

An aerial night photograph of a city, likely Beijing, showing a complex highway interchange and city lights. Overlaid on the image are several glowing, white, curved lines that represent fiber optic cables or data paths, creating a network-like pattern across the city.

**DIGI**  
communications n.v.

**1ST QUARTER 2021 – FINANCIAL REPORT**  
for the three month period ended March 31, 2021

**DIGI COMMUNICATIONS N.V. (“Digi”)**



**(the “COMPANY”)**

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

**FINANCIAL REPORT (the “REPORT”)  
for the three month period ended March 31, 2021**

*This Unaudited Condensed Consolidated Interim Financial Report for the period ended 31 March 2021 refers to the Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IAS 34 “Interim Financial Reporting”.*

## Table of contents

<b>Important Information.....</b>	<b>4</b>
Cautionary Note Regarding Forward-Looking Statements.....	5
Operating and Market Data.....	5
Non-GAAP Financial Measures.....	6
Rounding.....	6
<b>Management’s Discussion and Analysis of Financial Condition and Results of Operations.....</b>	<b>7</b>
Overview.....	8
Recent Developments .....	8
Historical Results of Operations .....	11
<b>Condensed Consolidated Interim Financial Report.....</b>	<b>19</b>

# Important Information



## Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report are not historical facts and are forward-looking. 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. 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.

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

## Operating and Market Data

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

More specifically:

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

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

companies.

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

### **Non-GAAP Financial Measures**

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

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

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

### **Rounding**

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

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



The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group as of March 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.

## 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 Romanian and Hungarian markets, have significant operations in Spain and are also present in Italy.

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

For the three months ended March 31, 2021, we had revenues of €340.2 million, net profit of €14.1 million and Adjusted EBITDA of €122.5 million.

## Recent Developments

On March 29, 2021 the RCS & RDS and 4iG Plc., one of the leading companies of the Hungarian IT and ICT market, entered into a preliminary, non-binding agreement regarding the acquisition of DIGI Tavkozlesi Szolgaltato Ltd. (**Digi Hungary**) and its subsidiaries, Invitel Ltd. and I TV Ltd. Pursuant to the understanding of the parties, 4iG would acquire a 100 percent stake in Hungary’s leading telecommunications and media service group. The acquisition is aimed to be completed by September 2021, subject to the due diligence of Digi Hungary and its subsidiaries, the signing of a sale and purchase agreement, and the necessary competition authority approvals.

## Basis of Financial Presentation

The Group prepared its Interim Financial Statements as of March 31, 2021 in accordance with IFRS as adopted by the EU. For the periods discussed in this Report, the Group’s presentation currency was the euro. The Group’s financial year ends on December 31 of each calendar year.

## Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment in which such entity operates. As our operations in Romania and Spain generated approximately 61% and 23%, respectively, of our consolidated revenue for the three months ended March 31, 2021 our principal functional currencies are the Romanian leu and EUR.

The Group presents its consolidated Interim Financial Statements in euros. The Group uses the euro as the presentation currency of its consolidated Interim Financial Statements because management analysis and reporting is prepared in euros, as the euro is the most used reference currency in the telecommunication industry in the European Union.

## Presentation of Revenue and Operating Expenses

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country by country basis. We currently generate revenue and incur operating expenses in Romania, Hungary, Spain and Italy. Revenue and operating expenses from our operations are broken down into the following geographic segments: Romania, Hungary, Spain and Other (the Other segment includes Italy).

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

## Exchange rates

In the three month period ended March 31, 2021 the Romanian leu has depreciated with approximately 1.7% and the Hungarian forint has depreciated with approximately 6.5%.

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

Value of one euro in the relevant currency	As at and for the three months ended March 31,	
	2020	2021
<b>Romanian leu (RON)</b> <sup>(1)</sup>		
Period end rate	4.83	4.93
Average rate	4.80	4.88
<b>Hungarian forint (HUF)</b> <sup>(2)</sup>		
Period end rate	359.09	363.7
Average rate	339.01	360.9
<b>U.S. dollar (USD)</b> <sup>(1)</sup>		
Period end rate	1.10	1.17
Average rate	1.10	1.21

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

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

In the three months ended March 31, 2021 we had a net foreign exchange loss of €11.7 million, compared to a net foreign exchange loss of €24.6 million in the three months ended March 31, 2020.

## Growth in Business, RGUs and ARPU

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

The following table shows our RGUs (thousand) by geographic segment and business line and monthly ARPU (€/month) by geographic segment as at and for the three month period ended March 31, 2020 and 2021:

RGUs (thousand)/ARPU (€/month)	As at and for the three months ended		% change
	March 31,		
	2020	2021	
<b>Romania</b>			
<b>RGUs</b>			
Pay TV <sup>(1)</sup>	4,213	4,870	15.6%
Fixed internet and data <sup>(2)</sup>	2,875	3,440	19.7%
Mobile telecommunication services <sup>(3)</sup>	3,476	3,796	9.2%
Fixed-line telephony <sup>(2)</sup>	1,070	1,027	(4.0%)
<b>ARPU<sup>(4)</sup></b>	<b>4.9</b>	<b>4.8</b>	<b>(2.0%)</b>
<b>Hungary</b>			
<b>RGUs</b>			
Pay TV <sup>(1)</sup>	944	928	(1.7%)
Fixed internet and data	749	748	(0.1%)
Mobile telecommunication services <sup>(3)</sup>	122	165	35.2%
Fixed-line telephony	672	639	(4.9%)
<b>ARPU<sup>(4)</sup></b>	<b>6.2</b>	<b>5.8</b>	<b>(6.5%)</b>
<b>Spain</b>			
<b>RGUs</b>			
Fixed internet and data	113	249	120.4%
Mobile telecommunication services <sup>(3)</sup>	2,019	2,496	23.6%
Fixed-line telephony	44	86	95.5%
<b>ARPU<sup>(4)</sup></b>	<b>9.9</b>	<b>9.5</b>	<b>(4.0%)</b>
<b>Other<sup>(5)</sup></b>			
<b>RGUs</b>			
Mobile telecommunication services <sup>(3)</sup>	238	268	12.6%
<b>ARPU<sup>(4)</sup></b>	<b>8.3</b>	<b>7.1</b>	<b>(14.5%)</b>

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

(2) Includes residential and business RGUs.

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

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

(5) Includes Italy.

## Historical Results of Operations

### Results of Operations for the three months ended March 31, 2020 and 2021

	As at and for the three months ended March 31,	
	2020	2021
	(€ millions)	
<b>Revenues</b>		
Romania	193.2	209.6
Hungary	52.3	48.1
Spain	62.6	77.9
Other	6.1	5.6
Elimination of intersegment revenues	(1.0)	(1.0)
<b>Total revenues</b>	<b>313.2</b>	<b>340.2</b>
<b>Other income/ (expense)</b>	<b>1.6</b>	<b>(0.3)</b>
<b>Operating expenses</b>		
Romania	(101.8)	(107.6)
Hungary	(40.9)	(39.3)
Spain	(50.3)	(65.9)
Other	(6.6)	(5.9)
Elimination of intersegment expenses	1.0	1.0
Depreciation, amortization and impairment of tangible and intangible assets	(79.4)	(89.9)
<b>Total operating expenses</b>	<b>(277.9)</b>	<b>(307.6)</b>
<b>Operating profit</b>	<b>37.0</b>	<b>32.3</b>
Finance income	0.1	0.3
Finance expense	(98.3)	(26.2)
<b>Net finance costs</b>	<b>(98.1)</b>	<b>(25.9)</b>
<b>Profit/ (loss) before taxation</b>	<b>(61.2)</b>	<b>6.3</b>
<b>Income credit/(tax expense)</b>	<b>5.2</b>	<b>7.7</b>
<b>Profit/ (loss) for the period</b>	<b>(56.0)</b>	<b>14.1</b>

## Revenue

Our revenue (excluding intersegment revenue and other income) for the three month period ended March 31, 2021 was €340.2 million, compared with €313.2 million for the three month period ended March 31, 2020, an increase of 8.6%.

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

	As at and for the three months ended March 31,		
	2020	2021	% change
<b>(€ millions)</b>			
<b>Geographical segment</b>			
Romania	192.4	208.8	8.5%
Hungary	52.3	48.1	(8.0%)
Spain	62.5	77.8	24.5%
Other <sup>(1)</sup>	6.0	5.5	(8.3%)
<b>Total</b>	<b>313.2</b>	<b>340.2</b>	<b>8.6%</b>
<b>Category</b>			
Fixed services <sup>(2)</sup>	173.1	189.5	9.5%
Mobile services	111.5	124.7	11.9%
Other	28.6	26.0	(9.1%)
<b>Total</b>	<b>313.2</b>	<b>340.2</b>	<b>8.6%</b>

(1) Includes revenue from operations in Italy.

(2) Includes revenues from DTH operations.

**Revenue in Romania** for the three month period ended March 31, 2021 was €208.8 million compared with €192.4 million for the three month period ended March 31, 2020, an increase of 8.5%.

Revenue growth in Romania was mainly the result of the increase of cable TV and fixed internet and data RGUs in the period, due to organic growth, as well as following the entering into force of the Networking agreement between RCS & RDS and Digital Cable Systems S.A., AKTA Telecom S.A., respectively ATTP Telecommunicatii S.R.L („Assignors”) in 2020. Under these Agreements, RCS&RDS operates the networks of the Assignors and provides communications services to the clients, in exchange of the payments made by RCS & RDS to the Assignors.

ARPU in Romania was impacted by the currency depreciation in the period (RON/EUR foreign exchange rate increased with 1.7% in Q1 2021 compared to Q1 2020), as well as by packages mix in the period.

Our Pay TV (Cable TV and DTH) increased from approximately 4,213 thousand as at March 31, 2020 to approximately 4,870 thousand as at March 31, 2021, an increase of approximately 15.6%, and our fixed internet and data RGUs increased from approximately 2,875 thousand as at March 31, 2020 to approximately 3,440 thousand as at March 31, 2021, an increase of approximately 19.7%. These increases were obtained both organically, primarily due to our investments in expanding of our fixed fiber-optic network and to our attractive fixed internet and data packages, as well as through acquisitions.

Mobile telecommunication services RGUs increased from approximately 3,476 thousand as at March 31, 2020 to approximately 3,796 thousand as at March 31, 2021, an increase of approximately 9.2%.

Other revenues include mainly sales of equipment and advertising revenue. Sales of equipment includes mainly mobile handsets and other equipment.

Fixed-line telephony RGUs decreased from approximately 1,070 thousand as at March 31, 2020 to approximately 1,027 thousand as at March 31, 2021, a decrease of approximately 4.0%, as a result of the general trend away from fixed-line telephony and towards mobile telecommunication services.

**Revenue in Hungary** for the three month period ended March 31, 2021 was €48.1 million, compared with €52.3 million for the three month period ended March 31, 2020 (€49.1 million in constant currency), a decrease of 8.0% (decrease of 2.2% in constant currency). Average exchange rate for Q1 2021 compared to Q1 2020 depreciated with 6.5%, impacting adversely revenues translated from HUF in EUR. In constant currency, there decrease of revenues comes mainly from the natural churn of Invitel’s customers. RGUs as at March 31, 2020 include 34 thousand RGUs from Invitel’s operations which were sold as at June 30, 2020, which explains partially the RGUs movement compared to prior period.

Our Pay TV (Cable TV and DTH) decreased at approximately 928 thousand as at March 31, 2021 compared with 944 thousand as at March 31, 2020. Our fixed internet and data RGUs decreased from approximately 749 thousand as at March 31, 2020 to approximately 748 thousand as at March 31, 2021, a decrease of approximately 0.1%, and our

fixed-line telephony RGUs decreased from approximately 672 thousand as at March 31, 2020 to approximately 639 thousand as at March, 2021, a decrease of approximately 4.9%. We continue to investment in expanding and upgrading our fixed fiber optic network in Hungary.

Our mobile RGUs increased from 122 thousand as at March 31, 2020 to 165 thousand as at March 31, 2021, an increase of 35.2%. We continue to invest in building and rolling out our mobile network in Hungary.

**Revenue in Spain** for the three month period ended March 31, 2021 was €77.8 million, compared with €62.5 million for the three month period ended March 31, 2020, an increase of 24.5%. The increase in our Spain revenue was due to the increase in mobile telecommunication services RGUs from approximately 2,019 thousand as at March 31, 2020 to approximately 2,496 thousand as at March 31, 2021, an increase of approximately 23.6%. This was primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings. Fixed internet and fixed telephony services RGUs increased from approximately 157 thousand as at March 31, 2020 to approximately 335 thousand as at March 31, 2021, an increase of approximately 113%

**Revenue in Other** represented revenue from our operations in Italy and for the three month period ended March 31, 2021 was €5.5 million, compared with €6.0 million for the three month period ended March 31, 2020, a decrease of 8.3%. Mobile telecommunication services RGUs increased from approximately 238 thousand as at March 31, 2020 to approximately 268 thousand as at March 31, 2021, an increase of approximately 12.6%. The decrease in ARPU in Italy was primarily due to customers being attracted by lower value offerings.

## Total operating expenses

Our total operating expenses (excluding intersegment expenses) for the three period ended March 31, 2021 were €307.6 million, compared with €277.9 million for the three month period ended March 31, 2020, an increase of 10.7%, respectively.

	As at and for the three months ended March 31,	
	2020	2021
Romania	101.5	107.4
Hungary	40.8	39.3
Spain	49.7	65.3
Other <sup>(1)</sup>	6.4	5.8
Depreciation, amortization and impairment of tangible and intangible assets	79.4	89.9
<b>Total operating expenses</b>	<b>277.9</b>	<b>307.6</b>

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

**Operating expenses in Romania** for three month period ended March 31, 2021 were €107.4 million, compared with €101.5 million for the three month period ended March 31, 2020, an increase of 5.8%. This variation is mainly due to increases in salaries and programming expenses during the period.

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

**Operating expenses in Hungary** for the three month period ended March 31, 2021 were €39.3 million, compared with €40.8 million for the three month period ended March 31, 2020 (€38.4 million in constant currency), a decrease of 3.7% (an increase of 2.4% in constant currency).

The HUF/EUR average exchange rate depreciated in Q1 2021 compared to Q1 2020 with 6.5%, resulting in a decrease in HUF expenses translated in EUR. The increase is due to salaries expenses and tax accruals for the year.

**Operating expenses in Spain** for the three month period ended March 31, 2021 were €65.3 million, compared with €49.7 million for the three month period ended March 31, 2020, an increase of 31.4%. This 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 due to a larger employee base.

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

**Operating expenses in Other** represented expenses of our operations in Italy and expenses of Digi and for the three month period ended March 31, 2021 were €5.8 million, compared with €6.4 million for the three month period ended March 31, 2020, a decrease of 9.4%.

This decrease was primarily due to accruals related to Stock Option Plans, which were lower in current period compared with the prior period.

## Depreciation, amortization and impairment of tangible and intangible assets

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

	As at and for the three months ended March 31,	
	2020	2021
	(€ millions)	
Depreciation of property, plant and equipment	33.8	39.9
Amortization of non-current intangible assets	16.4	17.5
Amortization of programme assets	11.0	10.4
Depreciation of right of use assets	14.0	18.9
Impairment of property, plant and equipment	4.1	3.3
<b>Total</b>	<b>79.4</b>	<b>89.9</b>

### Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €39.9 million for the three month period ended March 31, 2021, compared with €33.8 million for the three month period ended March 31, 2020, an increase of 18.0%. The increase in depreciation charge is mainly an effect of the revaluation of tangible assets as at 31 December 2020.

### Amortization of non-current intangible assets

Amortization of non-current intangible assets was €17.5 million for the three month period ended March 31, 2021, compared with €16.4 million for the three month period ended March 31, 2020, an increase of 6.7%. This was due mainly to customer relationship recognized in the second semester of 2020 and in Q1 2021, as well as to increase in the amortization of the subscriber acquisition cost.

### Amortization of program assets

Amortization of program assets was €10.4 million for the three month period ended March 31, 2021, compared with €11.0 million for the three month period ended March 31, 2020, a decrease of 5.5%.

### Depreciation of right of use

The depreciation of the right of use assets was €18.9 million for the period ended March 31, 2021, compared to €14.0 million for the period ended March 31, 2020.

### Other income/ (expense)

We recorded €0.3 million of other expense in the three month period ended March 31, 2021 compared with €1.6 million of other income in the three months ended March 31, 2020.

Other expenses recorded for the period ended March 31, 2021 reflected accrued expenses for the period related to non-recurring share option plan.

Other income recorded in the period ended March 31, 2020 is related to share option plans vested and which are expected to be one-time events.

### Operating profit

For the reasons set forth above, our operating profit was €32.3 million for the three month period ended March 31, 2021, compared with €37.0 million for the three month period ended March 31, 2020.

### Net finance expense

We recognized net finance expense of €25.9 million in the three month period ended March 31, 2021, compared with €98.1 million for the three month period ended March 31, 2020, a decrease of 73.6%.

In the three months ended March 31, 2021 we had a net foreign exchange loss of €11.7 million, compared to a net foreign exchange loss of €24.6 million in the three months ended March 31, 2020.

In the three months ended March 31, 2021 we had a interest expense (including IFRS 16) in amount of €10.5 million, compared to €13.4 million in the three months ended March 31, 2020.

### Profit/(loss) before taxation

For the reasons set forth above, our profit before taxation was €6.3 million in the three month period ended March 31, 2021, compared with loss of €61.2 million for the three month period ended March 31, 2020.

#### **Income credit tax**

An income tax credit of €7.7 million was recognized in the three month period ended March 31, 2021, compared to a tax credit of €5.2 million recognized in the three month period ended March 31, 2020, mainly due to deferred tax release in the period.

#### **Net profit/(loss) for the period**

For the reasons set forth above, our net profit was €14.1 million in the three month period ended March 31, 2021, compared to net loss of the prior period of €56.0 million for the three months ended March 31, 2020.

## Liquidity and Capital Resources

Historically, our principal sources of liquidity have been our operating cash flows as well as debt financing. Going forward, we expect to fund our cash obligations and capital expenditures primarily out of our operating cash flows, credit facilities and letter of guarantee facilities. We believe that our operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

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

We have made and intend to continue to make significant investments in the growth of our businesses by expanding our mobile 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 believe that we will be able to continue to meet our cash flow needs by the acceleration or deceleration of our growth and expansion plans.

### Historical cash flows

The following table sets forth our consolidated cash flows from operating activities for the three month period ended March 31, 2020 and 2021, cash flows used in investing activities and cash flows from/(used in) financing activities.

	As at and for the three months ended March 31,	
	2020	2021
	(€ millions)	
<b>Cash flows from operations before working capital changes</b>	<b>112.9</b>	<b>88.1</b>
Cash flows from changes in working capital	(30.6)	15.9
<b>Cash flows from operations</b>	<b>82.3</b>	<b>104.0</b>
Interest paid	(15.5)	(17.7)
Income tax paid	(1.5)	(1.3)
<b>Cash flow from operating activities</b>	<b>65.3</b>	<b>85.0</b>
<b>Cash flow used in investing activities</b>	<b>(83.6)</b>	<b>(104.4)</b>
<b>Cash flows from /(used in) financing activities</b>	<b>95.1</b>	<b>22.0</b>
<b>Net decrease in cash and cash equivalents</b>	<b>76.8</b>	<b>2.5</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11.0</b>	<b>10.6</b>
Effect of exchange rate fluctuation on cash and cash equivalent held	0.0	0.0
<b>Cash and cash equivalents at the closing of the period</b>	<b>87.8</b>	<b>13.1</b>

Cash flows from operations before working capital changes were €88.1 million in the three month period ended March 31, 2021 and €112.9 million in the three month period ended March 31, 2020 for the reasons discussed in “—*Historical Results of Operations—Results of operations for the three month period ended March 31, 2021 and 2020*”.

The following table shows changes in our working capital:

	For the three months ended March 31,	
	2020	2021
	(€ millions)	
(Increase) in trade receivables and other assets	(36.5)	(12.2)
Decrease in inventories	1.0	(0.5)
Increase/(decrease) in trade payables and other current liabilities	(5.5)	20.8
Increase/(decrease) in contract liabilities	10.4	7.9
<b>Total</b>	<b>(30.6)</b>	<b>15.9</b>

We had a working capital surplus of €15.9 million in the three month period ended March 31, 2021 (compared with a working capital requirement of €30.6 million in the three month period ended March 31, 2020).

*Cash flows from operating activities* were €85.0 million in the three month period ended March 31, 2021 and €65.3 million in the three month period ended March 31, 2020. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid which were €1.3 million in the three months ended March 31, 2021 and €1.5 million in the three months ended March 31, 2020. Interest paid was €17.7 million in the three months ended

March 31, 2021, compared with €15.5 million in the three months ended March 31, 2020. The increase in cash flows from operating activities in the three months ended March 31, 2020 was primarily due to changes in working capital discussed above.

*Cash flows used for investing activities* were €104.4 million in the three month period ended March 31, 2021 and €83.6 million in the three month period ended March 31, 2020.

Purchases of property, plant and equipment were €103.4 million in the three months ended March 31, 2021 and €55.6 million in the three months ended March 31, 2020.

Purchases of intangible assets were €2.4 million in the three months ended March 31, 2020 and €27.9 million in the three months ended March 31, 2020.

*Cash flows from financing activities* were €22.0 million inflow for the three month period ended March 31, 2021, €95.1 million inflow for the three months ended March 31, 2020.

# **DIGI COMMUNICATIONS NV**

## **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**PREPARED IN ACCORDANCE WITH  
IAS 34 INTERIM FINANCIAL REPORTING  
for the three-month period ended 31 March 2021**

**CONTENTS**

**Page**

GENERAL INFORMATION .....1

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....2 - 35

    INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....2

    INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....3-4

    INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT .....5

    INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....6 - 7

    NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....8 - 33

## **GENERAL INFORMATION**

### *Directors:*

Serghei Bulgac

Bogdan Ciobotaru

Valentin Popoviciu

Piotr Rymaszewski

Emil Jugaru

Marius Catalin Varzaru

Zoltan Teszari

### *Registered Office:*

*Digi Communications N.V.*

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

**DIGI Communications N.V.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**for the period ended 31 March 2021**  
*(all amounts are in thousand Eur, unless specified otherwise)*

		Unaudited	Audited
	Notes	31 March 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,584,802	1,562,471
Right of use assets	5	261,326	242,969
Intangible assets	6	330,875	317,048
Financial assets at fair value through OCI		41,828	40,821
Investments in associates		621	974
Long term receivables		5,811	2,493
Other non-current assets		6,454	6,853
Deferred tax asset		665	1,000
<b>Total non-current assets</b>		<b>2,232,382</b>	<b>2,174,629</b>
<b>Current assets</b>			
Inventories		20,675	20,381
Programme assets	6	12,342	18,383
Trade and other receivables		95,580	88,473
Contract assets		53,658	53,274
Other assets		15,172	12,222
Derivative financial assets	17	18,834	21,578
Cash and cash equivalents		13,095	10,584
<b>Total current assets</b>		<b>229,356</b>	<b>224,895</b>
<b>Total assets</b>		<b>2,461,738</b>	<b>2,399,524</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	7	6,810	6,810
Share premium		3,406	3,406
Treasury shares		(15,557)	(15,556)
Reserves		233,122	237,286
Retained earnings		207,280	192,900
<b>Total equity attributable to equity holders of the parent</b>		<b>435,061</b>	<b>424,846</b>
Non-controlling interest		27,328	26,430
<b>Total equity</b>		<b>462,389</b>	<b>451,276</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings, including bonds	8	931,187	941,451
Lease liabilities	9	173,859	163,291
Deferred tax liabilities		112,371	122,801
Decommissioning provision		9,847	9,840
Other long term liabilities		28,545	35,656
<b>Total non-current liabilities</b>		<b>1,255,809</b>	<b>1,273,039</b>
<b>Current liabilities</b>			
Trade payables and other payables		515,268	490,905
Interest-bearing loans and borrowings	8	107,645	87,191
Lease liabilities	9	79,008	63,464
Income tax payable		2,825	2,645
Provisions		5,938	6,005
Contract liabilities		32,856	24,999
<b>Total current liabilities</b>		<b>743,540</b>	<b>675,209</b>
<b>Total liabilities</b>		<b>1,999,349</b>	<b>1,948,248</b>
<b>Total equity and liabilities</b>		<b>2,461,738</b>	<b>2,399,524</b>

The notes on pages 8 to 33 are an integral part of these unaudited interim condensed consolidated financial statements. The condensed consolidated interim financial report was issued on 14 May 2021.

**DIGI Communications N.V.****Interim Condensed Consolidated Statement of Comprehensive Income**

for the three-month period ended 31 March 2021

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

	Notes	Three-month period ended 31 March 2021	Three-month period ended 31 March 2020
Revenues	11	340,192	313,184
Other income	20	-	1,624
Operating expenses	12	(307,601)	(277,852)
Other expenses	20	(312)	-
<b>Operating Profit</b>		<b>32,279</b>	<b>36,956</b>
Finance income	13	259	128
Finance expenses	13	(26,191)	(98,256)
<b>Net finance costs</b>		<b>(25,932)</b>	<b>(98,128)</b>
<b>Profit before taxation</b>		<b>6,347</b>	<b>(61,172)</b>
Income tax		7,729	5,165
<b>Net profit for the period</b>		<b>14,076</b>	<b>(56,007)</b>
<i>Attributable to non-controlling interests</i>		<i>12,846</i>	<i>(53,544)</i>
<i>Attributable to owners</i>		<i>1,230</i>	<i>(2,463)</i>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		(4,959)	(6,604)
Cash Flow hedge reserves		-	2
<i>Items that will not be reclassified to profit or loss</i>			
Net gain/(loss) on equity instruments measured at fair value through OCI		1,469	(4,456)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>(3,490)</b>	<b>(11,058)</b>
<b>Total comprehensive income for the period</b>		<b>10,586</b>	<b>(67,065)</b>
<i>Attributable to non-controlling interests</i>		<i>9,688</i>	<i>(64,310)</i>
<i>Attributable to owners</i>		<i>898</i>	<i>(2,755)</i>

The notes on pages 8 to 33 are an integral part of these unaudited interim condensed consolidated financial statements.

The condensed consolidated interim financial report was issued on 14 May 2021.

**DIGI Communications N.V.**  
**Interim Condensed Consolidated Cash Flow Statement**  
**for the three-month period ended 31 March 2021**  
*(all amounts in EUR '000, unless specified otherwise)*

	Notes	Unaudited Three-month period ended 31 March 2021	Unaudited Three-month period ended 31 March 2020
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>6,348</b>	<b>(61,172)</b>
<b>Adjustments for:</b>			
Depreciation, amortization and impairment of property, plant and equipment, intangibles and right-of-use assets	12	89,942	79,356
Interest expense, net	13	10,457	13,379
Finance cost			13,750
Impairment of trade and other receivables	12	576	2,275
Share-based payment expense		527	(1,287)
Unrealised losses/ (gains) on derivative financial instruments		2,493	41,876
Unrealised foreign exchange loss / (gain)		(20,092)	25,705
Gain on sale of assets		(2,183)	(968)
<b>Cash flows from operations before working capital changes</b>		<b>88,068</b>	<b>112,914</b>
<b>Changes in:</b>			
Trade receivables, other assets and contract assets		(12,238)	(36,509)
Inventories		(495)	967
Trade payables, other payables		20,808	(5,480)
Contract liabilities		7,857	10,380
<b>Cash flows from operations</b>		<b>104,000</b>	<b>82,272</b>
Interest paid		(17,685)	(15,477)
Income tax paid		(1,332)	(1,511)
<b>Cash flows from operating activities</b>		<b>84,983</b>	<b>65,284</b>
<b>Cash flow used in investing activities</b>			
Purchases of property, plant and equipment		(103,411)	(55,780)
Purchases of intangibles		(2,386)	(27,870)
Acquisition of subsidiaries, net of cash acquired		379	-
Acquisition of associate		-	-
Proceeds from sale of property, plant and equipment		970	47
<b>Cash flows used in investing activities</b>		<b>(104,448)</b>	<b>(83,603)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders		(4,841)	(1,108)
Cash outflows from purchase of treasury shares		-	(166)
Proceeds from borrowings	8	27,272	873,858
Repayment of borrowings	8	(9,708)	(735,599)
Financing costs paid			(25,922)
Payment of lease obligations		9,249	(15,973)
<b>Cash flows used in/from financing activities</b>		<b>21,972</b>	<b>95,090</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,507</b>	<b>76,771</b>
Cash and cash equivalents at the beginning of the period		<b>10,584</b>	<b>10,998</b>
Effect of exchange rate fluctuations of cash and cash equivalents held		4	3
<b>Cash and cash equivalents at the end of the period</b>		<b>13,095</b>	<b>87,772</b>

*The notes on pages 8 to 33 are an integral part of these unaudited interim condensed consolidated financial statements.*

**DIGI Communications N.V.**
**Interim Condensed Consolidated Statement of Changes in Equity  
for the period ended 31 March 2021**
*(all amounts in EUR '000, unless specified otherwise)*

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
<b>Balance at 1 January 2021 (audited)</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,556)</b>	<b>(43,205)</b>	<b>285,147</b>	<b>(4,669)</b>	<b>13</b>	<b>192,900</b>	<b>424,846</b>	<b>26,430</b>	<b>451,276</b>
<b>Comprehensive income for the period</b>											
Net profit for the period	-	-	-	-	-	-	-	12,846	<b>12,846</b>	1,230	<b>14,076</b>
Foreign currency translation differences	-	-	-	(4,627)	-	-	-	-	<b>(4,627)</b>	(332)	<b>(4,959)</b>
Gain on equity instruments measured at fair value through OCI	-	-	-	-	-	1,469	-	-	<b>1,469</b>	-	<b>1,469</b>
Cash Flow hedge reserves	-	-	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserve (depreciation)	-	-	-	-	(1,006)	-	-	1,006	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,627)</b>	<b>(1,006)</b>	<b>1,469</b>	<b>-</b>	<b>13,852</b>	<b>9,688</b>	<b>898</b>	<b>10,586</b>
<b>Transactions with owners, recognized directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Conversion of class A shares to class B shares	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares (Note 7)	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	-	-	527	<b>527</b>	-	<b>527</b>
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527</b>	<b>527</b>	<b>-</b>	<b>527</b>
<b>Changes in ownership interests in subsidiaries</b>											
Movement in ownership interest while retaining control	-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527</b>	<b>527</b>	<b>-</b>	<b>527</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>527</b>	<b>527</b>	<b>-</b>	<b>527</b>
<b>Balance at 31 March 2021 (unaudited)</b>	<b>6,810</b>	<b>3,406</b>	<b>(15,556)</b>	<b>(47,832)</b>	<b>284,141</b>	<b>(3,200)</b>	<b>13</b>	<b>207,280</b>	<b>435,062</b>	<b>27,328</b>	<b>462,390</b>

The notes on pages 8 to 33 are an integral part of these unaudited interim condensed consolidated financial statements.

**DIGI Communications N.V.**
**Interim Condensed Consolidated Statement of Changes in Equity  
for the period ended 31 March 2021**
*(all amounts in EUR '000, unless specified otherwise)*

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves <sup>(1)</sup>	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
<b>Balance at 1 January 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,806)</b>	<b>(36,708)</b>	<b>24,385</b>	<b>(6,220)</b>	<b>7</b>	<b>188,679</b>	<b>163,553</b>	<b>6,224</b>	<b>169,777</b>
<b>Comprehensive income for the year</b>											
Profit/(loss) for the year	-	-	-	-	-	-	-	(53,544)	(53,544)	(2,463)	(56,007)
Foreign currency translation differences	-	-	-	(6,312)	-	-	-	-	(6,312)	(292)	(6,604)
Revaluation of equity instruments measured at fair value through OCI	-	-	-	-	-	(4,456)	-	-	(4,456)	-	(4,456)
Cash Flow hedge reserves <sup>(1)</sup>	-	-	-	-	-	-	2	-	2	-	2
Transfer of revaluation reserve (depreciation)	-	-	-	-	(1,171)	-	-	1,171	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,312)</b>	<b>(1,171)</b>	<b>(4,456)</b>	<b>2</b>	<b>(52,373)</b>	<b>(64,310)</b>	<b>(2,755)</b>	<b>(67,065)</b>
<b>Transactions with owners, recognised directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Purchase of treasury shares (Note 7)	-	-	(166)	-	-	-	-	-	(166)	-	(166)
Equity-settled share-based payment transactions (Note 16)	-	-	4	-	-	-	-	(1,219)	(1,215)	(72)	(1,287)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>(162)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,219)</b>	<b>(1,381)</b>	<b>(72)</b>	<b>(1,453)</b>
<b>Changes in ownership interests in subsidiaries</b>											
<b>Changes in ownership interests in subsidiaries</b>											
<b>Total changes in ownership interests in subsidiaries</b>											
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(162)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,219)</b>	<b>(1,381)</b>	<b>(72)</b>	<b>(1,453)</b>
<b>Balance at 31 March 2020</b>	<b>6,810</b>	<b>3,406</b>	<b>(16,968)</b>	<b>(43,020)</b>	<b>23,214</b>	<b>(10,676)</b>	<b>9</b>	<b>135,087</b>	<b>97,862</b>	<b>3,397</b>	<b>101,259</b>

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

*The notes on pages 8 to 33 are an integral part of these unaudited interim condensed 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 with place of business and registered office in Romania. The main operations are carried by RCS&RDS S.A (Romania) (“RCS&RDS”), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. DIGI registered office is located in Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania. On 11 April 2017 the Company changed its name to Digi Communications N.V., its former name being Cable Communications Systems N.V.

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

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

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. (“RDS”) for the purposes of offering internet, data and fixed telephony services to the Romanian market. In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

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

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

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

The consolidated financial statements were authorized for issue on 14 May 2021.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **2.1 BASIS OF PREPARATION**

#### **(a) Statement of compliance**

These unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2020. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and part 9 of book 2 of the Dutch Civil code.

#### **(b) Basis of measurement**

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

#### **(c) Judgements and estimates**

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

#### **(d) Functional and presentation currency**

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

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

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

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

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

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

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

Currency	2021			2020		
	1 Jan	Average for the 3 months	31 March	1 Jan	Average for the 3 months	31 March
RON per 1EUR	4.8694	4.8782	4.9251	4.7793	4.7959	4.8254
HUF per 1EUR	365.13	360.95	363.73	330.52	339.01	359.09
USD per 1EUR	1.2271	1.2056	1.1725	1.1234	1.1023	1.0956

**2.2. GOING CONCERN**

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

For further information refer to Note 15b) Liquidity risk.

**2.3 SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies applied by the Group in these condensed consolidated unaudited interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2020.

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

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

**Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

**Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group.

**Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

### **Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

These amendments had no impact on the consolidated financial statements of the Group.

### **Improvements to International Financial Reporting Standards - 2018-2020 cycle (issued in May 2020)**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. The following is a summary of the amendments from the 2018-2020 annual improvements cycle, which were not early adopted by the Group:

- **IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter**
  - The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
  - An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

- **IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities**
  - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those 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. There is no similar amendment proposed for IAS 39.
  - An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
  - An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

**DIGI Communications N.V.****Notes to the Interim Condensed Consolidated Financial Statements  
for the period ended 31 March 2021***(all amounts in EUR '000, unless specified otherwise)***3. SEGMENT REPORTING**

<b>Three months ended 31 March 2021</b>	<b>Romania</b>	<b>Hungary</b>	<b>Spain</b>	<b>Other</b>	<b>Eliminations</b>	<b>Reconciling item</b>	<b>Group</b>
Segment revenue	208,837	48,057	77,798	5,499	-	-	<b>340,191</b>
Inter-segment revenues	774	-	148	69	(991)	-	-
Segment operating expenses	(107,570)	(39,270)	(65,893)	(5,918)	991	-	<b>(217,660)</b>
<b>Adjusted EBITDA</b>	<b>102,041</b>	<b>8,787</b>	<b>12,053</b>	<b>(350)</b>	-	-	<b>122,531</b>
Depreciation, amortization and impairment of tangible, right of use and intangible assets						(89,942)	<b>(89,942)</b>
Other expenses (Note 20)	(312)	-	-	-	-	-	<b>(312)</b>
<b>Operating profit</b>							<b>32,277</b>
Additions to tangible and intangible non-current assets	68,694	20,983	39,851	3,100	-	-	<b>132,628</b>
<i>Carrying amount of:</i>							
Non-current assets	1,593,135	415,460	164,286	4,124	-	-	<b>2,177,005</b>
Investments in associates and Financial assets at fair value through OCI	15,363	-	-	41,828	-	-	<b>57,191</b>

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

**DIGI Communications N.V.****Notes to the Interim Condensed Consolidated Financial Statements  
for the period ended 31 March 2021***(all amounts in EUR '000, unless specified otherwise)***3. SEGMENT REPORTING (continued)**

<b>31 March 2020</b>	<b>Romania</b>	<b>Hungary</b>	<b>Spain</b>	<b>Other</b>	<b>Eliminations</b>	<b>Reconciling item</b>	<b>Group</b>
Segment revenue	192,451	52,303	62,453	5,977	-	-	<b>313,184</b>
Inter-segment revenues	763	-	166	120	(1,049)	-	-
Segment operating expenses	(101,805)	(40,851)	(50,262)	(6,627)	1,049	-	<b>(198,496)</b>
<b>Adjusted EBITDA (Note 20)</b>	<b>91,409</b>	<b>11,452</b>	<b>12,357</b>	<b>(530)</b>	-	-	<b>114,688</b>
Depreciation, amortization and impairment of tangible and intangible assets	-	-	-	-	-	(79,356)	<b>(79,356)</b>
Other income (Note 20)	1,624	-	-	-	-	-	<b>1,624</b>
<b>Operating profit</b>							<b>36,956</b>
Additions to tangible and intangible non-current assets	55,081	16,646	20,209	3,356	-	-	<b>95,292</b>
<i>Carrying amount of:</i>							
Non-current assets	1,162,553	391,693	81,302	2,513	-	-	<b>1,638,060</b>
Investments in associates and financial assets at fair value through OCI	972	-	-	35,137	-	-	<b>36,109</b>

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

#### **4. PROPERTY, PLANT AND EQUIPMENT**

##### **Acquisitions and disposals**

During the three-month period ended 31 March 2021, the Group acquired property, plant and equipment with a cost of EUR 78,588 (three-month period ended 31 March 2020: EUR 61,197).

The acquisitions related mainly to networks EUR 48,080 (three-month period ended 31 March 2020: EUR 35,590), customer premises equipment of EUR 19,197 (three-month period ended 31 March 2020: EUR 6,857) and equipment and devices of EUR 9,583 (three-month period ended 31 March 2020: EUR 16,553).

#### **5. RIGHT OF USE ASSETS**

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

During the three-month period ended 31 March 2021, right of use assets' net book value movement (additions, disposals and translation effect) is in amount of EUR 18,357.

#### **6. NON-CURRENT INTANGIBLE ASSETS, CURRENT PROGRAMME ASSETS**

##### **a) Intangible assets**

##### **Acquisitions**

##### *Non-current intangible assets*

During the three-month period ended 31 March 2021, the Group acquired non-current intangible assets with a cost of EUR 33,716 (31 March 2020: EUR 21,797).

The additions were as follows:

- Software and licences in amount of EUR 8,530 (31 March 2020: EUR 10,480);
- Customer relationships by acquiring CATV and fixed internet subscribers in amount of EUR 12,316 (31 March 2020: EUR 1,573);

The main additions of Customer relationships in the period ended 31 March 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. Up to 31 December 2020 only part of the RGUs were transferred to RCS & RDS, and the rest were transferred in Q1 2021.

In accordance with IFRS requirements, for financial reporting purposes only, this transaction was treated as asset deal (customer relationships). A third party independent valuator has assessed the fair value of the acquired intangible asset, as of the acquisition date, using the MEEM method, as per ANEVAR standards. The fair value of the asset transferred in Q1 2021 was considered to be the net present value of the discounted cash flows (over a period of 6

**6. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS (CONTINUED)**

years) attributable to the RGUs transferred during Q1 2021, discounted at an estimated WACC for the Group of 8.09%.

Consequently, for RGUs transferred in 2021, until 31 March 2021, customer relationships acquired were recognized as intangible asset, with a fair value of EUR 9,870 and a corresponding liability recognised as Trade and other payables.

- Costs to obtain contracts with customers (Subscriber Acquisition Costs “SAC”) in amount of EUR 12,870 (31 March 2020: EUR 9,744); SAC represents third party costs for acquiring and connecting customers of the Group;

**Goodwill**

<i>(i) Reconciliation of carrying amount</i>	
<b>Balance at 1 January 2021</b>	<b>77,749</b>
Additions	-
Disposals	-
Effect of movement in exchange rates	(321)
<b>Balance at 31 March 2021</b>	<b>77,428</b>
<i>(i) Reconciliation of carrying amount</i>	
<b>Cost</b>	
<b>Balance at 1 January 2020</b>	<b>80,844</b>
Additions	-
Effect of movement in exchange rates	(2,663)
<b>Balance at 31 March 2020</b>	<b>78,181</b>

***Impairment testing of goodwill***

Goodwill is not amortized but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 31 March 2021.

***b) Programme assets***

During the three-month period ended 31 March 2021, additions of programme assets in the amount of EUR 4,806 (31 March 2020: EUR 6,651) represent broadcasting rights for sports competitions for 2021/2022 season and related advance payments for future seasons, and also rights for movies and documentaries.

## 7. EQUITY

There were no changes in the share capital structure during the period ended 31 March 2021.

For stock option plan exercised during the period, please see Note 16.

As at 31 March 2021, the Company had 5.3 million treasury shares.

At the Annual General Meeting of Shareholders, to be held on 18 May 2021, the board of directors shall propose to pay-out from retained earnings a dividend per share of RON 0.75 (EUR 0.15 equivalent).

## 8. INTEREST-BEARING LOANS AND BORROWINGS

Included in long term interest-bearing loans and borrowings are bonds of EUR 851,095 (December 2020: EUR 851,165), bank loans EUR 80,092 (December 2020: EUR 90,286).

Included in short term interest-bearing loans and borrowing are bank loans of EUR 60,210 (December 2020: EUR 34,609), short portion of long-term interest-bearing loans of EUR 43,602 (December 2020: EUR 42,615) and interest payable amounting to EUR 3,833 (December 2020: EUR 9,967).

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

	<b>Carrying amount</b>
<b>Balance as of 1 January 2021</b>	<b>1,028,642</b>
<i>New drawings</i>	
Proceeds from bank loans and proceeds from Bond	27,272
Interest for the period	7,448
<i>Repayment</i>	
Repayment of borrowings	(9,708)
Current year interest paid	(13,581)
New finance cost	(21)
Amortization of deferred finance costs and inception value of embedded derivative	271
<i>Effect of movements in exchange rates</i>	(1,491)
<b>Balance as of 31 March 2021</b>	<b>1,038,832</b>

Included in Other long-term liabilities and Trade payables and other payables there are supplier balances that are part of several factoring arrangements amounting to EUR 88,551.

## 9. LEASE LIABILITY

The Group leases mainly network pillars, land, commercial spaces, cars and equipment. As at 31 March 2021, financial leasing liability in amount of EUR 252,867 (31 December 2020: EUR 226,755) was impacted by the variation of the foreign exchange rate for the Group's main functional currencies, by additions as well as by modifications of stipulations for certain leasing contracts related to rent amount, contract period, etc.

**10. RELATED PARTY DISCLOSURES**

		<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Receivables from Related Parties</b>			
Ager Immobiliare S.R.L.	(ii)	790	785
Other*		10	11
<b>Total</b>		<b>800</b>	<b>796</b>

		<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Payables to Related Parties</b>			
RCS Management S.A.	(i)(ii)	7,311	12,183
Mr. Zoltan Teszari	(i)	343	409
Other		34	35
<b>Total</b>		<b>7,689</b>	<b>12,627</b>

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

**Compensation of key management personnel of the Group**

	<b>Three months ended 31 March 2021</b>	<b>Three months ended 31 March 2020</b>
Short term employee benefits –salaries	708	722

In May 2021, share option plans are proposed to the General Shareholders' Meeting for members of the Company's Board of Directors. For details, please see Note 16.

**11. REVENUES**

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

	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Country</b>		
Romania	208,836	192,449
Hungary	48,057	52,302
Spain	77,798	62,453
Other <sup>(1)</sup>	5,501	5,980
<b>Total revenues</b>	<b>340,192</b>	<b>313,184</b>
<b>Category</b>		
Fixed services <sup>(2)</sup>	189,475	173,092
Mobile services	124,700	111,482
Other <sup>(3)</sup>	26,017	28,610
<b>Total revenues</b>	<b>340,192</b>	<b>313,184</b>

(1) Includes revenue from operations in Italy.

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

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

Revenues from services include mainly subscription fees for fixed and mobile services, revenues from interconnection and roaming services.

Other revenues as at 31 March 2021 include mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

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

Timing of revenue recognition	Three months ended 31 March 2021	Three months ended 31 March 2020
Goods transferred at a point in time	6,438	9,190
Services transferred over time	333,754	303,994
<b>Total revenues</b>	<b>340,192</b>	<b>313,184</b>

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

**12. OPERATING EXPENSES**

	<b>Three months ended 31 March 2021</b>	<b>Three months ended 31 March 2020</b>
Depreciation of property, plant and equipment	39,933	33,765
Amortisation of right of use assets	18,860	13,963
Amortization of programme assets	10,394	11,033
Amortization of non-current intangible assets	17,493	16,445
Impairment of property, plant and equipment	2,943	4,042
Impairment of non-current intangible assets	319	107
Salaries and related taxes	57,913	52,168
Contribution to pension related fund	1,268	1,555
Programming expenses	27,218	26,651
Telephony expenses	67,457	57,022
Cost of goods sold	5,958	8,324
Invoicing and collection expenses	6,021	5,768
Utilities	8,054	7,347
Copyrights	3,123	3,002
Internet connection and related services	9,791	6,464
Impairment of receivables, net of reversals	810	2,259
Taxes to authorities	8,943	8,453
Other materials and subcontractors	3,948	3,408
Other services	9,318	6,745
Other operating expenses	7,836	9,331
<b>Total operating expenses</b>	<b>307,601</b>	<b>277,852</b>

Share option plans' expenses accrued in the period are included in the caption "Salaries and related taxes".  
For details, please see Note 16.

## 13. NET FINANCE COSTS

	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Financial revenues</b>		
Interest from banks	7	14
Other financial revenues	252	114
	<b>259</b>	<b>128</b>
<b>Financial expenses</b>		
Interest expense and amortization of borrowing cost	(7,942)	(11,749)
Interest expense for lease liability	(2,515)	(1,630)
Net gain/(loss) on derivative financial instruments	-	(6)
Foreign exchange differences (net)	(11,696)	(24,560)
Other financial expenses	(4,038)	(60,311)
	<b>(26,191)</b>	<b>(98,256)</b>
<b>Net Financial Cost</b>	<b>(25,932)</b>	<b>(98,128)</b>

In the three months period ended March 2021, we recognised a net fair value loss of EUR 2,524 related to 2020 Senior Secured Notes embedded derivative asset.

## 14. ASSETS HELD FOR SALE

The Hungarian Competition Authority (Gazdasági Versenyhivatal, hereinafter “GVH”) withdrew on 14 November 2018 its initial decision approving the Transaction, issued in May 2018 (the “Withdrawal Decision”) and opened a new merger control procedure with the purpose of reassessing certain limited aspects in connection with market overlaps between Invitel and i-TV Digitalis Tavkozlesi Zrt. (“i-TV”, Digi HU’s Hungarian subsidiary) (the “New Procedure”).

GVH has issued on 18 March 2020 a new decision approving the acquisition by our Hungarian subsidiary, DIGI Tavkozlesi es Szolgaltato Kft. (“Digi HU”) of shares representing in total 99.998395% of the share capital and voting rights of Invitel Tavkozlesi Zrt. (“Invitel”) (the “Transaction”).

The Withdrawal Decision has been appealed by Digi HU, with the decision issued by the competent Hungarian court in first instance reducing the amount of the fine in half. In addition, although the competent court has maintained the Withdrawal Decision in relation to Digi HU’s alleged failure to proactively act in a required manner, it also established that GVH had failed to properly gather the necessary information at the time of its initial approval in order to clarify the matter. Both GVH and Digi have filed appeals against the court’s decision. The appeal hearing was initially scheduled for March 25, 2020, but as consequence to the measures implemented by the Hungarian government in response to the COVID – 19 epidemics, the hearing has been postponed.

Although we firmly continue to believe that the Withdrawal Decision was incorrect, in the context of the New Procedure and in order to address the authority’s concerns formulated at the time of it issuing the Withdrawal Decision, in consultation with GVH, Digi HU proposed a remedy package.

One of the main elements of this package was the sale by Invitel to a third party of its operations in 15 Hungarian settlements and parts of its network in the Szeged settlement that overlapped with DIGI Hungary’s own network there, the sale and purchase agreement having been executed on 9 January 2020. The transaction was closed on 30 June 2020.

## **15. FINANCIAL RISK MANAGEMENT**

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

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

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

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

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

### **(a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers.

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

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

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

The credit exposure for derivatives is limited, as there will be no incoming cash-flow arising from the embedded derivatives.

Cash and cash equivalents are placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

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

## **15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **(b) Liquidity risk**

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

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

At 31 March 2021, the Group had net current liabilities of EUR 514,184 (31 December 2020: EUR 450,314). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due and to keep the Group's leverage optimized. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, whilst considering future cash flows from operations. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

### **(c) Market risk**

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

#### **Exposure to currency risk**

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

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

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

#### **Interest rate risk**

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

### **d) Capital Management**

The Group's objectives when managing capital are to safeguard the Groups ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreement.

## **15. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **(e) Fair values**

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

## **16. SHARE-BASED PAYMENT**

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

Currently, the following share option plans are in place:

**16.1** On 30 April 2020, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive Board members in 2020.

Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company) and Mr. Valentin Popoviciu (Executive Director of the Company), have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 30 April 2020. The number of options of class B shares granted as part of this stock option plan amounts to a total of 130,000 stock options. The fair value at grant date was EUR 2,516.

The options vest upon 1 year period and upon the fulfillment of several performance criteria. The granting criteria are related to the employment status at vesting date, EBITDA, RGUs and leverage ratio levels.

**16.2** On 19 May 2020, the Board of Directors of the Company has approved the grant of stock options for the benefit of certain employees and managers of RCS&RDS S.A., its Romanian subsidiary and of DIGISOFT IT SRL, a subsidiary of RCS&RDS S.A. The options granted are for a number of 185,500 Class B shares. The vesting of such options is conditional upon fulfilment of several performance criteria, with the vesting period being a minimum of 1 year. The fair value at grant date was EUR 3,562.

At the Annual General Shareholders meeting to be held on 18 May 2021, new SOPs will be proposed on the Agenda. For details, please see Convocation materials (Agenda and explanatory notes) attached on the website.

For three-month period ended at 31 March 2021 the related share option expense of EUR 219 is included in the Consolidated statement of profit or loss and other comprehensive income included in the line item Operating expenses, within salaries and related taxes (Note 12).

**17. DERIVATIVE FINANCIAL INSTRUMENTS**

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

**Financial assets at fair value through OCI**

Financial assets at fair value through OCI comprise shares in RCSM. In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. As at 31 March 2021, the fair value assessment of the shares held in RCSM was consequently performed based on the average quoted price/share of the shares of the Company as of the valuation date (RON/share 35.6), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

***Embedded derivatives***

As at 31 March 2021, the valuation method was consistent with the one used as at 31 December 2020.

As at 31 March 2021 the Group had derivative financial assets in amount of EUR 18,834 (31 December 2020: EUR 21,578), which included:

- Embedded derivatives of EUR 18,834 (31 December 2020: EUR 21,578) related to the 2025 and 2028 Senior Secured Notes (includes several call options as well as one put option).

As at 31 March 2021 the Group had no derivative financial liabilities.

***Fair value hierarchy***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2021</b>				
Financial assets at fair value through OCI	-	-	41,828	<b>41,828</b>
Embedded derivatives	-	-	18,834	<b>18,834</b>
<b>Total</b>	-	-	<b>60,662</b>	<b>60,662</b>
<b>31 December 2020</b>				
Financial assets at fair value through OCI	-	-	40,821	<b>40,821</b>
Embedded derivatives	-	-	21,578	<b>21,578</b>
<b>Total</b>	-	-	<b>62,399</b>	<b>62,399</b>

## **18. GENERAL COMMITMENTS AND CONTINGENCIES**

### **(a) Contractual commitments**

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.314% p.a., 3M EURIBOR + 6.314% p.a. or 3M ROBOR + 6.314% p.a.

As at 31 March 2021, contractual commitments for capital expenditure amounted to approximately EUR 106,788 (31 December 2020: EUR 82,248) and contractual operating commitments amounted to approximately EUR 89,579 (31 December 2020: EUR 95,007).

### **(b) Letters of guarantee**

As of 31 March 2021, there were bank letters of guarantee and letters of credit issued in amount of EUR 32,169 mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2020: EUR 29,764).

We have cash collateral agreements for issuance of letters of counter guarantees. As at 31 March 2021 we had letters of guarantee issued in amount of EUR 1,901 (31 December 2020: EUR 1,901). These agreements are secured with moveable mortgage over cash collateral accounts.

### **(c) Legal proceedings**

Uncertainties associated with the fiscal and legal system

The tax frameworks in Romania and other Eastern and Central Europe countries are subject to frequent changes (some of them resulting from EU membership, others from the domestic fiscal policy) and often subject of contradictory interpretations, which might be applied retrospectively.

Furthermore, the Romanian and other Eastern and Central Europe governments work via a number of agencies authorized to carry on audits of the companies operating in these countries. These audits cover not only fiscal aspects but also legal and regulatory ones that are of interest to these agencies.

The Dutch, Romanian and other Eastern and Central Europe Fiscal legislation include detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related parties at arm's length. Transfer pricing documentation requirements have been introduced so that taxpayers who carry out transactions with affiliated parties are required to prepare a transfer pricing file that needs to be presented to the tax authorities upon request.

The Company and its subsidiaries entered into various transactions within the Group, as well as other transactions with related parties. In light of this, if observance of arm's length principle cannot be proved, a future tax control could challenge the values of transactions between related parties and adjust the fiscal result of the Company and/ or its subsidiaries with additional taxable revenues/ non-deductible expenses (i.e. assess additional profit tax liability and related penalties).

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

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

### **Pecuniary claim filed by the National Cinematography Centre**

On 4 November 2016, the National Cinematography Centre filed before the Bucharest Tribunal a claim for payment with respect to a value of EUR 1,200, including principal and accessories as royalty tax due by law to this claimant. In March 2019, the Bucharest Court of Appeal admitted the National Cinematography Centre's claim in part by granting to the claimant RON 3,900,000 (by maintaining the first court solution). This amount has been recorded as a provision on the statement of financial position. In December 2020, the High Court for Cassation and Justice granted the appeal filed by RCS&RDS and sent the case for retrial back to the Bucharest Court of Appeal.

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

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

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

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

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

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

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

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

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

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

2017, Mr. Serghei Bulgac (Chief Executive Officer of RCS&RDS and General Manager and President of the Board of Directors of RCS&RDS), was indicted by the DNA in connection with the offence of money laundering.

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

On 15 January 2019, the Bucharest Tribunal dismissed the giving of bribe related allegations against RCS&RDS and its past and current directors on the basis that they had become time-barred, convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine in the amount of RON 1,250,000. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of EUR 3,100 plus RON 655,000 and it maintained the seizure over the two real estate assets first instituted by the DNA. Integrasoft S.R.L. was convicted in connection with the offence of accessory to money laundering for which the court applied a criminal fine of RON 700,000. Mr. Bendei Ioan was convicted to a 4 years imprisonment sentence in connection with the offence of accessory to money laundering resulting from his capacity of director of Integrasoft S.R.L.

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

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

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

We strongly deem the Bucharest Tribunal's decision to be profoundly unjust, incorrect and ungrounded. This decision is neither final nor enforceable. We have anyway already challenged this decision to the Bucharest Court of Appeal. On March, 26, 2021, we received the written reasoning of the decision no. 37/15.01.2019 of the Bucharest Tribunal, together with a decision issued on 19.03.2021 rectifying some clerical errors within the content of the decision. The Company filed an appeal also against the decision to rectify clerical errors. The file has now been registered with Bucharest Court of Appeal, Second Penal Section, the first court hearing being established for 18 May 2021. We strongly believe that RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers have acted appropriately and in compliance with the law, and we strongly restate that we will continue to defend against all the above allegations.

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

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

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

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

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

The hearing in the arbitration proceeding took place in January 2019, and, further, the parties submitted additional documents and arguments. Due to the fact that the claimant submitted a new witness statement on that occasion, the Arbitral Tribunal required the respondent to reply thereto and further decided to set a new hearing in the proceedings for 23 May 2019. On 17 July 2019, the parties submitted the post-hearing briefs. The Arbitral Tribunal has issued the award at the end of October 2019 and on 25 November 2019 the Secretary General of VIAC has communicated the award to RCS&RDS. As a result of the reduction of the final request for relief submitted by the claimant through its post-hearing briefs, in its final award, the Arbitral Tribunal only recognized certain of the claims made by the claimant. The Arbitral Tribunal also recognized the counterclaim raised by RCS&RDS and denied part of the set-offs raised by the claimant against the counterclaim.

On December 19, 2019, the VIAC amended certain errors in its original Award. Under the award so amended, approximately EUR 2,100 plus approximately EUR 24 in default interest was due to Yolt Services s.r.o., which was significantly lower than the amounts they had claimed. The amounts awarded have been paid to the claimant in full.

On 11 March 2021, Yolt Services s.r.o., filed against RCS&RDS a new claim for indemnification in front of VIAC. The claimant grounds its request on the same SPA concluded in April 2015 between RCS&RDS and Lufusions s.r.o., a subsidiary of Lama Energy Group Czech-based holding.

In its new claim in front of VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately EUR 1,9 million together with the accrued default interest and other costs as indemnity under the SPA for tax claims (for the years 2010, 2014 and 2015) and compensation for other losses related to the indemnity claims, such as legal costs, advisors’ costs and experts’/consultants’ fees (around EUR 76,000 incurred until 29 January 2021).

We deem the claimant’s claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

On 30 April 2021, RCS & RDS filed the Answer to the Statement of Claim, according to the Vienna Rules 2018.

On 4 May 2021, the General Secretary of VIAC confirmed the nomination of the Co-arbitrators, following that the Arbitral Tribunal will be constituted as soon as the Chairman of the Arbitral Tribunal is nominated and confirmed by VIAC.

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

In connection with the decision issued by the Hungarian Competition Authority (Gazdasági Versenyhivatal – “GVH”) in May 2018 (the “**Initial Decision**”) approving the acquisition by our Hungarian subsidiary – DIGI Távközlési és Szolgáltató Kft. (“**Digi HU**”), as the purchaser, of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. (“**Invitel**”) from Ilford Holding Kft. and InviTechnocom Kft., acting as sellers (the “**Transaction**” – the completion of which we have disclosed to the market on 30 May 2018), on 14 November 2018, the GVH issued several decisions whereby it formally withdrew the Initial Decision and it opened a new investigation (“**New Procedure**”) for reassessing limited aspects in connection with certain settlements where i-TV Digitális Távközlési Zrt. (“**i-TV**” – one of Digi HU’s subsidiaries in Hungary, representing a minor part of its business) and Invitel overlap. For the duration of the New Procedure, Digi HU’s ownership and control over Invitel was not affected.

GVH’s stated reason for withdrawing the Initial Decision is based on allegations that Digi HU has failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV, which has been used by the GVH in its Initial Decision. On that basis, the GVH also imposed a fine on Digi HU of approximately EUR 260,000 (HUF 90,000,000). In December 2018, we have challenged in a competent Hungarian court parts of the GVH’s decision alleging Digi HU’s failure to act in a certain manner, as well as the size of the fine. The court of first instance (i) reduced the fine imposed on DIGI HU by the GVH from HUF 90,000,000 (approximately EUR 260,000) to HUF 45,000,000 (approximately EUR 130,000). (ii) confirmed the authority’s decision regarding DIGI HU’s liability for failure to proactively comment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV, but also ruled that (iii) the Initial Decision was adopted not only because of Digi HU’s conduct, but also that GVH had failed itself to properly gather the necessary information at the time of the evaluation leading to the Initial Decision, which was not exclusively due to Digi HU’s failure to proactively act in the required manner. GVH filed an appeal and Digi HU filed a cross-appeal against the court’s decision. The judgment of the Curia approved the first instance decision and confirmed the reasoning according to which GVH should have requested confirmation with respect to the data on which it based its Initial Decision. The judgment is final and binding.

Although we continue to strongly believe that Digi HU fully cooperated during the initial procedure by providing complete and accurate information, and that GVH’s decision to withdraw the Initial Decision and to apply a fine is incorrect, in order to address GVH’s concerns in connection with the Transaction in the context of the New Procedure, in consultation with GVH Digi HU proposed as remedial measure sale by Invitel to a third party of its operations in 14 Hungarian settlements and parts of its network in the Szeged settlement that overlapped with DIGI Hungary’s own network there, the underlying sale and purchase agreement having been executed on January 9, 2020. Following the proposal of this remedial package, on March 18, 2020 GVH authorised again the Transaction, subject to fulfilment of the remedial measures within three months as of the communication of its approval issued in the New Procedure.

By way of its decision, the HCA amended the final decision issued in the case. The reason for this was that one of the i-TV overlapping settlements was incorrectly included in the final decision, which fact, however, did not affect the merits of the case. As a result of this incorrect data, the HCA also imposed a fine of HUF 20,000,000 (approximately EUR 58,000) on DIGI HU. DIGI HU challenged the order with respect to the imposition of the fine before court. In its judgment, the court rejected DIGI HU’s statement of claim, and DIGI decided not to file a request for the extraordinary revision of the final and binding judgment.

The HCA initiated a follow-on investigation with respect to the fulfillment of the conditions and obligations imposed on DIGI HU, which is currently pending. For alleged belated response to the HCA questionnaire, the HCA imposed a fine of HUF 10 million on DIGI HU. DIGI HU appealed against the order imposing a fine, this procedure is currently pending.

**Dispute with the Hungarian National Media and Telecommunication Authority („NMHH”) relating to its refusal to allow the Company to participate in an auction for mobile telecommunication frequencies in Hungary**

On September 13, 2019, the NMHH issued an order refusing to allow the Company to participate in a public auction for the acquisition of mobile telecommunication frequencies in Hungary, which we intended to use in the development of our mobile telecommunication network in the country.

The main argument of the NMHH was that the Company did not actually intend to participate in the auction procedure in good faith as, allegedly, its bid was merely a way to avoid potential disqualification had the bid been submitted by DIGI HU. In turn, as NMHH alleged, DIGI HU would not have been allowed to participate in the first place as a consequence of its alleged violations during Invitel's acquisition, a review of which is pending. The NMHH erroneously alleged that, had the bid been successful, the Company would not have been able to provide mobile telecommunication services in Hungary because it was not a registered service provider and did not have sufficient infrastructure and frequency bandwidth.

The Company challenged the NMHH's order to the President of NMHH. As it stated in the appeal, the NMHH's order had been rendered based on subjective allegations, rather than objective grounds and applicable procedural requirements. We believe that the Company met all applicable requirements of the auction documentation and there are no objective grounds to refuse its registration as a participant in the auction. The Company had acted in good faith and had not, and had no intention to, mislead the NMHH. Furthermore, we believe that even if the bid was submitted by DIGI HU, there were no formal grounds to deny its registration as a participant.

While our appeal to the President of the NMHH was pending, the auction procedure was suspended. On November 27, 2019, the appeal was rejected on similar reasoning stated in the initial order. On November 29, 2019, we appealed that decision to the competent Hungarian court, the Metropolitan Court of Budapest.

We also filed for injunctive reliefs to suspend the auction pending judicial review of our claims three times, which were rejected both by the first and the second instance courts.

By way of its judgment issued on November 4, 2020, the Metropolitan Court of Budapest rejected DIGI NV's statement of claims. The first instance court established that the procedural rules of the 5G auction were in line with the applicable statutory rules and the NMHH lawfully rejected DIGI NV's registration in the auction.

The case is pending on the second instance since DIGI NV filed an appeal against the judgment with the Curia on November 19, 2020. The Curia held the hearing in the case on 14 January 2021, at which it closed the case and scheduled the announcement of the second-instance and final judgment to February 4, 2021. On February 4, 2021, the Curia announced its judgment by way of which it upheld the first instance judgment and thus rejected the Company's statement of claims. The Curia's judgment is final and binding and it was delivered to the Company in writing on March 8, 2021.

The Company filed a complaint for legal unity on April 7, 2021 against the judgment, and also a constitutional complaint on May 7, 2021 and the latter proceedings are pending. The complaint for legal unity was rejected, the Company decided to file another constitutional complaint in this respect.

Furthermore, on April 16, 2020, we filed a statement of claim requesting the Metropolitan Court to annul NMHH's decision on the merits of the case issued on April 1, 2020 which was forwarded by NMHH to the court. Magyar Telekom joined the court proceedings as an intervenor in favor of NMHH. At the court hearing of January 13, 2021, the Metropolitan Court requested the Plaintiff to file a preparatory brief in connection with its standing. In addition, it scheduled the next court hearing in the case to 31 March 2021. According to the Metropolitan Court's warrant served to the Company on 25 March 2021, the hearing will be cancelled due to the COVID situation. The Metropolitan Court added that it holding further hearing is not necessary to bring their verdict in the case, so they will announce the verdict without a hearing.

In addition to the above, there are two court proceedings pending with respect to NMHH's rejections of our requests to access the case file of the auction procedure. The court of first instance dismissed our actions in both cases on 23 December 2020. The Company filed requests for the extraordinary revision of such judgments. In one of the cases,

the Curia admitted the request and decided to examine it on the merits, while in the other case, the Curia found the request inadmissible.

On May 15, 2020 we received the judgment of the Metropolitan Court with respect to the Company's statement of claim regarding the denial of access to the notice of public interest which was filed in the auction procedure and which was referred to by NMHH in the order refusing the Company's registration in the auction procedure. It annulled NMHH decision and established that the Company would have been entitled to access the non-confidential version of the notice of public interest. The court ordered the NMHH to commence administrative proceedings and allow access for the Company to the case file. As a result, the Company could access the non-confidential version of the notice of public interest in July 2020.

#### **Dispute with the National Authority for Consumer Protection („NACP”) in relation to 2019 increases of our tariffs in Romania**

In the beginning of 2019, RCS&RDS increased certain tariffs charged to Romanian customers for electronic communication services. In April and May 2019, the NACP carried out a review of those increases (along with their review of prices charged by our competitors), as a result of which it issued a minute sanctioning RCS&RDS with a fine of RON 70,000 for allegedly having violated the law in so increasing the tariffs. According to the NACP, those increases were the result of RCS&RDS transferring to its customers the costs that had increased on account of the costs imposed by the law, the authority making reference to the emergency Government Ordinance no.114, dated December 28, 2018. The NACP also ordered RCS&RDS the termination of the allegedly unfair commercial practice which can result in the reverse of the price increases.

We believe that the NACP's minutes and order are entirely without merit as (i) the disputed tariff increases were in no way unlawful; and (ii) there were solid economic reasons therefor, which were not related to additional costs imposed by legislation changes. In particular, from 2009 to 2019 RCS&RDS did not increase the main prices for its electronic communication services; therefore the 2019 increases were the function of economic developments over the past 10 years (such as increases in operational costs (including wages), significant depreciation of the RON against the EUR and the USD, significant inflation and a series of changes in VAT rates, among others), as well as very significant investments by the RCS&RDS in the development of its services. As a private company operating in a competitive market environment, the RCS&RDS is entitled by law to direct its own pricing policy.

On June 14, 2019, RCS&RDS appealed the NACP's minutes to a Romanian court of the first instance (thereby suspending their application). The appeal was granted on November 18, 2019, under which the court cancelled the minutes. The NACP filed an appeal against the judgement. On 27 October 2020, the court dismissed the appeal filed by the NACP. The decision is definitive.

On July 18, 2019, RCS&RDS filed for injunctive relief requesting that the NACP's order be suspended. The injunctive relief was granted on August 9, 2019, but was appealed by the NACP. On the 3<sup>rd</sup> of June 2020, the court dismissed the appeal filed by the NACP.

On September 26, 2019, RCS&RDS filed to a Romanian court of the first instance a substantive appeal against the NACP's order itself. At the hearing from March 17, 2020 the first instance scheduled the issuance of the decision on the substantive appeal for March 25, 2020.

On 22 April 2020, the first court admitted RCS&RDS claim and annulled the NACP order. NACP can challenge the court decision in 15 days as of the communication of the decision.

#### **19. SUBSEQUENT EVENTS**

On 29 March 2021 the RCS & RDS and 4iG Plc., one of the leading companies of the Hungarian IT and ICT market, entered into a preliminary, non-binding agreement regarding the acquisition of DIGI Tavkozlesi Szolgaltato Ltd. (**Digi Hungary**) and its subsidiaries, Invitel Ltd. and I TV Ltd. Pursuant to the understanding of the parties, 4iG would acquire a 100 percent stake in Hungary's leading telecommunications and media service group. The acquisition is aimed to be completed by September 2021, subject to the due diligence of Digi Hungary and its subsidiaries, the signing of a sale and purchase agreement, and the necessary competition authority approvals.

For details regarding the up-date of the litigations, please see Note 18 (c) above.

**20. EBITDA**

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

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

	Three months ended 31 March 2021	Three months ended 31 March 2020
<b>Revenues and other income</b>	<b>340,192</b>	<b>313,184</b>
<b>EBITDA</b>		
Operating profit	32,279	36,956
Depreciation, amortization and impairment	89,942	79,356
<b>EBITDA</b>	<b>122,221</b>	<b>116,312</b>
Other income	-	(1,624)
Other expenses	312	-
<b>Adjusted EBITDA</b>	<b>122,533</b>	<b>114,688</b>
<i>Adjusted EBITDA (%)</i>	<i>36.02%</i>	<i>36.62%</i>
<b>Adjusted EBITDA excl. IFRS 16</b>	<b>102,104</b>	<b>97,457</b>
<i>Adjusted EBITDA (%) excl. IFRS 16</i>	<i>30.04%</i>	<i>31.12%</i>

The impact of adopting IFRS 16 on EBITDA was EUR 20,427 for the three-month period ended 31 March 2021 (EUR 17,231 for the three-month period ended 31 March 2020).

For the three-month period ended 31 March 2021, other expenses is related to share option plans vested and are expected to be one-time events (for details, please see Note 16) in amount of 312 EUR.

For the three months period ended 31 March 2020, other income is related to share option plans vested and are expected to be one-time events in amount of 1,624 EUR.

**19. FINANCIAL INDICATORS**

<b>Financial Indicator</b>	<b>Value as at 31 March 2021</b>
<b>Current ratio</b>	
Current assets/Current liabilities	0.31
<b>Debt to equity ratio</b>	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	201%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	67%
<b>Trade receivables turnover</b>	
Average receivables/Revenues x 90	38.49 days
<b>Non-current assets turnover</b>	
(Revenues/Non-current assets)	0.61

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

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**Serghei Bulgac,**  
CEO

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**Valentin Popoviciu,**  
Executive Director