓	2017 – 2021
Basketball	Romanian Basketball League	✓		2020 – 2023

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 down-link and retransmit these channels as originally packaged (or with subtitles or dubbed), while with certain local providers we receive the channel via terrestrial fiber transmission. As at December 31, 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	73.0 %	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
Percentage of dwellings covered [(1)]	84%	93.7%

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

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

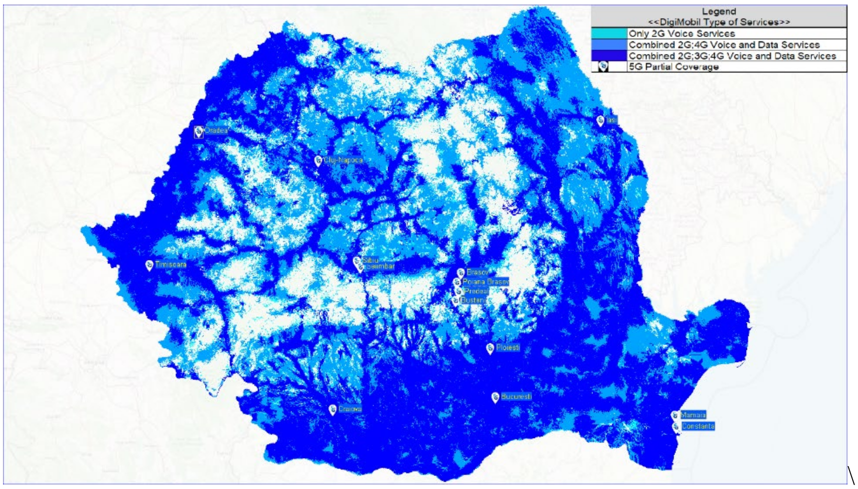
Romania

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 than 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 bandwidths which will allow 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 rolled over 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 December 31, 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.

Annual report

In the annual report the Hungarian operations are presented as discontinued operations, consistent with the presentation in the consolidated financial statements, unless otherwise is stated.

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 of January 3, 2022 the Hungarian operations were sold. For details, please see Recent Developments 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 January 3, 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 discontinued operations (excluding intersegment revenue and other income) of €1,472.9 million, net profit of € 62.0 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 November 29, 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.

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. 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	892.0	809.6
Spain	362.0	274.0
Other (1)	24.3	23.0
Total revenues from continuing operations	**1,278.3**	**1,106.6**
Discontinued operations		
Hungary	194.6	199.6
Total revenue	**1,472.9**	**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	473.4	432.5
Spain	307.5	216.5
Other (1)	26.2	25.2
Depreciation, amortisation and impairment of tangible and intangible assets and right of use assets	288.5	239.3
Total operating expenses from continuing operations	**1,095.7**	**913.5**
Discontinued operations		
Operating expenses	142.7	145.2
Depreciation, amortisation and impairment of tangible and intangible assets and right of use assets	64.5	72.7
Total operating expenses from discontinued operations	**207.2**	**217.8**
Total operating expenses	**1,302.9**	**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 reviewed, 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, 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, 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 reviewed 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 market on which we operate have shown significant economic growth in recent years. In particular, Romania, which accounted for 69.8% and 73.2% of our total revenue from continued operations 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 COVID-19 pandemic which may result in future disruption of market conditions globally and in the markets in which we operate.

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.

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 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 COVID-19 health emergency and the military conflict in Ukraine in global markets 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 external 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 (both continued and discontinued operations)	**20,460**	**18,136**
ARPU (both continued and discontinued operations)	**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[20]		
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**

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 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 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

[20] Hungarian operations were sold in January 2022 and are presented as discontinued operations. For details, please see section *Recent Development* from the current chapter.

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 January 3, 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, amortisation 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, and they are solely derived from the consolidated financial statements. 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 consolidated 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)	**1,472.9**	**1,306.1**
Operating profit	173.0	172.2
Depreciation, amortisation and impairment (2)	353.0	312.0
EBITDA (2)	**526.1**	**484.2**
Other income	(3.4)	-
Other expenses	0.4(4)	2.7(3)
Adjusted EBITDA	**523.0**	**486.8**
Adjusted EBITDA Margin (%)	**35.5%**	**37.3%**
Adjusted EBITDA of discontinued operations	**51.9**	**54.4**
Adjusted EBITDA of continuing operations	**471.2**	**432.5**
Adjusted EBITDA Margin for continuing operations (%)	**32.0%**	**33.1%**

(1) Excludes intersegment revenue.

(2) EBITDA is consolidated operating profit or loss plus charges for depreciation, amortisation 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 sale 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 €523.0 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 US60.8 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% respectively. Our obligations denominated in U.S. dollars are significantly smaller, so the appreciation of the U.S. dollar did not have a major effect on the Group. See *"—Quantitative and Qualitative Disclosures About Market Risks—Currency Risk."*

The following table sets out, where applicable, the period end and average exchange rates for the years ended December 31, 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."*

Depreciation, amortisation 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, amortisation 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, amortisation 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	88.5
Amortisation of non-current intangible assets	31.5	22.1
Amortisation of Subscriber acquisition costs	42.1	35.1
Amortisation 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	72.7
Total	**353.0**	**312.0**

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 and Belgium;
- 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.

The Company did not carry out research and development activities in 2021 and neither in 2020.

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 November 29, 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 625 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 installments for the acquisition of a number of other small telecommunication operators in Romania. 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 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 €1,472.9 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	892.0	809.6	10.2%
Spain	362.0	274.0	32.1%
Other (1)	24.3	23.0	5.4%
Total revenue from continuing operations	**1,278.3**	**1,106.6**	**15.5%**
Discontinued operations (4)	194.6	199.6	-2.5%
Total revenue	**1,472.9**	**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)	122.6	105.8	15.9%
Total revenue from continuing operations	**1,278.3**	**1,106.6**	**15.5%**
Discontinued operations (4)	194.6	199.6	-2.5%
Total	**1,472.9**	**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 €892.0 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 primarily 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, amortisation and impairment) for the year ended December 31, 2021 were €1,302.9 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, amortisation 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	473.4	53.1%	432.5	53.4%
Spain	307.5	84.9%	216.5	79.0%
Other [(1)]	26.2	108.1%	25.2	109.3%
Total operations expenses from continuing operations	**807.2**	**63.1%**	**674.1**	**60.9%**
Discontinued operations [(2)]	142.7	73.3%	145.2	72.7%
Total	**949.9**	**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 €473.4 million, compared with €432.5 million for the year ended December 31, 2020, an increase of 9.5%. 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 (expenses incurred by DIGI Communications N.V.) and for the year ended December 31, 2021 were €26.2 million, compared with €25.2 million for the year ended December 31, 2020, an increase of 4.0%.

Operating expenses from discontinued operations

Operating expenses in Hungary for the year ended December 31, 2021 were €142.7 million, compared with €145.2 million for the year ended December 31, 2020, a decrease of 1.7%. 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, amortisation and impairment of tangible and intangible assets

The table below sets out information on depreciation, amortisation and impairment of our tangible and intangible assets for the 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	88.5
Amortisation of non-current intangible assets	31.5	22.1
Amortisation of Subscriber acquisition costs	42.1	35.1
Amortisation of programme 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**	**72.7**
Total	**353.0**	**312.0**

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

Depreciation from 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 €88.5 million for the year ended December 31, 2020, an increase of 19.4%. This increase was primarily due to the continued development of our networks.

Amortisation of non-current intangible assets and amortisation of subscriber acquisition costs

Amortisation of non-current intangible assets and amortisation of subscriber acquisition costs was €73.6 million for the year ended December 31, 2021, compared with €57.1 million for the year ended December 31, 2020, an increase of 28.9%, this increase was primarily due to an increase in subscriber acquisition costs, as well as customer relationships.

Amortisation of programme assets

Amortisation of programme 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

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%.

Depreciation from Discontinued operations

Depreciation, amortisation and impairment of our tangible and intangible assets for discontinued operations were €64.5 million for the year ended December 31, 2021, compared to €72.7 million for the year ended December 31, 2020, a decrease 11.3%. 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 from continuing operations

We recorded €0.4 million of other expenses and €3.4 million other income in the year ended December 31, 2021, compared to €0.8 million of other expenses and nil other income 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.

For the year ended December 31, 2020, Other expenses include the net result from the sale of Invitel's operations in selected locations, and the net result related to share option plans vested.

Operating profit including discontinued operations

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 including discontinued operations

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 including discontinued operations

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 including discontinued operations

An income tax expense of €22.2 million was recognized in the year ended December 31, 2021 compared to a tax expense of €21.0 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 €62.0 million, compared with a profit of €6.4 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.

The Company 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).

Further information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital as well as quantitative disclosures are included throughout the consolidated financial statements, *Note 24 "Financial risk management".*

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**	**486.2**
Cash flows from changes in working capital (1)	(66.0)	(51.1)
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	-	-

	For the year ended December 31,	
	2021	**2020**
		(€ millions)
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 contract liabilities.

Cash flows from operations before working capital changes were €531.8 million in the year ended December 31, 2021 and €486.2 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	(62.0)	(29.3)
Decrease/ (increase) in inventories	4.6	1.4
(Decrease)/increase in programming assets	(24.1)	(32.5)
(Decrease)/increase in trade payables and other current liabilities	11.6	11.8
(Decrease)/increase in contract liabilities	3.8	(2.5)
Total	**(66.0)**	**(51.1)**

We had a negative change in working capital of €66.0 million in the year ended December 31, 2021. The negative change in 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 €41 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)
		(€ millions)
Network and equipment (1)	309.5	175.5*
Customer Premises Equipment (CPE) (2)	56.8	39.6*
Programme 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)	19.6	54.2*
Other additions to intangible assets	55.9	44.3*
Right of use assets (7)	110.8	115.3*
Total additions to tangible and intangible assets	**765.7**	**551.1**

	For the year ended December 31,	
	2021	2020(7)
		(€ millions)
Differences between capital expenditures for tangible and intangible assets and additions to tangible and intangible assets (8)	(198.4)	(180.0)
Capital expenditures for the acquisition of tangible and intangible assets	**567.3**	**371.1**
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 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.

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

During the year ended December 31, 2021, we acquired tangible and intangible assets for €765.7 million. We had €309.5 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 €56.8 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 programme 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 million from the Incremental Facility signed on 21 July 2021, €50.0 million from the revolving SFA 2020 B Facility as well as €122 million 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. 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 (mainly 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 discounted (€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	574.4	574.7	436.9	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
Total	2,411.5	2,547.0	683.8	210.1	400.5	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 February 5, 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 December 15, 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 years 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 October 7, 2016. The term loan in amount of RON 487,830,000 was drawn on 23 December 2020 and we repaid Facility A from SFA 2016.

The revolving facility in amount of RON 243,915,000 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 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 July 21, 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 July 26, 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 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 HUF 640.0 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 €18.3 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 €74.6 million and contract assets were €59.0 (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	0.72	0.33
Debt to equity ratio		
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	537%	579%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%	85%
Trade receivables turnover		
Average receivables/Revenues	39.34 days	43.80 days
Non-current assets turnover		
(Revenues/Non-current assets)	0.67	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 87% share ownership of RCS Management S.A (economic interest). The Class A Shares have special rights in the Company. For information on the special rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. To summarize, each Class A Share confers the right to cast 10 votes, members of the Board of Directors are appointed and dismissed on nomination of the meeting of holders of Class A Shares, the meeting of holders of Class A Shares holds the right to make proposals to the general meeting of shareholders for remuneration of members of the Board of Directors in the form of shares, certain decisions of the Board of Directors concerning disposal or encumbrance of assets requires the approval from the meeting of holders of Class A Shares and amendment of the Articles of association of the Company which affect the rights of the Class A Shares, require the prior approval of the meeting of holders of Class A Shares.
e. current equity incentive plans adopted by the Company are administered by the Remuneration Committee.
f. no restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles do not allow the Company to cooperate with the issue of depository receipts for shares.
g. the Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights (with the exception of the Relationship Agreement).
h. the rules governing the appointment and dismissal of members of the Board of Directors of the Company are stated in the Articles of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders upon a binding nomination by the meeting of holders of Class A Shares. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles are stated in the Articles and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company. Any amendment of the Articles which affect the rights of the Class A Shares, requires the prior approval of the meeting of holders of Class A Shares.

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

The Company continuously reviews and works to improve the effectiveness of its control and risk systems and as part of that process certain control deficiencies have been identified. Also, certain errors have been identified and corrected in the consolidated financial statements of the annual report. Those corrections are presented in Note 2 of the financial statements. The Company is implementing measures in order to improve control on financial reporting.

Considering the above and in accordance with best practices 1.4.3 from the DCGC, the Board of Directors is of the opinion that:

(i) the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
(ii) notwithstanding the measures that the Company is implementing in order to improve control on financial reporting, the aforementioned systems provide reasonable assurance that that the financial reporting do not contain any (further) material inaccuracies;
(iii) it is justified that the financial reporting is prepared on a going concern basis; and
(iv) the report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

Consolidated Financial Statements for the year ended 31 December 2021

DIGI COMMUNICATIONS N.V.

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION AND PART 9 OF
BOOK 2 OF THE DUTCH CIVIL CODE

FOR THE YEAR ENDED 31 DECEMBER 2021

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GENERAL INFORMATION

Directors:
Serghei Bulgac
Bogdan Ciobotaru
Valentin Popoviciu
Piotr Rymaszewski
Emil Jugaru
Marius Catalin Varzaru
Zoltan Teszari

Registered Office:

Digi Communications N.V.

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Auditors:

KPMG Accountants N.V.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021	31 December 2020	1 January 2020
ASSETS			Restated [1)]	Restated [1)]
Non-current assets				
Property, plant and equipment	5	1,210,941	1,240,712	1,155,469
Right of use assets	6	203,254	252,621	217,898
Intangible assets	7	354,981	276,191	231,511
Subscriber acquisition costs	7	51,489	42,120	34,677
Investment property	5.1	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	11	13,920	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		**1,898,999**	**1,863,784**	**1,691,321**
Current assets				
Inventories	10	18,315	15,241	15,560
Programme assets	7	15,465	18,383	17,557
Trade and other receivables	11	74,637	92,481	72,824
Contract assets	11	59,007	53,274	50,715
Income tax receivable		1,200	-	9
Other assets	12	13,160	12,221	11,883
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		**609,845**	**219,717**	**216,497**
Total assets		**2,508,844**	**2,083,501**	**1,907,818**
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	(20,440)	(29,019)	(32,532)
Retained earnings		242,390	199,029	193,935
Equity attributable to equity holders of the parent		**217,286**	**164,670**	**154,813**
Non-controlling interest	14.2	11,595	8,318	5,820
Total equity		**228,881**	**172,988**	**160,633**
LIABILITIES				
Non-current liabilities				
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	73,192	68,291	62,200
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		**1,432,595**	**1,251,061**	**1,068,003**
Current liabilities				
Trade and other payables	17.1	473,765	466,594	441,080
Loans and borrowings	15	158,852	87,191	130,667
Lease liabilities	16	71,642	70,080	71,516
Income tax payable		1,972	4,584	1,498
Derivative financial liabilities		-	-	785
Provisions	28	6,463	6,005	6,118
Contract liabilities		15,732	24,999	27,518
Liabilities directly associated with the assets held for sale	23.2	118,942	-	-
Total current liabilities		**847,368**	**659,452**	**679,182**
Total liabilities		**2,279,963**	**1,910,513**	**1,747,185**
Total equity and liabilities		**2,508,844**	**2,083,501**	**1,907,818**

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021	2020 Restated and re-presented 1) 2)
Continuing operations			
Revenues	19	1,278,270	1,106,573
Other income	30	3,448	832
Operating expenses	20	(889,978)	(738,830)
Employee benefits	20	(205,648)	(174,606)
Other expenses	30	(417)	-
Operating profit		**185,675**	**193,968**
Finance income	21	189	3,801
Finance expenses	21	(81,898)	(121,147)
Net finance costs		**(81,709)**	**(117,346)**
Profit before taxation		**103,966**	**76,622**
Income tax	22	(19,430)	(18,630)
Profit from continuing operations		**84,536**	**57,992**
Discontinued operation			
Result (loss) from discontinued operation, net of tax	23	(22,526)	(51,577)
Profit for the year		**62,010**	**6,416**
Attributable to owners		*57,838*	*6,015*
Attributable to non-controlling interests		*4,172*	*401*
Other comprehensive income			
Items that are or may be reclassified to profit or loss, net of income tax			
Foreign operations – foreign currency translation differences		1,164	(5,460)
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		-	10,618
Related tax		-	(1,609)
Other comprehensive income for the year, net of income tax		**8,941**	**5,101**
Total comprehensive income for the year		**70,951**	**11,517**
Attributable to owners		*66,601*	*10,927*
Attributable to non-controlling interests		*4,350*	*590*
Earnings per share			
Basic earnings per share	9	0.6099	0.0636
Diluted earnings per share	9	0.6086	0.0634
Earnings per share -Continuing operations			
Basic earnings per share	9	0.8321	0.5744
Diluted earnings per share	9	0.8304	0.5725

(1) The comparative information has been adjusted due to correction of errors, the retrospective application of changes in accounting policies and for comparison purposes. See Note 2.2

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021	2020
			Restated
Cash flows from operating activities			
Profit before taxation from continuing operations		**103,966**	**76,622**
Profit before taxation from discontinued operations		**(19,782)**	**(49,165)**
Adjustments for:			
Depreciation, amortisation and impairment	5, 6, 7	353,033	311,987
Interest expense	21	44,667	51,128
Finance cost		-	13,750
Impairment of trade and other receivables	20	5,219	7,124
(Reversal of) Addition to provisions		(309)	-
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		26,003	40,599
(Gain)/loss on sale of assets		5,448	(2,723)
Cash flows from operations before working capital changes		**531,801**	**486,178**
Changes in:			
(Increase)/decrease in trade receivables, other assets and contract assets		(62,011)	(29,263)
(Increase)/decrease in inventories		4,624	1,393
(Increase)/decrease in programme assets		(24,070)	(32,496)
(Decrease)/increase in trade payables and other current liabilities		11,637	11,813
(Decrease)/increase in contract liabilities		3,815	(2,519)
Cash flows from operations		**465,797**	**435,106**
Interest paid		(40,971)	(45,056)
Income tax paid		(19,505)	(9,369)
Net cash flows from operating activities		**405,321**	**380,681**
Cash flow used in investing activities			
Purchases of property, plant and equipment	5	(346,417)	(268,363)
Purchases of intangibles	7	(146,239)	(28,977)
Payments to obtain sales contracts		(51,065)	(40,418)
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		**13,090**	**(1,312)**
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		7	(3)
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.

The Statement of cash flows is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value.

The Cash flow statement distinguishes between operating, investing and financing activities. Cash flow in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are separately shown.

Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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)	-	-	-	(2,126)	-	-	5,171	**3,045**	808	**3,853**
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)**	**(34,205)**	**7,893**	**(6,220)**	**193,935**	**154,813**	**5,820**	**160,633**
Comprehensive income for the year, restated										
Profit for the year	-	-	-	-	-	-	6,015	**6,015**	401	**6,416**
Foreign currency translation differences	-	-	-	(5,250)	-	-	-	**(5,250)**	(210)	**(5,460)**
Revaluation of equity instruments measured at fair value through OCI (Note 8)	-	-	-	-	-	1,551	-	**1,551**	-	**1,551**
Revaluation of land and buildings	-	-	-	-	8,611	-	-	**8,611**	399	**9,010**
Transfer of revaluation reserve (depreciation)	-	-	-	-	(286)	-	286	**-**	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**(5,250)**	**8,325**	**1,551**	**6,301**	**10,927**	**590**	**11,517**
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)	-	-	-	(774)	(339)	-	12,677	**11,564**	2,404	**13,968**
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**(774)**	**(339)**	**-**	**12,677**	**11,564**	**2,404**	**13,968**
Total transactions with owners	**-**	**-**	**1,250**	**(774)**	**(339)**	**-**	**(1,207)**	**(1,070)**	**1,908**	**838**
Balance at 31 December 2020, restated	**6,810**	**3,406**	**(15,556)**	**(40,229)**	**15,879**	**(4,669)**	**199,029**	**164,670**	**8,318**	**172,988**

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 2021	**6,810**	**3,406**	**(15,556)**	**(40,229)**	**15,879**	**(4,669)**	**199,029**	**164,670**	**8,318**	**172,988**
Comprehensive income for the year										
Profit/(loss) for the year	-	-	-	-	-	-	57,838	**57,838**	4,172	**62,010**
Foreign currency translation differences	-	-	-	986	-	-	-	**986**	178	**1,164**
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	**-**	**-**	**-**	**986**	**(185)**	**7,777**	**58,023**	**66,601**	**4,350**	**70,951**
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)**	(65)	(732)
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**(667)**	**(667)**	**(65)**	**(732)**
Total transactions with owners	**-**	**-**	**676**	**-**	**-**	**-**	**(14,662)**	**(13,986)**	**(1,072)**	**(15,058)**
Balance at 31 December 2021	**6,810**	**3,406**	**(14,880)**	**(39,243)**	**15,694**	**3,108**	**242,390**	**217,285**	**11,596**	**228,881**

NOTES TO THE 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 S.A (Romania) ("RCS&RDS") and respectively DIGI.

The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), DIGI T.S kft (Hungary), Invitel Távközlési Zrt. (Hungary), Digi Spain Telecom SLU ("DIGI Spain") and Digi Italy SL.

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

DIGI's registered office is located in 75 Dr. Nicolae Staicovici Street, Forum 2000 Building, Phase 1, 4th floor, 5th District, Bucharest, Romania.

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

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

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

The Group provides telecommunication services of cable TV (television), fixed 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 21,883 total of employees (2020: 20,242 employees), all the employees are outside Netherlands.

The consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 15 November 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Company are part of the statutory financial statements of the Company. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Part 9 of Book 2 of the Dutch Civil Code.

(b) Consolidated financial statements

These financial statements (consolidated and stand-alone) are the statutory financial statements of DIGI prepared in accordance with the IFRS as adopted by the EU 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 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 Profit or loss as described in the accounting policies under Note 2.3 below.

(d) Going concern assumption

The directors of the Company prepared the 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 237,523 thousand (mainly due to trade payables amounting to EUR 473,765 thousand) and negative working capital (trade receivables plus inventories less trade payables) of EUR 380,813 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 74,637 thousand compared to trade and other payables amounting EUR 473,765 thousand, (out of which EUR 192,086 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 466,594 thousand (out of which EUR 168,394 thousand represented CAPEX suppliers).

During the year ended 31 December 2021, the Group recorded a net profit of EUR 84,536 thousand from continuing operations (31 December 2020: EUR 57,992 thousand) and generated cash flows from operations of EUR 465,797 thousand (31 December 2020: EUR 435,106 thousand).

As at 31 December 2021, the Group had an equity position of EUR 228,881 thousand compared to EUR 172,988 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 thousand (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 405,321 thousand (2020: EUR 380,681 thousand);
- Current liabilities excluding liabilities directly associated with the assets held for sales as at 31 December 2021 were EUR 728,426 thousand (2020: EUR 659,452 thousand);

- Trade and other receivable and contract assets are in amount of EUR 133,644 thousand as at 31 December 2021, compared to EUR 145,755 thousand at 31 December 2020;
- At the date of the approval of these consolidated financial statements, the Group has undrawn facilities in amount of EUR 74,209 thousand;
- Adjusted EBITDA for the year ended 31 December 2021 amounted to EUR 523,040 thousand compared to an Adjusted EBITDA of EUR 486,832 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 thousand as at 31 December 2020, which would allow the Group to cover any urgent cash needs.
- On 3 January 2022 the Company's Romanian subsidiary (RCS&RDS) and 4iG Plc. (4iG Plc.), successfully closed the transaction regarding the disposal of DIGI Tavkozlesi Szolgaltato Ltd. (Digi Hungary) and of its subsidiaries, Invitel Ltd., Digi Infrastruktura Korlatolt Felelossegu Tarsasag and I TV Ltd to 4iG Plc for approximately EUR 624.98 million, representing the value of the transaction. The amount was transferred by 4iG to the Company on the same day.

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 consolidated financial statements, there is no material uncertainty and hence deemed appropriate to prepare these 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 Company stand-alone financial statements applied the RON as functional currency. The impact on these consolidated financial statements is not material.

These 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 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 judgements

In the process of applying the Group's accounting policies when preparing these 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	
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 consolidated financial statements, management made estimates, insofar as many elements included in the 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 Restatement for comparison purposes, Correction of errors and Change in accounting policy

Restatement for comparison purposes

After adoption of the 2020 financial statements, the following restatements have been made for comparison purposes.

i. In the 2020 financial statements, Employee benefits amounting to EUR 174,606 were included within Operating expenses. In the 2021 financial statements Employee benefits have been presented on a separate line in the Consolidated Statement of Profit or loss and other comprehensive income.

ii. In the 2020 financial statements, Subscriber acquisition costs (SAC) amounting to EUR 42,120 were included within Intangible assets. In the 2021 financial statements Subscriber acquisition costs have been presented on a separate line in the Consolidated Statement of Financial Position. The associated cashflows were included within the cash flows from Purchases of intangibles in the 2020 financial statements. In the 2021 financial statements these cash flows have been presented on a separate line (Payments to obtain sales contract) in the Consolidated Statement of Cash flows.

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 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 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 involves less judgment, 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.

We conclude that the fair value uplift that has taken place in 2020 which increased the carrying amount of property, plant and equipment by €325 million, arguably relates to an increase in value that may relate to any of the following years: 2018, 2019 and 2020. This is arguably the case as full revaluations took place in 2012, 2016 and 2020 instead of on an annual basis whilst the underlying assets were subject to significant changes in fair value, thus necessitating annual revaluation as per IAS 16.34.

Determining the fair value of property, plant and equipment is complex and requires significant judgement in applying valuation techniques. Quantifying the appropriate allocation of the fair value uplift to the years 2018, 2019 and 2020 would require the performance of these complex and judgmental valuation techniques for the years 2018 and 2019. During the preparation of the 2021 financial statements, this exercise was considered to be impracticable due to the specific information needed relating to 2019 and 2018.

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

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

	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	-	19,968	217,898
Intangible assets	(a) (i, ii)	268,928	-	(2,740)	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		135,819	-	-	135,819
Total current assets		**216,497**	**-**	**-**	**216,497**
TOTAL ASSETS		**1,923,515**	**(15,252)**	**(445)**	**1,907,818**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Reserves	(a) (i, ii, iii)	(18,536)	(11,870)	(2,126)	(32,532)
Retained earnings	(a) (i, ii, iii)	188,679	85	5,171	193,935
Other equity items		(6,590)	-	-	(6,590)
Total equity attributable to equity holders of the parent		**163,553**	**(11,785)**	**3,045**	**154,813**
Non-controlling interest	(a) (i, ii, iii)	6,224	(1,212)	808	5,820
Total equity		**169,777**	**(12,997)**	**3,853**	**160,633**
Non-current liabilities					
Lease liabilities	(b) (i, ii)	133,537	-	13,411	146,948
Deferred tax liability	(g)	69,746	(2,255)	(5,291)	62,200
Other non-current liabilities		858,855	-	-	858,855
Total non-current liabilities		**1,062,138**	**(2,255)**	**8,120**	**1,068,003**
Current liabilities					

Trade payables and other payables	(f)	460,294	-	(19,214)	441,080
Lease liabilities	(b) (i, ii)	64,720	-	6,796	71,516
Other current liabilities		166,586	-	-	166,586
Total current liabilities		**691,600**	**-**	**(12,418)**	**679,182**
Total liabilities		**1,753,738**	**(2,255)**	**(4,298)**	**1,747,185**
TOTAL EQUITY AND LIABILITIES		**1,923,515**	**(15,252)**	**(445)**	**1,907,818**

	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		52,140	-	-	52,140
Total non-current assets		**2,174,628**	**(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	-	4,008	92,481
Cash and short-term deposits	(c)	10,584	-	(4,045)	6,539
Other current assets		105,456	-	-	105,456
Total current assets		**224,894**	**-**	**(5,177)**	**219,717**
TOTAL ASSETS		**2,399,522**	**(334,199)**	**18,178**	**2,083,501**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Reserves	(a) (i, ii, iii, iv, v)	237,286	(264,307)	(1,998)	(29,019)
Retained earnings	(a) (i, ii, iii, iv, v)	192,900	(794)	6,923	199,029
Other equity		(5,340)	-	-	(5,340)

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

	Notes	As previously reported 31 December 2020	Effect of change in accounting policy	Effect of correction of errors	As restated 31 December 2020
Total equity attributable to equity holders of the parent		**424,846**	**(265,101)**	**4,925**	**164,670**
Non-controlling interest	(a) (i, ii, iii, iv)	26,430	(17,762)	(350)	8,318
Total equity		**451,276**	**(282,863)**	**4,575**	**172,988**
Non-current liabilities					
Lease liabilities	(b) (i, ii)	163,291	-	8,221	171,512
Deferred tax liability	(g)	122,799	(51,333)	(3,175)	68,291
Other long term liabilities	(f)	35,656	-	24,311	59,967
Other non-current liabilities		951,291	-	-	951,291
Total non-current liabilities		**1,273,037**	**(51,333)**	**29,357**	**1,251,061**
Current liabilities					
Trade payables and other payables	(f)	490,905	-	(24,311)	466,594
Lease liabilities	(b) (i, ii)	63,464	-	6,616	70,080
Income tax payable	(g)	2,645	-	1,939	4,584
Other current liabilities		118,195	-	-	118,195
Total current liabilities		**675,209**	**-**	**(15,757)**	**659,452**
Total liabilities		**1,948,246**	**(51,333)**	**13,600**	**1,910,513**
TOTAL EQUITY AND LIABILITIES		**2,399,522**	**(334,199)**	**18,178**	**2,083,501**

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

Consolidated statement of profit or loss

	Notes	As previously reported 2020	Discontinued operations	Effect of change in accounting policy	Effect of correction of errors	As restated and represented 2020
Revenues	(d)	1,281,569	(199,555)	-	24,559	1,106,573
Other income		-	-	-	832	832
Operating expenses	(d)	(1,111,543)	217,844	5,942	(25,680)	(913,437)
Other expenses/Other income		(2,678)	3,510	-	(832)	-
Operating profit		**167,348**	**21,799**	**5,942**	**(1,121)**	**193,968**
						-
Finance expenses		(146,480)	27,366	-	(2,033)	(121,147)
Finance income		3,801	-	-	-	3,801
Net finance costs		**(142,679)**	**27,366**	**-**	**(2,033)**	**(117,346)**
Profit / (loss) before taxation		**24,669**	**49,165**	**5,942**	**(3,154)**	**76,622**
Income tax	(g)	(16,833)	2,412	-	(4,209)	(18,630)
Net profit / (loss) for continuing operations		**7,836**	**51,577**	**5,942**	**(7,363)**	**57,992**
Result (loss) from discontinued operation, net of tax		**-**	**-**	**-**	**-**	**(51,577)**
Profit for the year		**7,836**	**-**	**-**	**-**	**6,415**
Attributable to owners		*7,372*	*48,266*	*5,696*	*(7,053)*	*54,281*
Attributable to non-controlling interests		*464*	*3,311*	*246*	*(309)*	*3,712*

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

Effect on other comprehensive income

	As previously reported 2020	Discontinued operations	Effect of change in accounting policy represented	Correction of error	Restated 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	(6,723)	(2,258)	-	3,521	(5,460)
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings	326,145	(6,280)	(309,266)	-	10,599
Related tax	(48,922)	565	46,767	-	(1,590)
Other	1,551	-	-	-	1,551
Other comprehensive income for the year, net of income tax	272,052	(7,973)	(262,499)	3,521	5,101
Total comprehensive income for the year	279,888	43,604	(256,697)	(3,701)	63,094
Attributable to owners	*267,390*	*40,804*	*(245,539)*	*(3,464)*	*59,191*
Attributable to non-controlling interests	*12,498*	*2,799*	*(11,158)*	*(237)*	*3,903*

Earnings per share

	As previously reported 2020	As restated 2020
Earnings/(loss) per share (EUR/share) basic	0.0780	0.0636
Earnings/(loss) per share (EUR/share) diluted	0.0780	0.0634

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

Consolidated statement of cash flows

	Note	As previously reported 2020	Effect of correction of errors	As restated 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)	(896)	(1,315)
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	(4,045)	6,539

Correction of errors

Please see below the details of 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 overstated 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)	-	(883)
	Subscriber acquisition costs	iv.	-	-	-	2,145
	Inventories	iii.	-	-	-	(5,140)
	Reserves	i.-v.	14,125	2,126	315,636	2,001
	Retained earnings	i.-v.	(85)	(117)	794	(10,911)
	Non-controlling interest	i.-v.	1,212	(808)	17,762	350
	Trade payables and other payables	iv.	-	19,214	-	-
SoPL	Operating expenses	i.-iii.	-	-	(5,942)	(1,796)

	Note	Effect of change in accounting policy represented 2019	Correction of error 2019	Effect of change in accounting policy represented 2020	Correction of error 2020
Other comprehensive income					
Foreign operations – foreign currency translation differences	i.-iii.	4,622	(2,126)	-	2,496
Revaluation of land and buildings	i.-iii.	(20,103)	-	(317,065)	
Related tax	i.-iii.	2,484	-	48,851	

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.

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.

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

	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

		Correction of error 2019	**Correction of error 2020**
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 2020
SOPL	Revenues	24,559
	Operating expenses	(24,559)

e) 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 by EUR 32,496 thousand and cash flows from operating activities were overstated by EUR 32,496 thousand.

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

Erroneously, at 31 December 2020 an amount of EUR 24,311 thousand 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.

(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	-	24,311
	Other long term liabilities	-	(24,311)

g) Deferred tax liability and income tax payable

As a result of the change in accounting policy mention above, the Group recalculated the deffered tax and identified errors in the application of the treatments related to temporary and permanent differences in the categories of tangibles assets, intangibles assets, trade receibales and inventories. Consequently, it was found that at 31 December 2019 the balance was overstated by EUR 5,291 thousand and at 31 December 2020 by EUR 1,236 thousand. 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). Furthermore, the Romanian subsidiary, RCS& RDS, reassessed the income tax calculation for statutory purposes and subsequently to the reporting of the group consolidated financial statements recorded an additional amount of EUR 1,939 income tax payable, as a result of timing difference.

	Caption	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	Reserves	(2,255)	-	(51,333)	-
	Retained earnings	-	(5,291)	-	(1,236)
	Income tax payable	-	-	-	(1,939)
	Deferred tax liability	2,255	5,291	51,333	3,175
					Correction of error 2020
SoPL	Income tax	-	-	-	4,209

2.3 SIGNIFICANT ACCOUNTING POLICIES

This section describes the significant accounting policies applied in the current reporting period that relate to the 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 consolidated financial statements.

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

These 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 consolidated financial statements, taken as a whole, are concerned.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in associates as at 31 December 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 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 5.

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 average exchange rate updated quarterly.

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.

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

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 2020 as this change has been applied retrospectively, 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 Property, plant and equipment 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 it 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 2021 and 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 amortisation 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 amortisation 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	Amortisation 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

Subscriber acquisition costs "Cost to obtain a contract"

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.

Main categories	Amortization period (average)
Costs to obtain a contract	2 years

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 level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. 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.

When 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 Loans and borrowings. In such case, in the consolidated statement of cash flows corresponding cash flows are presented under financing activities. If the payment terms are not extended beyond the contractual agreement with the supplier the related cash flows are presented under operating 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 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 ("CPE")

At each reporting period, the Group recognizes an impairment charge for the carrying amount of the Customer premises equipment "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.

Key assumptions

An assets or cash generating unit's recoverable amount is the higher of an assets 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 and should not be larger than an operating segment.

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

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.

Accumulated paid absences provision ("Untaken Holiday")

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.

(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.

(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 reflect 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 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 summarizes 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

The contract assets primarily relate to the Group's rights to consideration for services completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The Group recognized revenue from promotions, energy and sales in instalments including, but not limited.

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 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 amortisation) 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 profit or loss and other 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.

(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 consolidated financial statements.

- 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.

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

Other standards

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

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- 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).
- 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 consolidated financial statements.

Amendment to IAS 16 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 material impact on its 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 material impact on its 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 consolidated financial statements.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 references 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

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 Judgements - (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 material 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 material 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 5.1)

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.

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.

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

4. SEGMENT REPORTING

31 December 2021	Romania	Spain	Other	Eliminations	Reconciling item	Total continued	Hungary Discontinued	Eliminations	Total
Continuing operations									
Segment revenue	891,983	362,027	24,261	-	-	**1,278,271**	194,632		**1,472,903**
Inter-segment revenues	4,340	659	277	(5,276)	-	-	-		-
Segment operating expenses	(474,332)	(310,669)	(27,387)	5,276	-	**(807,112)**	(142,751)		**(949,863)**
Adjusted EBITDA (Note 30)	**421,991**	**52,017**	**(2,849)**	**-**	**-**	**471,159**	**51,881**		**523,040**
Depreciation, amortisation 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						**185,675**	**(12,637)**		**173,038**
Finance income	40	5	145	-		189	-		189
Inter-segment finance income	5,707	-	99	(5,806)		-	-		-
Finance expenses	(77,808)	(3,557)	(533)	-		(81,898)	(7,145)		(89,043)
Inter-segment finance expenses	(240)	(883)	(408)	1,530		-	(4,276)	4,276	-
Income tax	(20,692)	1,693	(431)	-		(19,429)	(2,744)		(22,174)
Net profit / (loss)						**84,536**	**(26,802)**		**62,010**
Additions to non-current assets	417,742	187,589	65,041	-	-	670,372	60,865		731,237
Carrying amount of:									
Non-current assets	1,506,743	278,308	65,356	-	-	1,850,407	365,936		2,216,343
Investments in associates and financial assets at fair value through OCI	644	-	47,948	-	-	48,592	-		48,592

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

31 December 2020 Restated	Romania	Spain	Other	Eliminations	Reconciling item	Total continued	Hungary Discontinued	Eliminations	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)	(25,865)	3,995	-	(674,109)	(145,186)		(819,296)
Adjusted EBITDA (Note 30)	**379,038**	**55,875**	**(2,449)**	**-**	**-**	**432,464**	**54,369**		**486,832**
Depreciation, amortisation 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	**-**	**-**	**-**	**-**	**-**	**193,968**	**(21,799)**		**172,169**
Finance income	3,309	30	461	-		3,801	-		3,801
Inter-segment finance income	4,139	26	3,171	(7,336)		-	-		-
Finance expenses	(119,901)	(882)	(363)	-		(121,147)	(27,366)		(148,513)
Inter-segment finance expenses	(3,476)	-	(388)	3,864		-	(3,472)	3,472	-
Income tax	(10,860)	(6,155)	(1,615)	-		(18,630)	(2,412)		(21,042)
Net profit / (loss)						57,992	(55,050)		6,415
Additions to non-current assets	327,790	110,782	4,428	-	-	443,000	65,461		508,460
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

**Additions to non-current assets for 2020 have been restated & represented due to the following factors: correct presentation of certain items of equipment and materials used for construction of network (please see Note 2 - Correction of error - Property, Plant and equipment a.iii)); representation of additions of property plant and equipment, between territories, taking into consideration the final place of destination of the assets, representation of construction in progress following a reallocation of additions, transfers and disposals during the year.*

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At 1 January 2021 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)	(28,983)	(9,815)	(4,704)	(1,622)	**(48,876)**
Effect of movements in exchange rates	(1,280)	(1,690)	(17,494)	772	(3,644)	(5,815)	(820)	(416)	**(30,388)**
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	-	-	(3,635)	-	(28,409)	(9,815)	(2,037)	(1,422)	**(45,318)**
Effect of movements in exchange rates	-	(337)	(7,110)	(26)	(1,822)	(3,082)	(654)	(369)	**(13,400)**
At 31 December 2021	**-**	**17,272**	**326,626**	**(108)**	**107,063**	**83,225**	**34,688**	**22,849**	**591,613**
Net book value									
At 1 January 2021 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**	**1,210,941**

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

(**) During the year, we had leasing contracts for which we have fully paid all contractual liabilities and gained ownership of the respective assets. These assets were transferred from Right of use assets into Property plant and equipment, at the moment we have gained ownership over them.

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

	Land	Buildings	Network	Construction in progress	Customer premises equipment (**)	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)	(2,027)	(7)	**(22,793)**
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)	(1,278)	(786)	**(35,181)**
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") includes 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, optical network terminals, mini-nods. See Note 2.3 (c)

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

5.1 INVESTMENT PROPERTY

	Land	Buildings	Total
Cost			
At 1 January 2021	-	-	-
Transfers from Property Pland and Equipment	4,348	4,978	9,327
At 31 December 2021	4,348	4,978	9,327

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

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.

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.

Measurement of fair values

Fair value hierarchy

The fair value measurements of some of the real estate assets have been categorised as Level 2 fair values based on observable market sales data. At 31 December 2021, management concluded that fair value of land and buildings does not differ materially from their carrying amount.

If land was measured using the cost model, the carrying amounts would be as follows:

	31 December 2021	31 December 2020
Cost	**14,126**	**20,259**
Fair value	**18,126**	**27,045**

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

If buildings were measured using the cost model, the carrying amounts would be as follows:

	31 December 2021	31 December 2020
Cost	77,530	91,254
Accumulated depreciation	(15,971)	(19,839)
Net carrying amount	**61,558**	**71,415**
Fair value	**69,818**	**84,260**

Decommissioning provision

Provision for decommissioning costs for the telecom sites was recognized as at 31 December 2021 in amount of EUR 6,171 thousand (31 December 2020: EUR 9,840 thousand). 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 based on Romanian Bond yield rate of 5.4% (31 December 2020: 2.27%), adjusted on yearly basis.

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.

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

6. RIGHT OF USE ASSETS

The Group has lease contracts for various items of land, commercial spaces, network, vehicles and equipment used in its operations.

The carrying amounts of right-of-use assets recognised and the movements during the period are presented below:

	Land	Buildings	Network	Customer premises equipment	Equipment and devices	Vehicles	Total
As at 1 January 2021	**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 property, plant and equipment - 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**

During the year, the Group transferred from ROuA in Non-current assets the amount of EUR 16,545 thousand (2020: nil value).

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

7. INTANGIBLE ASSETS, programme assets and subscriber acquisition costs

7.A. NON-CURRENT INTANGIBLE ASSETS

	Goodwill	Customer relationships	Trademarks	Licences and software	Total non-current intangible assets
Cost					
At 1 January 2021	**77,749**	**156,124**	**8,449**	**237,907**	**480,229**
Additions	-	14,347	-	162,909[1]	**177,256**
Disposals	-	-	-	(1,075)	**(1,075)**
Effect of movement in exchange rates	(1,019)	(2,442)	-	(3,689)	**(7,150)**
Reclassification to assets held for sale	***(24,907)***	***(12,860)***	***(5,689)***	***(43,094)***	**(86,550)**
At 31 December 2021	**51,823**	**155,169**	**2,760**	**352,958**	**562,710**
Depreciation					
At 31 December 2020 restated	-	**93,118**	**4,048**	**106,872**	**204,038**
Amortisation	-	14,820	876	20,226	**35,922**
Disposals	-	-	-	(1,075)	**(1,075)**
Effect of movement in exchange rates	-	(1,395)	(33)	(1,551)	**(2,979)**
Reclassification to assets held for sale	-	***(8,169)***	***(2,548)***	***(17,460)***	**(28,177)**
At 31 December 2021	-	**98,374**	**2,343**	**107,012**	**207,729**
Net Book Value					
At 1 January 2021 restated	**77,749**	**63,006**	**4,401**	**131,035**	**276,191**
At 31 December 2021	**51,823**	**56,795**	**417**	**245,946**	**354,981**

[1] *Within the additions of licenses and software an amount of EUR 2,756 (2020: EUR 2,294) represented internally generated intangible assets as software.*

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

	Goodwill	Customer relationships	Trade marks	Licences and software	Total non-current intangible assets
Cost					
At 1 January 2020 restated	**80,844**	**107,194**	**8,449**	**217,304**	**413,791**
Additions	-	51,748	-	27,553	**79,301**
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)	-	(7,974)	**(12,853)**
At 31 December 2020 restated	**77,749**	**156,124**	**8,449**	**237,907**	**480,229**
Depreciation					
At 1 January 2020 restated	**-**	**82,167**	**3,185**	**96,928**	**182,280**
Amortisation	-	12,951	905	12,831	**26,687**
Disposals	-	(176)	-	(10)	**(186)**
Effect of movement in exchange rates	-	(1,824)	(42)	(2,877)	**(4,743)**
At 31 December 2020 restated	**-**	**93,118**	**4,048**	**106,872**	**204,038**
Net Book Value					
At 31 December 2019 restated	**80,844**	**25,027**	**5,264**	**120,376**	**231,511**
At 31 December 2020 restated	**77,749**	**63,006**	**4,401**	**131,035**	**276,191**

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 relationships acquired were recognized as intangible asset, with a cost of EUR 42,601 and a corresponding liability recognised as Trade and other payables and Other long term liabilities.

The final transfer of RGUs was made in Q1 2021. Following the same accounting treatment as described above. Consequently, customer relationships 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.

Other Software licenses

Approximately EUR 18,863 additions represent custom software licenses required for the functioning of various telecommunications hardware from vendors of the hardware (Ericsson, Nokia, Huawei etc).

The remainder additions of Licenses and Software represent various other software for purposes like office, administrative, engineering, geo-mapping, television etc.

(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)	177,256	79,301
Additions to CF	146,239	28,977
Difference	31,017	50,324
Out of which:		
Increase in payable balance	31,017	50,324

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 (CBT Hungary)	(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 (identified as value in use). For CGU in Hungary, the recoverable amount was considered to be the fair value less cost of disposal (purchase price received) following the closing of the sale of the Hungarian operations (refer to Note 23.2).

Measurement of fair values

Fair value hierarchy

The fair value measurements have been categorised as Level 2 fair values based on observable market sales data.

Key assumptions used

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.

Revenues

Budgeted revenues are based on forecasted growth of subscribers (new subscribers connected to the network) and ARPU (Average Revenue Per Unit) levels based on experience 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).

Collateral

For details on the pledges placed on the Group assets refer to Note 15 (vi).

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	**15,465**	**18,383**

Contractual obligations related to future seasons are presented as commitments in Note 27.

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

7.C. SUBSCRIBER ACQUISITION COSTS

	Subscriber acquisition costs
Cost	
At 1 January 2021	**201,508**
Additions	55,870
Effect of movement in exchange rates	(1,873)
Reclassification to assets held for sale	***(26,383)***
At 31 December 2021	**229,122**
Depreciation	
At 31 December 2020 restated	**159,388**
Amortisation	43,192
Impairment	1,548
Effect of movement in exchange rates	(1,586)
Reclassification to assets held for sale	***(24,909)***
At 31 December 2021	**177,633**
Net Book Value	
At 1 January 2021 restated	**42,120**
At 31 December 2021	**51,489**

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).

	Subscriber acquisition costs
Cost	
At 1 January 2020	**161,379**
Additions	44,255
Effect of movement in exchange rates	(4,126)
At 31 December 2020	**201,508**
Depreciation	
At 1 January 2020	**126,702**
Amortisation	35,706
Impairment	744
Effect of movement in exchange rates	(3,764)
At 31 December 2020 restated	**159,388**
Net Book Value	
At 31 December 2019	**34,677**
At 31 December 2020 restated	**42,120**

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

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 operations	2021 Discontinued operations	2021 Total
Net profit/(loss) for the year	84,536	(22,526)	62,010
Non-controlling interests	(5,618)	1,446	(4,172)
Net profit/(loss) attributable to equity holders of the parent	**78,918**	**(21,080)**	**57,838**

	2020 Continuing operations	2020 Discontinued operations	2020 Total Restated
Net profit/(loss) for the year	57,992	(51,577)	6,415
Non-controlling interests	(3,712)	3,311	(401)
Net profit/(loss) attributable to equity holders of the parent	**54,280**	**(48,266)**	**6,014**

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	199	316
Weighted-average number of ordinary shares (diluted) 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	16,104	14,152
Allowance for inventories	(2,436)	(1,980)
Total inventories	**18,315**	**15,241**

In 2021, inventories from continuing operations 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 operations 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	69,403	83,061
Contract assets	59,007	53,274
Receivable from related parties (refer to Note 18)	790	864
Other taxes receivable	487	1,549
Other receivables	3,957	7,007
Total trade and other receivables	**133,644**	**145,755**

In long term receivables as of 31 December 2021 an amount of EUR 13,920 represents the value related to instalments sales, with maturities of more then one year and also the value of discounts with maturities of more the one year. As at 31 December 2020, these were presented in trade and other receivables.

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)i.

12. OTHER ASSETS

	31 December 2021	31 December 2020 restated
Advances to suppliers	7,433	4,873
Prepayments	5,727	7,348
Total other assets	**13,160**	**12,221**

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

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	2,633	-
Total cash and cash equivalents	**19,636**	**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

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 14.4 million (using 31 December 2020 fx rate) 2020: EUR 12.6 million.

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 of foreign operations 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.

Appropriation of result

The net result of 2021, amounting to EUR 62,010 has been accounted for in shareholders equity. At the Annual General Meeting of Shareholders, to be held on December 27, 2022, the interim dividend of RON 0.85 per share (EUR 0.17 equivalent) in respect of 2021, approved by the Company's Board of Directors on September, 1st 2022 will be submitted for Shareholders approval.

At the Annual General Meeting of Shareholders, held on May 18 2021, a gross dividend of RON 0.75 per share (EUR 0.15 equivalent) was approved in respect of 2020.

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

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	2,233,940	1,841,693
Current assets	688,285	576,319
Non-current liabilities	(1,569,040)	(1,331,091)
Current liabilities	(1,169,790)	(955,003)
Net assets	**183,395**	**131,918**
Net assets attributable to NCI	**11,595**	**8,318**

Revenues	1,476,350	1,310,091
Profit	64,985	9,060
OCI	2,774	4,336
Total comprehensive income	**67,759**	**13,396**
Profit allocated to NCI	4,172	401
Total comprehensive income allocated to NCI	4,350	590

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. 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 loans	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 loans	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 cost (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).

(2) The amortisation of deffered finance cost may be higher than finance costs due to previous capitalization of finance costs.

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 DIGI Tavkozlesi es Szolgaltato Korlatolt Felelossegu Tarsasag, INVITEL Tavkozlesi Zrt and DIGI Spain Telecom S.L.U. as original guarantors 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

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

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 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 15 December 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 (equivalent of EUR 101,049) 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 2020 SFA.

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 EUR 100,000 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; (ii) a term loan facility in a total aggregate amount of EUR 65,000; and (iii) a revolving facility in a total aggregate amount of EUR 10,000 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

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. 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 as presented below vi).

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;

(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).

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

(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.

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).

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

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	110,429	100,845
Payables to Non-current assets suppliers	192,086	168,394
Accruals	86,408	89,409
Value added tax ("VAT")	13,917	27,713
Other payable related to investments	739	562
Salary and related taxes	37,130	51,021
Amounts payable to related parties (Note 18)	9	9
Dividends payable (Note 18)	14,530	12,617
Other	18,518	16,024
Total trade and other payables	**473,765**	**466,594**

Included in payables to fixed assets suppliers from above, there is a deferred consideration payable for customer relationship acquired in amount of EUR 35,032 (31 December 2020: EUR 31,233), 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 Non-current assets suppliers	100,621	59,967

Included in Other long-term liabilities and Trade payables and in Payables to Non-current 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 Non-current 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 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.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following:

	2021	**2020**
Short-term employee benefits	4,071	4,083
Share-based payments	415	4,206
Total	**4,486**	**8,289**

Included in key management personnel are the Board members and top management of the Group. Compensation of the Group's key management personnel includes salaries.

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.

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

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

A. Revenues streams

The Group generates revenues, mainly from revenue from contracts with customers, subscription, customer loyalty programme.

Other sources of revenue include mainly revenues from sale of energy, handsets and other CPE, as well as advertising revenues.

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

	2021	**2020 Restated and represented**
Continuing operations		
Country		
Romania	891,982	809,592
Spain	362,027	273,962
Other (1)	24,261	23,019
Total Revenues continued operations	**1,278,270**	**1,106,573**
Category		
Fixed services (2)	621,128	537,804
Mobile services	534,502	462,974
Other (3)	122,640	105,795
Total Revenues continued operations	**1,278,270**	**1,106,573**
Discontinued operation (4)		
Revenues from discontinued operation	**194,632**	**199,555**
Total revenues (continued and discontinued)	**1,472,902**	**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

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

The tables below provide the split of revenues by activity:

For the year ended 31 December 2021	**Romania**	**Spain**	**Other**	**Total**
Fixed	549,582	71,546	-	**621,128**
Mobile	224,388	290,842	24,533	**539,763**
Other	122,351	298	5	**122,654**
Total before intersegment elimination	896,321	362,686	24,538	**1,283,546**
Intersegment elimination	(4,339)	(659)	(277)	**(5,277)**
Total consolidated	**891,982**	**362,027**	**24,261**	**1,278,270**

For the year ended 31 December 2020 **Restated and represented**	**Romania**	**Spain**	**Other**	**Total**
Fixed	501,943	35,861	-	**537,804**
Mobile	205,311	238,260	23,384	**466,954**
Other	105,296	481	33	**105,810**
Total before intersegment elimination	812,549	274,602	23,417	**1,110,568**
Intersegment elimination	(2,957)	(640)	(398)	**(3,995)**
Total consolidated	**809,592**	**273,962**	**23,019**	**1,106,573**

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

The table below provides the standalone and consolidated revenues in accordance to IFRS 15 Revenue from Contracts with Customers for the years ended December 31, 2021 and 2020.

Revenues split IFRS 15	**For the year ended 31 December 2021**	**For the year ended 31 December 2020 Restated and represented**
Fixed	621,128	537,804
Mobile	539,763	466,954
Total telecom	1,160,891	1,004,758
Other	122,654	105,810
Total before intersegment elimination	1,283,546	1,110,568
Intersegment elimination	(5,276)	(3,995)
Total consolidated	**1,278,270**	**1,106,573**

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	1,242,329	1,075,688
Total revenues	**1,278,270**	**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 year ended 31 December 2021, which were included in contract liability at the beginning of the year (of EUR 24,999) amounted to EUR 15,732. The amounts in balance as at 31 December 2021 are to be recognised gradually as revenues until 31 December 2022.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	**2021**	**2020 Restated and represented**
Receivables, which are included in 'trade and other receivables'	11	69,403	83,061
Receivables, which are included in 'assets held for sale'	23	22,013	-
Contract assets	11	59,007	53,274
Contract liabilities		(15,732)	(24,999)

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

20. OPERATING EXPENSES

	2021	**2020 Restated and represented**
Depreciation of property, plant and equipment (Note 5)	105,722	88,549
Depreciation of right of use asset (Note 6)	67,211	50,306
Amortisation of programme assets (Note 7)	37,767	41,711
Amortisation of non-current intangible assets (Note 7)	31,503	22,075
Amortisation of subscriber acquisition costs (Note 7)	42,076	35,059
Impairment of property, plant and equipment (Note 5)	2,757	(596)
Impairment of subscriber acquisition costs (Note 7)	1,480	428
Revaluation impact (Note 5)	-	1,796
Employee benefits	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 materials sold	33,587	28,584
Invoicing and collection expenses	18,695	17,821
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	24,789	15,503
Total	**1,095,626**	**913,436**

The 2020 and 2021 share option plans expenses accrued in the year are included under the caption "Salaries and related taxes". For details, please see Note 25.

Employee benefits capitalized by the Group from continuing operations during the year ended 31 December 2021 amount to EUR 135,516 (2020: EUR 84,461). 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.

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

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)	(19,736)
Foreign exchange differences (net)	(17,807)	(17,686)
	(81,898)	**(121,147)**
Net Finance Costs	**(81,709)**	**(117,346)**

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 12,597 was recognised in loss/gain on derivative financial instruments (2020: EUR 40,095).

As at 31 December 2020, the fair value of the embedded derivative assets attached to our EUR 850,000 Senior Secured Notes is in amount of EUR 21,578. The fair value movement of EUR 3,355 was recognised in other finance income in the period. An amount of EUR 18,362 representing fair value at inception date of embedded derivatives, at February 2020, was recognized against the bond liability.

The fair value of the embedded derivative options attached to our EUR 550,000 Senior Secured Notes as at 31 December 2019 was in amount of EUR 40,095. At repayment, the 2016 Senior Secured Notes embedded derivative asset was derecognized and the above amount was included in finance expenses in 2020.

For details, please see Note 26.

22. INCOME TAX

The Company was incorporated under Dutch law and 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% (presented as discountinued operations), in Spain during 2021 and 2020 was 25% and in Italy during 2021 and 2020 was 24%.

Components of income tax expense for the year ended 31 December 2021 and 2020 respectively were:

	2021	**2020 Restated and represented**
Current tax expense	13,091	9,631
Deferred tax expense	6,339	8,999
Tax expense on continuing operations	**19,430**	**18,630**

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

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		**103,966**		**76,622**
At statutory income tax rate of the Company	16.00%	16,635	16.00%	12,260
Effect of tax rates in foreign jurisdictions	-0.75%	(785)	2.52%	1,928
Tax effect of:				
Non-deductible expenses/ Tax-exempt income	10.27%	10,680	10.21%	7,821
Tax incentives (tax credit for reinvested profit and sponsorship)	-6.83%	(7,100)	-4.41%	(3,378)
Effective tax expense / (gain)	18.69%	**19,430**	24.31%	**18,630**

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	(73,192)	(68,291)

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

The movement in deferred tax liability for the financial year 2021 comprises the tax effect of temporary differences related to:

							31-Dec-21
	Net balance at 1 January Restated	**Recognised in profit and loss**	**Recognised directly in equity**	**Effect of movement in exchange rates**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	**(53,871)**	(4,539)	(60)	956	(57,513)	**-**	**(57,513)**
Intangibles	**(16,496)**	(222)	-	121	(16,597)	**-**	**(16,597)**
Accounts receivable	**(1,146)**	196	-	17	(933)	**-**	**(933)**
Inventory	**1,259**	(1,259)	-	-	-	**-**	**-**
Accounts payable	**(307)**	296	-	-	(11)	**-**	**(11)**
Leases	**(239)**	144	-	3	(92)	**-**	**(92)**
Decommissioning	**1,276**	(270)	-	(19)	987	**987**	**-**
Untaken holiday	**668**	(240)	-	(9)	418	**418**	**-**
Tax losses carried forward	**1,563**	(445)	-	-	1,118	**1,118**	**-**
Tax assets(liabilities) before set-off	**(67,292)**	**(6,339)**	**(60)**	**1,069**	**(72,622)**	**2,524**	**(75,146)**
Set-off of tax						**(1,955)**	**1,955**
Net tax assets (liabilities)					**(72,622)**	**569**	**(73,192)**

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

The movement in deferred tax liability for the financial year 2020 comprises the tax effect of temporary differences related to:

								31 December 2020
	Net balance at 1 January Restated	**Recognised in profit and loss**	**Recognised directly in equity**	**Discontinued operation recognised in P&L**	**Effect of movement in exchange rates**	**Net Restated**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	**(56,857)**	(4,951)	(404)	6,627	1,716	(53,871)	**-**	**(53,871)**
Intangibles	**(13,753)**	(3,484)	-	465	276	(16,496)	**-**	**(16,496)**
Accounts receivable	**(1,240)**	(214)	-	262	46	(1,146)	**-**	**(1,146)**
Inventory	**4,431**	1,259	-	(4,011)	(420)	1,259	**1,259**	**-**
Accounts payable	**(561)**	(224)	-	433	45	(307)	**-**	**(307)**
Leases	**(125)**	(117)	-	-	3	(239)	**-**	**(239)**
Long term borrowings	**(151)**	-	-	137	14	-	**-**	**-**
Decommissioning	**1,057**	357	-	(107)	(31)	1,276	**1,276**	**-**
Untaken holiday	**681**	-	-	-	(13)	668	**668**	**-**
Tax losses carried forward	**6,938**	(1,625)	-	(3,395)	(355)	1,563	**1,563**	**-**
Tax assets(liabilities) before set-off	**(59,581)**	**(8,999)**	**(404)**	**410**	**1,282**	**(67,292)**	**4,766**	**(72,059)**
Set-off of tax							**(3,767)**	**3,767**
Net tax assets (liabilities)							**999**	**(68,291)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2021		2020	
In thousands of euro	**Gross amount**	Tax effect	**Gross amount**	Tax effect
Tax losses	28,528	6,653	24,171	5,695
	28,528	**6,653**	**24,171**	**5,695**

Tax losses carried forward

Tax losses for which no deferred tax asset was recognised expire as follows:

In thousands of euro	2021	Expiry date	2020	Expiry date
Never expire	6,267	-	5,483	-
Expire	386	2021-28	212	2020-27
Total	**6,653**		**5,695**	

Deferred tax asset in respect of the fiscal loss from Italy was recognised in amount of EUR 569 (2020: EUR 999) which is subject to indefinitely expired period.

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 consolidated financial statements.

23. SUBSIDIARIES AND DISCONTINUED OPERATION

- ***23.1 Subsidiaries***

The 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%

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

Subsidiary	Country of Incorporation	Field of activity	Legal Ownership	
			2021	2020
Dixarobil Telecom, Sociedade Unipessoal, LDA.	Portugal	Telecom	93.58%	0%
Digi Italy SL	Italy	Telephony	93.58%	93.58%
I TV Ltd.	Hungary	CATV	93.58%	93.58%
Campus Radio SRL	Romania	Advertising	93.58%	93.58%
CFO Integrator SRL	Romania	Duct Rent	93.58%	93.58%
Energia Foto SRL	Romania	Solar energy	93.58%	93.58%
Novitas SRL	Romania	Solar energy	93.58%	93.58%
Delalina SRL	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 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 3 January 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 3 January 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 are 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	58,374
Subscriber acquisition costs	7	1,474
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		4,285
Cash and short-term deposits		2,633
Total current assets		**36,265**
Total Assets held for sale		**402,201**
Lease liabilities	16	41,507
Decommissioning provision	5	1,653
Total non-current liabilities		**43,160**
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		**118,942**
Net assets and liabilities		**283,259**

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

B. Results of discontinued operation

	2021	2020
Discontinued operations		
Revenues	194,632	199,555
Operating expenses	(207,269)	(217,844)
Other expenses/revenues	-	(3,510)
Operating profit	**(12,637)**	**(21,799)**
Finance expenses	(7,145)	(27,366)
Net finance costs	**(7,145)**	**(27,366)**
Loss before taxation	**(19,782)**	**(49,165)**
Income tax	(2,744)	(2,412)
Loss from discontinued operations, net of tax	**(22,526)**	**(51,577)**
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	(908)	2,258
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	-	6,280
Related tax	-	(565)
Other comprehensive income for the year, net of income tax	**(908)**	**7,973**
Total comprehensive income for the year	**(23,434)**	**(43,604)**
Attributable to owners	*(21,930)*	*(40,804)*
Attributable to non-controlling interests	*(1,504)*	*(2,799)*
Earnings per share - Discontinued operations		
Basic earnings per share	(0.2223)	(0.5108)
Diluted earnings per share	(0.2218)	(0.5091)

Within the income tax for 2020 an amount of EUR 408 relates to the reversal of deferred tax liability relating to the financial year ended as at 31 December 2019.

The loss from the discontinued operation net of tax of EUR 22,526 (2020: loss of EUR 51,577) is attributable to the owners of the Company.

Cash flow from (used in) discontinued operations:

	2021	2020
Discontinued operations		
Net cash used/(from) in operating activities	(44,359)	71,400
Net cash used in investing activities	(47,190)	(59,323)
Net cash used/(from) financing activities	92,749	(12,598)
Net cash flow for the year	**1,200**	**(521)**

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

Operating expenses from discontinued operations are further detailed as follows:

	2021	2020
Discontinued operations		
Depreciation of property, plant and equipment	37,764	45,152
Depreciation of right of use asset	20,209	21,245
Amortisation of non-current intangible assets	4,419	4,613
Amortisation of subscriber acquisition costs	1,116	647
Impairment of property, plant and equipment	942	26
Impairment of subscriber acquisition costs	68	316
Revaluation impact	-	660
Salaries and related taxes	39,440	41,766
Contribution to pension related fund	4,798	5,636
Content expenses	40,946	41,997
Telephony expenses	4,442	3,644
Cost of materials 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	10,753	9,567
Total discontinued operations	**207,269**	**217,845**

Employee benefits capitalized by the Group from discontinued operations during the year ended 31 December 2021 amount to EUR 12,645 (2020: 8,569).

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 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.

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

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.

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	74,637	92,481
Contract assets	11	59,007	53,274
Cash and cash equivalents	13	17,003	6,539
Long term receivables		13,920	2,493
Financial assets at fair value through OCI	8	47,948	40,821
Total		**212,514**	**195,608**

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 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)

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets for business, residential, advertising and energy customers as at 31 December 2021.

31-Dec-21	Weighted average loss rate	Gross carrying amount	Impairment loss allowance	Net
Current (not past due)	2%	106,137	(1,652)	104,485
Below 30 days	20%	7,762	(1,549)	6,213
31–90 days past due	28%	23,762	(6,682)	17,080
91–180 days past due	74%	4,437	(3,305)	1,133
181–360 days past due	80%	7,953	(6,343)	1,610
More than 360 days past due	23%	4,038	(914)	3,124
		154,088	**(20,443)**	**133,644**

Movements in the allowance for impairment in respect of trade receivables and contract assets:

	2021	2020 Restated
Balance at 1 January	**22,892**	**59,661**
Amounts written off	(4,798)	(25,162)
Amounts derecognised due to discontinued operation	(1,921)	(8,246)
Net remeasurement of loss allowance	4,203	(1,182)
Translation reserve	67	(2,179)
Balance at 31 December	**20,443**	**22,892**

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	**574,386**	**574,785**	436,914	37,203	85,147	15,520	1
Total	**2,057,490**	**2,192,987**	**606,936**	**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	**526,560**	**526,635**	430,748	35,903	37,375	18,313	4,297
Total	**1,796,795**	**1,941,819**	**545,299**	**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)**

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

The following significant exchange rates applied for the year ended 31 December 2021 and 31 December 2020:

	2021	2020
Romania (RON)		
USD	4.3707	3.9660
EUR	4.9481	4.8694
Hungary (HUF)		
USD	325.71	297.36
EUR	369.00	365.13

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 2021	Effect on profit before tax 2020 Restated
EUR	102,772	102,300
USD	5,565	5,884
Total	**108,337**	**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 Senior Facility Agreement (2020&2021) are interest bearing. Except for the ones presented in the table above there are no other major interest-bearing financial instruments.

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

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates, after taking into consideration the effect of the Interest Rate Swap "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

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 December 2021		
Financial assets at fair value through OCI	4,795	(4,795)
31 December 2020		
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 December 2021		
Embedded derivative asset	(3,500)	3,519

	Discount rate	
	50 bps increase	50 bps decrease
31 December 2020		
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.

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.

Measurement of fair values

The fair value of the employee share purchase is measured at the fair values at grant date of the equity-settled share-based payment plans.

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 902.

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 1,281.

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 1,186.

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 300.

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

For details regarding the movement of share options during the period, please see below:

	2021		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

** Weighted average exercise price is average price of shares at vesting.*

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 expense of EUR 417 (31 December 2020: EUR 109, representing recurring share option plan expenses in amount of EUR 832) that 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) and reversal of nor-recurring share option plan expenses in amount of EUR 723.

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).

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 has paid or accrued all taxes, penalties and interest that are applicable, at the Company and subsidiaries level.

The Group is currently involved in a number of legal proceedings, including inquiries from, or discussions with, government authorities that are incidental to their operations. In the opinion of the management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements. 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[21] 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[22].

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[23]. 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 1 November 2021, the Bucharest Court of Appeal granted the appeals of RCS&RDS S.A., Integrasoft S.R.L. and of certain directors and quashed the decision of the Bucharest Tribunal from January 15, 2019 in its entirety. The file was sent for retrial, to the competent court, which is the Bucharest Court of Appeal, starting with the procedure of the preliminary chamber. On 1 July 2022, in the course of the preliminary chamber procedure, the Bucharest Court of Appeal dismissed as unfounded the claims and exceptions raised by RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers. This solution was contested in front of the Bucharest Court of Appeal.

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

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[21] 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**").

[22] By 2015, the JV became virtually insolvent, as initial expectations on its prospects had failed to materialize. In 2015, in order to recover the EUR 3,100 investment, it had made into the JV from 2009 to 2011 and to be able to manage the business of the events hall directly and efficiently, RCS&RDS entered into a settlement agreement with Bodu S.R.L. In 2016, in accordance with that settlement agreement, RCS&RDS acquired (at a discount to nominal value) Bodu S.R.L.'s outstanding bank debt (which was secured by its share of, and assets it contributed to, the JV). Thereafter, RCS&RDS set-off its acquired receivables against Bodu S.R.L. in exchange for the real estate and business of the events hall. Bodu S.R.L. was replaced as RCS&RDS's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries. Following this acquisition, in addition to its investigation of Antena Group's bribery allegations in relation to our investment into the JV, the DNA opened an enquiry as to whether the transactions that followed (including the 2015 settlement and the 2016 acquisition) represented unlawful money-laundering activities.

[23] The Bucharest Tribunal convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine in the amount of RON 1,250,000. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of EUR 3,100 plus RON 655,000 and it maintained the seizure over the two real estate assets first instituted by the DNA.

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

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**
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. Also, rental of satellite capacity was presented as commitments in the 2020 financial statements, the Company restated the amount of EUR 11,436 and presented as right of use assets. The line Contractual obligations for energy contracts was not presented separately.*

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 litigations in amount of EUR 6,463 (31 December 2020: EUR 6,005). During 2021, the Group recognised additional provisions in amount of EUR 3,962 and released provisions in amount of EUR 3,504.

29. SUBSEQUENT EVENTS

Sale of Hungarian operations

On 3 January 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 approximately EUR 624.98 million, representing the value of the transaction, was transferred by 4iG to the Romanian fixed and mobile operator.

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.

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.

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

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

Digi Group secures further financing in Spain

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

The offer of the Company's Romanian subsidiary was designated winner of the auction organised for the allocation of certain radio frecquency entitlements in 2600 MHz and 3400-3800 MHz bands

On 14 November 2022 the Romanian Authority for Telecommunications (ANCOM) finalised the auction for the allocation of rights in 700 MHz, 1500 MHz, 2600 MHz and 3400-3800 MHz bands.

ANCOM designated RCS&RDS as winner of the frequency rights in the 2600 MHz (4 blocks in 2x5 MHz - FDD) and 3400-3800 MHz (5 blocks in 10 MHz - TDD) bands.

The value of the frequency rights is of EUR 45,500 thousand.

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

30. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) the charges for depreciation, amortisation 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	**1,278,270**	**1,106,573**
Operating profit	185,675	193,969
Depreciation, amortisation, impairment and revaluation impact (Note 5, 6, 7)	288,515	239,327
EBITDA	**474,190**	**433,296**
Other income	(3,448)	(832)
Other expenses	417	-
Adjusted EBITDA for continuing operations	**471,159**	**432,464**
Adjusted EBITDA (%) for continuing operations	*36.86%*	*39.08%*
Discontinued operations		
Revenues	*194,632*	*199,555*
Operating profit	*(12,637)*	*(21,800)*
Depreciation, amortisation, impairment and revaluation impact (Note 23.2)	64,518	72,659
EBITDA	**51,881**	**50,859**
Other expenses	-	3,510
Adjusted EBITDA for discontinued operations	**51,881**	**54,369**
Adjusted EBITDA (%) for discontinued operations	*26.66%*	*27.25%*
Adjusted EBITDA total	**523,040**	**486,832**
Adjusted EBITDA total (%)	**35.51%**	**37.27%**

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 Other income (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 Director*	*Executive Director*	*Independent Non-Executive Director*	*Non-executive Director*	*Non-executive Director*	*President*
_____________	_____________	_____________	_____________	_____________	_____________	_____________

Stand-alone Financial Statements for the year ended 31 December 2021

DIGI COMMUNICATIONS N.V.

STAND-ALONE FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION AND WITH PART 9
BOOK 2 OF DUTCH CIVIL CODE
FOR THE YEAR ENDED 31 DECEMBER 2021

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GENERAL INFORMATION

Directors:
Serghei Bulgac
Bogdan Ciobotaru
Valentin Popoviciu
Piotr Rymaszewski
Emil Jugaru
Marius Catalin Varzaru
Zoltan Teszari

Registered Office:

DIGI Communications N.V.
75 Dr. Nicolae Staicovici Street, Forum 2000 Building, Phase 1, 4th floor, 5th District, Bucharest, Romania

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

STAND-ALONE STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021	31 December 2020
			Restated[1]
ASSETS			
Non-current assets			
Financial assets	3	58,246	58,613
Financial assets at fair value through OCI	5	47,948	40,821
Total non-current assets		**106,194**	**99,434**
Current assets			
Other receivables	6	13,792	11,159
Short term loan receivable	7	-	2,134
Cash and cash equivalents	9	90	246
Total current assets		**13,882**	**13,539**
Total assets		**120,076**	**112,973**
EQUITY AND LIABILITIES			
Equity	10		
Issued and paid-up share capital		6,810	6,810
Share premium		3,406	3,406
Fair value reserve		3,586	(5,146)
Other legal reserve		(2,535)	955
Retained earnings		93,821	93,938
Total equity		**105,088**	**99,963**
Current liabilities			
Trade and other payables		14,988	13,010
Total current liabilities		**14,988**	**13,010**
Total liabilities		**14,988**	**13,010**
Total equity and liabilities		**120,076**	**112,973**

[1] The comparative information has been adjusted due to restatements made for comparison purposes. See Note 2.3.

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

STAND-ALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021	2020
			Restated[1]
Dividend income	13	15,201	9,675
Operating expenses	14	(1,353)	(822)
Employee benefit expenses	14	(1,856)	(2,280)
Operating Profit		**11,992**	**6,573**
Finance income	15	273	4,466
Finance expenses	15	(50)	(3,994)
Net finance income		**223**	**472**
Profit before tax		**12,215**	**7,045**
Income tax	16	-	3
Net profit for the period		**12,215**	**7,048**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of equity instruments measured at fair value through OCI	5	7,777	1,551
Foreign currency translation differences		(1,565)	491
Other comprehensive income for the year, net of income tax		**6,212**	**2,042**
Total comprehensive income for the year		**18,427**	**9,090**

[1] The comparative information has been adjusted due to restatements made for comparison purposes. See Note 2.3.

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

STAND-ALONE STATEMENT OF CASH FLOWS

	Notes	2021	2020
			Restated[1]
Cash flows from operating activities			
Profit before taxation		**12,215**	**7,045**
Adjustments for:			
Interest expense	15	-	2,817
Interest income	15	-	(3,194)
Impairment of trade and other receivables	14	349	-
Other finance income related to early bond repayment		-	(88)
Equity settled share-based payments	18	511	2,374
Unrealised foreign exchange loss		48	551
Loss on disposals of assets		15	-
Dividend income	13	(15,201)	(9,675)
Cash flows from operations before working capital changes		**(2,063)**	**(170)**
Increase (Decrease) in trade receivables and other assets		(85)	250
Decrease in trade payables and other current liabilities		(99)	(3,309)
Cash flows from operations		**(2,247)**	**(3,229)**
Interest paid	11	-	(8,479)
Interest received		228	1,773
Income tax paid		-	3
Dividends received from investments		11,914	11,250
Cash flows from operating activities		**9,895**	**1,318**
Loans to group companies		-	(10,525)
Proceeds from group companies' loans receivables	7	2,134	583,426
Cash flows from investing activities		**2,134**	**572,901**
Cash flows from financing activities			
Dividends paid to shareholders		(12,185)	(10,272)
Cash outflows from acquisition of treasury shares		-	(166)
Repayments of borrowings	11	-	(550,000)
Transaction costs paid	11	-	(13,750)
Cash flows used in financing activities		**(12,185)**	**(574,188)**
Net increase/(decrease) in cash and cash equivalents		**(156)**	**31**
Cash and cash equivalents at the beginning of the year	9	246	215
Cash and cash equivalents at the end of the year	9	**90**	**246**

[1] The comparative information has been adjusted due to restatements made for comparison purposes. See Note 2.3.

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

STAND-ALONE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Fair value reserve*	Translation reserve*	Retained earnings**	Total equity
Balance at 1 January 2021	**6,810**	**3,406**	**(5,146)**	**955**	**93,938**	**99,963**
Comprehensive income for the year						
Net profit for the period	-	-	-	-	12,215	**12,215**
Revaluation of equity instruments measured at fair value through OCI	-	-	7,777	-	-	**7,777**
Foreign currency translation differences	-	-	955	(3,490)	970	**(1,565)**
Total comprehensive income for the year	**-**	**-**	**8,732**	**(3,490)**	**13,185**	**18,427**
Transactions with owners, recognized directly in equity						
Contributions by and distributions to owners (Note 10)	**-**	**-**	-	-	(14,393)	**(14,393)**
Treasury shares granted as part of SOP (Note 18 and Note 3)	-	-	-	-	1,091	**1,091**
Total transactions with owners	-	-	-	-	**(13,302)**	**(13,302)**
Balance at 31 December 2021	**6,810**	**3,406**	**3,586**	**(2,535)**	**93,821**	**105,088**

* Fair value and Translation reserves represent Legal reserves

** The comparative information has been adjusted due to restatements made for comparison purposes. See note 2.3.

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

	Share capital	Share premium	Fair value reserve*	Translation reserve*	Retained earnings**	Total equity
Balance at 1 January 2020	**6,810**	**3,406**	**(6,220)**	**-**	**98,133**	**102,129**
Comprehensive income for the year						
Net profit for the period	-	-	-		7,048	**7,048**
Revaluation of equity instruments measured at fair value through OCI	-	-	1,551		-	**1,551**
Foreign currency translation differences	-	-	(477)	955	13	**491**
Total comprehensive income for the year	**-**	**-**	**1,074**	**955**	**7,061**	**9,090**
Transactions with owners, recognized directly in equity						
Contributions by and distributions to owners (Note 10)	-	-	-	-	(12,630)	**(12,630)**
Purchase of treasury shares (Note 18)	-	-	-	-	(165)	**(165)**
Equity-settled share-based payment transactions (Note 10)	-	-	-	-	1,539	**1,539**
Total transactions with owners	-	-	-	-	**(11,256)**	**(11,256)**
Balance at 31 December 2020	**6,810**	**3,406**	**(5,146)**	**955**	**93,938**	**99,963**

* Fair value and Translation reserves represent Legal reserves

** The comparative information has been adjusted due to restatements made for comparison purposes. See note 2.3.

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

NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Digi Communications N.V. ("DIGI" or "the Company") is a company incorporated in the Netherlands, Chamber of Commerce registration number 34132532/29.03.2000, with place of business and registered office in Romania. DIGI registered office is located in 75 Dr. Nicolae Staicovici Street, Forum 2000 Building, Phase 1, 4th floor, 5 th District, Bucharest, Romania. On 11 April 2017 the Company changed its name to Digi Communications N.V., its former name being Cable Communications Systems N.V. ("CCS").

The Company was established on March 29, 2000 and mainly acts as a holding- and finance company.

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

In addition to these stand-alone financial statements the Company prepares consolidated financial statements. The Company's results are also included in the RCS Management S.A., Bucharest, Romania consolidated accounts. The stand-alone financial statements were authorized for issue by the Board of Directors of DIGI on 15 November 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These stand-alone financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (under Article 362.8 NCC from Part 9 of Book 2 of the Dutch Civil Code) and in accordance with Part 9 of Book 2 of the Dutch Civil Code.

(b) Basis of measurement

The stand-alone financial statements have been prepared on the historical cost basis, except for financial assets at fair value through OCI and derivative financial instruments measured at fair value and liabilities for equity share-based payments arrangements measured at fair value through Profit or loss.

(c) Going concern assumption

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

(d) Significant estimates and judgements

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

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 recognized in the financial statements is included in the following notes:

Note	Topic	Key sources of estimates on future income and/or cash flows
5	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

(e) Functional and presentation currency

The functional currency for the Company's financial statements is the primary currency of the main economic transactions which influences its activity as a holding and finance company.

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

(e) Functional and presentation currency (continued)

In February 2020, the Company has repaid the outstanding 2016 Notes which were denominated in EUR. Management has performed an analysis of the main transactions of the Company following the repayment of the 2016 Bonds and concluded that the functional currency of the Company going forward should be lei ("RON"). Consequently, starting with the second quarter of 2020, the stand-alone financial statements are prepared in RON, as functional currency.

The Company uses the EUR as a presentation currency of the stand-alone financial statements under IFRS based on the following considerations:

- management analysis and reporting is prepared in EUR;
- EUR is used as a reference currency in telecommunication industry in the European Union;
- The Company is the head of Digi Group that is to a large extent financed by loans denominated in EUR.

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

Currency	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
USD per 1EUR	1.2271	1.1827	1.1321	1.1234	1.1398	1.2278

2.2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are consistent with accounting policies applied for the Consolidated Financial Statements of the Group, except for the following:

Financial instruments

(i) Non-derivative financial assets

Financial assets (Investments in subsidiaries)

The investments of the Company in the shares of its subsidiaries are measured at historical cost in its standalone financial statements, as allowed by IAS 27.

(ii) Share capital

Ordinary shares

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

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

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

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

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

Dividend income

Dividend income is recognised in profit or loss on the date that DIGI's right to receive payment is established.

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

2.3 RESTATEMENTS FOR COMPARISION PURPOSES

After adoption of the 2020 financial statements, the following restatements have been made for comparison purposes.

1. In the 2020 financial statements, treasury shares amounting to EUR 15,552 were presented on a separate line in the Stand-alone Statement of financial position. In the 2021 financial statements, treasury shares have been presented within retained earnings, hereby decreasing the retained earnings balance to an amount of EUR 93,938.
2. In the 2020 financial statements, the interest income amounting to EUR 3,194 was reported separately in the Stand-alone Statement of profit or loss and other comprehensive income, as part of the operating profit. In the 2021 financial statement this position has been presented within Finance income, hereby decreasing the operating profit balance to an amount of EUR 6,573 and increasing the Net finance income to EUR 472.
3. In the 2020 financial statements, Employee benefits amounting to EUR 2,280 were included within Operating expenses. In the 2021 financial statements Employee benefits have been presented on a separate line in the Stand-alone Statement of Profit or loss and other comprehensive income.
4. In the 2020 financial statements, foreign currency translation differences amounting to EUR 491 were not presented in the Other comprehensive income. In the 2021 financial statements, foreign currency translation differences have been disclosed in Other comprehensive income, hereby increasing the Total comprehensive income for the year to an amount of EUR 9,090.
5. In the 2020 financial statements, the Stand-alone cash flow statement's line ''Increase in trade receivables and other assets'' amounting to EUR 5,691 has been restated to EUR 250 due to the following:

   – an amount of EUR 11,250 for dividends received from investments. In the 2021 financial statements, the dividends received from investments have been disclosed separately, hereby decreasing the "Increase in trade receivables and other assets" and increasing "Dividends received from investments" to EUR 11,250, both presented under the Cash flows from operating activities;

   – an amount of EUR 9,675 for dividends declared. In the 2021 financial statements, the dividends declared have been disclosed separately as non-cash adjusting item, hereby increasing the "Increase in trade receivables and other assets" and decreasing the "Dividend income" to EUR 9,675, both presented under the Cash flow from operating activities; and

   – an amount of EUR 3,863 for unrealized foreign exchange loss. In the 2021 financial statements, the unrealized foreign exchange loss in an amount of EUR 3,863 has been reclassed to "Unrealized foreign exchange loss (gains)", hereby decreasing the "Increase in trade receivables and other assets" and increasing the "Unrealised foreign exchange loss (gain)" from EUR 3,312 unrealised foreign exchange gain to EUR 551 unrealised foreign exchange loss.

3. FINANCIAL ASSETS

Investments in subsidiaries

Changes in investments in subsidiaries are presented below:

	31 December 2021	31 December 2020
Opening balance 1 January	**58,613**	**74,303**
Disposals	(15)	(14,187)
Share based plan (Note 18)	581	(834)
Impact of foreign exchange differences	(933)	(669)
Closing balance 31 December	**58,246**	**58,613**

On 10 December, 2019, the Company acquired 7,718,832 shares in the share capital of RCS & RDS from certain minority shareholders, representing approximately 2.0% of RCS & RDS's outstanding share capital, for EUR 13,689. The share purchase agreement included a call option for the sellers over those shares, which was exercisable within three years from the date of sale, at a premium compared to initial price. The call option was recognized as derivative in amount of EUR 770. These contracts were cancelled in 2020 and there was no net impact on the Statement of cash flows.

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

Investments in group companies

The Company's investments in group companies comprise the following:

Name	Registered office	Ownership 31 December 2021	Ownership 31 December 2020	Acquisition cost 31 December 2021
RCS&RDS S.A.	Bucharest, Romania	93.58%	93.58%	58,598
Lexin Hvar B.V. *	Amsterdam, the Netherlands	-	95.00%	-
Total				**58,598**

** As at 31 December 2020 Lexin Hvar B.V. was in liquidation process. The process was finalized April 2021.*

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

4. LONG TERM LOAN RECEIVABLE

Amounts due from Group Company

	31 December 2021	31 December 2020
Opening balance as at 1 January	**-**	**560,802**
Disposals/Changes in amortisation borrowing costs	-	(560,802)
Closing balance 31 December	**-**	**-**

On 5 February 2020 RCS & RDS SA issued Senior Secured Notes in total amount of EUR 850,000 senior secured notes, in two tranches: (i) EUR 450,000 at 2.50% senior secured notes due 2025 and (ii) EUR 400,000 at 3.25% senior secured notes due 2028 (collectively, the "Notes").

The gross proceeds of the Offering were used to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company and to prepay or repay other outstanding debt facilities. The total Proceeds loan in amount of 553,500 was repaid and closed by RCS & RDS on 5 February 2020.

The 2016 Bonds were subject to an early repayment option which qualified as embedded derivative asset, with a corresponding embedded derivative liability related to the Proceeds Loan granted by the Company to RCS & RDS. In February 2020, when the 2016 Bonds were repaid and the Proceeds Loan was closed, the related embedded derivatives were derecognized.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

	31 December 2021	31 December 2020
Balance at 1 January	**40,821**	**39,592**
Revaluation of equity instruments measured at fair value through OCI	7,777	1,551
Impact of translation reserve	(650)	(322)
Balance at 31 December	**47,948**	**40,821**

The above financial assets at fair value through OCI comprise shares in RCS Management S.A. that the Company owns. As at 31 December 2021 the percentage of ownership of Digi in RCSM is 10%.

The movement in balances represents only difference in fair value as at reporting date.

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of the financial assets at fair value through OCI shares held in RCSM at year end 2020 and 2021 was performed based on the quoted price/share of the shares of the Company as of the valuation date, adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company.

6. OTHER RECEIVABLES

	31 December 2021	31 December 2020
Amounts due from Group companies	13,553	10,733
Other receivables	386	277
Provision other receivables	(271)	-
Prepaid expenses	124	149
Total	**13,792**	**11,159**

All receivables fall due in less than one year.

Amounts due from group companies represent mainly dividends receivable.

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

7. SHORT TERM LOAN RECEIVABLE

The short term loans are provided to Group companies and include the following:

Name		31 December 2021	31 December 2020
Loan RCS&RDS S.A.	EUR	-	2,134
Total		**-**	**2,134**

The balance as at 31 December 2020 related to the loan granted by the Company on February 2020 to RCS & RDS S.A. in amount of EUR 10,000 due in one year. The loan bears interest of 5.5% p.a. In 2020 the value of withdrawals was EUR 10,525 and of repayments was EUR 16,087.

This loan was settled and closed in February 2021 so the balance as at 31 December 2021 is nil.

8. RELATED PARTY DISCLOSURES

Receivables from Group companies	Object	31 December 2021	31 December 2020
RCS & RDS	Dividend receivable	13,553	10,427
RCS & RDS	Interest receivable Loans	-	228
RCS & RDS	Short term loan	-	2,134
Lexin Hvar B.V.	Interest receivable	-	78
Total		**13,553**	**12,867**

Payables to Group companies	Object	31 December 2021	31 December 2020
RCS & RDS	Other	(17)	-
Total		**(17)**	**-**

Payables to Related parties	Object	31 December 2021	31 December 2020
RCS Management S.A.	Dividends	(14,015)	(12,183)
Zoltan Teszari	Dividends	(490)	(409)
Total		**(14,505)**	**(12,592)**

Transactions with Group companies Income	Object	2021	2020
RCS & RDS	Dividend	15,201	9,675
RCS & RDS	Interest	4	3,194
RCS & RDS	WHT	-	506
RCS & RDS	Services	(2)	7
Total		**15,203**	**13,382**

Transactions with Group companies Expenses			
RCS & RDS	Services	48	7
Total		**48**	**7**

The remuneration of the key management personnel includes share options granted (Note 12) amounting to EUR 515 (2020: EUR 959), and short-term employee benefits amounting to EUR 1,221 (2020: EUR 1,164).

9. CASH AND CASH EQUIVALENTS

As at 31 December 2021 Cash and cash equivalents balance was of EUR 90 (31 December 2020: EUR 246). All cash is freely disposable.

10. SHAREHOLDER'S EQUITY

10.1 SHARE CAPITAL

As at 31 December 2021, the authorized capital of the company amounts to EUR 11,000. The authorized capital is divided into shares as follows:

(a) one hundred million (100,000,000) class A shares, with a nominal value of ten eurocents (EUR 0.10) each; and

(b) one hundred million (100,000,000) class B shares, with a nominal value of one eurocent (EUR 0.01) each.

The issued and paid-up capital as at 31 December 2021 and 31 December 2020 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.

Proposed appropriation of the result

The board of directors proposed to add the result for the year to retained earnings. This proposal has been reflected in the statement of financial position. At the annual general meeting in 2022, the board of directors proposed to pay-out from retained earnings a dividend per share of RON 0.85, totaling EUR 16.3 million (using 31 December 2021 foreign exchange rate). This proposed dividend payment shall only be reflected in the statement of financial position when it is approved by the annual general meeting.

10.2 DIVIDENDS

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 foreign exchange rate).

The AGM from 30 April 2020 approved the distribution of a gross dividend of RON 0.65 per share (EUR 0.14 per share) for 2019.

10.3 NATURE AND PURPOSE OF RESERVES

Legal Reserves

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through OCI until the assets are derecognized or impaired. The fair value reserve is considered Legal reserve.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements from the functional currencies of foreign operations to the presentation currency.

Retained earnings

Contains cumulative Retained earnings of past periods.

Treasury shares are a part of retained earnings and contains cost of treasury shares. As at 31 December 2021 there is a number of outstanding treasury shares 5,045,587 (4,409,361 class A shares and 636,226 class B shares) (2020: 5,281,087 (4,409,361 class A shares and 871,726 class B shares).

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

10.4 Equity reconciliation in the Stand-alone financial statements to the consolidated financial statements

31-Dec-21	Share capital	Share premium	Treasury shares	Retained earnings	Fair value reserve	Translation reserve	Revaluation reserve	Total equity
Stand-alone	**6,810**	**3,406**	**-**	**93,821**	**3,586**	**(2,535)**	**-**	**105,088**
Difference in result for the period	-	-	-	45,623	-	-	-	**45,623**
Difference in accumulated results	-	-	-	89,535	-	-	-	**89,535**
Difference in accumulated results during the period	-	-	-	(802)	-	-	-	**(802)**
Accumulated revaluation of PP&E	-	-	-	-	-	-	15,694	**15,694**
Translation differences for the period	-	-	-	-	-	4,476	-	**4,476**
Translation differences in accumulated results	-	-	-	-	(478)	(41,184)	-	**(41,662)**
Changes in ownership interest in subsidiaries	-	-	-	(667)	-	-	-	**(667)**
Difference in treasury shares presentation	-	-	(14,880)	14,880	-	-	-	**-**
Consolidated	**6,810**	**3,406**	**(14,880)**	**242,390**	**3,108**	**(39,243)**	**15,694**	**217,285**

31-Dec-20	Share capital	Share premium	Treasury shares	Retained earnings	Fair value reserve	Translation reserve	Revaluation reserve	Total equity
Stand-alone	**6,810**	**3,406**	**-**	**93,938**	**(5,146)**	**955**	**-**	**99,963**
Difference in result for the period	-	-	-	(1,033)	-	-	-	**(1,033)**
Difference in accumulated results	-	-	-	78,994	-	-	-	**78,994**
Difference in accumulated results during the period				(1,103)				**(1,103)**
Accumulated revaluation of PP&E	-	-	-	-	-	-	15,879	**15,879**
Translation differences for the period	-	-	-	-	-	(6,205)	-	**(6,205)**
Translation differences in accumulated results	-	-	-	-	477	(34,205)	-	**(33,728)**
Changes in ownership interest in subsidiaries	-	-	-	12,677	-	(774)	-	**11,903**
Difference in treasury shares presentation	-	-	(15,556)	15,556	-	-	-	**-**
Consolidated	**6,810**	**3,406**	**(15,556)**	**199,029**	**(4,669)**	**(40,229)**	**15,879**	**164,670**

10.5 NET RESULT RECONCILIATION

	2021	**2020** Restated and re-presented [1)]
Stand-alone net result	**12,215**	**7,048**
Result subsidiaries in stand-alone profit or loss statement (dividends)	(15,201)	(9,675)
Result subsidiaries on a consolidated basis	64,996	9,043
Result subsidiary attributable to non-controlling interest	(4,172)	(401)
Consolidated net result	**57,838**	**6,015**

(1) The comparative information is restated on account of correction of errors and retrospective application of changes in accounting policies. See Note 2.2 from Consolidated Financial Statements for the Group as at 31 December 2021.

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

11. LONG TERM AND SHORT TERM DEBT

No cash inflows and outflows for interest bearing borrowings were in 2021.

For details regarding 2020 cash inflows and outflows for interest bearing borrowings please see the table below:

	Bonds	Interest	Total
Balance as at 1 January 2020	**560,177**	**5,779**	**565,956**
Repayment of borrowings	(550,000)	-	**(550,000)**
Interest expense	-	2,817	**2,817**
Interest paid	-	(8,479)	**(8,479)**
Finance cost	-	-	-
Derecognition of embedded derivatives Recognized at inception	(10,177)	-	**(10,177)**
Effects of movements in exchange rates	-	(117)	**(117)**
Balance as at 31 December 2020	-	-	-

In the Statement of cash flows, the amount of EUR 13,750 represents financing costs paid in 2020 related to early bond-repayment fee (not subject of being included in the amortized cost of borrowings, therefore not affecting the balance of borrowings and not presented in the table above).

12. REMUNERATION OF BOARD OF DIRECTORS

Board member compensation comprised the following:

	2021	2020
Short-term employee benefits	1,189	1,132
Share-based payments	515	959
Total	**1,704**	**2,091**

13. DIVIDEND INCOME

	2021	2020
Dividend income	15,201	9,675
Total income	**15,201**	**9,675**

In May 2021, RCS & RDS declared dividends in amount of RON 80 million, out of which EUR 15.2 million represents the share distributed to the Company.

In May 2020, RCS & RDS declared dividends in amount of RON 50 million, out of which EUR 9.7 million represents the share distributed to the Company.

14. OPERATING EXPENSES

	2021	2020
Salaries and related taxes	1,341	1,322
Share-based payment expense	515	958
Impairment of receivables and other assets	349	-
Other expenses	1,004	822
Total operating expenses	**3,209**	**3,102**

For details about the share option plan implemented in 2021 and 2020, please see Note 18.

15. NET FINANCE INCOME

	2021	2020
Finance income		
Interest income	-	3,194
Other finance income	229	967
Foreign exchange differences (net)	44	305
Total finance income	**273**	**4,466**
Finance expenses		
Interest expense	-	(2,817)
Other finance expenses	(50)	(1,177)
Total finance expenses	**(50)**	**(3,994)**
Net finance income	**223**	**472**

16. INCOME TAX

Up to 21 April 2017 the Company was a Dutch Tax resident. In the context of the IPO from 2017, we became a tax resident in Romania. As from April 21, 2017 the Company is no longer a Dutch tax resident and is regarded as solely resident in Romania. The Company is a Romanian tax resident having its place of effective management in Bucharest, Romania, where all the strategic and commercial decisions are made, as well as the day-to-day management is carried out.

The statutory tax rate applied in Romania during 2020 and 2021 was 16%.

Reconciliation of income tax expense

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Company's effective income tax rate for the financial years 2021 and 2020 is as follows:

		2021		2020
Profit before tax		**12,215**		**7,045**
At statutory income tax rate of the Company	16.00%	1,954	16.00%	1,127
Non-deductible expenses	3.91%	477	2.88%	203
Tax-exempt income	(19.91%)	(2,432)	(20.19%)	(1,422)
Taxes in respect of prior years		-		89
Effective tax expense		**-**		**(3)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2021		2020	
In thousands of euro	**Gross amount**	**Tax effect**	**Gross amount**	**Tax effect**
Tax losses	2,415	386	1,327	212
	2,415	**386**	**1,327**	**212**

16. INCOME TAX (continued)

Tax losses carried forward

Tax losses for which no deferred tax asset was recognised expire as follows:

In thousands of euro	2021	Expiry date	2020	Expiry date
Expire	386	2021-28	212	2020-27

17. FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk (including currency risk, and price risk).

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

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company,

through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(ii) Liquidity risk

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

Management monitors on a monthly basis the forecast of cash outflows and inflows in order to determine its funding needs.

(iii) Market risk

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

For more details, please see Consolidated Financial Statements of the Group as at 31 December 2021.

18. SHARE-BASED PAYMENT

The Group implemented share-based payment plans for certain members of the management team and key employees. The options vest if and when certain performance conditions, such as revenue, subscriber targets and other targets of the Group were met. Some of the share option plans were vested in prior periods and were closed.

Please see Remuneration report in the 2021 Annual Report.

As at 31 December 2021 the related share option expense of EUR 515 (2020: EUR 958) was recorded in the Statement of profit or loss and Other comprehensive income in the line-item Operating expenses, within salaries and related taxes (Note 14).

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

19. AUDIT FEES

The below table specifies the fees charged by KPMG Accountants N.V. (KPMG NL) and the remainder of the global KPMG Network ("KPMG Other") for 2021 and by Ernst & Young Accountants LLP ("EY NL") and the remainder of the global EY Network ("EY Other") to the group for the respective services they provided for 2020.

	31 December 2021		**31 December 2020**	
	KPMG NL	**KPMG Other**	**EY NL**	**EY Other**
Statutory audit	348	817	88	315
Other assurance services	-	6	250	235
Tax-related advisory services	-	36	-	-
Non-audit services	-	16	-	22
Total	**348**	**875**	**338**	**572**

The method of disclosing the auditors fees is disclosing all fees relating to 2021 (irrespectively of work is actually performed during 2021).

20. NUMBER OF EMPLOYEES AND EMPLOYEES COSTS

The average number of persons employed by the Company during the period ended 31 December 2021 was 9 (31 December 2020: 10). All employees are stationed outside the Netherlands.

For employees' cost, please see Note 14.

21. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

The Company is a Guarantor for several credit facilities of RCS & RDS S.A. concluded with different banks and for the Bonds issued by RCS & RDS S.A.

For details about Collateral please see the Group's Consolidated Financial Statements, Note 15.

(b) Legal proceedings

During the financial period, the Company was not involved in court proceedings (as a defendant). In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in these financial statements.

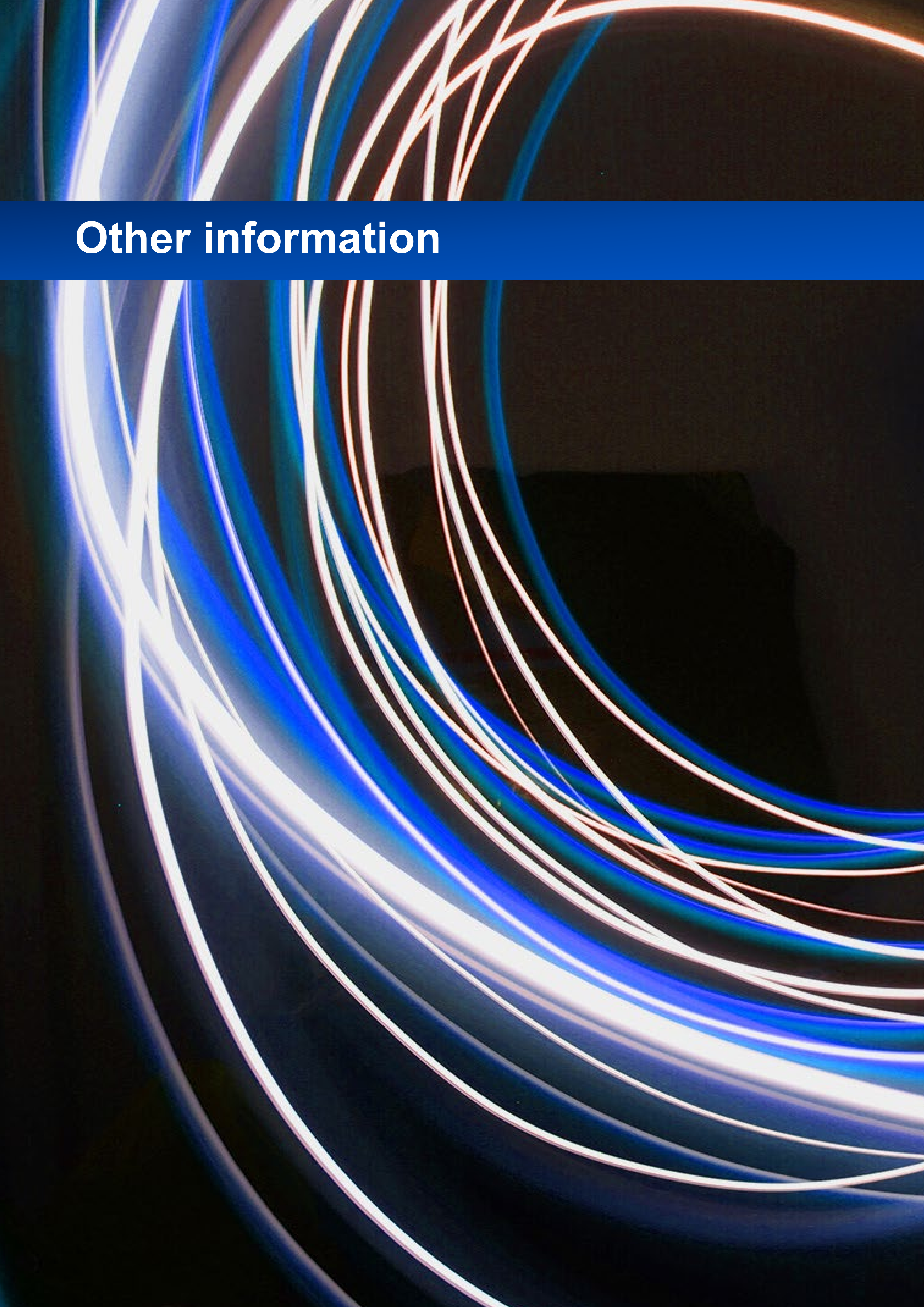
22. SUBSEQUENT EVENTS

For subsequent events of the Group please see Subsequent Events Note in Consolidated Financial Statements.

These stand-alone financial statements were authorized for issue by the Board of Directors on 15 November 2022 represented by:

Serghei Bulgac,	Bogdan Ciobotaru,	Valentin Popoviciu,	Piotr Rymaszewski,	Emil Jugaru,	Marius CatalinVarzaru,	Zoltan Teszari,
CEO	*Independent Non-Executive Director*	*Executive Director*	*Independent Non-Executive Director*	*Non-executive Director*	*Non-executive Director*	*President*
____________	____________	____________	____________	____________	____________	____________

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 Accountants N.V., as the Group's external financial auditor.

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 Part 9 of Book 2 of the Dutch Civil Code, and were audited by KPMG Accountants N.V.. The independent auditor's report is included below.

Independent auditor's report

To: the General Meeting of Shareholders and the Audit Committee of Digi Communications N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements

In our opinion,

— except for the possible effects of the matter described in the Basis for our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements section, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Digi Communications N.V. and its subsidiaries (the “Group”) as at 31 December 2021 and of its consolidated result and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying stand-alone financial statements give a true and fair view of the stand-alone financial position of Digi Communications N.V. (the “Company”) as at 31 December 2021 and of its stand-alone result and cash flows for the year then ended, in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2021 of Digi Communications N.V. based in Amsterdam.

The financial statements comprise:

1 the consolidated and stand-alone statement of financial position as at 31 December 2021;

2 the following consolidated and stand-alone statements for the year ended 31 December 2021: the statements of Profit or Loss And Other Comprehensive Income, Cash Flows and Changes in Equity; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements

The Group, in its consolidated financial statements, recognised right-of-use-assets, lease liabilities – long term and lease liabilities – current of its subsidiary, DIGI Hungary within the assets held for sale and liabilities directly associated with the assets held for sale of, respectively, EUR 55,121 thousand, EUR 41,507 thousand and EUR 14,184 thousand and depreciation of right-of-use assets within the results of discontinued operation of EUR 20,209 thousand as of 31 December 2021.

Management was unable to provide appropriate supporting documentation for these balances, such as lease contracts or addendums to lease contracts reconciling to the lease database, due to the sale of DIGI Hungary on 3 January 2022. Following the sale, the new shareholder was not responsive to any further requests for supporting evidence and therefore management does not expect receiving supporting evidence from the new shareholder. As a result, we were unable to determine whether any adjustments to these amounts, or the related amounts in the consolidated statements of profit or loss and other comprehensive income and cash flows were necessary.

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Digi Communications N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit procedures were determined in the context of our audit of the financial statements as a whole. Our observations in respect of going concern, fraud and non-compliance with laws and regulations, and the key audit matters should be viewed in that context and not as separate opinions or conclusions.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements.

Audit approach

Summary

Materiality

Consolidated financial statements

- Materiality of EUR 10.2 million.
- 0.7% of total revenues.

Stand-alone financial statements

- Materiality of EUR 1.2 million.
- 1% of total assets.

Group audit

- Audit coverage of 95% of total assets.
- Audit coverage of 97% of total revenues.

Risks in respect of Going concern and Fraud/Noclar

- Going concern:

No significant going concern risks identified.

- Fraud & Non-compliance with laws and regulations (Noclar):

We identified the following risks: The presumed fraud risk on management override of controls, risk of non-compliance with anti-bribery and corruption laws and regulations and the fraud risk related to the significant judgement with regards to the capitalisation eligibility of costs.

Key audit matters

- Corporate Governance.
- Cost capitalisation.
- Compliance with laws and regulations.

Opinion

- Qualified on the consolidated financial statements.
- Unqualified on the stand-alone financial statements.

Materiality

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at EUR 10.2 million and for the stand-alone financial statements as a whole at EUR 1.2 million.

The materiality for the consolidated financial statements is determined using total revenues as the benchmark. We consider total revenues as the most appropriate benchmark because total revenues have been stable – but increasing – in the past several years, reflect Digi Communications N.V.'s growth and size, and is a key metric for the key stakeholders.

The materiality for the stand-alone financial statements is determined using total assets as the benchmark. We consider total assets as the most appropriate benchmark because it is a holding company and there are no other activities other than holding investments in subsidiaries.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated and stand-alone financial statements for qualitative reasons.

We agreed with the Audit Committee that misstatements identified during our audit in excess of EUR 0.51 million for the consolidated financial statements and of EUR 60 thousand for the stand-alone financial statements, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Digi Communications N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Digi Communications N.V.

Our group audit mainly focused on significant components.

We have:

— made use of the work of component auditors for the audit of RCS&RDS, Digi Spain Telecom SLU and DIGI Hungary.

— made use of the work of component auditors for audit of account balance procedures at other components.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements, except for the qualification as described on page 2.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

92%	3%	95%
Audit of the complete reporting package	Audit of account balance	Total audit coverage assets

Revenue

96%	1%	97%
Audit of the complete reporting package	Audit of account balance	Total audit coverage revenue

Audit response to going concern – no significant going concern risks identified

Management has concluded that there are no events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. To assess the management's assessment, we have performed, inter alia, the following procedures:

— we considered whether the Board of Directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;

— we inspected the financing agreement in terms of conditions that could lead to significant going concern risks, including the term of the agreement and any covenants;

— we analysed the Group's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter "Risk management, risks and internal control systems" of the annual report, the Board of Directors describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Group and its business environment, and assessed the design and implementation of the Group's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Board of Directors, the Audit Committee and other relevant functions, such as Internal Audit. As part of our audit procedures, we:

- assessed other positions held by members of the Board of Directors and/or other employees and paid special attention to procedures and governance in view of possible conflicts of interest;
- evaluated investigation reports on indications of possible fraud and non-compliance;
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group and identified the following areas as those most likely to have a material effect on the financial statements:

- anti-bribery and corruption laws (reflecting the Group's involvement in a number of ongoing investigations by the Romanian National Anti-Corruption Agency (DNA));
- anti-money laundering laws;
- trade sanctions and export controls;
- data privacy regulations;
- environmental law (e.g. radiation from mobile base station);
- anti-competition laws and regulations;
- health and safety regulations.

We, together with our forensic specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

— **No fraud risk on revenue recognition (a presumed risk)**

We assessed the presumed fraud risk on revenue recognition as not applicable, due to the following reasons:

- the revenue streams consist of small individual value transactions which are not considered complex;
- the largest revenue stream consists of a predictable stream of transactions, as it is mostly subscription-based (twelve invoices / year). A large number of transactions would need to be manipulated in order for revenue to be materially misstated;
- the Group only sells a limited number of products and maintains a limited number of prices for these products. No significant discounts are granted. The invoicing and billing systems are highly automated.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risk laid down in the auditing standards, and responded as follows:

— **Management override of controls (a presumed risk)**

Risk:

- management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- we evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as the controls related to journal entries and financial reporting;
- we performed a data analysis of high-risk journal entries related to improvements of the results (such as credits to expenses and debits to assets) and evaluated key judgments for bias by the Group's management. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information;
- we incorporated elements of unpredictability in our audit, including the review of non-routine transactions for management bias, such as the accounting for spectrum fees.

— **Fraud risk related to the significant judgement with regards to the capitalization eligibility of costs**

  Refer to the Key Audit Matter titled: “Cost capitalization”.

— **Risk of non-compliance with anti-bribery and corruption laws and regulations**

  Refer to the Key Audit Matter titled: “Risk of non-compliance with anti-bribery and corruption laws and regulations”.

As stated above, our procedures to address the identified risks of fraud and -compliance with laws and regulations, did result in the key audit matters titled “Cost capitalization” and “Risk of non – compliance with anti-bribary and corruption laws and regulations”.

We communicated our risk assessment, audit responses and results to management and the Audit Committee.

Other than already disclosed in the annual report, our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our qualified opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for our qualified opinion on consolidated financial statements and our opinion on stand-alone financial statements* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Corporate Governance

Description

In accordance with Dutch Standards on Auditing 315 “Identifying and assessing the risks of material misstatements through understanding the entity and its environment” we have obtained an understanding of the Group’s control environment. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity.

The Group is required to comply with the Dutch Corporate Governance Code. As disclosed by the Group in the section “Management Structure.Corporate Governance” of the Annual Report, the Group complies with the majority of the articles of the Dutch Corporate Governance Code. Reasons for noncompliance with the remaining articles have been explained by the Board of Directors in Annex 3 of the Annual Report.

The president of the Board of Directors, a function held by the controlling shareholder since inception, has power to control the decision making within the Board of Directors through:

- being entitled to cast as many votes as can be cast by all other Directors present or represented at that meeting in respect of whom no conflict of interest exists. This will impact the outcome of the vote if the President votes in favor of the resolution;
- as the class A shareholder having the possibility to impact the composition of the Board of Directors;
- to continue in its role as President of the Board of Directors indefinitely.

Furthermore we noted that the Group has five Non-executive Directors. Three of the five Non-executive Directors are not independent in appearance, one of which acts as the president of the Audit Committee. The deviations from the Dutch Corporate Governance Code and the imbalance in the voting rights of the president as described above, may impact the proportional representation of the interests of all of the company’s shareholders and/or other applicable parties.

Our response

Our procedures or actions taken to address the attention areas within the Corporate Governance of the Group included amongst others:

- we increased the number of experienced team members, which resulted in a more experienced team compared to an average engagement;
- we increased the scoping coverage to 97% of revenues and 95% of assets, thereby performing audit procedures over smaller entities in the group as well;
- we used internal experts in a number of areas, including IT, forensic, valuation, tax and corporate governance both at components (subsidiaries) and group level;

— we appointed experienced quality reviewers with specific industry knowledge both at components (subsidiaries) and at group level;
— we performed procedures on the appropriateness of the disclosures on Corporate Governance and the deviations compared to the Dutch Corporate Governance Code;
— we extended the use of substantive audit procedures;
— we performed procedures on the appropriateness of related party transactions;
— we executed specific procedures to address the risk of management override of controls.

Our observation

Our procedures did not result in material findings with respect to the financial statements and we have not identified instances of management override of control, resulting from ineffective Corporate Governance.

Cost capitalization

Description

The Group incurs significant capital expenditure, mainly for network, construction in progress, equipment and devices, subscriber acquisition costs and intangible assets as a result of the expansion of its business across all territories. Such additions to property, plant and equipment (PPE), subscriber acquisition costs and intangible assets amounted to EUR 382,026 thousand, EUR 55,870 thousand and EUR 177,256 thousand respectively for the year ended 31 December 2021. Significant judgement is required in measuring the cost of these assets (both in respect of the initial and subsequent expenditure), primarily with regards to the capitalisation eligibility of the related expenditure, pursuant to the relevant requirements of IAS 16, Property, plant and equipment, IFRS 15, Revenue from Contracts with Customers and IAS 38, Intangible assets.

Under those Standards, cost includes all expenditure directly attributable to obtaining a contract and 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, as this key audit matter is also a fraud risk, and due to the high degree of judgement required when performing audit procedures to evaluate compliance with the criteria for cost capitalization.

Our response

Our audit procedures in this area, performed where relevant with the support from our own information technology (IT) audit specialists, included, among other things, the following:

- we evaluated the accounting policies used in the determination of the cost of PPE, subscriber acquisition costs and intangible assets against the relevant requirements of the financial reporting standards;
- we tested 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, subscriber acquisition costs and intangible assets additions during the year, we challenged the capitalisation eligibility and the amounts of the capital expenditure incurred, by, among other things:
  - assessing the appropriateness of the capitalised 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 delivery notes and internal timesheets and payroll records;
  - evaluating whether any expenditure incurred subsequent to initial recognition of an item of property, plant and equipment, subscriber acquisition costs and intangible assets 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 capitalised and expensed.
- we assessed the accuracy and completeness of the financial statements disclosures in respect of the recognition and measurement of property, plant and equipment, subscriber acquisition costs and intangible assets against the relevant requirements of the financial reporting standards.

Our observation

The results of our procedures are that the capitalised costs in 2021 that have been recognised and disclosed in the financial statements in accordance with the relevant requirements of IAS 16, Property, plant and equipment, IFRS 15, Revenue from Contracts with Customers and IAS 38, Intangible assets, are considered adequate and the outcome of our work was satisfactory.

Risk of non-compliance with anti-bribery and corruption laws and regulations

Description

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 2021 consolidated financial statements, 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.

Our response

Our procedures consisted of a combination of inquiry, test of details and inspection of supporting documentation. We performed among other things the following procedures:

— on a sample basis, we challenged the rationale for and/or the amounts of:

- transactions with government and government-controlled entities and local authorities;
- transactions with 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;

— we inspected relevant legal documentation, decisions of the Board of Directors 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;

— We evaluated the external lawyers' responses to our audit inquiry letters, and discussing selected matters with the lawyers;

— we performed procedures on the appropriateness of the disclosures on compliance with laws and regulations.

Our observation

We concluded that the disclosures in the financial statements are considered adequate in respect of laws and regulations and the outcome of our work was satisfactory.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Except for the possible effects of the matter described in the *Basis for our qualified opinion on consolidated financial statements and our opinion on the stand-alone financial statements section* of our report, based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors of Digi Communications N.V. is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were appointed by the General Meeting of Shareholders as auditor of Digi Communications N.V. on 4 November 2021, as of the audit for the year 2021.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

European Single Electronic Format (ESEF)

Digi Communications N.V. has prepared its annual report in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in the XHTML format, including the partially tagged consolidated financial statements as included in the reporting package by Digi Communications N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

The Board of Directors is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the Board of Directors combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package, is in accordance with the RTS on ESEF.

Our procedures, taking into consideration Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required taggings have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors of Digi Communications N.V. and the Audit Committee for the financial statements

The Board of Directors of Digi Communications N.V. is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors of Digi Communications N.V. is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Directors of Digi Communications N.V., under supervision of the Audit Committee, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Directors of Digi Communications N.V. is responsible for assessing Digi Communications N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors of Digi Communications N.V. should prepare the financial statements using the going concern basis of accounting unless the Board of Directors of Digi Communications N.V. either intends to liquidate Digi Communications N.V. or to cease operations, or has no realistic alternative but to do so. The Board of Directors of Digi Communications N.V. should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing Digi Communications N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 15 November 2022

KPMG Accountants N.V.

P.G.W. Takken RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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 Digi Communications N.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Digi Communications N.V.;
- concluding on the appropriateness of the Board of Directors of Digi Communications N.V.'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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to 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. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

BRANCHES

The Company, through various subsidiaries, has branches in a number of different jurisdictions in which the business operates.

Legal entity	Country of Incorporation
RCS&RDS S.A.	Romania
Ager Imobiliare SRL	Romania
Air Bites SRL	Romania
Campus Radio SRL	Romania
Canal tv8 SRL	Romania
CFO Integrator SRL	Romania
Dalvig Corp SRL	Romania
Delalina SRL	Romania
Diginet SA	Romania
Digisoft IT SRL	Romania
Energia Foto SRL	Romania
Eurocable SRL	Romania
Foto Distributie SRL	Romania
Hidroenergy Capital SRL	Romania
Integra Soft SRL	Romania
Maramures Telecom SRL	Romania
Moineasa tvs SRL	Romania
New Media Trend SRL	Romania
Novitas SRL	Romania
Opticrom Comunicatii SRL	Romania
Pacris SRL	Romania
Profimusic SRL	Romania
Digi Infrastructura SRL	Romania
Total Media SRL	Romania
Topo Network and Design SRL	Romania
UCR SRL	Romania
Vesatel SRL	Romania
West Network Invest SRL	Romania
Digi Infrastruktura Korlatolt Felelossegu Tarsasag	Hungary
Digi Tavkozlesi Szolgaltato Ltd	Hungary
Invitel Távközlési Zrt	Hungary
I TV Ltd.	Hungary
Digi Spain Telecom S.L.U.	Spain
Digi Spain Call Center S.L.U.	Spain
Digi Spain Sale Force S.L.U.	Spain
Dixarobil Telecom, Sociedade Unipessoal, LDA.	Portugal
Digi Italy SL	Italy

Annex management board report

ANNEX 1 IMPORTANT INFORMATION

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, 2021, 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 Annual Financial Statements included herein are presented in euros.

In 2021 we have had 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, amortisation and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items. Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to the sum of our total revenue and other operating income. EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA," "Adjusted EBITDA" or "Adjusted EBITDA Margin," respectively. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are useful analytical tools for presenting a normalized measure of cash flows that disregards temporary fluctuations in working capital, including due to fluctuations in inventory levels and due to timing of payments received or payments made. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider these figures for any period together with our data for cash flows from operations and other cash flow data and our operating profit. You should not consider EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities.

Rounding

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

ANNEX 2 CORPORATE GOVERNANCE COMPLIANCE STATEMENT AS PER BSE CGC

Corporate Governance Compliance Statement as per the BSE CGC

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	Section A - General Principles		
	The role of the Board of Directors in a one-tier board system and the role of the Supervisory Board/ Management Board in a two-tier board system should be clearly defined and documented in the company's articles of association, internal regulations and/ or other similar documents. The Board should ensure that company's articles of association, the resolutions of the general meeting of shareholders, and the internal regulations of the company include a clear distinction of powers and competencies between the general meeting of shareholders, the Board and the executive management.	YES	
	The Board should be structured in such a way that allows it to diligently fulfill its duties. The Board should meet sufficiently regularly to discharge its duties effectively.	YES	
	The Board should ensure that a formal, rigorous and transparent procedure is put into place regarding the appointment of new members to the Board.	YES (PARTIALLY)	The directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal made by the nomination committee established by the Board of Directors based on a selection procedure. Although there is no nomination committee established and the Company has not implemented a specific selection procedure of the board members, the corporate governance standard sought by the BSE CGC is achieved by Class A Meeting nomination taking into account that the Board of Directors composition should reflect the requisite expertise, background, competences.
	There should be a clear division of responsibilities between the Board and the executive management.	YES	According to the Articles of Association

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	The Board and its committees should have the appropriate balance of skills, experience, gender diversity, knowledge and independence to enable them to effectively perform their respective duties and responsibilities. It is recommended for the majority of non-executive members of the Board of Directors or Supervisory Board to be independent. All members of the Board should be able to allocate sufficient time to the company to discharge their responsibilities effectively. The Board should ensure that it is appropriately informed to enable it to discharge its duties.	YES (PARTIALLY)	Class A meeting takes into consideration these criteria when making the binding nomination of the board of directors. As regards the independence of non-executive directors –two non-executive directors are considered independent which is deemed by the Company to allow the Board to carry out the duties in a proper and robust manner.
	Board members must strictly observe the secrecy of the proceedings, debates and decisions taken, unless otherwise decided by the Board or unless regulations in force require the appropriate disclosure.	YES	According to the management agreements concluded with the Company, the Directors have the obligation to maintain the confidentiality of the information disclosed to them during their mandate unless otherwise approved by the Company.
	Section A – Specific Principles		
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES	While the Board of Directors is not formally regulated by separate terms of reference, the composition, activity, functions and responsibilities of the Board of Directors of the Company are provided in detail within the Articles (in force since the 21 April 2017). (*See for reference Chapter VII (from clause 15 to 23) from the Articles*)
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES	Detailed provisions regarding the management of the Conflict of Interest matters regarding the Board of Directors are included in the following Company corporate regulations: clause 18 from the Articles, the Code of Conduct of the Company (applicable as of 14 May 2017), the Conflict of Interest Policy applicable to Board members (applicable as of 14 May 2017), and the Terms of Reference of the Audit Committee (applicable as of 14 May 2017).

Ref.	Code provisions	Compliance as at November 15, 2022	Note
A.3.	The Board of Directors or the Supervisory Board should have at least five members.	YES	The Board of Directors of the Company has 7 members.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non- executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/ she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/ she is considered independent in character and judgement in practice and according to the following criteria: A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years; A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years; A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director; A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it; A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive	YES	5 members of the Board of Directors (out of 7) are non-executive. 2 members of the Board of Directors (out of 7) are considered independent non-executive directors – Bogdan Ciobotaru and Piotr Rymaszewski. The policy on the Profile for Non-Executive Directors provides for certain rules and criteria in connection with the non-executive directors *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance)*.

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity; A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it; A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director; A.4.8. Not to have been a non-executive director of the company for more than twelve years; A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4..		
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/ her mandate.	YES	—
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES	—
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES	The current company secretary is Ms. Eliza Popa.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/	YES (PARTIALLY)	According to the Terms of Reference of the Audit Committee, the Audit Committee performs such evaluation. The evaluation for the year 2021 was presented by the Audit Committee to the Non-executive and the Executive members of the Board during the

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		meeting from 15 November 2022 The Company has not implemented a formal specific procedure with regards to the assessment of the members of the Board.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES	*(See for reference Section "Corporate Governance" from this report – In the case of the Board the no. of resolutions is disclosed.)*
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES	*(See for reference Section "Corporate Governance" from this report)*
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent.	YES (PARTIALLY)	The directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal by the nomination committee established by the Board of Directors and consisting of non-executive directors. Although, there is no nomination committee established and the Company has not implemented a specific formal nomination procedure for board members, the corporate governance standard sought by the BSE CGC is achieved by applying this nomination procedure, as the Class A Meeting takes into account that the Board of Directors composition should reflect the requisite expertise, background, competences and—as regards two non-executive directors—their independence, thus allowing the Board to carry out its duties in a proper and robust manner.
	Section B – General Principles		
	The company should have in place an efficient risk management and internal control system. The Board should determine the principles of and approaches to the risk management and internal control system in the company.	YES	According to the Terms of Reference of the Audit Committee

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	The company should arrange for internal audits to independently evaluate, on a regular basis, the reliability and efficiency of the risk management and internal control system and the corporate governance practices.	YES	According to the Terms of Reference of the Audit Committee
	The Board of Directors or Supervisory Board, as the case may be, should set up an independent audit committee capable of ensuring the integrity of financial reporting and of the internal control system, including the internal and external audit processes.	YES	According to the Terms of Reference of the Audit Committee
	The company will ensure that all related party transactions are considered on their merits in a manner that ensures independence and the protection of the interests of the company, compliant with the restrictions set out in related legislation and fairly disclosed to shareholders and potential investors. The definition of related parties follows that of International Accounting Standard 24.	YES	According to the Terms of Reference of the Audit Committee
	Section B - Specific Principles		
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES	The Audit Committee of the Company has 3 non-executive members. The members of the Audit Committee are qualified individuals, with audit, financial and management experience, including experience accumulated as members of audit committees and/or boards of other major companies. 2 out of the 3 members of the Audit Committee are considered independent non-executive Board members.
B.2.	The Audit Committee should be chaired by an independent non-executive member.	NO	The chair of the Audit Committee is not an independent director, as required by the BSE CGC. The Board of Directors of the Company has approved Marius Varzaru as the chairman of the Audit Committee due to his audit

Ref.	Code provisions	Compliance as at November 15, 2022	Note
			and accounting experience, as well as due to his extensive knowledge of the Company's and its affiliates' operations. Nonetheless, the corporate governance standard sought by the BSE CGC is achieved by having the majority of the Audit Committee members considered independent.
B.3.	Among its responsibilities, the Audit Committee should undertake an annual assessment of the system of internal control.	YES	*(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance)*
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES	*(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2021 in section "Corporate Governance" from this Report)*
B.5.	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	YES	This assessment was performed by the Audit Committee and the other non-executive members of the Board of Directors on a case by case basis.
B.6.	The Audit Committee should evaluate the efficiency of the internal control system and risk management system.	YES	This assessment was performed by the Audit Committee during the meetings that have taken place in 2021. *(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2021 in section "Corporate Governance" from this Report)*
B.7.	The Audit Committee should monitor the application of statutory and generally accepted standards of internal	YES	This assessment was performed by the Audit Committee during the meetings that have taken place in 2021.

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.		*(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2021 in section "Corporate Governance" from this report)*
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards	YES	The Audit Committee submitted to the Board a summary on the Audit Committee's activity in 2021, comprising main findings. Other ad-hoc reporting was performed during the year. In addition, whenever it was deemed necessary during the year, the Audit Committee reported to the Board of Directors particular matters that called for the Board of Directors' attention, care or decision.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES	There are numerous provisions in the Articles and in the other corporate governance documents of the Company precluding from any preferential treatment between the Company and one shareholder with regard to entering into transactions and agreements. The Board of Directors of the Company has also adopted a Policy on Bilateral Contacts with the Shareholders. *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance)*.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board	YES (PARTIALLY)	There is no formal and separate policy regarding the transactions that the Company can enter into. However, the Articles contain for detailed provisions regarding the approval requirements for the entering by the Company into such agreements and transactions (*for example, see*

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		*for reference clause 19 from the Articles*). The Company is also subject to the transparency requirements introduced by the revised EU Shareholders' Rights Directive (2017/828/EU), which requires material related party transactions to be approved by the Board, as well as publicly announced.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES	The internal audit function is ensured by a group of selected individuals lead by an appointed Internal Audit Director of the Company.
B.12.	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES	The relationship between the internal audit function and the Audit Committee is described and regulated in detail in the Terms of Reference of the Audit Committee *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).*
	Section C - General Principles		
	The level of remuneration should be sufficient to attract, retain and motivate skillful and experienced people as members of the Board and the management. The Board should ensure transparency related to remuneration matters. The shareholders should be provided with relevant information in order to understand the principles applied by the company regarding the remuneration policy, which is based on fair rewards and motivation for Board members, and for the CEO or Management Board. A company should have a remuneration policy and rules defining that policy. It should determine the form, structure and level of remuneration of members of the Board, the CEO and when applicable, members of the Management Board.	YES	The revised Remuneration Policy and the Terms of Reference of the Remuneration Committee comply with these principles *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).*
	Section C - Specific Principles		
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration	YES	The 2020 GSM of the Company has approved a revised Remuneration Policy and the Terms of Reference of the

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		Remuneration Committee are valid as amended on 4 June 2019 *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance)*. The remuneration report is included in Annex 5.
	Section D - General Principles		
	The company should disseminate the most important information both in Romanian and English, to enable Romanian and foreign investors to have access to the same information at the same time.	YES	

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	A company should do its best to enable its shareholders to participate in general meetings, aiming at using electronic communication means through (a) live broadcast of general meetings and/or (b) live bilateral communication where shareholders may express themselves during a general meeting from a location other than that of the general meeting, as long as this is in line with legislation regarding data processing. A company should aim to provide for an electronic voting system at general meetings, including remote electronic voting.	YES (PARTIALLY)	According to clause 32 from the Articles, the Company encourages its shareholders to vote and address questions by electronic means to the general meetings as per its convocation documents which are published on the Company's website. For more details and the conditions applicable to any shareholder's participation and voting, see for reference all provisions from clause 32 onwards from the Articles and the convocation documents available at section *https://www.digi-communications.ro/en/corporate/general-share-holders*. The Company does not provide live broadcasting of its general shareholders meetings.
	Section D - Specific Principles		
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES	Currently, the IR is a cross-functional unit covered by the PR function, by the Chief Financial Officer of the Company and by the Company Secretary.
D.1.1.	Principal corporate regulations: the articles of association, general shareholders' meeting procedures.	YES	The Articles contain detailed provisions on the corporate rules of the Company (including regarding the procedures of the general shareholders' meeting).
D.1.2.	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	YES	(*See for reference in this respect section"Corporate Governance" from this Report*).
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non- compliance with the present Code;	YES	All such (current and periodic) reports are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares*.

Ref.	Code provisions	Compliance as at November 15, 2022	Note
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of **Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;**	YES (PARTIALLY)	Please see the convocation documents available on the Company's website at section *https://www.digi-communications.ro/en/corporate/general-share-holders*. There is no formal procedure in place for the nomination of Board members. Currently, the nomination is carried out by the class A shareholders. Based on clause 32 of the Articles and the convocation documents, shareholders can address and vote the general meeting including by electronic means. The Company did not received questions from shareholders related to the agenda of the 2021 general meeting.
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES	All relevant (current and periodic) reports, see for reference the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares*
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	YES	You can contact us at *investor.relations@digi-communications.ro*
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	YES	All such (current and periodic) reports are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations.http://www.digi-communications.ro/en/investor-relations/shares*
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net	YES	The Reserves and Dividend Policy of the Company is accessible on the Company's website – *http://www.digi-communications.ro/en/see-file/Digi-Communications-NV-Dividend-policy-ENG.pdf*.

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	profit. The annual cash distribution or dividend policy principles should be published on the corporate website.		Also, regarding dividend policy, see company disclosures in section "Dividend Policy" of the initial public offer prospectus of 26 April 2017 (page 185).
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	NO	Neither the Company nor the Group subsidiaries have adopted formal policies with respect to forecasts. Also, forecasts are not made with a periodical regularity. However, the Company and/or its Group subsidiaries perform either *ad-hoc* and/or occasional forecasting based on relevant assumptions. Such forecasts (such as the business plans) are prepared either upon request from external partners (e.g., lending banks, regulatory authorities, etc.) or for internal analytical purposes (e.g., for assessing CAPEX previsions, etc.).
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders.	YES	Clause 32 from the Articles of the Company provides for the freedom of any shareholder to attend a general shareholders' meeting. For more details and the conditions applicable to any shareholder's participation and voting, see for reference all provisions from clause 32 onwards from the Articles.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	N/A	The Company does not restrict the participation of the external auditors at the general shareholders' resolutions resolving upon the external auditors' report.
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES	With respect to the annual results for 2021, see for reference Section Risk management, risks and internal control systems and Annex 4 to this report.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited	NO	According to its corporate documentation, the Company publishes the annual results and the yearly management report on the BSE, AFM, on its website and on a national

Ref.	Code provisions	Compliance as at November 15, 2022	Note
	journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.		and international online newspaper, as well as the result of the general shareholders' meeting resolutions within the shortest deadlines.
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES	All such periodic reports in both Romanian and English languages are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares*.
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES	All such presentations are accessible are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations/investor-presentations*.
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	N/A	The Company occasionally supports forms of sports, cultural, religious, educational or artistic expressions.

ANNEX 3 CORPORATE GOVERNANCE COMPLIANCE STATEMENT AS PER THE DUTCH CORPORATE GOVERNANCE CODE (DCGC)

Corporate Governance Compliance Statement as per the Dutch Corporate Governance Code (DCGC)

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.1.1	**Long-term value creation strategy:** The executive directors should develop a view on long-term value creation by the company and its affiliated enterprise and should formulate a strategy in line with this. Depending on market dynamics, it may be necessary to make short-term adjustments to the strategy. When developing the strategy, attention should in any event be paid to the following: i. the strategy's implementation and feasibility; ii. the business model applied by the company and the market in which the company and its affiliated enterprise operate; iii. opportunities and risks for the company; iv. the company's operational and financial goals and their impact on its future position in relevant markets; v. the interests of the stakeholders; and vi. any other aspects relevant to the company and its affiliated enterprise, such as the environment, social and employee-related matters, the chain within which the enterprise operates, respect for human rights, and fighting corruption and bribery.	YES	___
1.1.2	**Involvement of the non-executive directors:** The executive directors should engage the non-executive directors early on in formulating the strategy for realizing long-term value creation. The executive directors render account to the non-executive directors of the strategy and the explanatory notes to that strategy.	YES	___
1.1.3	**Role of the non-executive directors:** The non-executive directors should supervise the manner in which the executive directors implement the long-term value creation strategy. The non-executive directors should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the non-executive directors, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.1.4.	**Accountability of the executive directors:** In the management report, the executive directors should give a more detailed explanation of its view on long-term value creation and the strategy for its realization, as well as describing which contributions were made to long-term value creation in the past financial year. The executive directors should report on both the short-term and long-term developments.	YES	___
1.2.1	**Risk assessment:** The executive directors should identify and analyze the risks associated with the strategy and activities of the company and its affiliated enterprise. It is responsible for establishing the risk appetite, and also the measures that are put in place in order to counter the risks being taken.	YES	___
1.2.2	**Implementation:** Based on the risk assessment, the executive directors should design, implement and maintain adequate internal risk management and control systems. To the extent relevant, these systems should be integrated into the work processes within the company and its affiliated enterprise it and should be familiar to those whose work they are relevant to.	YES	___
1.2.3	**Monitoring of effectiveness:** The executive directors should monitor the operation of the internal risk management and control systems and should carry out a systematic assessment of their design and effectiveness at least once a year. This monitoring should cover all material control measures relating to strategic, operational, compliance and reporting risks. Attention should be given to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the internal audit function and the external auditor. Where necessary, improvements should be made to internal risk management and control systems.	YES	___
1.3.1	**Appointment and dismissal:** The executive directors both appoint and dismisses the senior internal auditor. Both the appointment and the dismissal of the senior internal auditor should be submitted to the non-executive directors for approval, along with the recommendation issued by the audit committee.	YES	___
1.3.2	**Assessment of the internal audit function:** The executive directors should assess the way in which the internal audit function fulfils its	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	responsibility annually, taking into account the audit committee's opinion.		
1.3.3	**Internal audit plan:** The internal audit function should draw up an audit plan, involving the executive directors, the audit committee and the external auditor in this process. The audit plan should be submitted to the executive directors, and then to the non-executive directors, for approval. In this internal audit plan, attention should be paid to the interaction with the external auditor.	YES	___
1.3.4	**Performance of work:** The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the audit committee and the external auditor. Records should be kept of how the audit committee is informed by the internal audit function.	YES	___
1.3.5	**Reports of findings:** The internal audit function should report its audit results to the executive directors and the essence of its audit results to the audit committee and should inform the external auditor. The research findings of the internal audit function should, at least, include the following: i. any flaws in the effectiveness of the internal risk management and control systems; ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and iii. any failings in the follow-up of recommendations made by the internal audit function.	YES	___
1.3.6	**Absence of an internal audit department:** If there is no separate department for the internal audit function, the non-executive directors will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee and will consider whether it is necessary to establish an internal audit department. The non-executive directors should include the conclusions, along with any resulting recommendations and alternative measures, in the report of the non-executive directors.	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.4.1	**Accountability to the non-executive directors:** The executive directors should discuss the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 inclusive with the audit committee and render account of this to the non-executive directors.	YES	___
1.4.2	**Accountability in the management report:** In the management report, the executive directors should render account of: i. the execution of the risk assessment, with a description of the principal risks facing the company in relation to its risk appetite. These risks may include strategic, operational, compliance and reporting risks; ii. the design and operation of the internal risk management and control systems during the past financial year; iii. any major failings in the internal risk management and control systems which have been observed in the financial year, any significant changes made to these systems and any major improvements planned, along with a confirmation that these issues have been discussed with the audit committee and the non-executive directors; and iv. the sensitivity of the results of the company to material changes in external factors.	YES	___
1.4.3	**Statement by the executive directors:** The executive directors should state in the management report, with clear substantiation, that: i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems; ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies; iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and iv. the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.5.1	**Duties and responsibilities of the audit committee:** The audit committee undertakes preparatory work for the non-executive directors' decision-making regarding the supervision of the integrity and quality of the company's financial reporting and the effectiveness of the company's internal risk management and control systems. Among other things, it focuses on monitoring the executive directors with regard to: i. relations with, and compliance with recommendations and following up of comments by, the internal and external auditors; ii. the funding of the company; iii. the application of information and communication technology by the company, including risks relating to cybersecurity; and iv. the company's tax policy.	YES	___
1.5.2	**Attendance of the executive directors, internal auditor and external auditor at audit committee consultations:** The chief financial officer, the internal auditor and the external auditor should attend the audit committee meetings, unless the audit committee determines otherwise. The audit committee should decide whether and, if so, when the chairman of the executive directors should attend its meetings.	YES	___
1.5.3	**Audit committee report:** The audit committee should report to the non-executive directors on its deliberations and findings. This report must, at least, include the following information: i. the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3, inclusive; ii. the methods used to assess the effectiveness of the internal and external audit processes; iii. material considerations regarding financial reporting; **iv.** the way material risks and uncertainties referred to in best practice provision 1.4.3 have been analysed and discussed, along with a description of the most important findings of the audit committee.	YES	___
1.5.4	**Non-executive directors:** The non-executive directors should discuss the items reported on by the audit committee as per of best practice provision 1.5.3.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.6.1	**Functioning and appointment:** The audit committee should report annually to the non-executive directors on the functioning of, and the developments in, the relationship with the external auditor. The audit committee should advise the non-executive directors regarding the external auditor's nomination for appointment/reappointment or dismissal and should prepare the selection of the external auditor. The audit committee should give due consideration to the executive directors' observations during the aforementioned work. Also, on this basis, the non-executive directors should determine its nomination for the appointment of the external auditor to the general meeting.	YES	___
1.6.2	**Informing the external auditor about their functioning:** The non-executive directors should give the external auditor a general idea of the content of the reports relating to their functioning.	YES (PARTIALLY)	The annual Audit Committee and Remmuneration Committee Reports
1.6.3	**Engagement:** The audit committee should submit a proposal to the non-executive directors for the external auditor's engagement to audit the financial statements. The executive directors should play a facilitating role in this process. In formulating the terms of engagement, attention should be paid to the scope of the audit, the materiality to be used and remuneration for the audit. The non-executive directors should resolve on the engagement.	YES	___
1.6.4	**Accountability:** The main conclusions of the non-executive directors regarding the external auditor's nomination and the outcomes of the external auditor selection process should be communicated to the general meeting.	YES	___
1.6.5	**Departure of the external auditor:** The company should publish a press release in the event of the early termination of the relationship with the external audit firm. The press release should explain the reasons for this early termination.	YES	___
1.7.1	**Provision of information to the external auditor:** The executive directors should ensure that the external auditor will receive all information that is necessary for the performance of his work in a timely fashion. The executive directors should give the external auditor the opportunity to respond to the information that has been provided.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
1.7.2	**Audit plan and external auditor's findings:** The external auditor should discuss the draft audit plan with the executive directors before presenting it to the audit committee. The audit committee should annually discuss with the external auditor: i. the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the external auditor in the audit plan; and ii. based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the financial statements and the management letter.	YES	___
1.7.3	**Publication of financial reports:** The audit committee should determine whether and, if so, how the external auditor should be involved in the content and publication of financial reports other than the financial statements.	YES	___
1.7.4	**Consultations with the external auditor outside the executive directors' presence:** The audit committee should meet with the external auditor as often as it considers necessary, but at least once per year, outside the presence of the executive directors.	YES	___
1.7.5	**Examination of discussion points arising between the external auditor and the executive directors:** The non-executive directors should be permitted to examine the most important points of discussion arising between the external auditor and the executive directors based on the draft management letter or the draft audit report.	YES	___
1.7.6	**External auditor's attendance of non-executive directors' meetings:** The external auditor should in any event attend the meeting of the non-executive directors at which the report of the external auditor on the audit of the financial statements is discussed.	YES	___
2.1.1	**Profile:** The non-executive directors should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address: i. the desired expertise and background of the non-executive directors;	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	ii. the desired diverse composition of the non-executive directors, referred to in best practice provision 2.1.5; iii. the size of the non-executive directors; and iv. the independence of the non-executive directors. The profile should be posted on the company's website		
2.1.2	**Personal information:** The following information about each non-executive director should be included in the report of the non-executive directors: i. gender; ii. age; iii. nationality; iv. principal position; v. other positions, in so far as they are relevant to the performance of the duties of the non-executive directors; vi. date of initial appointment; and vii. current term of office.	YES	___
2.1.3	**Executive committee:** If the executive directors work with an executive committee, the executive directors should take account of the checks and balances that are part of the two-tier system. This means, among other things, that the executive directors' expertise and responsibilities are safeguarded and the non-executive directors are informed adequately. The non-executive directors should supervise this whilst paying specific attention to the dynamics and the relationship between the executive directors and the executive committee. In the management report, account should be rendered of: i. the choice to work with an executive committee; ii. the role, duty and composition of the executive committee; and iii. how the contacts between the non-executive directors and the executive committee have been given shape.	N/A	The Company has one tier system.
2.1.4	**Expertise:** Each non-executive director and each executive director should have the specific expertise required for the fulfilment of his duties. Each non-executive director should be capable of assessing the broad outline of the overall management.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.1.5	**Diversity policy:** The non-executive directors should draw up a diversity policy for the composition of the executive directors, the non-executive directors and, if applicable, the executive committee. The policy should address the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, and education and work background.	NO	The Company does not have a diversity policy in relation to the non-executive directors. The desired expertise and background of the candidates are decisive when non-executive directors are appointed or reappointed. The members of the board, as well as all employees of the Company and of the group companies are recruited and promoted primarily based on professional achievements, experience and performance within the group, irrespective of gender, age, origin or any other personal or social feature. Although the Company does not have in place a formal diversity policy, in practice, the Company has not and does not intend to discriminate between potential candidates for any available board position due to their gender, age, origin or any other personal or social feature.
2.1.6	**Accountability about diversity:** The corporate governance statement should explain the diversity policy and the way that it is implemented in practice, addressing: i. the policy objectives; ii. how the policy has been implemented; and iii. the results of the policy in the past financial year. If the composition of the executive directors and the non-executive directors diverge from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved.	NO	The Company does not have a diversity policy. See explanation to principle 2.1.5. above.
2.1.7	**Independence of the non-executive directors:** The composition of the non-executive directors is such that the members are able to operate independently and critically vis-à-vis one another, the executive directors, and any particular interests involved. In order to safeguard its independence, the non-executive directors are composed in accordance with the following criteria: i. any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one non-executive director; ii. the total number of non-executive directors to whom the criteria referred to in best practice provision 2.1.8 are applicable should	NO	The Company has five non-executive directors, of which three do not meet the independence criteria contained in the DCGC. This deviation from the DCGC exists since April 2017 and continued in 2021 and will last at least until the expiry of the mandate cycle of the present members of the board. When appointing the non-executive members of the board, the general shareholders meeting from 21 April 2017 and 30 April 2020 aimed to set-up a board made up from selected individuals with most extensive experience and insight into the group. Therefore, Mr. Teszari Zoltan was reappointed as the non-executive director and as the President of the board, while Mr. Marius Varzaru (current general manager of Digi Spain) and Mr. Emil Jugaru (Head of RCS & RDS Sales and Customer Care Business Unit) were reappointed as non-executive members of the board. Given the particularity of the business and operations of our group companies and the

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	account for less than half of the total number of non-executive directors; and iii. for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than ten percent of the shares in the company, there is at most one non-executive director who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii.		need for business continuity and internal and industry awareness, the general shareholders meeting from 21 April 2017 and 30 April 2020 gave priority to these functionality needs. However, the amended articles of association of the Company and the corporate governance documents of the Company establish clear and detailed rules regarding independent behavior and the management of any conflict of interest that any member of the board, and particularly all non-executive members of the board are strictly required to comply with.
2.1.8	**Independence of non-executive directors:** A non-executive director is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree: i. has been an employee or member of the management board of the company (including associated companies as referred to in Section 5:48 of the Financial Supervision Act (*Wet op het financieel toezicht/Wft*)) in the five years prior to the appointment; ii. receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a non-executive director and in so far as this is not in keeping with the normal course of business; iii. has had an important business relationship with the company or a company associated with it in the year prior to the appointment. This includes in any event the case where the non-executive director, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary or lawyer) and the case where the non-executive director is a management board member or an employee of a bank with which the company has a lasting and significant relationship; iv. is a member of the management board of a company in which a member of the management board of the company which he supervises is a non-executive director;	NO	See explanation to best practices 2.1.7. above.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	v. has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members; vi. has a shareholding in the company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement; vii. is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless the entity is a group company.		
2.1.9	**Independence of the chairman of the board:** The chairman of the board should not be a former member of the board of the company and should be independent within the meaning of best practice provision 2.1.8.	NO	The president (chairman) of the board does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari's appointment as the president was voted by the general shareholders meeting of the Company from 21 April 2017, reappointed by the general meeting of the Company from 30 April 2020 and will last during the entire period for which Mr. Teszari Zoltan will be a member of the board. The president is the principal shareholder of the Company. The president is not a member of the audit committee.
2.1.10	**Accountability regarding non-executive directors' independence:** The report of the non-executive directors should state that, in the opinion of the non-executive directors, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled and, if applicable, should also state which non-executive director(s), if any, it does not consider to be independent.	NO	The report of the non-executive directors only states which non-executive directors are not independent under the Bucharest Stock Exchange Corporate Governance Code.
2.2.1	**Appointment and reappointment periods – executive directors:** An executive director is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment.	YES	___
2.2.2	**Appointment and reappointment periods – non-executive directors:** A non-executive director is appointed for a period of four years and may then be reappointed once for another four-year period. The non-executive director may then subsequently be reappointed again for a period of two	NO	The president (chairman) of the board may be reappointed for an indefinite number of terms. For details regarding the expected applicability period of and rationale for the deviation, please see the explanations from above.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the non-executive directors. In any appointment or reappointment, the profile referred to in best practice provision 2.1.1 should be observed.		
2.2.3	**Early retirement:** A non-executive director or an executive director should retire early in the event of inadequate functioning, structural incompatibility of interests, and in other instances in which this is deemed necessary by the non-executive directors. In the event of the early retirement of an executive director or non-executive director, the company should issue a press release mentioning the reasons for the departure.	N/A	During 2021 there were no early retirements events for non-executive directors or executive directors.
2.2.4	**Succession:** The non-executive directors should ensure that the company has a sound plan in place for the succession of executive directors and non-executive directors that is aimed at retaining the balance in the requisite expertise, experience and diversity. Due regard should be given to the profile referred to in best practice provision 2.1.1 in drawing up the plan for non-executive directors. The non-executive directors should also draw up a retirement schedule in order to avoid, as much as possible, non-executive directors retiring simultaneously. The retirement schedule should be published on the company's website.	NO	The Company has a retirement schedule. However, in light of his position as principal shareholder of the Company and with the General Meeting of shareholders' approval, the retirement schedule will not be applicable to the President (chairman) of the Board. Mr. Zoltan Teszari, the main shareholder of the Company, holds the position of President of the Board. According to the Rotation Schedule for the non-executive directors of the Company established by the Board pursuant to article 15 paragraph 6 of the Articles on 15 May 2017, Mr. Zoltan Teszari is expressly excluded from the agreed rotation schedule.
2.2.5	**Duties of the selection and appointment committee:** The selection and appointment committee should prepare the non-executive directors' decision-making and report to the non-executive directors on its deliberations and findings. The selection and appointment committee should in any event focus on: i. drawing up selection criteria and appointment procedures for executive directors and non-executive directors; ii. periodically assessing the size and composition of the executive directors and the non-executive directors, and making a proposal for a composition profile of the non-executive directors; iii. periodically assessing the functioning of individual executive directors and non-executive directors, and reporting on this to the non-executive directors;	NO	The Company does not have a nomination committee (and did not allocate such tasks to another board committee). The Company has decided not to set up a nomination committee as referred to in the DCGC, since the general meeting of holders of class A shares as a whole will perform the duties of such nomination.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	iv. drawing up a plan for the succession of executive directors and non-executive directors; v. making proposals for appointments and reappointments; and vi. supervising the policy of the executive directors regarding the selection criteria and appointment procedures for senior management.		
2.2.6	**Evaluation by the non-executive directors:** At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate its own functioning, the functioning of the various committees of the non-executive directors and that of the individual non-executive directors and should discuss the conclusions that are attached to the evaluation. In doing so, attention should be paid to: i. substantive aspects, the mutual interaction and the interaction with the executive directors; ii. events that occurred in practice from which lessons may be learned; and iii. the desired profile, composition, competencies and expertise of the non-executive directors.	NO	However, due valuation by the Audit Committee and the Remuneration Committee of their own activity is performed on yearly basis.
2.2.7	**Evaluation of the executive directors:** At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate both the functioning of the executive directors as a whole and that of the individual executive directors and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of executive directors. At least once annually, the executive directors, too, should evaluate its own functioning as a whole and that of the individual executive directors.	NO	However, due valuation of the Executives Directors' activity is performed on a yearly basis by the Audit Committee and the Remuneration Committee.
2.2.8	**Evaluation accountability:** The non-executive directors' report should state: i. how the evaluation of the non-executive directors, the various committees and the individual non-executive directors has been carried out; ii. how the evaluation of the executive directors and the individual executive directors has been carried out; and iii. what has been or will be done with the conclusions from the evaluations.	NO	See explanation to best practices 2.2.6 and 2.2.7 above.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.3.1	**Non-executive director's terms of reference:** The division of duties within the non-executive directors and the procedure of the non-executive directors should be laid down in terms of reference. The non-executive director's terms of reference should include a paragraph dealing with its relations with the executive directors, the general meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website.	YES	Although there are no separate rules in place for the non-executive directors, Chapter VII from the Articles include detailed provisions and rules regarding the board, including on the composition, remuneration, the allocation of tasks and duties among the executive directors and the non-executive directors, on the decision-making process and the management of any conflict of interest. The Articles are available on the company's website.
2.3.2	**Establishment of committees:** If the board consists of more than four non-executive directors, it should appoint from among its non-executive directors an audit committee, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the non-executive directors, the duty of these committees is to prepare the decision-making of the non-executive directors. If the non-executive directors decide not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the non-executive directors together.	NO	The Company does not have a nomination committee. See explanation to principle 2.2.5 above.
2.3.3	**Committees' terms of reference:** The non-executive directors should draw up terms of reference for the audit committee, the remuneration committee and the selection and appointment committee. The terms of reference should indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference should be posted on the company's website.	YES	___
2.3.4	**Composition of the committees:** The audit committee or the remuneration committee should not be chaired by the chairman of the board or by a former executive of the board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8.	YES (PARTIALLY)	The audit committee and the remuneration committee are chaired by non-executive directors of the Company. More than half of the members of the Remuneration Committee do not comply with the independence criteria contained in the DCGC. This deviation from the DCGC exists since April 2017 and will last at least until the expiry of the mandate cycle of the present members of the Remuneration Committee. See explanation to principle 2.1.7. above.
2.3.5	**Committee reports:** The non-executive directors should receive from each of the committees a report of their deliberations and findings. In the report of the non-executive directors, it should comment on how the duties of the committees were carried out in the financial year. In this report, the	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	composition of the committees, the number of committee meetings and the main items discussed at the meetings should be mentioned.		
2.3.6	**Chairman of the board:** The chairman of the board should in any case ensure that: i. the non-executive directors have proper contact with the executive directors, the employee participation body (if any) and the general meeting; ii. the board elects a vice-chairman; iii. there is sufficient time for deliberation and decision-making by the board; iv. the board members receive all information that is necessary for the proper performance of their duties in a timely fashion; v. the board and its committees function properly; vi. the functioning of individual executive directors and non-executive directors is assessed at least annually; vii. the board members follow their induction programme; viii. the board follow their education or training programme; ix. the board performs activities in respect of culture; x. the non-executive directors recognize signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay; xi. the general meeting proceeds in an orderly and efficient manner; xii. effective communication with shareholders is assured; and xiii. the non-executive directors are involved closely, and at an early stage, in any merger or takeover processes. The chairman of the board should consult regularly with the executive directors.	YES	___
2.3.7	**Vice-chairman of the board:** The vice-chairman of the board should deputize for the chairman when the occasion arises.	YES	___
2.3.8	**Delegated non-executive director:** A delegated non-executive director is a non-executive director who has a special task. The delegation may not extend beyond the responsibilities of the board itself and may not include the management of the company. Its purpose is more intensive	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	supervision and advice and more regular consultation with the executive directors. The delegation should be of a temporary nature only. The delegation may not detract from the duties and powers of the non-executive directors. The delegated non-executive director continues to be a member of the board and should report regularly on the execution of his special duty to the plenary board.		
2.3.9	**Temporary executive function of a non-executive director:** A non-executive director who temporarily takes on the management of the company, where the executive directors are absent or unable to fulfil their duties, should resign as a non-executive director of the board.	N/A	___
2.3.10	**Company secretary:** The non-executive directors should be supported by the company secretary. The secretary: i. should ensure that the proper procedures are followed and that the statutory obligations and obligations under the articles of association are complied with; ii. should facilitate the provision of information of the board; and iii. should support the chairman of the board in the organisation of the affairs of the board, including the provision of information, meeting agendas, evaluations and training programmes. The company secretary should, either on the motion of the non-executive directors or otherwise, be appointed and dismissed by the executive directors, after the approval of the non-executive directors has been obtained. If the secretary also undertakes work for the executive directors and notes that the interests of the executive directors and the non-executive directors diverge, as a result of which it is unclear which interests the secretary should represent, the secretary should report this to the chairman of the board.	YES	___
2.3.11	**Report of the non-executive directors:** The annual statements of the company include a report by the non-executive directors. In this report, the non-executive directors should render account of the supervision conducted in the past financial year, reporting in any event on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.	YES (PARTIALLY)	Information with respect to these matters are not comprised in a separate report of non-executive directors but in the Corporate Governance section of this report.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.4.1	**Stimulating openness and accountability:** The executive directors and the non-executive directors are each responsible for stimulating openness and accountability within the organ of which they form part, and between the different organs within the company.	YES	___
2.4.2	**Other positions:** Executive directors and non-executive directors should report any other positions they may have to the non-executive directors in advance and, at least annually, the other positions should be discussed at the non-executive directors meeting. The acceptance of membership of a supervisory board by an executive director requires the approval of the non-executive directors.	YES	___
2.4.3	**Point of contact for the functioning of non-executive directors and executive directors:** The chairman of the board should act on behalf of the board as the main contact for the executive directors, non-executive directors and shareholders regarding the functioning of executive directors and non-executive directors. The vice-chairman should act as contact for individual non-executive directors and executive directors regarding the functioning of the chairman.	YES	___
2.4.4	**Attendance at non-executive directors' meetings:** Non-executive directors should attend non-executive directors' meetings and the meetings of the committees of which they are a part. If non-executive directors are frequently absent from these meetings, they should be held to account on this. The report of the non-executive directors should state the absenteeism rate from non-executive directors and committee meetings of each non-executive directors.	YES	___
2.4.5	**Induction programme for non-executive directors:** All non-executive directors should follow an induction programme geared to their role. The induction programme should in any event cover general financial, social and legal affairs, financial reporting by the company, any specific aspects that are unique to the relevant company and its business activities, the company culture and the relationship with the employee participation body (if any), and the responsibilities of a non-executive director.	YES	___
2.4.6	**Development:** The executive directors and non-executive directors should each conduct an annual review for their own organ to identify any	YES	___

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Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	aspects with regard to which the non-executive directors and executive directors require training or education.		
2.4.7	**Information safeguards:** The executive directors should ensure that internal procedures are established and maintained which safeguard that all relevant information is known to the executive directors and the non-executive directors in a timely fashion. The non-executive directors should supervise the establishment and implementation of these procedures.	YES	___
2.4.8	**Non-executive directors' responsibility for obtaining information:** The non-executive directors and each individual non-executive director have their own responsibility for obtaining the information from the executive directors, the internal audit function, the external auditor and the employee participation body (if any) that the non-executive directors need in order to be able to carry out its duties as a supervisory organ properly.	YES	___
2.4.9	**Obtaining information from officers and external parties:** If the non-executive directors consider it necessary, it may obtain information from officers and external advisers of the company. The company should provide the necessary means to this end. The non-executive directors may require that certain officers and external advisers attend its meetings.	YES	___
2.5.1	**Executive directors' responsibility for culture:** The executive directors should adopt values for the company and its affiliated enterprise that contribute to a culture focused on long-term value creation and discuss these with the non-executive directors. The executive directors are responsible for the incorporation and maintenance of the values within the company and its affiliated enterprise. Attention must be paid to the following, among other things: i. the strategy and the business model; ii. the environment in which the enterprise operates; and iii. the existing culture within the enterprise, and whether it is desirable to implement any changes in this. The executive directors encourage behavior that is in keeping with the values and propagates these values through leading by example.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.5.2	**Code of Conduct:** The executive directors should draw up a code of conduct and monitor its effectiveness and compliance with this code, both on the part of itself and of the employees of the company. The executive directors should inform the non-executive directors of its findings and observations relating to the effectiveness of, and compliance with, the code. The code of conduct will be published on the company's website.	YES	___
2.5.3	**Employee participation:** If the company has established an employee participation body, the conduct and culture in the company and its affiliated enterprise should also be discussed in the consultations between the executive directors, the non-executive directors and such employee participation body.	N/A	___
2.5.4	**Accountability regarding culture:** In the management report, the executive directors should explain: i. the values and the way in which they are incorporated in the company and its affiliate enterprise; and ii. the effectiveness of, and compliance with, the code of conduct.	YES	___
2.6.1	**Procedure for reporting actual or suspicion of misconduct or irregularities:** The executive directors should establish a procedure for reporting actual or suspected irregularities within the company and its affiliated enterprise. The procedure will be published on the company's homepage. The executive directors should ensure that employees have the opportunity to file a report without jeopardizing their legal position.	YES	___
2.6.2	**Informing the chairman of the board:** The executive directors should inform the chairman of the board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. If the actual or suspected misconduct or irregularity pertains to the functioning of an executive director, employees can report this directly to the chairman of the board.	YES	___
2.6.3	**Notification by the external auditor:** The external auditor should inform the chairman of the audit committee without delay if, during the performance of his duties, he discovers or suspect an instance of misconduct or irregularity. If the actual or suspected misconduct or irregularity pertains to the functioning of an executive director, the external auditor should report this directly to the chairman of the board.	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.6.4	**Oversight by the non-executive directors:** The non-executive directors monitor the operation of the procedure for reporting actual or suspected misconduct or irregularities, appropriate and independent investigations into signs of misconduct or irregularities, and, if an instance of misconduct or irregularity has been discovered, an adequate follow-up of any recommendations for remedial actions. In order to safeguard the independence of the investigation in cases where the executive directors their selves are involved, the non-executive directors should have the option of initiating its own investigation into any irregularities that have been discovered and to coordinate this investigation.	YES	___
2.7.1	**Preventing conflicts of interest:** Executive directors and non-executive directors are alert to conflicts of interest and should in any case refrain from the following: i. competing with the company; ii. demanding or accepting substantial gifts from the company for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree; iii. providing unjustified advantages to third parties at the company's expense; iv. taking advantage of business opportunities to which, the company is entitled for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.	YES	___
2.7.2	**Terms of reference:** The terms of reference of the non-executive directors should contain rules on dealing with conflicts of interest, including conflicting interests between executive directors and non-executive directors on the one hand and the company on the other. The terms of reference should also stipulate which transactions require the approval of the non-executive directors. The company should draw up regulations governing ownership of, and transactions in, securities by executive or non-executive directors, other than securities issued, by the company.	NO	See explanation to principle 2.3.1 above.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
2.7.3	**Reporting:** A conflict of interest may exist if the company intends to enter into a transaction with a legal entity: i. in which a member of the board personally has a material financial interest; or ii. which has a member of the board who is related under family law to a member of the board of the company. An executive director should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such executive director to the chairman of the board and to the other members of the board without delay. The executive director should provide all relevant information in that regard, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. A non-executive director should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such non-executive director to the chairman of the board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the board without delay. The non-executive directors should decide, outside the presence of the executive director or non-executive director concerned, whether there is a conflict of interest.	N/A	___
2.7.4	**Accountability regarding transactions: board members:** All transactions in which there are conflicts of interest with board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with board members that are of material significance to the company and/or to the relevant board members should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a statement of the conflict of interest and a	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.		
2.7.5	**Accountability regarding transactions: majority shareholders:** All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with.	YES	___
2.7.6	**Personal loans:** The company should not grant its board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the non-executive directors. No remission of loans should be granted.	YES	___
2.8.1	**Non-executive directors involvement:** When a takeover bid for the company's shares or for the depositary receipts for the company's shares is being prepared, in the event of a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c) of the Dutch Civil Code, and/or in the event of other substantial changes in the structure of the organization, the executive directors should ensure that the non-executive directors is involved in the takeover process and/or the change in the structure closely and in a timely fashion.	YES	___
2.8.2	**Informing the non-executive directors about request for inspection by competing bidder:** If a takeover bid has been announced for the shares, or depositary receipts for shares, in the company, and the executive directors receive a request from a competing bidder to inspect the company's records, the executive directors should discuss this request with the non-executive directors without delay.	YES	Until the date of this report such event did not occur.
2.8.3	**Executive directors' position on a private bid:** If a private bid for a business unit or a participating interest has been made public, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c)	YES	Until the date of this report such event did not occur.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	of the Dutch Civil Code, the executive directors of the company should as soon as possible make public its position on the bid and the reasons for this position.		
3.1.1	**Remuneration policy proposal:** The remuneration committee should submit a clear and understandable proposal to the non-executive directors concerning the remuneration policy to be pursued with regard to the executive directors. The non-executive directors should present the policy to the general meeting for adoption.	YES	___
3.1.2	**Remuneration policy:** The following aspects should in any event be taken into consideration when formulating the remuneration policy: i. the objectives for the strategy for the implementation of long-term value creation within the meaning of best practice provision 1.1.1; ii. the scenario analyses carried out in advance; iii. the pay ratios within the company and its affiliated enterprise; iv. the development of the market price of the shares; v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character; vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded; and vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded.	NO	If shares options are being awarded, share options can be exercised before three years have lapsed after they have been awarded (minimum term required by the DCGC). This deviation was implemented to match the Romanian tax provisions for the granting of stock option to employees and management and also to ensure sooner transfer of stocks to eligible employees, officers and directors.
3.1.3	**Remuneration – executive committee:** If the board works with an executive committee, the executive directors should inform the non-executive directors about the remuneration of the members of the executive committee who are not executive directors. The executive	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	directors should discuss this remuneration with the non-executive directors annually.		
3.2.1	**Remuneration committee's proposal:** The remuneration committee should submit a proposal to the non-executive directors concerning the remuneration of individual executive directors. The proposal is drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the company and its affiliated enterprise.	YES	___
3.2.2	**Executive directors' views on their own remuneration:** When drafting the proposal for the remuneration of executive directors, the remuneration committee should take note of individual executive directors' views with regard to the amount and structure of their own remuneration. The remuneration committee should ask the executive directors to pay attention to the aspects referred to in best practice provision 3.1.2.	YES	___
3.2.3	**Severance payments:** The remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). Severance pays will not be awarded if the agreement is terminated early at the initiative of the executive director, or in the event of seriously culpable or negligent behavior on the part of the executive director.	YES	These conditions are provided in the management agreements concluded by the Company with each Director.
3.3.1	**Time spent and responsibility:** The remuneration of the non-executive directors should reflect the time spent and the responsibilities of their role.	YES	The revised Remuneration Policy provides for principles applicable to both the executive and the non-executive members of the board of directors of the Company. According to the revised Remuneration Policy, the remuneration of the non-executive directors is a fixed fee – which also takes into account holding seats on committees, e.g. Audit Committee, Remuneration Committee etc.) of the Company and which shall be set at market appropriate levels. The level of the remuneration is different from that of the non-executives. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with Conflict of Interest rules). No variable compensation will be offered in respect of their role as non-executive director of

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
			the Company and the Company will at all times take into account potential conflicts of interest.
3.3.2	**Remuneration of non-executive directors:** non-executive directors may not be awarded remuneration in the form of shares and/or rights to shares.	NO	Non-executive directors who are directors in other Group companies or employees of other Group companies may, but only in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with Conflict of Interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest.
3.3.3	**Share ownership:** Shares held by a non-executive director in the company on whose supervisory board they serve should be long-term investments.	YES	___
3.4.1	**Remuneration report:** The remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law: i. how the remuneration policy has been implemented in the past financial year; ii. how the implementation of the remuneration policy contributes to long-term value creation; iii. that scenario analyses have been taken into consideration; iv. the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year; v. in the event that an executive director receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and performance; and vi. in the event that a current or former executive director receives a severance payment, the reason for this payment.	YES	The Remuneration Committee prepares, annual reports outlining its activity within the Company, as well as outlining the remuneration conditions at the level of the most relevant subsidiaries of the Company. In 2021, the activity of the Remuneration Committee mainly focused on the implementation of the new revised remuneration policy.

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
3.4.2	**Agreement of executive director:** The main elements of the agreement of an executive director with the company should be published on the company's website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the executive director will be proposed.	YES (PARTIALLY)	The main elements regarding the remuneration of the executive directors from the agreement concluded with the Company have been published on the Company's website https://www.digi-communications.ro/en/see-file/Remuneration-of-the-executive-members-of-the-Board-of-Directors-1.pdf.
4.1.1	**Non-executive directors supervision:** The non-executive directors' supervision of the executive directors should include the supervision of relations with shareholders.	YES	___
4.1.2	**Proper conduct of business at meetings:** The chairman of the general meeting is responsible for ensuring the proper conduct of business at meetings in order to promote a meaningful discussion at the meeting.	YES	___
4.1.3	**Agenda:** The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items: i. material changes to the articles of association; ii. proposals relating to the appointment of board members; iii. the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend); iv. any proposal to pay out dividend; v. resolutions to approve the management conducted by the executive directors (discharge of executive directors from liability); vi. resolutions to approve the supervision exercised by the non-executive directors (discharge of non-executive directors from liability); vii. each substantial change in the corporate governance structure of the company and in the compliance with this Code; and viii. the appointment of the external auditor.	YES	___
4.1.4	**Proposal for approval or authorization:** A proposal for approval or authorization by the general meeting should be explained in writing. In its explanation the executive directors should deal with all facts and	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
	circumstances relevant to the approval or authorization to be granted. The notes to the agenda should be posted on the company's website.		
4.1.5	**Shareholder's explanation when exercising the right to put items on the agenda:** If a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it.	YES	___
4.1.6	**Placing of items on the agenda by shareholders:** A shareholder should only exercise the right to put items on the agenda after they have consulted with the executive directors on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example as a result of the dismissal of one or several board members, the executive directors should be given the opportunity to stipulate a reasonable period in which to respond (the response time). The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Section 2:110 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the executive directors, within the meaning of best practice provision 4.1.7.	YES	___
4.1.7	**Stipulation of the response time:** If the executive directors stipulate a response time, this should be a reasonable period that does not exceed 180 days from the moment the executive directors are informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The executive directors should use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder(s), and should explore the alternatives. At the end of the response time, the executive directors should report on this consultation and the exploration to the general meeting. This should be monitored by the non-executive directors. The response time may be stipulated only once for any given general meeting and should not apply to an item in respect of which the response time had been previously stipulated, or to meetings where a shareholder holds at least three-quarters of the issued capital as a consequence of a successful public bid.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
4.1.8	**Attendance of members nominated for the board:** Board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.	YES	___
4.1.9	**External auditor's attendance:** The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should for this purpose attend and be entitled to address this meeting.	YES	___
4.1.10	**General meeting's report:** The report of the general meeting should be made available, on request, to the shareholders no later than three months after the end of the meeting, after which shareholders should have the opportunity to react to the report in the following three months. The report should then be adopted in the manner provided for in the articles of association.	NO	The deed of record from the General Shareholder's Meeting of 18 May 2021 was posted on the Company's website in a notarized form.
4.2.1	**Substantiation of invocation of overriding interest:** If the executive directors and the non-executive directors decide not to provide the general meeting with all information desired with the invocation of an overriding interest on the part of the company, they must give reasons for this.	YES	___
4.2.2	**Policy on bilateral contacts with shareholders:** The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website.	YES	___
4.2.3	**Meetings and presentations:** Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analysts' meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website.	YES	___
4.2.4	**Posting information in a separate section of the website:** The company should post and update information which is relevant to the shareholders and which it is required to publish or submit pursuant to the provisions of company law and securities law applicable to it in a separate section of the company's website.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
4.2.5	**Executive directors contacts with press and analysts:** The contacts between the executive directors on the one hand and the press and financial analysts on the other should be handled and structured carefully and with due observance of the applicable laws and regulations. The company should not do anything that might compromise the independence of analysts in relation to the company and vice versa.	YES	___
4.2.6	**Outline of anti-takeover measures:** The executive directors should outline all existing or potential anti-takeover measures in the management report and should also indicate in what circumstances and by whom these measures may likely be used.	YES	___
4.3.1	**Voting as deemed fit:** A shareholder should vote as he sees fit. A shareholder who makes use of the voting advice of a third party is expected to form his own judgment on the voting policy or the voting advice provided by this adviser.	YES	___
4.3.2	**Providing voting proxies or voting instructions:** The company should give shareholders and other persons entitled to vote the possibility of issuing voting proxies or voting instructions, respectively, to an independent third party prior to the general meeting.	YES	___
4.3.3	**Cancelling the binding nature of a nomination or dismissal:** The general meeting of shareholders of a company not having statutory two-tier status (*structuurregime*) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the board and/or a resolution to dismiss a member of the board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.	NO	Such resolution can be adopted by the general meeting with a two-third majority representing at least half of the issued share capital (default position under Dutch statutory law). This deviation is provided within the Articles as approved by the Company's general shareholders resolutions from 21 April 2017. This deviation is meant to avoid vote inefficiencies or blockage upon the appointment or dismissal of any relevant director.
4.3.4	**Voting right on financing preference shares:** The voting right attaching to financing preference shares should be based on the fair value of the capital contribution.	YES	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
4.3.5	**Publication of institutional investors' voting policy:** Institutional investors (pension funds, insurers, investment institutions and asset managers) should post annually, in any event on their website, their policy on the exercise of the voting rights for shares they hold in listed companies.	N/A	___
4.3.6	**Report on the implementation of institutional investors' voting policy:** Institutional investors should report annually, on their website and/or in their management report, on how they implemented their policy on the exercise of the voting rights in the relevant financial year. In addition, they should report on their website at least once per quarter on whether and, if so, how they have voted as shareholders at general meetings. This report will be posted on the website of the institutional investor.	N/A	___
4.4.1	**Trust office board:** The board of the trust office should have the confidence of the holders of depositary receipts and operate independently of the company that has issued the depositary receipts. The trust conditions should specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts.	N/A	___
4.4.2	**Appointment of board members:** The board members of the trust office should be appointed by the board of the trust office, after the job opening has been announced on the website of the trust office. The meeting of holders of depositary receipts may make recommendations to the board of the trust office for the appointment of persons to the position of board member. No executive directors or former executive directors, non-executive directors or former non-executive directors, employees or permanent advisers of the company should be a member of the board of the trust office.	N/A	___
4.4.3	**Board appointment period:** A person may be appointed to the board of the trust office for a maximum of two four-year terms, followed by a maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report of the board of the trust office.	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
4.4.4	**Attendance of the general meeting:** The board of the trust office should attend the general meeting and should, if desired, make a statement about how it proposes to vote at the meeting.	N/A	___
4.4.5	**Exercise of voting rights:** In exercising its voting rights, the trust office should be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and the enterprise affiliated with it into account.	N/A	___
4.4.6	**Periodic reports:** The trust office should report periodically, but at least once per year, on its activities. The report should be posted on the company's website.	N/A	___
4.4.7	**Contents of the reports:** The report referred to in best practice provision 4.4.6 should, in any event, set out: i. the number of shares for which depositary receipts have been issued and an explanation of changes to this number; ii. the work carried out in the financial year; iii. the voting behaviour in the general meetings held in the financial year; iv. the percentage of votes represented by the trust office during the meetings referred to under iii.; v. the remuneration of the members of the board of the trust office; vi. the number of meetings held by the management and the main items dealt with in them; vii. the costs of the activities of the trust office; viii. any external advice obtained by the trust office; ix. the (other) positions held by the board members of the trust office; and x. the contact details of the trust office.	N/A	___
4.4.8	**Voting proxies:** The board of the trust office should issue voting proxies under all circumstances and without limitations to all depositary receipt holders who request this. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf.	N/A	___

Ref.	Code provisions	Compliance as at November 15, 2022	Explanation
5.1.1	**Composition of the board:** The majority of the board is made up of non-executive directors. The requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 apply to the non-executive directors.	NO	The majority of the board is made up of non-executive directors. However, the Company does not apply to the requirements for independence. See explanation to principle 2.1.7 above.
5.1.2	**Chairman of the board:** The chairman of the board chairs the meetings of the board. The chairman of the board should ensure that the board as a collective, as well as the board's committees, have a balanced composition and function properly.	YES	___
5.1.3	**Independence of the chairman of the board:** The chairman of the board should not be an executive director or former executive director of the company and should be independent within the meaning of best practice provision 2.1.8.	NO	The chairman is a non-executive director However, the chairman is not independent within the meaning of principle 2.1.8. See explanation to principle 2.1.9 above.
5.1.4	**Composition of committees:** The committees referred to in best practice 2.3.2 should be comprised exclusively of non-executive directors. Neither the audit committee nor the remuneration committee can be chaired by the chairman of the board or by a former executive director of the company	YES	___
5.1.5	**Accountability for supervision by non-executive directors:** The non-executive directors render account of the supervision exercised in the past financial year. They should, as a minimum, report on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2.	YES (PARTIALLY)	Information with respect to these matters are not comprised in a separate report of non-executive directors but in the Corporate Governance section of this report.

ANNEX 4 RISK FACTORS

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 incresase 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 Max, Disney Plus, 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 Belgium (as part of our joint venture with the IT group Cegeka); and potentially other markets; 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, which could be significant in the future in our existing business lines or complementary to them, as, and if, appropriate opportunities become available. 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 January 3, 2022, on the basis of a sale and purchase agreement concluded on November 29, 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 and Belgium, 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 60.6% of revenue (including discontinued operations) 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), which included 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 2,541 base stations in Hungary; however, we have sold our Hungarian subsidiary to 4IG on January 3, 2022, on the basis of a sale and purchase agreement concluded on November 29, 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, cyber-attacks and unauthorized access. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. 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 (including cyber-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. Moreover, if one or more of these events occurs, it could result in the disclosure of confidential client information, damage to our reputation with our customers and the market, additional costs (such as repairing and upgrading systems or adding new personnel or protection technologies), regulatory penalties and financial losses.

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 period). 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.

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.

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, particularly in the last couple of years 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 Romanian National Anti-Corruption Agency (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 RON 1.25 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 NACP'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, temporary may 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 planning 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 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, including the Monitoring fee, over the previous several years including 2021. 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, 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 include drop in investments caused by uncertainty, high global energy and non-energy commodity prices, the knock-on effects of economic sanctions, which negatively affect the economies of our countries of operation, significant currency fluctuations, inflation, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices. Any escalation of the conflict resulting in a further restriction of energy supplies and a further increase in energy prices would adversely impact the global, European and Romanian economies, resulting in higher inflation and lower growth and possibly recession.

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 consumer price index inflation rate has registered a peak at 15.05% in June 2022, (when the previous support schemes for household electricity and gas consumers expired, being replaced by more restrictive ones). 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 13.9% 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 67 out of 100 countries (2021: 45 score for Romania, 67 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 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 2020 Notes, the 2020 Senior Facilities Agreement, as amended on 21 July 2021, the 26 July 2021 Digi Spain Senior Facilities Agreement, as amended on 27 July 2022, 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 57.7% of the Company and 100% of the issued and outstanding Class A Shares and therefore will have 100% of the voting rights in a shareholder 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 Mr. Zoltán Teszári, individually or (if applicable) together with any of his children or Mr. Zoltán Teszári's heirs jointly no longer holds a direct or indirect interest in at least 30% in the issued and outstanding nominal share capital of the Company, the rights accruing to the Class A Meeting as set out in the Articles shall cease to exist. For the avoidance of doubt, the provisions relating to the binding nomination right cease to apply in that circumstance.

Holders of Class B Shares have lower voting rights than holders of Class A Shares which may impact the trading price of Class B Shares as well as control over the Company.

Holders of Class A Shares and Class B Shares have different voting rights. Each Class A Share has 10 votes, and each Class B Share has one vote. When holders of Class A Shares and Class B Shares vote together, holders having a majority of the votes (or 66.67%, in the case of a vote requiring a special resolution for which a quorum requirement exists and such quorum is not present or represented (i.e. can only be adopted by a majority of at least two-thirds of the votes cast, if less than one half of the issued share capital is presented or represented at the General Meeting)) present and voting will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among the Shareholders or has a greater impact on one group than the other. Therefore, holders of Class A Shares will have more control over the outcome of Shareholder votes and decision-making. As only the Class B Shares are listed on the Bucharest Stock Exchange, the value of Class B Shares may be adversely affected given this distribution of voting rights and control. Our equity capital structure may inhibit or prevent acquisition bids, may decrease the value of the listed Shares and may make it difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. The existence of different classes of Shares with different voting rights limits the amount of control that holders of Class B Shares have over the Company.

There is no assurance that the holders of the Shares and/or Notes will be able to sell them.

The Shares are listed on the regulated market of the Bucharest Stock exchange and the Notes are listed on the regulated market of the Irish Stock Exchange. We cannot guarantee the liquidity of any market that may develop for the Shares and/or the Notes, the ability of the holders of the Shares and/or the Notes to sell such Shares and/or Notes or the price at which they may be able to sell. Liquidity and future trading prices of the Shares and/or the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for securities such as the Shares and/or the Notes and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Shares and/or the Notes that does develop and any market price quoted for the Shares and/or the Notes. As a result, we cannot ensure that an active trading market will be available for the Shares and/or the Notes.

Trading on the Bucharest Stock Exchange may be suspended.

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests or to the extent the relevant issuer is in breach of its obligations under the relevant securities laws and regulations. Also, the Bucharest Stock Exchange is entitled to suspend from trading Shares in other circumstances, in accordance with its regulations. Any suspension could affect our Shares' trading price and would impair the transfer of the Shares.

The 2020 Notes may not remain listed on the Irish Stock Exchange.

Although RCS & RDS will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List and admitted on the regulated market of Euronext Dublin as long as the Notes are outstanding, RCS & RDS cannot assure prospective investors that the Notes will remain listed. If RCS & RDS cannot maintain the listing of the Notes on the regulated market of Euronext Dublin or it becomes unduly onerous to make or maintain such listing, RCS & RDS may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS & RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List on the regulated market of Euronext Dublin or another recognized listing exchange for high yield issuers in accordance with the Indentures, failure of the Notes to be approved for listing, or the delisting of the Notes from the Official List on the regulated market of Euronext Dublin or another stock exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Furthermore, although RCS & RDS, in the Indentures, agreed to use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange as long as they are outstanding, RCS & RDS cannot assure existing and prospective investors that the Notes will remain listed.

If RCS & RDS cannot maintain the listing of the Notes on the regulated market of the Irish Stock Exchange or it becomes unduly onerous to make or maintain such listing, it may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS & RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Irish Stock Exchange, failure to be approved for listing or delisting from another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

The Shares and/or the Notes may be subject to market price volatility and the market price of may decline disproportionately in response to developments that are unrelated to the Company's operating performance.

The market price of the Shares and/or the Notes (following their listing) may be volatile and subject to wide fluctuations. The market price of the Shares and/or the Notes may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these "Risk Factors," as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavorable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares and/or the Notes, which could lead to investors getting back less than they invested or a total loss of their investment.

Not all rights available to shareholders in the United States or other countries outside the Netherlands or Romania will be available to holders of the Shares.

In the event of an increase in our ordinary share capital, holders of Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded by a resolution of the General Meeting, which requires a proposal thereto by the Board of Directors which in turn requires the approval by resolution of the shareholders of the relevant class in respect of the pre-emptive rights of the holders of such class only or, if such increase can be decided by the Board of Directors and the Articles so permit, by a resolution of the Board of Directors. However, certain holders of Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Shares are registered under the Securities Act or such rights and Shares are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Shareholders in other jurisdictions outside the Netherlands or Romania may be similarly affected if the rights and Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. We intend to evaluate at the time of any issue of Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to U.S. Shareholders, as well as the indirect benefits to us of enabling the exercise of U.S. Shareholders of their pre-emptive rights to Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive, share option plan or de-leveraging or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities, may issue shares in relation to share incentives or share option plans, or may raise finance for the purposes of de-leveraging. We may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

Our ability to pay dividends to Shareholders may be constrained.

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends to us. The actual payment of future dividends by us and the payment of dividends, if any, to us by our subsidiaries and the amounts thereof will depend on a number of factors, including (but not limited to) the amount of distributable profits and distributable reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws and financial restrictions on the debt instruments of our subsidiaries, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies and such other factors as the Board of Directors may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains.

Foreign shareholders may be subject to exchange rate risk.

The Shares are denominated in euro, but traded in Romanian lei. An investment in the Shares by an investor whose principal currency is not the leu exposes the investor to foreign currency exchange rate risk. Any depreciation of the leu in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms. In addition, we are required, under Romanian law, to pay our dividends through the system operated by the Central Depository.

Transfers of the Shares and/or the Notes may be restricted, which may adversely affect the value of the Shares and/or the Notes.

The Shares and the Notes have been offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Shares and the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, an investor in the Shares and the Notes may not transfer or sell the Shares and/or the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and may be required to bear the risk of an investment in the Shares/ and or the Notes for an indefinite period of time. It is the investors' obligation to ensure that their offers and sales of Shares and/or the Notes within the United States and other countries comply with applicable securities laws.

We are subject to additional regulatory obligations and incur additional costs in connection with the trading of our Shares and Notes on the regulated market.

We are required to meet regulatory requirements pertaining to entities with shares admitted to trading on the Bucharest Stock Exchange and the 2020 Notes, as well as those pertaining to entities registered in the Netherlands (such as the Dutch Corporate Governance Code), in particular with respect to disclosure, corporate governance and financial reporting, and allocate staff and resources to such purposes. Such increased costs could have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, the regulations and requirements applicable to companies whose securities are listed on the Bucharest Stock Exchange and/or the Irish Stock Exchange are subject to change, and any future changes can be difficult to predict, increasing the risk that the Company may in the future be in violation of such rules and regulations, which can result in extensive fines and administrative fees. In addition, the Board of Directors and management may be required to devote time and effort to ensure compliance with such rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

The rights of minority shareholders may be limited under Dutch law.

The Company is organized under the laws of the Netherlands. The rights of holders of the Shares, including the Shares, are governed by the Company's Articles and by Dutch law. These rights, including the rights of minority shareholders, as well as other matters affecting such rights, may be different in the Netherlands from those elsewhere, and an investor's ability to exercise such rights may be limited.

ANNEX 5 REMUNERATION REPORT FOR 2021

Remuneration Report for 2021

Introduction

The current revised remuneration policy (**Remuneration Policy 2020**) applies to both the executive and the non-executive members of the board of directors of the Company (the **Board**). It was adopted by the general meeting (the **General Meeting**) on April 30, 2020 and was reviewed in light of developing corporate governance best practices as well as the implementation of the EU Shareholders Rights Directive. The Remuneration Policy 2020 replaces the Remuneration Policy 2017 adopted by the General Meeting on 20 April 2017.

The objective of the Remuneration policy 2020 is to provide remuneration in a manner that:

- qualified and expert directors, capable to deliver our company strategy, can be recruited and retained;
- long term value is created by the Group for its shareholders and other stakeholders by employing qualified and expert directors;
- directors are rewarded in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite;
- contributes to the Company's business strategy and its sustainability being appropriate to the dimension and the structure of the Group, as well as to the nature, business sector and the complexity of the business; and
- takes into account the wider workforce arrangements (including internal pay ratios) within the Group to the extent possible as well as general societal views with respect to executive remuneration. It is very important for the Company's business that the executive remuneration aligns with the level of responsibility of this position of the Group and the professional experience, and to make sure that this is competitive with respect to its domestic and international comparable.

Annually, the Remuneration Committee prepares the remuneration report on the application of the Remuneration Policy (i.e., the Remuneration Policy 2020). This remuneration report was prepared in line with the requirements stemming from the implementation of the Shareholder Rights Directive in Dutch law. The 2020 Remuneration Report was submitted to the General Meeting from 18 May 2021 for a non-binding, advisory vote and was adopted by the Meeting with the majority of votes, as detailed in the voting results, available on the Company's corporate web-site. The advisory vote on the 2020 remuneration report was positive and no concerns have been raised by shareholders. Therefore, the Remuneration Committee decided not to change the structure and level of disclosure of the 2021 remuneration report. This report will be submitted to the General Meeting for a non-binding, advisory vote.

The activity of the Remuneration Committee during 2021

During 2021, the Remuneration Committee assisted and supervised the Executive Directors with the implementation of the Remuneration Policy 2020 applicable to the Directors.

During 2021, the Company complied with the applicable Remuneration Policy 2020 and no deviating rules or practices were proposed by the Remuneration Committee. The Remuneration Committee confirms that for the reported year there have been changes regarding the fixed monthly remuneration granted to the Directors comparing with the preceding reported financial year which were in line with the Remuneration Policy 2020. The Remuneration Committee confirms that no events occurred in the Group's business environment directly affecting the remuneration of the Directors.

Remuneration of Directors

Composition of Board of Directors

The composition of the Board of Directors during 2021 remained the same as that from the period 1 May 2019 – 30 April 2020. The members of the Board of Directors were reappointed on the same positions at the General Meeting from 30 April 2020.

Remuneration of Board of Directors in 2021

The current remuneration of the Directors has been determined by the Remuneration Committee according to the Remuneration Policy 2020 and taking into consideration the stock option plans approved by the General Meeting on 30 April 2020 and 18 May 2021, as well as the stock option plan adopted by the Board of Directors on 14 May 2020 and 19 May 2021.

Total remuneration of Directors received from the Group during the reported financial year (all in EUROs equivalent (1))

The table includes remuneration from all the Group companies where the Directors perform a role.

Name of director, position		Fixed remuneration					Variable Remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed remuneration	Proportion of variable remuneration
		Base salary (net)	Base salary (gross)	Fixed Fees (net)	Fixed Fees (gross)	Fringe benefits	One-year variable (2)	Multi-year variable					
Mr. S. Bulgac CEO	**2021**	63,069	107,814	150,000	256,404	18,695	-	-	-	-	382,913	100%	0%
	2020	64,516	110,287	150,000	256,404	16,948	1,212,957	-	-	-	1,596,596	24%	76%
Mr. V. Popoviciu Executive Director	**2021**	60,629	103,642	150,000	256,404	19,069	414,890	-	-	-	794,005	48%	52%
	2020	62,021	106,020	150,000	256,404	1,531	642,154	-	-	-	1,006,109	36%	64%
Mr. Z. Teszári President	**2021**	10,798	18,458	100,000	170,928	3,677	294	-	-	-	193,357	100%	-
	2020	11,069	18,921	100,000	170,928	1,655	300	-	-	-	191,805	100%	0%
Mr. M. Varzaru Non-executive Director	**2021**	128,880	238,998	100,000	111,109	-	951,668				1,301,775	27%	73%
	2020	129,019	238,992	100,000	111,109	7,393	988,752	-	-	-	1,346,246	27%	73%
Mr. B. Ciobotaru Non-executive Director	**2021**	60,629	67,366	100,000	111,109	-	-	-	-	-	178,475	100%	-
	2020	37,212	41,348	100,000	111,109	-	453,198(3)	-	-	-	605,655	25%	75%
Mr. P. Rymaszweski Non-executive Director	**2021**	-	-	100,000	111,109	-	-	-	-	-	111,109	100%	0%
	2020	-	-	100,000	111,109	-	-	-	-	-	111,109	100%	0%
Mr. E. Jugaru Non-executive Director	**2021**	48,503	82,912	100,000	170,928	2,567	294	-	-	-	256,701	100%	0%
	2020	49,616	84,920	100,000	170,928	9,854	300	-	-	-	266,001	100%	0%
TOTAL	**2021**	**372,509**	**619,190**	**800,000**	**1,187,991**	**44,009**	**1,367,145**	**-**	**-**	**-**	**3,218,335**	**-**	**-**
	2020	**353,454**	**600,488**	**800,000**	**1,187,991**	**37,380**	**3,297,661**	**-**	**-**	**-**	**5,123,521**	**-**	**-**

(1) The remuneration received in other currencies than Euro from the Company's subsidiaries were converted to Euro by using foreign exchange rates as at year end December 31, 2021, respectively December 31, 2020, for RON and HUF relative to Euro.

(2) Share options vested during the year valuated at share price from vesting date In, one-year variable are included share option and bonuses.

(3) Net variable payment relating to value of share options vested during 2020, after deducting the option vesting price of EUR 375 thousand

The remuneration package as provided by the Remuneration Policy and as proposed and approved during the General Meetings was designated to reward the Directors in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite. The variable compensation component of the executive directors intends to encourage the executive director to focus on the Company's long-term value creation consistent with the Company's strategy and align (more closely) the interest of the executive director with those of the shareholders. The variable remuneration as percentage of the fixed base salary of executive or non-executive directors of the Company ranges from a minimum of 0% up to a maximum of 500%.

An executive director can therefore:

- be awarded stock options under the Employee Share Option Plan (ESOP) as approved by the General Meeting or as will be approved by any future General Meeting; and
- receive performance-linked cash bonuses subject to the criteria governing variable compensation.

Non – executive directors are awarded a fix salary. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict-of-interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest.

The total remuneration of the Directors contributes to the long-term performance of the Company as it allows the Company to attract and retain qualified and expert directors who are motivated to achieve the Company's targets, implement its strategic goals and create long-term value for all stakeholders by receiving a remuneration package that is appropriate with the dimension and the structure of the Group, as well as to the nature, business sector and complexity of the business.

Fixed remuneration of Executives and Non-executive Directors for the year 2021

The fixed net fees of Executive Directors of the Company in 2021 was 150,000 Euro and that of the Non-executive Directors of the Company was 100,000 Euro, in line with the Remuneration Policy 2020 and management agreements concluded with the Company and in force during the reported year.

Variable remuneration of Executives and Non-executives Directors for the year 2021 - in the form of cash bonuses

No variable remuneration in the form of cash bonuses was paid by the Company to the Directors during the reported financial year. Nevertheless, certain Directors received variable remuneration in the form of cash bonuses from Group companies in relation to the positions they held within those companies and based on the agreements and performance criteria established by the relevant subsidiary, and in line with the provisions of the local law (see table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROs equivalent)*).

Variable remuneration of Executive and Non-executive Directors for the year 2020 - in the form of stock options. Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee

During 2021, the General Meeting approved a stock option plan for two of the Executive Directors of the Company and for one Non-Executive Director in consideration of his role in Company's subsidiaries and some awards have been made for the share options approved during 2020. The below table sets out the status of option grants made to Directors.

Shares awarded, transferred and expired during 2021 to Directors and employees of the Group under the Share Options Plans

Name of Director, position	The main conditions of share option plans							Information regarding the reported financial year					
								Opening balance	During the year		Closing balance		
	1 Specification of plan	2 Performance period	3 Award date	4 Vesting Date	5 End of holding period	6 Start date Exercise Period	7 Strike price of shares (EUR)	8 Share options held at the beginning of the year	9 Share options awarded	10 Share options vested and transferred	11 Share options subject to performance condition	12 Share option awarded and unvested at the year end	13 Share options subject to a holding period
Mr. S. Bulgac CEO	SOP 6	1 year	14 May 2020	15 May 2021	-(1)		-	-	80,000	-	80,000	80,000(1)	-
	SOP 8 (2021)	1 year	19 May 2021	20 May 2022	-	-	-	-	80,000	-	80,000	80,000	-
Mr. V. Popoviciu Executive Director	SOP 6	1 year	14 May 2020	15 May 2021	27 May 2021	15 May 2021	-	-	50,000	50,000	50,000	50,000	-
	SOP 8 (2021)	1 year	19 May 2021	20 May 2022	-	-	-	-	50,000	-	50,000	50,000	-
Mr. B. Ciobotaru Non-executive Director	SOP 8 (2021)	1 year	19 May 2021	20 May 2022	-	-	-	-	30,000	-	30,000	30,000	-

(1) These share options expired after 3 months after the vesting date.

Share options vested during 2021 were awarded for no consideration.

Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee

SOP 1, SOP 2, SOP 3, SOP 4 and SOP 5 closed in previous periods.

SOP 6

- On 30 April 2020 the Board of Directors decided to grant stock options to the Executive Directors of the Company (the SOP 6). 130,000 Class B Shares were designated for the purposes of the SOP 6. SOP 6 vested in 27 May 2021, in line with the vesting schedule established by the General Meeting and in compliance with the performance conditions established by the General Meeting on 30 April 2020 namely: being a director or employee of the Company or its subsidiaries on the vesting date; EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2019; Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020 having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019; leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1.

SOP 7

- On May 14, 2020, the Board of Directors decided to grant certain stock options to a limited number of key employees of RCS & RDS S.A. and an employee of DIGISOFT IT (the SOP 7). 185,500 Class B Shares were designated for the purposes of the SOP 7. SOP 7 vested in 24 May 2021. These shares were granted for no consideration, with the vesting date on May 2021, by complying with the performance conditions, namely: being an employee of the Company or its subsidiaries on the vesting date and the number of revenues generating units of RCS & RDS for the year 2020 having increased by at least 200,000 units when compared with number of revenues generating units of RCS & RDS for the year 2019.
- Stock-options typically vest not earlier than one year from their grant date and will be exercisable immediately thereafter, but not later than three months after the vesting date. The Company acknowledges that this deviates from best practice provision 3.1.2 under (vii) of the Dutch Corporate Governance Code (DCGC), noting that the reason for deviation is due to class A shareholder's proposal and is implemented according the majority shareholders vote exercised by the General Meeting in which the stock-option plans were approved.

SOP 8 (2021)

- On 18 May 2021, the General Meeting decided to grant stock options to the Executive Directors of the Company and to a Non-Executive Director in consideration of his position in the Company's subsidiaries. 420,000 class B shares were designated for the purposes of SOP 8. SOP 8 was approved for three years (2021, 2022 and 2023) for the Executive Directors and for one year for the Non-Executive Director.
- **For 2021, SOP 8 was granted on 19 May 2021**. SOP 8 2021 may vest within one year as of the grant date, subject to the fulfilment of the performance conditions established by the General Meeting[1].
- For the Executive Directors, the conditions for the 2021 financial year are as follows: (i) being a director or employee of the Company or its subsdiaries on the vesting date, (ii) Consolidated EBITDA of the Company as determined on the basis of IFRS financial statements for the year 2021 being at least 5% higher than consolidated EBITDA of the Company as determined on the basis of the IFRS financial statements for the year 2020, (iii) Number of revenue generating units of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenue generating units of the Group, as defined and set out in the previous Annual Report of the Company (iv) Leverage ratio for the group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2021) to be not more than 3.25:1.

[1] Taking into consideration that the General Meeting to approve the Company's statutory financial situations will be convened, pursuant to the Company's financial calendar, in December 2022, SOP 8 (2021) will vest after the financial situations are approved by the General Meeting.

The performance conditions for 2022 and 2023 are the same as those established for 2021.For the Non-Executive Director, the performance condition for 2021 was that of being a director or employee of the Company or of its subsidiaries on the vesting date.

SOP 9

- On August 24, 2021 the Company approved granting a number of 39,000 stock options to employees of one of the Company's subsidiaries. The vesting date shall be within one year as of the grant date if performance criteria are met.

For further details on the applicable performance criteria, we refer to the following table:

Performance Criteria applicable to variable remuneration granted /exercised by Directors in the reported financial year

Name of Director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets		4 a) Measured performance and b) actual award outcome
			a) minimum target/threshold performance and b) corresponding award	a) maximum/target performance and b) corresponding award	
Mr. S. Bulgac CEO of Digi Communications NV SOP	Criterion A referring to SOP 8 for the year 2021 - being a director or employee by the Company or its subsidiaries on the vesting date.		All the criteria must be fulfilled 100% to allow pay out		80,000
	Criterion B referring to SOP 8 for the year 2021 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2021 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2020.				
	Criterion C referring to SOP 8 for the year 2021 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company.				
	Criterion D referring to SOP 8 for the year 2021 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2021) to be less than 3.25:1				
Mr. V. Popoviciu Executive Director of Digi Communications N.V.	Criterion A referring to SOP 8 for the year 2021 - being a director or employee by the Company or its subsidiaries on the vesting date		All the criteria must be fulfilled 100% to allow pay out		50,000
	Criterion B referring to SOP 8 for the year 2021- EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2021 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2020.				

Name of Director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets a) minimum target/threshold performance and b) corresponding award	3 Information on Performance Targets a) maximum/target performance and b) corresponding award	4 a) Measured performance and b) actual award outcome
	Criterion C referring to SOP 8 for the year 2021 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company				
	Criterion D referring to SOP 8 for the year 2021- Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2021) to be less than 3.25:1				
Mr. B. Ciobotaru Non-executive Director of Digi Communications N.V.	Criterion A referring to SOP 8 for the year 2021- being a director or employee by the Company or its subsidiaries on the vesting date		The criterion must be fulfilled 100% to allow pay out		30,000
Mr. S. Bulgac CEO of Digi Communications N.V.	Criterion A referring to SOP 6 for the year 2020 - being a director or employee by the Company or its subsidiaries on the vesting date.	-	All the criteria must be fulfilled 100% in order to allow pay out	All criteria were fulfilled, but the options were not exercised	-
	Criterion B referring to SOP 6 for the year 2020 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2019				
	Criterion C referring to SOP 6 for the year 2020 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019				
	Criterion D referring to SOP 3 for the year 2020 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1				
Mr. V. Popoviciu Executive Director of Digi Communications N.V.	Criterion A referring to SOP 6 for the year 2020 - being a director or employee by the Company or its subsidiaries on the vesting date	-	All the criteria must be fulfilled 100% to allow pay out	All criteria were fulfilled, and the options were exercised on 27 May 2021	Criterion A: Mr. Popoviciu was the executive director of the Company at the vesting date;
	Criterion B referring to SOP 6 for the year 2020 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2020 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2019				

Name of Director, position	1 Description of the performance criteria and type of applicable remuneration	2 Relative weighting of the performance criteria	3 Information on Performance Targets a) minimum target/threshold performance and b) corresponding award	 a) maximum/target performance and b) corresponding award	4 a) Measured performance and b) actual award outcome
	Criterion C referring to SOP 6 for the year 2020 - Number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2020, having increased by at least 300,000 when compared with number of RGUs of the Group, as defined and set out in the Annual Report of the Company for the year 2019				Criterion B: 2020 EBITDA 7% higher than 2019 EBITDA; Criterion C: RGU increase with 2 million; Criterion D: Leverage ratio of the Group for 2020 was 2.6 (as per Bond covenants).
	Criterion D referring to SOP 6 for the year 2020 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2020) to be less than 3.25:1				

*By EBITDA of the Company, we refer to the consolidated EBITDA of the Group

Other benefits

Other benefits received by the Board Directors during 2021 are the use of company cars. No pension benefits are paid to Directors. Furthermore, no loans, prepayments or guarantees have been made to any of the Directors.

Severance arrangements

The Company is compliant with the best practice provisions on severance payments as laid down in 3.2.3 of the DCGC, stating that the remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component).

The service agreements currently entered into with the members of the Board do not provide a notice period for the relevant director's benefit.

In case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board decides otherwise based on a recommendation of the Remuneration Committee, but it will in any event not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pay will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behaviour on the part of the relevant executive director.

These conditions are provided in the management agreements concluded by the Company with each Director. During 2021, no severance payments were granted to the Directors.

Other operations - Share buy-back. Share conversion:

As at December 31, 2021 Class B treasury shares of the Company are in amount of 636,226, representing 0.64% of its issued share capital as at the date hereof.

Information on how the remuneration complies with the Remuneration Policy and how the performance criteria were applied

The remuneration received by the Board of Directors from the Company during 2021 is in accordance with the provisions of the Remuneration Policy 2020 as presented below.

Based on the Remuneration Policy 2020, the remuneration of Executives Directors of the Company is comprised of a net fixed fee of 150,000 Euro per year, a variable remuneration linked to performance, consisting of an incentive component in the form of stock options or in the form of a cash bonus, fringe benefits (use of company cars or allowances in respect of health and nursery insurance) and severance arrangements (in case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board of Directors decides otherwise based on a recommendation of the Remuneration Committee, but will not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pays will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behavior on the part of the relevant executive director).

During 2021 the remuneration granted to Executive Directors was entirely in compliance with the provisions of the Remuneration Policy 2020, i.e. the Executive Directors received from the Company net fixed fee of 150,000 Euro per year, a variable remuneration consisting of stock options based on the performance criteria established by the General Meeting on May 30 April 2020 (see the performance criteria presented in the table above - *Performance of Directors in the reported financial year* and in respect to the components of the total remuneration the table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROs equivalent)*).

From the review of the materials prepared by the specialized HR departments of the relevant Group subsidiaries, the Remuneration Committee is able to conclude that the market features are different from one country to another, that the regulatory environments and the social security requirements are particular to each territory and constantly changing. Also, none of the Group subsidiaries seem to depart to a significant extent from the market trends and conditions.

Based on the figures provided by the specialized HR departments of the relevant Group subsidiaries during 2021, there has been no significant variation in the remuneration of the employees of the Group.

The remuneration of the Non-Executive Directors, according to the Remuneration Policy 2020 provisions comprises of a net fixed annual compensation of 100,000 Euro. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict-of-interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest

During 2021 no severance payments, pensions, loans or guarantees were granted by the Company to Executive and Non-executive Directors. Additionally, no claw back rights were exercised in relation to remuneration granted to the Directors.

Comparative information on the change of remuneration and Group performance

Annual change	2021 vs 2020	2020 vs 2019	2019 vs 2018	2018 vs 2017
Director's remuneration variation (1)				
Mr. Bulgac, *CEO*	-76%	35%	-36%	601%
Mr. Popoviciu, *Executive Director*	-21%	37%	11%	174%
Mr. Teszári, *President*	1%	-3%	2%	1%
Mr Varzaru, *Non-executive Director*	-3%	61%	9%	63%
Mr. Ciobotaru, *Non-executive Director*	-71%	295%	-1%	-33%
Mr. Rymaszewski, *Non-executive Director*	-	-	0%	0%
Mr. Sambor Ryszka, *Non-executive Director* ****until 1 May 2019***	-	-100%	-23%	-11%
Mr. Jugaru, *Non-executive Director* ****from 1 May 2019***	-3%	24%	114%	N/A
	2021	**2020**	**2019**	**2018**
Company performance				
Revenues mil EUR	15%	8%	14%	13%
EBITDA	9%	7%	38%	13%
RGU (thousand)	13%	12%	8%	12%
Average remuneration (2)				
Total Group	8%	5%	-1%	15%
Pay-ratio (3)	36.6	52.4	38.9	43.1

(1) *The variation of the Director's remuneration is due to the variation of the variable component of the remuneration granted to Directors under the stock option plans approved.*
(2) *Computed as total Group salaries expenses divided to the average number of Group employees.*
(3) *Pay-out ratio represents Average annual BoD member gross salary divided per Average annual employee gross salary. The fluctuations are caused by the variable component of the remuneration granted to Directors, as presented in "Total remuneration of Directors received from the Group during the reported financial year" table above.*

The Company's shares were listed on the Bucharest Stock Exchange starting from May 2017. The information presented in the table above include data for the Directors after the Company become public (2017 onwards).

The Remuneration Committee's plan for 2022

The Remuneration Committee plans to focus in 2022 on cooperating with the Executive Directors and with the senior management of the Company and its subsidiaries on the further proper implementation of the approved ongoing and further Stock Option Planson the implementation of the new remuneration policy (approved by the General Meeting) and the implementation of Shareholders Directive provisions, as well as on advising and guiding the Company's subsidiaries in optimizing their remuneration policies and procedures.