DIGI communications n.v.

# ANNUAL REPORT

**For the year ended December 31, 2023**

# MESSAGE FROM THE CEO

Dear Shareholders, Customers, Colleagues and Partners,

I am thankful for the chance to share the 2023 annual report, which highlights a year of sustained growth at DIGI[1] . Your trust, support, and dedication have been crucial to our success.

The year 2023 marked significant achievements in Spain, continued expansion in Romania, and preparations for upcoming launches in Portugal and Belgium. We've extended our fiber networks in Spain to cover over 8.7 million homes. In Romania, we maintained a rapid pace in the rollout of 5G and also introduced 5G services in Spain.

Our revenues and other income increased by 13% to EUR 1.7 billion, while RGUs in Romania and Spain grew by 15%, reaching 23.8 million units, and adjusted EBITDA rose to EUR 592 million.

The telecommunications sector is fiercely competitive. Our accomplishments would not have been possible without relentless efforts to grow and improve our network capabilities. Our capital expenditures were EUR 730 million. By the end of 2023, we were operating a fiber network that reached over 9.1 million homes in Romania, and we served more than 5.7 million TV users, 4.6 million broadband (fixed internet and data) users, 5.8 million mobile users, and 890 thousand fixed-line telephony users. In Spain, mobile users numbered 4.7 million, broadband (fixed internet) users totaled 1.4 million, a 63% increase from the previous year, and fixed-line telephony users reached 445 thousand. In Italy, mobile customers numbered 420 thousand by year's end.

Looking ahead, we are committed to delivering superior services utilizing the latest technology. Our priority is to tailor these services to fit our customers' needs, ensuring they are affordable and accessible.

I extend my deepest thanks to every employee who has played a part in DIGI's journey. We are grateful to our customers for making DIGI their provider of choice. To our clients, investors, and partners, thank you for your continued trust, which drives our enthusiasm and commitment to ongoing growth. Your continued support is crucial as we strive to shape our future together.

Sincerely,
Serghei Bulgac, Chief Executive Officer

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[1] Digi Communications Group ("the Group" or "DIGI Group") consists of Digi Communications N.V., RCS & RDS S.A. and their subsidiaries

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This copy of the 2023 annual report of Digi Communications N.V. is not in the European single electronic reporting format (ESEF) as specified in the RTS on ESEF (Regulation (EU) 2019/815). The ESEF version of the 2023 annual report is available at *Annual reports (digi-communications.ro)*

# Management board report

# Key Figures. Objectives and strategic directions.

## KEY FIGURES FOR DIGI GROUP

We are an integrated provider of telecommunication services on the Romanian and Spanish markets and a Mobile Virtual Network Operator (MVNO) in Italy.

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

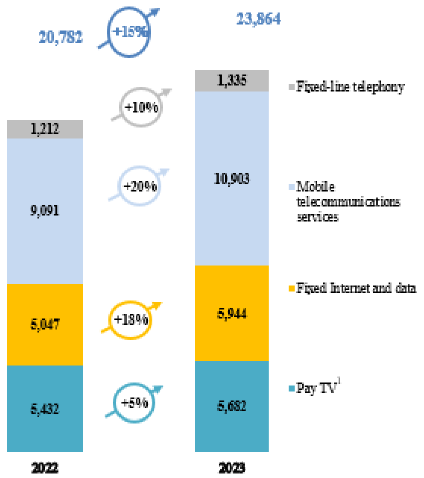
In 2021, we expanded operations in Portugal, where we were attributed radio frequencies at the 2021 mobile spectrum auction and, subsequently, on December 8, 2023, the company subsidiary in Portugal and Vodafone Portugal have entered into a framework agreement on the basis of which, after the Portuguese Competition Authority's approval Digi Portugal will be assigned the spectrum usage rights of 2x10 Mhz in the 1,800 Mhz band and 2x10 Mhz in the 3,400-3,800 Mhz band and granted wholesale bitstream access over Vodafone's own proprietary optical fibre network to Digi Portugal, as part of a remedy package to be submitted by Vodafone to the Portuguese Competition Authority in connection with its acquisition of Cabonitel/NOWO Communications S.A.. During 2022 we won the new entrant spectrum package at the 5G-auction in Belgium. This will allow the Group to expand its business on the Portuguese and Belgian market, in order to provide high quality, affordable telecommunication services. In 2023, we signed a national roaming services agreement with Proximus Plc, and we also continued to build our network in both Portugal and Belgium and we will launch the commercial offer at a later date.

Digi Spain Telecom S.L.U. („Digi Spain"), the Company's subsidiary in Spain, has signed a spectrum transfer agreement for the purchase of the spectrum licenses for the private use of the radioelectric public domain related to certain sets of blocks of frequencies in the 1,800 MHz, 2,100 MHz and 3,500 MHz bands. The Spectrum Transfer Agreement has been signed on December 11, 2023 in the context of the merger control proceeding directed by the European Commission subject, among others, to the completion of the transaction between Orange and MasMovil, which required the approval of the European Commission and which was obtained in February 2024.

In Italy we have started, on a test basis, to expand our portfolio of services by launching FTTH (Fiber to the Home) acces with high-speed broadband, bringing two offerings to customers in operationg areas connectable to our FTTH and we are looking to further invest and expand our footprint and connectivity solutions.

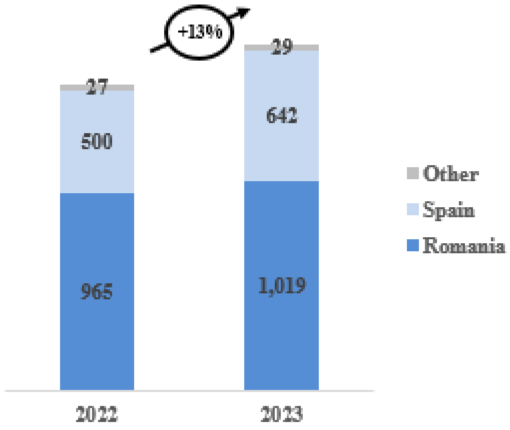
We have grown mainly organically from approximately 20.8 million RGUs as at December 31, 2022 to approximately 23.9 million RGUs as at December 31, 2023.

As at December 31, 2023, we had a total of approximately 5.7 million Pay TV RGUs, approximately 5.9 million fixed internet and data RGUs, approximately 10.9 million mobile telecommunication services RGUs, and approximately 1.3 million fixed-line telephony RGUs.



1) *Cable TV and DTH services*

We have consistently generated strong revenue streams. We generated €1,690.4 million revenues during the year ended December 31, 2023, an increase of 13.2 % compared to prior period.




The Group's operations generated an Adjusted EBITDA (defined as EBITDA (consolidated operating profit or loss plus charges for depreciation, amortisation and impairment of assets) adjusted for the effect of non-recurring and one-off items) of € 591.2 million for the year ended December 31, 2023, compared to €505.6 million in prior period, an increase of 16.9%.

The Adjusted EBITDA margin was 34.6% in the year ended December 31, 2023, compared to 33.3% for the year ended December 31, 2022.

We have continued to pursue an ambitious growth strategy that required us to undertake substantial capital expenditure. Consequently, our capital expenditures have been significant. In the year ended December 31, 2023, we had capital expenditure of €729.7 million (2022: €560.1 million). This represented 42.8% of our total revenue and other income for the year ended December 31, 2023 (2022: 36.9%).

We have maintained prudent capital and liquidity structures with a leverage ratio (computed as total net financial debt divided by EBITDA) of 2.5x for the year ended December 31, 2023 and 2.3x for the year ended December 31, 2022.

## OBJECTIVES AND STRATEGIC DIRECTIONS

**Strategy**

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

***Continue to leverage our advanced fixed networks, offering high-quality service, while maintaining competitive prices.*** The current technological state of our fixed networks allows us to offer a wide range of advanced high-quality services to customers at competitive prices, while maintaining low infrastructure operating expenses. In particular, our Romanian fixed networks are more than 99% fiber and are faster and more cost-effective than traditional networks operated by our competitors. In Spain, our fixed fiber network is still under development and roll out and we intend to continue leveraging existing network capabilities to further increase the number of fixed internet and telephony subscribers.

***Continue to grow our RGU base in all business lines, both organically and through acquisitions.*** Growth in RGUs both organically and through acquisitions has always been the primary driver of increases in our revenue, primarily due to the expansion of our fixed networks, cross-selling of additional services to our existing customers and refocusing on our mobile telecommunication business. Our goal is to continue the RGU growth in all our business lines and geographies. We aim to grow organically by expanding our networks and increasing the penetration of our Pay TV, fixed internet and data, mobile telecommunication and fixed-line telephony services through multiple service offers and cross-selling to existing and prospective customers. In addition to organic growth, we may choose to further expand our RGU base through acquisitions in line with, or complementary to, our current business. We regularly monitor potential acquisition targets, while assessing their attractiveness relative to other strategic alternatives available to us.

***Further grow our mobile telecommunication business by expanding the coverage of our mobile networks.*** As at December 31, 2023, our mobile telecommunication services covered approximately 99.5% of Romania's population. We have 2G, 4G and 5G licenses. We believe that our dense fixed networks and existing licenses provide a solid foundation for further development of our mobile telecommunication infrastructure and offerings in these markets. We may also participate in additional frequency blocks/bandwidth tenders or auctions to complement our existing set of mobile telecommunication licenses as and when they get organized by relevant licensing authorities.

***Focus on Romanian and Spanish markets.*** We intend to focus primarily on Romania and to continue our expansion in Spain. Our advanced networks in Romania allow us to efficiently deliver multiple services in the areas covered and we believe there is the scope for increase in uptake of our services in these areas. We also see potential for growth of our mobile telecommunication and internet and data services, as we believe that the Romanian mobile market still offers opportunities for us to expand. In addition, we remain open to attractive opportunities, such as our expansion into Spain's fixed telecommunications market with an offering through Telefónica's local network and our own network. We believe that Spain presents significant future growth opportunities for our business outside of the Romanian market and expect our Spanish operations to continue gaining prominence relative to our other geographic segments. In addition to these core markets, we remain open to explore further expansion opportunities in other markets as well.

***Offer premium content to increase the attractiveness of our product offerings***. We intend to maintain and increase the attractiveness of our Pay TV (cable TV and DTH) services by continuing to offer sports, film and other premium content through our existing own channel line-up, which may be further developed or expanded in the future.

## RISK FACTORS

Any investment in the Shares and/or the Notes is subject to a number of risks. Prior to investing in the Shares and the Notes, prospective investors should carefully consider the risk factors associated with any such investment, the Group's business and the industry in which it operates, together with all other information contained in this Report including, the risk factors described below.

The occurrence of any of the following events could have a material adverse effect on our business, prospects, results of operations and financial conditions. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Shares and/or the Notes may decline and investors could lose all or part of their investment. An investment in the Shares and/or the Notes involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether any such investment is suitable for them in the light of the information in this Report and their personal circumstances.

**Risks Relating to Our Business and Industry**

**We face significant competition in the markets in which we operate, which could result in decreases in the number of current and potential customers, revenue and profitability.**

We face significant competition in our markets and business lines, which is expected to intensify further. For example, in Romania we face intense competition in our cable TV, DTH, fixed internet and data and fixed-line telephony business lines from local entities controlled by Orange ("**Orange Romania**") and Vodafone ("**Vodafone Romania**"). In the Romanian mobile telecommunication services market, we compete with Vodafone Romania, Orange Romania and Telekom Romania Mobile (the shareholder of Telekom Romania Mobile announced on 21 November 2023 its preliminary agreement to sell its participation to a local businessman who controls the Romanian Clever Media group). Increased competition may encourage the customers to stop subscribing to our services (an effect known as "churn") and thereby adversely affect our revenue and profitability.

In Spain we face competition in our mobile telecommunication services, fixed internet and data and fixed-line telephony, especially from Telefonica, Orange, Vodafone and Masmovil, who operate much larger and more established businesses in the country. On 23 July 2022, Orange and Masmovil entered into an agreement to combine their businesses in Spain with the transaction obtaining regulatory approval on 20 February 2024 (the parties planning to complete the transaction by end of the first quarter of 2024).

These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that we do not, such as having greater economies of scale, easier access to financing, access to certain new technologies, more comprehensive product offerings in certain business lines, greater personnel resources, greater brand name recognition, fewer regulatory burdens and more experience or longer-established relationships with regulatory authorities, customers and suppliers. In particular, all our principal competitors in our core Romanian market are part of much larger international telecommunication groups.

In recent years, the telecommunications industry has experienced a significant increase in customer demand for multiple-play offerings, which combine two or more fixed and mobile services in one package. Although we believe that the combination of our own fixed and mobile infrastructures in Romania is unparalleled, all of our principal competitors in the country have made arrangements to significantly enhance their multiple-play capabilities.

In addition to competition in our traditional services and technologies, we also experience significant pressure from the rapid development of new technologies and alternative services, which are either offered by our existing competitors or new entrants. See "*—Rapid technological changes may increase competition and render our technologies or services obsolete, and we may fail to adapt to, or implement new technological developments in a cost-efficient manner or at all*." For example, our fixed-line telephony and fixed internet and data business lines in Romania are experiencing increased competition from the country's mobile telecommunication services sector. This may result in slower growth or a decrease in our fixed-line telephony and fixed internet and data services penetration rates as our subscribers may migrate from fixed to mobile services, choosing to switch to our competitors such as Orange Romania, Vodafone Romania, who currently have stronger market positions than us in the mobile telecommunication services sector. These competitors are also aiming to offer increasingly innovative integrated solutions to customers, such as 5G (currently in limited operation). We also have to compete with companies offering other technologies alternative to our telephony services, such as Zoom, Teams, Skype, WhatsApp, Webex, Google Hangouts and Facebook Messenger, as well as with companies offering alternative platforms that make TV and entertainment content available to customers, such as OTT platforms Netflix, HBO Max, Disney Plus, Amazon Prime, SkyShowtime, Apple TV, and Google Play, along with other services which allow legal or illegal downloading of movies and television programs.

Our success in these markets may be adversely affected by the actions of our competitors in a number of ways, including:

lower prices, more attractive multiple-play services or higher quality services, features or content;

more rapid development and deployment of new or improved products and services; or

more rapid enhancement of their networks.

Our market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors, changes in consumer preferences and economic, political and social conditions in the markets in which we operate. Any failure to compete effectively or any inability to respond to, or effectively anticipate, consumer sentiment, including in terms of pricing of services, acquisition of new customers and retention of existing customers, could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Rapid technological changes may increase competition and render our technologies or services obsolete, if we don't adapt to, or implement, new technological developments in a cost-efficient manner or at all.**

The markets in which we operate are characterized by rapid and significant changes in technology, customer demand and behavior, and as a result, by a changing competitive environment. Given the fast pace of technological innovation in our industry, we face the risk of our technology becoming obsolete. We may need to make substantial investments to upgrade our networks or to obtain licenses for and develop and install new technologies (such as 5G, which is expected to become the standard for providing mobile telecommunication services in the foreseeable future and may, to a certain extent, present a viable alternative to, and a replacement for, fixed-line offerings) to remain competitive. The cost of implementing these investments could be significant and there is no assurance that the services enabled by new technologies will be accepted by customers to the extent required to generate a rate of return that is acceptable to us. In addition, we face the risk of unforeseen complications in the deployment of these new services and technologies and there is no assurance that our original estimates of the necessary capital expenditure to offer such services will be accurate. New services and technologies may not be developed and/or deployed according to expected schedules or may not be commercially viable or cost effective. Should our services fail to be commercially viable, this could result in additional capital expenditures or a reduction in profitability. Any such change could have a material adverse effect on our business, prospects, results of operations or financial condition.

In addition, rapid technological change makes it difficult to predict the extent of our future competition. For example, new transmission technologies and means of distributing content or increased consumer demand for, and affordability of, products based on new mobile communication technologies could trigger the emergence of new competitors or strengthen the position of existing competitors. There is no guarantee that we will successfully anticipate the demands of the marketplace with regard to new technologies. Any failure to do so could affect our ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on our financial condition and results of operations. Conversely, we may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that we introduce fails to achieve market acceptance, our revenue, margins and cash flows may be adversely affected, and as a result we may not recover any investment made to deploy such new technology or service. Our future success depends on our ability to anticipate, react and adapt in a timely manner to technological changes. Responding successfully to technological advances and emerging industry standards may require substantial capital expenditure and access to related or enabling technologies to introduce and integrate new products and services successfully. Failure to do so could have a material adverse effect on our competitive position, business, prospects, results of operations or financial condition.

**We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business.**

The expansion and operation of our fixed and mobile networks, as well as the costs of development, sales and marketing of our products and services, require substantial capital expenditure. In recent years, we have undertaken significant investment to attract and retain customers, including expenditures for equipment and installation costs, license acquisitions, implementation of new technologies (such as GPON), as well as upgrades of existing networks, such as the FTTH roll-out. As at the date of this report, we have the following material ongoing capital requirements:

further expansion of our fixed networks;

further expansion and development of our mobile network;

acquisition of new telecommunication licenses and payments under the terms of existing telecommunication licenses (e.g., on 11 December 2023, Digi Spain concluded a spectrum transfer agreement with respect to the transfer from Xfera Móviles, S.A. (part of MasMovil Group in Spain) and acquisition by Digi Spain of the spectrum licenses for the private use of the radioelectric public domain related to certain sets of blocks of frequencies (2 x 10 MHz in the 1,800 MHz band, 2 x 10 MHz in the 2,100 MHz band and 20 MHz in the 3,500 MHz band); on the same date, Digi Spain and Orange Espagne, S.A.U. also concluded an option agreement whereby the latter granted Digi Spain the option to enter in the future into a national roaming service agreement for the provision by Orange Espagne, S.A.U. to Digi Spain of wholesale mobile electronic communications services, which would allow Digi Spain to access all available technologies in the mobile network of Orange Espagne S.A.U. or its affiliates, including MasMovil Ibercom S.A.U., in Spain – both agreements were concluded in the context of the European Commission's merger control proceeding concerning the Orange and MasMovil merger);

investments in Portugal and Belgium (as part of our joint venture with the Cegeka Group); and potentially other markets;

the acquisition of CPE, including certain network equipment such as GPON terminals (which may not generally be treated as CPE by other members of our industry), and other equipment, such as set-top boxes, mobile data devices and fixed-line telephone handsets, satellite dishes, satellite receivers and smartcards; and

payments for the acquisition of television content rights.

In addition, we may, from time to time, incur significant capital expenditure in relation to our opportunistic mergers and acquisitions. See "*—We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.*"

However, no assurance can be given that any existing or future capital expenditures will generate a positive return, a significant reduction in costs, or promote the growth of our business. If our investments fail to generate the expected positive returns or cost reductions, our operations could be significantly adversely affected and future growth could be significantly curtailed.

In order to finance our capital expenditures and working capital needs, we use a combination of cash from operations, financial indebtedness, reverse factoring and vendor financing arrangements. In the near future, we expect to fund significant capital expenditures, such as acquisition of new licenses (including mobile bandwidth) to expand our existing offerings and acquire local telecommunication services providers to grow our network, predominantly with external financing sourced from international financial institutions or debt capital markets. Our working capital needs have fluctuated in the past years along with the need to finance the development of our mobile telecommunication services business (where we continue to acquire ancillary CPE (such as handheld devices) that are further on-sold to customers subject to deferred payments). We generally pay our suppliers within a relatively short period after acquiring products, but on-sell CPE to our customers subject to a deferral of payments for up to 12 months. For our working capital needs, we enter into certain reverse factoring and vendor financing agreements to extend the terms of our payments to suppliers. If we fail to negotiate or renegotiate such arrangements, our ability to finance the continued expansion of our business would be materially adversely affected.

In addition, our liquidity and capital requirements may increase if we expand into additional areas of operation, accelerate the pace of our growth or make acquisitions. If, for any reason, we are unable to obtain adequate funding to meet these requirements, we may be required to limit our operations and our expansion plans, including plans to expand our network and service offering, our operations could be significantly adversely affected, future growth could be significantly curtailed and our competitive position could be impaired.

**We may undertake future acquisitions which may increase our risk profile, distract our management or increase our expenses.**

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

As part of our strategy, we may undertake additional acquisitions which could be significant in our existing business lines or complementary to them, as, and if, appropriate opportunities become available. We regularly monitor potential acquisition targets in order to be able to act in an expedient fashion should an attractive opportunity arise. However, a decision to proceed with any such acquisition will be subject to a number of conditions that may or may not materialize, including regulatory support and availability of third-party financing (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital expenditure*") and we expect to have other strategic alternatives, which we will consider as appropriate. Should we decide to proceed with any such transaction, we may not be successful in our efforts to estimate the financial effects thereof on our business, especially as our previous acquisitions were relatively small in size and there is no guarantee that future acquisitions would not be larger businesses, which may prove more difficult to integrate. In addition, acquisitions may divert our management's attention or financial or other resources away from our existing business or require additional expenditures. Such developments could have a material adverse effect on our business, results of operations or financial condition.

Our ability to acquire new businesses may be limited by many factors, including availability of financing, the debt covenants in our financing agreements, the prevalence of complex ownership structures among potential targets, government regulation and competition from other potential acquirers. If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of businesses we acquire, generate expected margins or cash flows or realize the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze acquisition targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that our assessments of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

Even if we are successful in acquiring new businesses, the integration of new businesses may be difficult for a variety of reasons, including differing languages, cultures, management styles and systems, inadequate infrastructure and poor records or internal controls. In addition, integrating any potential new acquisitions may require significant initial cash investments and present significant costs, which may result in changes in our capital structure, including the incurrence of additional indebtedness, tax liabilities or regulatory fines. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our operating results as a result of costs, challenges, difficulties or risks, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overhead expenses; integrating personnel, networks, financial and operational systems; unforeseen legal, regulatory, contractual and other issues; unforeseen challenges from operating in new geographic areas; and the diversion of management's attention from our day-to-day business as a result of the need to deal with the foregoing challenges, disruptions and difficulties.

Furthermore, even if we are successful in integrating our existing and new businesses, expected synergies and cost savings may not materialize as anticipated or at all, resulting in lower than expected profit margins. There is no assurance that we will be successful in acquiring new businesses or realizing any of the anticipated benefits of the companies that we may acquire in the future. If we undertake acquisitions but do not realize these benefits, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our growth and expansion in new areas of business may make it difficult to obtain adequate operational and managerial resources, thus restricting our ability to expand our operations.**

We have experienced substantial growth and development in a relatively short period of time, and our business may continue to grow in the future.

The operational complexity of our business as well as the responsibilities of our management has increased as a result of this growth, placing significant strain on the relatively limited resources of our senior management. We will need to continue to improve our operational and financial systems and managerial controls and procedures to keep pace with our growth. We will also have to maintain close coordination among our logistical, technical, accounting, finance, marketing and sales personnel. Managing our growth will require, among other things:

the ability to integrate new acquisitions into our operations;

continued development of financial and management controls and IT systems and their implementation in newly acquired businesses;

the ability to manage increased marketing activities;

hiring and training new personnel;

the ability to adapt to changes in the markets in which we operate, including changes in legislation;

the ability to successfully deal with new regulators and regulatory regimes; and

the ability to manage additional taxes, increased competition and address the increased demand for our services.

In particular, in relation to investments in Portugal and Belgium, we have limited experience operating in these geographies. There can be no assurance that we will be successful in adapting to the demands of this market and realize the contemplated benefits from growth and expansion in new areas of business, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**An inability to ensure appropriate operational and managerial resources and to successfully manage our growth could have a material adverse effect on our business, prospects, results of operations or financial condition. We may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom we may not be able to manage our business effectively.**

We depend on the availability and continued service of a relatively small number of key managers, employees and other individuals, including our founder and President, Zoltán Teszári, directors and senior management. These key individuals are heavily involved in the daily operation of our business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise our development. The loss of any of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans, which could in turn affect our ability to comply with the financial covenants under the Notes and our existing credit facilities. In particular, Mr. Teszári's continued involvement in the strategic oversight of the Company is key for our continued development and competitive position. In addition, competition for qualified executives in the telecommunications industry in the markets in which we operate is intense. Our future operating results depend, in significant part, upon the continued contributions of our existing management and our ability to expand our senior management team by adding highly skilled new members, who may be difficult to identify and recruit. If any of our senior executives or other key individuals cease their employment or engagement with us, our business, prospects, results of operation or financial condition could be materially adversely affected.

**We are subject to transactional currency risks associated with exchange rate fluctuations.**

For the year ended December 31, 2023 we generated approximately 60.3% of revenue in our functional currency different from EUR, the Romanian leu, which included approximately 30.3% representing revenue collected in local functional currency, but denominated in euro. As at December 31, 2023, we had €1,238.3 million and €63.7 million of obligations denominated in euros and U.S. dollars, respectively. Our euro obligations principally relate to outstanding financial debt, and our exposure to the U.S. dollar primarily relates to purchases of content for our cable TV and DTH businesses and mobile CPE acquisitions. A significant depreciation of our principal operational currencies relative to the euro and, to a lesser extent, the U.S. dollar, could have a material adverse effect on our business, prospects, results of operations or financial condition.

In particular, our ability to repay or refinance our euro-denominated financial indebtedness could be adversely impacted by a significant depreciation of our functional currency relative to the euro. In this respect, from December 31, 2022 to December 31, 2023, the Romanian leu has declined compared to the euro by approximately 0.3%. Such depreciation of our functional currency relative to the euro could also markedly reduce our consolidated financial results as reported in euros (see "*—We are subject to currency translation risks associated with exchange rate fluctuations*"). This could result in a breach of certain financial covenants under the 2021 Senior Facilities Agreement, the 2023 Senior Facilities Agreement, the ING Facilities Agreement, Citi Facilities Agreement, BRD Agreements, the 2023 ING Export Credit Facilities Agreements, the 2024 Citi Export Credit Facility Agreement and other existing credit facilities, thereby requiring us to seek waivers from these creditors or causing the acceleration of this indebtedness. In addition, this could make it more difficult for us to comply with the incurrence financial covenants under the Notes. In accordance with our historical approach, we may hedge the interest payments and/or repayments of the whole or a portion of the principal amount of our financial indebtedness. However, any hedging arrangements we enter into may not adequately offset the risks of foreign exchange rate fluctuations and may result in losses. In addition, further appreciation of the euro and the U.S. dollar could require us to offset the impact of such exchange rate fluctuations by price increases for customers in Romania that are invoiced in the local currency, which could cause a reduction in the number of RGUs and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Exchange rates—Liabilities denominated in euros and U.S. Dollar*."

**We are subject to currency translation risks associated with exchange rate fluctuations.**

Our Financial Statements are presented in euros. However, the majority of our revenue and expenses are denominated in the Romanian leu and are translated into euros at the applicable exchange rates for inclusion in our consolidated financial statements. In addition, some of our borrowings and their related interest payments, as well as other assets and liabilities, are denominated in currencies other than the euro, which also require translation into euros at the applicable exchange rates when we prepare our consolidated financial statements. Therefore, we are exposed to fluctuations in exchange rates when converting non-euro amounts into euro for reporting purposes. Any fluctuation in the value of a relevant functional currency against the euro may affect the value of our revenue, costs, assets and liabilities as stated in our consolidated financial statements, which may in turn affect our reported financial condition and results of operations in a given reporting period.

**A systems failure or shutdown in our networks may occur.**

Our cable TV, fixed internet and data and fixed-line telephony services are currently carried through our transmission networks composed primarily of fiber-optic cables. In addition, as at December 31, 2023, we had approximately 8,100 mobile network base stations in Romania for our mobile telecommunication services. Furthermore, our information technology system comprises numerous intra-linked systems that are periodically updated, upgraded, enhanced and integrated with new systems. Failure to maintain or update these systems, particularly where updates may be required to support new or expanded products or services, could result in their inability to support or expand our business, as it is dependent on the continued and uninterrupted performance of our network. Our ability to deliver services may be subject to disruptions of our systems from communications failures that may be caused by, among other things, computer viruses, power failures, natural disasters, software flaws, transmission cable cuts, sabotage, acts of terrorism, vandalism, cyber-attacks and unauthorized access. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Any such disruption or other damage that affects our network could result in substantial losses, for which we are not adequately covered by our existing insurance policies. Disaster recovery, security (including cyber-security) and service continuity protection measures that we have undertaken or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time. Such disruptions may affect our provision of new or existing services and reputation, leading to costly repairs and loss of customers. For so long as any such disruption continues, our revenue could be significantly impacted, which in turn could have a material adverse effect on our operating cash flows, business, prospects, results of operations or financial condition. Moreover, if one or more of these events occurs, it could result in the disclosure of confidential client information, damage to our reputation with our customers and the market, additional costs (such as repairing and upgrading systems or adding new personnel or protection technologies), regulatory penalties and financial losses.

**We may be unable to use Intelsat's and Telenor's satellites to broadcast our DTH services and may fail to find a commercially acceptable alternative in a reasonable amount of time.**

We currently broadcast programming for our DTH services using five transponders, of which two are located on a satellite operated by Intelsat Global Sales & Marketing Ltd ("**Intelsat**"), and three are leased through Intelsat on a Telenor satellite and use an additional transponder for transmitting non-DTH signals. Our current lease arrangement with Intelsat covering both sets of transponders is effective until 30 April 2026. There can be no assurance that an extension of the term of this arrangement can be agreed on similar financial terms following such date or that we will not have to find alternative providers. As DTH is a competitive, price-sensitive business, we may not be able to pass an increase in satellite transmission costs, in whole or in part, to our DTH customers.

**Satellite broadcasts may also be disrupted for various reasons.**

Furthermore, the amount of satellite capacity that we are able to obtain is limited by the amount of efficient transmission spectrum allocated by the relevant national, regional and international regulatory bodies of the satellite operators that provide satellite coverage over our areas of operations. Intelsat is not contractually obligated to increase the satellite capacity it makes available to us.

Should the satellites we use significantly deteriorate, or become unavailable for regulatory reasons or any other reason, we may not be able to secure replacement capacity on an alternative satellite on a timely basis or at the same or similar cost or quality. Our ability to recoup losses related to service failures from Intelsat may also be limited. Even if alternative capacity were available on other satellites, the replacement satellites may need to be repositioned in order to be co-located with the satellites we currently use. If it is not possible to co-locate replacement satellites, we would be required to repoint all our existing customers' receiving dishes to enable them to receive our signal. Accurate repointing requires specialist tools and expertise, and we believe that there could be substantial costs of repointing all of our existing subscribers' receiving dishes in the event the satellite networks we currently use fail. Moreover, the time needed to repoint our dishes to alternative satellites would vary depending on the market. Accordingly, the inability to use Intelsat's or Telenor's satellites or otherwise to obtain access to sufficient levels of satellite bandwidth on a timely basis and at commercially acceptable prices, or any system failure, accident or security breach that causes interruptions in our operations on the satellite networks we use could impair our ability to provide services to our customers and could have a material adverse effect on our business, prospects, results of operations or financial condition.

**If we do not maintain or improve our reputation for the quality of our service, our ability to attract new customers and retain existing customers may be harmed.**

Our ability to retain customers and to attract new customers depends in part on our brand recognition and our reputation for the quality of our service. Our reputation and brand may be harmed if we encounter difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to our traditional product offerings, financial difficulties, or for any other reason. Damage to our reputation and brand could have a material adverse effect on our business, prospects, results of operations or financial condition.

**If we cannot acquire or retain content or programming rights or do so at competitive prices, we may not be able to retain or increase our customer base and our costs of operations may increase.**

The success of our business depends on, among other things, the quality and variety of the television programming delivered to our customers. We depend substantially on third parties to provide us with programming TV content and we license rights to broadcast certain high interest sports events and movies on our own premium channels in Romania. Our programming agreements generally have terms ranging from one to five years (including options to extend) and contain various renewal, cancellation and annual price adjustment provisions. No assurance can be provided that we will succeed in renewing our rights for content upon the expiry of currently applicable contractual terms on competitive terms or at all. If we fail to negotiate or renegotiate programming agreements for popular content on satisfactory terms or at all, we may not be able to offer a compelling and popular product to our customers at a price they are willing to pay.

Generally, our programming agreements may be terminated if we fail to make any of our payments or breach our obligations to keep our transmission signal secure or within agreed technical parameters and we fail to address any such breaches within a certain time period, typically between 10 and 30 days.

The ability to broadcast certain sports competitions, especially football matches, is integral to our ability to attract and retain customers. Although during 2023 we renewed existing broadcasting rights and even managed to acquire new broadcasting rights, there is no assurance that we will succeed in acquiring new or renewing existing broadcasting rights upon the expiration of the underlying contracts.

We believe that in order to compete successfully, we must continue to obtain attractive content and deliver it to our customers at competitive prices. When we offer new content, or upon the expiry of existing programming agreements or broadcast licenses, our content suppliers may decide to increase the rates they charge for content or they may opt out of the "must carry" (free air regime) and start charging for the retransmission of their channels by us, thereby increasing our operating costs. In addition, some of the channels we broadcast in Romania are subject to "must carry" rules, meaning that the content suppliers have opted to make them available free of charge, which, under certain conditions, creates an obligation for us to include them in our cable TV package. If some or all of the main channels we carry in Romania on the "must carry" basis opted out of this regime, we may have to pay for their retransmission or discontinue the transmission of such channels as part of our services, which may lead to increases in costs or potential customer churn. Regulatory requirements in some jurisdictions affect content suppliers by, for example, requiring them to produce channels in high definition, and may lead them to increase the rates they charge to us. Increases in programming fees or license fees or changes in the way programming fees or license fees are calculated could force us to increase our subscription rates, which in turn could cause customers to terminate their subscriptions or lead potential new customers to refrain from subscribing. In addition, if we were to breach the terms of the applicable agreements, the license content providers could decide to withhold certain content or we could lose the right to retransmit certain programs or broadcast certain competitions. Also, program providers and broadcasters may elect to distribute their programming through other distribution platforms, such as Internet-based platforms, or may enter into exclusive arrangements with other distributors. If we cannot pass on any increased programming or license fees to our customers, or if we lose rights to transmit certain programming or broadcast certain competitions, it could have a material adverse effect on our reputation, competitive position, business, prospects, results of operations or financial condition.

**Our business strategy may cause our average revenue per unit (ARPU) figures to decrease.**

In Romania, our customer base for services other than DTH is spread across both urban and rural areas. As we further expand into less affluent demographic segments of our geographic markets, our ARPU figures may decline depending upon changes in our mix of customers and the prices at which our packages are offered. Further, our reported ARPU for cable TV, DTH and fixed internet may be affected by fluctuations in exchange rates. See "—*We are subject to currency translation risks associated with exchange rate fluctuations.*" A material decrease in ARPU from current levels could have a material adverse effect on our business, prospects, results of operations or financial condition.

**We may fail to manage customer churn.**

The pay TV (which includes cable TV and DTH business lines), fixed internet and data, fixed-line telephony and mobile telecommunication services industries all experience churn as a result of, among other things, high levels of competition and technological advancements. In particular, our DTH and fixed-line telephony service have experienced relatively high levels of churn in recent years. Although churn may have a negative effect on our business, we focus on growth in total number of RGUs, ARPU, revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin as key indicators of our performance, rather than churn. We believe that our churn levels are in line with those of our principal competitors in our core markets.

Customer churn could increase as a result of:

the availability of competing services, some of which may be less expensive or technologically superior to those offered by us or offer content or features that we do not offer;

customers moving to areas where we cannot offer services;

customer dissatisfaction with the quality of our customer service, including billing errors;

interruptions in the delivery of services to customers over our network and poor fault management; and

customers choosing to discontinue a certain service without replacing it with an equivalent service provided by us or our competitors.

Our inability to control customer churn or an increase in customer churn, particularly in relation to our DTH and fixed-telephony services, as a result of any of these factors can lead to a reduction in revenue and RGUs or increased costs to retain these customers, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our insurance may not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or are not insurable.**

We maintain an insurance policy in respect of our critical communications equipment in data centers in Bucharest and certain key network nodes throughout Romania for the services we provide, including our up-link facilities in Bucharest. This insurance policy has an aggregate coverage of up to approximately €16.7 million equivalent as at December 31, 2023. We also maintain civil liability insurance policies and property damage insurance policies for our car fleet. We can provide no assurance that insurance will continue to be available to us on commercially reasonable terms or at all. Our insurance may not be adequate to cover all our potential losses or liabilities. At present, we have no coverage for business interruption or loss of key management personnel and a substantial proportion of our assets are not insured. Should a significant event affect one of our facilities or networks, we could experience substantial property loss and significant disruptions in the provision of our services for which we would not be compensated. Additionally, depending on the severity of the property damage, we may not be able to rebuild damaged property in a timely manner or at all. We do not maintain separate funds or otherwise set aside reserves for these types of events. Any such loss or third-party claim for damages could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our business relies on sophisticated billing and credit control systems, and any problems with these systems could disrupt our operations.**

Sophisticated billing and credit control systems are critical to our ability to increase revenue streams, avoid revenue losses, monitor costs and potential credit problems and bill our customers properly and in a timely manner. New technologies and applications are expected to increase customers' expectations and to create increasing demands on billing and credit control systems. Any damage, delay or interruptions in our systems or failure of servers or backup servers that are used for our billing and credit control systems could disrupt our operations, and this, in turn, could have a material adverse effect on our reputation, business, prospects, results of operations or financial condition.

**Our business relies on hardware, software, commodities and services supplied by third parties. These suppliers may choose to discontinue their products or services, seek to charge us prices that are not competitive or choose not to renew contracts with us for a number of reasons, including because these suppliers may be precluded from manufacturing and delivering their products and services (such as in the context of the COVID-19 pandemic or the 2023 semiconductor and shipping crisis).**

We have important relationships with certain suppliers of hardware, software and services (such as ECI, Ericsson, Wuhan Fiberhome, Huawei, Kaon, Nagravision S.A. ("Nagravision"), Nokia, and ZTE). These suppliers may, among other things, extend delivery times, supply unreliable equipment, raise prices and limit or discontinue supply due to their own shortages, business requirements, regulatory intervention, changes in trade policies or otherwise. Conversely, we may ourselves need to discontinue or reduce the use of products and services from particular suppliers due to similar or other reasons, including with limited notice. For example, some of our suppliers (particularly Chinese ones) have been affected in the context of the COVID-19 pandemic, as well as the semiconductor and shipping crisis, resulting in increased supply lead times, reduced manufacturing capacity, supply disruptions, as well as shortages of air and ocean freight options from affected regions. In addition, such suppliers may in the future be affected by restrictions imposed by certain countries as a result of trade disputes and/or state security considerations. Although we are not entirely dependent on hardware, software and services supplied by particular suppliers, in many cases we have made substantial investments in the equipment or software of a certain supplier. This makes it difficult for us to find replacement suppliers quickly in the event that a supplier refuses to offer us favorable prices, ceases to produce the equipment we use or fails to provide the support we require. In the event that hardware or software products or related services are defective, or if the suppliers are insolvent, it may be difficult or impossible to enforce claims against them, in whole or in part. The occurrence of any of these risks may create technical problems, damage our reputation, result in the loss of customers and could have a material adverse effect on our business, prospects, results of operations or financial condition. Further, our contractual obligations to customers may exceed the scope of the warranties we have obtained from suppliers.

We are also exposed to risks associated with the potential financial instability and business continuity issues of our suppliers. If our suppliers were to discontinue certain products, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, whether as a result of bankruptcy, regulatory actions, court decisions or otherwise and if we were unable to procure satisfactory substitutes, it could have a material adverse effect on our business, results of operations or financial condition.

**Our business relies on third-party licenses and other intellectual property arrangements.**

We rely on third-party licenses and other intellectual property arrangements to enable us to carry on our business. Network elements and telecommunications equipment including hardware, software and firmware deployed on our network are licensed or purchased from various third parties, including from vendors holding the intellectual property rights to use these elements and equipment. Although these agreements provide warranties, indemnities and the right of termination in the event of any breach or threatened breach of any intellectual property rights, no assurance can be provided that competitors or other third parties will not challenge or circumvent the intellectual property rights we own or license or that the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide us with any competitive advantage. In addition, certain license holders are entitled to control our compliance with the underlying license arrangements and no assurance can be provided that we will be able to satisfy their requirements at all times. Any resulting loss, withdrawal or suspension of those intellectual property rights could result in a significant increase in our costs or otherwise have a material adverse effect on our business, prospects, results of operations or financial condition.

**Our ability to provide commercially viable services depends, in part, upon interconnection, roaming and MVNO arrangements with other operators and third-party network providers and on the impact of EU roaming regulations.**

Our ability to provide commercially viable mobile and fixed-line telecommunication services depends, in part, upon our interconnection and roaming arrangements with other operators. In particular, we are dependent, in certain regions, on interconnection with our competitors' mobile and fixed-line networks and the associated infrastructure for the successful operation of our business. In Romania are applying price caps on the interconnection charges that all telecommunications operators, including us, may charge, according to EU regulations for setting a single maximum EU-wide mobile and fixed voice termination rates. We are also dependent on third-party network providers for the provision of MVNO services in Spain and Italy, the offering of fixed-line services in Spain and the supply of international roaming services.

In addition, Regulation (EU) No. 2022/612 on roaming on public mobile communications networks within the European Union ("**EU Roaming Regulation**") requires mobile communications providers within the European Union to ensure that their customers could continue using their service while travelling to a different EU country as if they were using it in their home jurisdiction, save for paying wholesale charges to the relevant service provider.

Although we have interconnection and other agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnection and other services they provide. There can be no assurance that interconnection, resale, roaming or MVNO agreements will be easy to agree, that we will be able to renew these agreements on commercially acceptable terms, that they will not be terminated, or that ANCOM, other national regulators or the European Commission will not take any action that could materially adversely affect our operations. If we fail to maintain these agreements on commercially acceptable terms, or if there are any difficulties or delays in interconnecting with other networks and services, or a failure of any operator to provide reliable roaming services to us on a consistent basis, this could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Customer data is an important part of our daily business and leakage of such data may alter the trust of our customer and secondly may violate laws and regulations. Any such data security breach, as well as any other failure to fully comply with applicable data protection legislation could result in customer churn, reputational damages and fines.**

We collect, store and use in our operations data, which may be protected by data protection laws. Although we take precautions to protect customer data in accordance with the applicable privacy requirements and information security practices, laws and regulations, it is possible that we may be the target of an attack in the future.

The telecommunications sector has become increasingly digitalized, automated and online-based in recent years, particularly in the last years due to COVID-19, increasing our exposure to risks of unauthorized or unintended data release through hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to our network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of our services, compromise the confidentiality of our customer data or cause service interruptions, and may result in the imposition of fines and other penalties.

In April 2018, we were fined by the Romanian National Supervisory Authority for Personal Data Processing for breaches of national data protection legislation (for clarity purposes, breaches of the legal provisions not breaches/incidents which involves personal data) (contrary to certain provisions in the telecommunications' field), especially in relation to the types of data that we process, and although we are committed, and have made significant efforts, to fully align our practices with the requirements of the regulator, as at the date of this report this process has not been completed yet. We continue to closely observe the consistency with all legal requirements relating to data protection as well as with the opinions and the guides from the European Data Protection Board and with the relevant European jurisprudence. However, we are subject to the interpretation of the data protection legal requirements by the local authorities from the countries where we operate our business. Therefore, there can be no assurance that the adjustments we have already made, as well as those that we are planning to make in the future, will fully satisfy the manner in which authorities interpret GDPR's requirements.

**Any suspension, downgrade or withdrawal of our credit ratings by an international rating agency could have a negative impact on our business.**

The Group's corporate rating is BB- by S&P. Any adverse revisions to our corporate credit ratings for domestic or international debt by international rating agencies may adversely impact the credit rating of our existing indebtedness (including the Notes), our ability to raise additional financing and the interest rates and other commercial terms, under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers may materially adversely affect the prospects of our mobile telecommunication services business.**

Media and other reports have linked radio-frequency emissions from mobile handsets and mobile telecommunication towers to various health concerns, including cancer, and interference with various electronic medical devices, including hearing aids and pacemakers. In particular, in May 2011, the World Health Organization classified radiofrequency electromagnetic fields as potentially carcinogenic to humans based on an increased risk for adverse health effects associated with wireless phone use. In addition, certain media have speculated that health risks may be intensified by 5G networks/technology, although no conclusive studies providing any negative impact have been published to date. Concerns over radio frequency emissions may discourage the use of mobile handsets or may create difficulties in the procurement of tower sites for our mobile telecommunication business, which could have a material adverse effect on the prospects of such business.

If there is sound scientific evidence of a link between radio frequency emissions and health concerns or if concerns about such health risks increase in countries in which we do business, the prospects and results of operations of our mobile telecommunication services business could be materially adversely affected. In addition, the actual or perceived health risks associated with electromagnetic radio emissions and wireless communications devices and antennas and the resulting costs and lowered usage, as well as any related potential new regulatory measures could have a material adverse effect on our business, results of operations or financial condition.

**Risks Relating to Legal and Regulatory Matters and Litigation**

**Failure to comply with anti-corruption or money laundering laws, or allegations thereof, could have a material adverse effect on our reputation and business.**

While we are committed to doing business in accordance with applicable anti-corruption and money laundering laws, we face the risk that members of the Group or their respective officers, directors, employees, agents or business partners may take actions or have interactions with persons that violate such laws, and may face allegations that they have violated such laws. In general, if we are alleged or found to have violated applicable anti-corruption or money laundering laws in any matter, any such allegations or violation may have a material adverse effect on our reputation and business, including, among others, application of criminal sanctions against us or our officers or employees, disgorgement of property, termination of existing commercial arrangements, our exclusion from further public or private tenders, as well as affect our ability to comply with certain covenants under our existing indebtedness.

For example, on January 15, 2019, the Bucharest Tribunal issued its January Judgment in relation to the investigation conducted by the Romanian National Anti-Corruption Agency (DNA) into alleged bribery and money laundering in connection with our entry into a joint venture with Bodu S.R.L. in 2009 and certain subsequent transactions. The joint venture related to an events hall in Bucharest. At the time of our original investment, Bodu S.R.L. was owned by Mr. Bogdan Dragomir, a son of Mr Dumitru Dragomir, who served as the President of the Romanian Professional Football League (the "**PFL**"). The DNA's original enquiry (that followed allegations by Antenna Group that unlawful bribes had been advanced to Mr Dumitru Dragomir) centered around the €3.1 million investment that we made into the JV from 2009 to 2011. The DNA's subsequent money laundering enquiry related to later transactions entered into with Bodu S.R.L in 2015 and 2016, through which we ultimately acquired the sole ownership of the events hall. We undertook those transactions in order to ensure continuity of our business in relation to the events hall and recover our original investment. However, the DNA alleged that these were attempts to conceal unlawful bribes.

The January Judgment:

dismissed the giving of bribe related allegations against RCS & RDS and its past and current directors on the basis that they had become time-barred;

convicted RCS & RDS of money laundering and (a) ordered it to pay a criminal fine of approximately RON 1.25 million; (b) confiscated €3.1 million of our original investment in the JV and RON 655,124 as alleged unlawful profits derived by RCS & RDS from the JV; and (c) maintained seizure of the two previously attached real estate assets;

convicted Integrasoft S.R.L. (one of our Romanian subsidiaries and RCS & RDS's partner in the JV following the 2016 acquisition) of accessory to money laundering and ordered it to pay a criminal fine of approximately RON 0.7 million;

cancelled (a) the original 2009 joint venture agreement (along with all subsequent amendments thereto); (b) the 2015 settlement agreement (along with all subsequent amendments thereto); and (c) the 2016 purchase by RCS & RDS of the events hall's real estate and business;

convicted Mr. Ioan Bendei (who at the time was a member of the board of directors of RCS & RDS and is a director of Integrasoft S.R.L.) of accessory to money laundering (in his capacity as director of Integrasoft S.R.L.) and sentenced him to four years' imprisonment;

acquitted Mr. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of RCS & RDS), Mihai Dinei and Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of RCS & RDS) of all charges; and

convicted Mr. Dumitru Dragomir and a director of Bodu S.R.L. of unlawfully receiving the bribes allegedly paid through the JV investments (which, owing to different limitations periods, had not yet become time-barred).

We believe that the convictions and related sanctions in the January Judgment were erroneous and not supported by the evidence provided to the court. See "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*." We continue to deny any allegations against RCS & RDS S.A. (the main Romanian subsidiary of the Company), Integrasoft S.R.L. or any of our or their current or former officers or employees in relation to this matter and believe that they at all times acted in compliance with applicable law. Notices of appeal against the January Judgment were filed to the Bucharest Court of Appeal on behalf of RCS & RDS, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei on January 16, 2019. On November 1, 2021, the Bucharest Court of Appeal has overturned the January Judgement (such decision being final, with no remedy being admissible). The Bucharest Court of Appeal will proceed with a full re-trial of the factual matters and legal issues in this case. On July 1, 2022, in the course of the preliminary chamber procedure, the Bucharest Court of Appeal dismissed as unfounded the claims and exceptions raised by RCS&RDS, INTEGRASOFT S.R.L. and their current and former officers. The appeal against this solution was partially granted by the High Court of Cassation and Justice on 20 June 2023. The court decided that some of the evidences used by the Romanian National Anti-Corruption Agency must be removed from the court file and that the Romanian National Anti-Corruption Agency has to decide whether it requests the continuation of the trial under these circumstances. On 10 October 2023, the High Court of Cassation and Justice ruled definitively on the applications submitted in the preliminary chamber and ordered the file to be sent to the Court of Appeal and the start of the trial on the merits. The evidence indicated in the conclusion from 20 June 2023 remained excluded from the file. The Bucharest Court of Appeal will retrial the case with the next hearing term set for 4 June 2024.

If the Bucharest Court of Appeal's decision follows the reasoning of the January Judgement on the factual matters and legal issues in this case and such decision ultimately becomes effective, our ability to participate in public tenders in Romania may be impeded (for example, if the terms of such tenders specifically prohibit legal entities with a criminal record to participate). In addition, even while re-trial is pending, it cannot be excluded that the pending file could result in increased scrutiny of our operations and adversely impact perceptions of us (including as to the effectiveness of our compliance policies and procedures). If any of this were to occur, our relationships with governmental authorities, commercial partners or lenders and our perceived attractiveness as a licensee or commercial counterparty may deteriorate, which, among other things, may impair our ability to renew or sustain existing material arrangements with such governmental authorities or counterparties or to enter into new commercially desirable arrangements.

**We have been and may continue to be subject to competition law investigations and claims.**

We have been in the past and may continue to be the subject of claims regarding alleged anticompetitive behavior on the markets of the jurisdictions where we operate to restrict competition and limit consumer choice.

In addition, the telecommunications and media sectors, amongst other industries, are under constant scrutiny by national competition regulators in the countries, in which we operate and by the European Commission. Whether in the context of sector inquiries, antitrust investigations or in relation to requests for information, competition authorities may, from time to time, have different interpretations of our behavior in the relevant markets or of the clauses in the agreements that we enter into and construe them as potentially non-compliant with applicable competition legislation. As a result, we could be subject to fines up to the amount mentioned above and/or other restrictive measures.

Sector inquiries are not targeted at particular companies and are concluded with reports describing the markets analyzed and including recommendations for better market functioning. The competition authorities cannot apply fines as a result of sector inquiry proceedings for anticompetitive conduct, but may decide to open new investigations targeted at particular companies, which may result in stricter scrutiny of our business and/or the imposition of fines or other sanctions. Additionally, the results of an inquiry could lead to lawsuits being brought by third parties.

We fully cooperated with the relevant competition authorities in any proceedings, in which we have been involved and intend to continue to do so if we are the subject of future proceedings, but such proceedings are typically lengthy and could take several years to be resolved. There is no assurance that the RCC (or any other antitrust authority in our countries of operations) will not conduct further investigations on us or, if they do, that they will not impose sanctions on us as a result of such investigations. Such sanctions may include fines of up to 1% of our total turnover in the year prior to the decision if we fail to provide accurate and complete information to the relevant authority within the terms indicated by it or imposed by applicable law and up to 10% of our total turnover in the year prior to the decision per individual violation of competition law, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, could result in substantial fines, additional compliance costs or various other sanctions or court judgments.**

Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audio-visual, energy, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses, permits, approvals and authorizations and monitoring licensees' compliance with the terms thereof. We may sometimes disagree with the way legal provisions are interpreted or applied by regulators and we may, from time to time, challenge or contest regulatory decisions in the course of our business, which may affect our relations with regulators. The competent authorities in the countries where we carry out our activities have the right to, and frequently do, conduct periodic inspections of our operations and properties throughout the year. Any such future inspections may result in the conclusion that we have violated laws, decrees or regulations. We may be unable to refute any such conclusions or remedy the violations found.

Moreover, regulatory authorities may, from time to time, decide to change their interpretation of the applicable legal or regulatory provisions, their policies or views of our businesses in ways that can significantly impact our operations. For instance, we are subject to certain obligations as an operator with significant market power in the market of access to fixed-line telephony and mobile telephony and, as our market share increases or market conditions change, we could become subject to significant additional restrictions in the future, such as having to comply with higher technical standards. Such restrictions may decrease or eliminate our competitive advantage and could have a material adverse effect on our business, prospects, results of operations or financial condition. To the extent these restrictions are deemed to be insufficient and the relevant telecommunications regulator concludes that our market power is significant to the degree that there is no competition, we may even become subject to user tariff control measures.

Because we are subject to a large number of changing regulatory requirements and market and regulatory practices, we may not be in compliance with certain requirements under telecommunications and media laws, consumer protection laws, personal data protection laws and regulations or regulatory decisions. For instance, we have not always complied in a timely fashion with obligations relating to compliance of certain technical and administrative parameters and the obligation that we pay our regulatory fees. We were in breach of certain technical obligations/parameters relating to our network and the provision of our services (e.g., level of noise/radiation above the threshold, poor TV signal in certain villages/towns, etc.), for which we have received warnings from ANCOM and small fines. We have generally remedied such breaches after receiving such sanctions from ANCOM, but we may be unable to remedy (or do that in a timely fashion) such breaches in the future. In addition, from time to time, our satellite spectrum license may not cover some of our channels or up-link connections and our retransmission endorsements may not cover some of our channels or may cover certain channels that we are not currently broadcasting. See "Industry Regulation—Romania—Television and Radio Services—Licenses—Satellite Spectrum License." We may also, temporary may not be in full compliance with our "must carry" obligations and may have differing interpretations of such obligations than the regulators. Our failure to comply with existing laws and regulations and the findings of government inspections may result in the imposition of fines or other sanctions on us by ANCOM or the National Audiovisual Council of Romania ("**NAC**"). The regulatory provisions in force entitle ANCOM to impose fines of up to 10% of our total turnover in the year prior to ANCOM's decision in the event of repeated violations of regulatory obligations under current law in Romania. See *"—Risks relating to investments in countries where we operate—Any potential deterioration of the general internal economic, political and social conditions in Romania, our principal country of operation, or any adverse changes in the Romanian tax or regulatory environment, may not be offset by developments in other markets.*" Should ANCOM impose such fines for any actual or alleged violation, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

To the extent certain provisions in our agreements with individual customers are deemed unenforceable by ANCOM or NACP, a court may decide that such provisions are invalid and must be removed from such agreements and we may face minor administrative fines. In certain cases, some agreements may be terminated in full. See also *"—We have been and may continue to be subject to competition law investigations and claims."* While we are not aware of any relevant claims, there can be no assurance that no such claims will be filed in the future.

**It may be difficult for us to obtain all licenses, permits or other authorizations required to operate our existing network or any other required licenses, permits or other authorizations, and once obtained they may be amended, suspended or revoked or may not be renewed.**

The operation of telecommunications networks and the provision of related services are regulated to varying degrees by European, national, state, regional or local governmental and/or regulatory authorities in the countries where we operate. Our operating licenses or authorizations specify the services we can offer and the frequency spectrum we can utilize for mobile operations. The operating licenses are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to them may also be amended. There is no assurance that the relevant authorities will not take any action that could materially adversely affect our operations. Our operating licenses are generally renewable upon expiration. However, there is no assurance that licenses will be renewed. If we fail to renew any of our licenses, we may lose the ability to continue to operate the relevant business and the realizable value of our relevant network infrastructure and related assets may be materially adversely affected. Some of these licenses and other authorizations are particularly complicated and lengthy to obtain and may subject us to ongoing compliance obligations. Moreover, if we fail to comply with the requirements of the applicable legislation or if we fail to meet any of the terms of our licenses, our licenses and other authorizations necessary for our operations may be suspended or terminated.

Further, the deployment of our networks requires obtaining access rights from various third parties services, as well as various approvals or permits from European, national, state, regional or local governmental and/or regulatory authorities, particularly in relation to establishing base stations for our mobile telecommunication services.

In addition, such approvals and permits may include building, construction and environmental permits, antenna and mast deployment approvals and various other planning permissions. Obtaining these access rights, approvals and permits can be a complex process and is often characterized by different practices and requirements at the various regulatory authorities which frequently results in inconsistent and bureaucratic processes and/or by varying demands of third parties from whom access rights are obtained. Moreover, in certain instances, applicable regulatory regime has deteriorated over time and otherwise may be not fully adapted to the requirements and realities of modern telecommunications business, while regulatory authorities have recently significantly intensified enforcement activities, including imposition of fines. Though we have a dedicated team tasked with obtaining the required access rights, licenses, permits and other authorizations, due to the inherent challenges of these regimes, we have experienced, and may continue to experience, difficulties in obtaining some of these access rights, approvals and permits, which has led us to operate (in full or in part) without necessary authorizations in some instances and may require us to exert considerable effort and incur considerable expenses in order to implement suitable alternatives or could result in fines or other penalties being imposed by regulators.

**Many components of our network are based on contracts, which may currently be undocumented or may be terminated or otherwise cancelled, and we may be required to move some of our networks, which may disrupt service and cause us to incur additional expenses.**

In Romania, we currently provide our cable TV, fixed-line telephony and fixed internet and data services through networks and parts of them that are mostly above-ground and for which we lease the right to use poles from electricity and public transportation companies. In Romania, market participants (us included) may not always be able to obtain or use the necessary permits for developing, building and completing networks in a timely manner or at all, and this may result in such networks (including mobile network base stations) not being fully authorized. Although current planning regulations allow above-ground infrastructure building in rural areas, the overall negative regulatory trend imposed pressure to move of existing (above ground) networks underground and may lead to forced changes to network building practices, as well as to requirements to alter existing network locations, which can involve significant capital expenditure. We are moving our networks underground in cities where local authorities have granted us the required authorizations expediently or where the necessary infrastructure was already available. However, we may not always be in full compliance with obligations to move our networks underground or we may have different interpretations with respect to the imposition of such obligations by public authorities. If we were forced to place our above-ground networks underground pursuant to plans of authorities that contemplate impractical solutions, our costs for providing services may increase and our customer satisfaction may be adversely affected. In addition, if we are found not to be in compliance with such obligations, or otherwise in violation of restrictive covenants, easements or rights of way, we may face fines or service interruptions while we relocate our networks.

Certain agreements we entered into for the purpose of developing our networks, including the majority of leases of poles that support our above-ground fixed fiber-optic networks, are with persons whose title thereto or authority or capacity to enter into such agreements were not fully verifiable or clear at the time, among other reasons, because of unclear and constantly changing legislation. In addition, certain agreements with third parties with respect to our network (including mobile network base stations) were not documented or executed in the authenticated form required by Romanian law and, as such, they, or the building permits obtained on the basis thereof, may be invalidated or easily discontinued. Moreover, certain agreements were entered into without full compliance with other applicable formalities, such as public tender requirements. No assurance can be provided that such agreements will not be subject to cancellation or revocation in the future. Further, a significant portion of our above-ground fixed fiber-optic network in Romania is built on poles leased from various regional electricity distribution companies. Renewal of agreements concluded with these operators is often delayed and problematic. In addition, certain of our lease agreements have provisions allowing the lessor to terminate the lease at its option, subject to prior notice ranging from 10 to 90 days.

We are not aware of any significant claims with regard to any irregularities related to any of the above arrangements. However, if such claims were to arise and be numerous and successful, or if there is any failure to renew these arrangements (or these agreements are terminated or cancelled), it may result in additional significant costs, material capital expenditure, service interruptions, contractual penalties or regulatory fines or other sanctions or, in the worst case, loss of business if there is no adequate alternative or there is a delay in securing such alternative. Any of these network-related risks could have a material adverse effect on our business, prospects, results of operations or financial condition.

**If we infringe the intellectual property rights of third parties, or if we are otherwise held liable for infringements in relation to information disseminated through our network, we could face protracted litigation and, in certain instances, lose access to transmission technology or content.**

The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks from third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. Further, as the number of entrants into the Romanian market increases and the overlap of product function expands, the possibility of such allegations increases. Defending intellectual property claims, such as the foregoing, requires us to engage in lengthy and costly litigation and divert the attention of our senior management and technical personnel from our businesses. Successful challenges to our rights to intellectual property or claims of infringement of a third party's intellectual property could require us to incur monetary liability, temporarily or permanently discontinue the use of the respective intellectual property, or enter into royalty or licensing agreements, which may not be available on commercially reasonable terms or at all. If we were required to take any such action, it could have a material adverse effect on our business, prospects, results of operations or financial condition.

The infringement of patents and proprietary rights of others may also lead to the loss of access to transmission technology or programming content, damage third-party interests and render us unable to deliver the content that our customers expect, which could materially adversely affect our business, prospects, results of operations or financial condition. In the event that access to transmission technology is lost, alternative technology would need to be purchased, which may result in an interruption of services and increases in costs.

We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network, publish on our websites or to which our customers have access online though our network. Any such claims could include actions under the censorship and national security laws of countries in which we broadcast or provide internet access. In the event that we receive a valid and substantial infringement claim, we would need to cease broadcasting or block from our internet system the infringing content or information, which may increase customer churn.

**We are subject to payments related to collective copyright organizations which may vary.**

In Romania, we are obliged to make payments to various collective copyright protection organizations as compensation for the use of copyrighted content in the programming delivered by us through our cable TV and DTH services, and copyrighted content used on our website. These amounts are not fixed and are determined by negotiation in accordance with a methodology based on certain legal provisions and relevant European practices. There can be no assurance that amounts payable to various collective copyright protection organizations will not increase in the future or that additional claims could not arise in relation to our past activity or that we will not be subjected to penalties or fines for delaying payments. Since we may not be able to pass on such increases in costs to our customers, such increases, penalties or fines could have a material adverse effect on our results of operations or financial condition.

**Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.**

The tax laws and regulations in Romania, the Netherlands, Spain, Italy, Belgium and Portugal may be subject to change, and there may be changes in interpretation and enforcement of tax law. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for us to predict, and we may therefore be unprepared for these changes. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws or regulations are modified by the competent authorities in a manner, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period. For example, the Romanian Fiscal Code currently provides, subject to certain conditions, an exemption from Romanian withholding taxes for the interest paid on receivable instruments/titles issued by Romanian companies set up in accordance with Romanian Company Law 31/1990 (as amended and supplemented). Based on advice it has received from recognized tax experts experienced in such matters, we believe that this exemption should be applicable to interest payments made by RCS & RDS on the Notes to non-resident holders thereof. If the above provisions of the Romanian Fiscal Code, or the interpretation thereof, were to change, we could be required to pay certain additional amounts in relation to the Notes, which could be significant.

In addition, such competent authorities periodically examine or audit the Group. Reviews for verification purposes only (i.e., not due to an infringement) are common in Romania for companies of our size and we regularly consider the likelihood of assessments and, for probable adverse assessments, have established tax allowances, which represent our management's best estimate of the potential assessments. However, the actual resolution of any of these tax matters could differ from the amount provisioned, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period.

**We may be subject to fines, awards of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom.**

We are involved in legal proceedings from time to time, which may lead to the imposition of damages, fines or other penalties on us. We may be adversely affected by other contractual claims, complaints and litigation, including from counterparties with whom we have contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that we may attract. Any such litigation, complaints, contractual claims, or adverse publicity could have a material adverse effect on our business, reputation, results of operation or financial condition.

**Risks Relating to Investments in Countries where We Operate**

**Any potential deterioration of the general internal economic, political and social conditions in Romania, our principal country of operation, or any adverse changes in the Romanian tax or regulatory environment, may not be offset by developments in other markets.**

Our success is closely tied to general economic developments in Romania. Romania has undergone substantial political, economic and social change in recent years. Romania does not possess the full business, legal and regulatory infrastructures that would generally exist in more mature free market economies. In addition, the tax, currency and customs legislation in Romania is subject to varying interpretations and changes, which can occur frequently. See "*—Romania's legal and judicial systems are less developed than in other European countries, which makes an investment in the Shares and the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system*." These issues continue to result in relatively high poverty rates and low wages.

Moreover, Romania experienced periods with significant political instability. In particular, for the past several years, the political environment in Romania, our primary market, has been unstable, dominated by political conflict. Political instability in Romania could delay or stop economic and regulatory reforms in the country.

The future economic direction of the markets in which we operate remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by their respective governments, together with tax, legal, regulatory, and political developments. Our failure to manage the risks associated with our business in emerging markets could have a material adverse effect on our results of operations.

Negative developments in, or the general weakness of, the Romanian economy, in particular increasing levels of unemployment may have a direct negative impact on the spending patterns of retail consumers, both in terms of subscriber and usage levels. Because a substantial portion of our revenue is derived from residential customers who may be impacted by such conditions, it may be more difficult for us to attract new customers or maintain ARPU at existing levels. Deterioration in the Romanian economy may further lead to a higher number of non-paying customers or generally result in service disconnections. Additionally, any uncertainty or instability in, or related to, the political conditions in Romania, including any changes to its political regime, legal, tax and regulatory frameworks or governing policies, could negatively affect our business and operations.

In addition, Romanian policy-making and regulatory frameworks are often subject to rapid and sometimes dramatic changes, the consequences of which may be difficult to foresee, or which could potentially lead to slower economic growth or general deterioration of economic conditions in Romania. For example, the Romanian government has implemented a series of reforms, including numerous increases to minimum wage rates, as well as changes to the country's social security taxation regime and a transfer of its burden from employers to employees; it also introduced certain one-off exceptional taxes. Some of those measures may have a severe impact on various sectors of Romanian economy, including telecommunication and energy companies. In particular, on December 29, 2018, it issued the December Ordinance, which became effective on January 1, 2019 and introduced major changes affecting the energy, banking and private pension sectors of the Romanian economy. Most importantly for our business, it (i) increased ANCOM's annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year (the "**Monitoring Fee**"); (ii) provided for very significant fees for extending existing, or acquiring new, telecommunications licenses; and (iii) significantly increased penalties for breaches of regulations governing the Romanian telecommunication industry (up to 10% of the violator's turnover in the year prior to the decision to impose such penalties). The

December Ordinance was repeatedly amended thereafter, most recently on July 7, 2022 through the Law 198/2022. These amendments have disapplied the vast majority of the December Ordinance's original provisions affecting our business in Romania, with the exception of the Monitoring Fee, which remains in place at a reduced rate of up to 2.0%, and the penalties. However, whether or not ANCOM will be entitled to charge the Monitoring Fee is currently conditional on whether its other funding is sufficient to cover its operational requirements (an arrangement which was also in place prior to the issuance of the December Ordinance in its original form). ANCOM has not applied such fees, including the Monitoring fee, over the previous several years including 2023. Unfavorable economic conditions, regulatory uncertainty and special taxation may ultimately have a direct and/or indirect negative impact on consumers' spending and/or the prices we are able to charge for our products and services. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Regulation*".

Any such negative developments in Romania may not be offset by positive trends in other markets. Therefore, a weak economy and negative economic or political developments in the principal country in which we operate may jeopardize our growth targets and could have a material adverse effect on our business, prospects, results of operations or financial condition. See also *"—Risks Relating to Investments in Countries Where We Operate—Romania's legal and judicial systems are less developed than in other European countries.*"

**Political and military conflicts in the region may materially adversely affect our business.**

On February 24, 2022, Russia invaded Ukraine. The extent and duration of, and the potential impacts from, Russia's invasion of Ukraine remain uncertain, including, but not limited to, on economic conditions, supply-chain disruptions, asset valuations, interest, and exchange rates. The Group does not conduct business in Ukraine or Russia and has implemented appropriate procedures for complying with international sanctions procedures; however, although it will continue to monitor and manage the impact of the ongoing conflict, the full extent of the impact is unclear. Prolonged conflict, escalation, further increases in energy prices would adversely impact the global, European and Romanian economies, resulting in a worsening of the macro-financial climate, higher inflation and lower economic growth and possibly recession. Any failure by the Group to mitigate the impact of the events may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

**The protracted disinflation process or an increasing inflation rate could have a significant negative impact on the Group's performance.**

According to the NBR, the consumer price index inflation rate for the year ended December 31, 2023 was at 6.6%. It is projected that the inflation rate will see a gradual downward trend until the first quarter of 2025, with disinflation process being protracted. The inflation rate is lower than the inflation in Hungary, with an inflation rate of 7.7%, and Czech Republic with an inflation rate of 8%, but above the 3.1% EU average.

The unpredictability of the inflation rate may have a negative effect on the Group's business by increasing the difficulty of estimating the Group's total costs related to its activities and creating a potential non-correlation of the Group's prices charged to customers with the Group's costs, with significant negative effect. A significant difference between the anticipated inflation rate in a given period and the actual amount recorded during that period may significantly affect the Group's allocation of resources and could have a material adverse effect on our business, prospects, results of operations or financial condition.

Moreover, an unpredictable increase in the inflation rate can lead to macroeconomic imbalances, characterized by rising interest rates, declining living standards and general slowdown of economic development in our countries of operation, imbalances that could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Corruption could create a difficult business climate in some of the markets where we operate.**

Corruption is one of the main risks confronting companies with business operations in Romania. International and local media, as well as international organizations, have issued numerous alerting reports on the levels of corruption in Romania. For example, the Transparency International Corruption Perceptions Index for 2023, which evaluates data on corruption in countries throughout the world and assigns scores countries from 0 (highly corrupt) to 100 (very clean), gave Romania a score of 46 corresponding to a ranking of 63 out of 180 countries (no change in the score and ranking was registered when compared to the previous year).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania, which may be relevant for our business. Although it is difficult to predict all of the effects of corruption on our operations, it can, among other things, slow down approvals of regulatory permits and licenses we need to conduct our business. Therefore, corruption could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Any downgrade of Romania's credit ratings by an international rating agency could have a negative impact on our business.**

The long-term foreign and domestic currency debt of Romania is currently rated BBB-/A-3 (mainatins the stable outlook according to the rating action dated 13 October 2023, revised from negative on April 17, 2021) by S&P, Baa3/P-3 (maintains the stable outlook according to the rating action dated 3 November 2023, revised from negative on October 15, 2021) by Moody's and BBB- (maintains the stable outlook according to the rating action dated 8 September 2023, revised from negative on March 27, 2023) by Fitch.

Any adverse revisions to Romania's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact our ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Romania's legal and judicial systems are less developed than other European countries, which makes an investment in the Shares and/or the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.**

The legal and judicial systems in Romania are less developed than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law in Romania are relatively new to local judges and such related legal provisions have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to a market economy and EU legislation. Existing laws and regulations in Romania may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner. The relatively limited experience of a significant number of the magistrates practicing in Romania, specifically with regard to capital markets issues, and the existence of a number of issues relating to the independence of the judiciary system may lead to ungrounded decisions or to decisions based on considerations that are not grounded in the law.

In addition to the foregoing, resolving cases may at times involve considerable delays. The court system in Romania is underfunded relative to those of other European countries. The enforcement of judgments may also prove difficult, which means that the enforcement of rights through court systems may be laborious, especially where such judgments may lead to closure of businesses or job losses. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect our business, and may also make it difficult for investors in the Additional Notes to address any claims that they may have.

**We may be adversely affected by unfavorable conditions in the global economy or volatile equity and credit markets.**

Concerns about increased global political instability and trade controversies, as well as the potential economic slowdown and recession in Europe and the United States, the availability and cost of credit, diminished business and consumer confidence and inflation contribute to increased market volatility and diminished expectations for global, European and emerging economies, including the jurisdictions in which we operate.

In recent years, this instability was further exacerbated by the COVID-19 pandemic and efforts to contain its spread, as well as the ongoing military conflict in Ukraine and Middle East, which has increased volatility in the global financial markets and is likely to continue to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets before and after these events pass.

The effects of an economic downturn or recession caused by the COVID-19 health emergency and the military conflict in Ukraine and Middle East in global markets may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income (which may, in its turn, lead to a decrease in consumption spending), and government responses to the economic crisis, such as austerity measures, exceptional one-off taxes to compensate for decreasing budget revenues and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations.

Negative developments in, or the general weakness of, the economies in the countries where we operate, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of our customers, both in terms of subscribed services and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect all or part of the services they subscribe to and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections. Therefore, a weak economy and negative economic development may jeopardize our growth targets and may have a material adverse effect on our business, prospects, results of operations and financial condition.

Reduced availability of credit has had, and could in the future have, an indirect negative effect on our business by reducing overall spending in the countries in which we operate, causing or helping to cause significant decreases in the value of certain asset classes and, therefore, decreases in the overall wealth of our customers and, together with the overall economic climate, increases in the number of payment defaults and insolvencies among our customers.

In addition, volatile credit markets have also affected us in the past, and may affect us in the future, through increases in interest rates of our floating rate debt and other financial obligations, particularly the 2021 Senior Facilities Agreement, the 2023 Senior Facilities Agreement, the ING Facilities Agreement, BRD Agreements, the Citi Facilities Agreement, the 2023 ING Export Credit Facilities Agreements and the 2024 Citi Export Credit Facility Agreement. The lack of easily available credit in the future may also restrict our ability to grow at a pace commensurate with the business opportunities we can identify. See "—*We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business*." Additionally, this uncertainty can lead to an increase in costs for us due to legal and regulatory changes, as well as currency exchange rate fluctuations between the euro, the U.S. dollar and Romanian leu. These effects could have an adverse effect on our business, investments and potential growth into Europe. These factors could increase our operating costs, delay capital expenditure programs, or place additional regulatory burdens on us that could have a material adverse effect on our business, prospects, results of operations or financial condition. Furthermore, as a result of this uncertainty, financial markets could experience significant volatility, which could adversely affect the value of the Notes. All these factors and other effects of a continued economic downturn that we may fail to predict could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Risks Relating to Our Financial Position**

**Our substantial leverage and debt servicing obligations could have a material adverse effect on our business, prospects, results of operations and financial condition.**

Our leverage can have important consequences for our business and operations, including:

making it more difficult for us to satisfy our obligations with respect to our debt and liabilities;

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;

increasing our vulnerability to a downturn in our business or economic or industry conditions;

placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;

limiting our flexibility in planning for, or reacting to, changes in our business and our industry;

negatively impacting credit terms with our creditors;

restricting us from exploiting certain business opportunities; and

limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations.

Additionally, we may incur substantial additional indebtedness in the future which could increase the risks listed above. Although the Indentures, the intercreditor agreement originally dated November 4, 2013, as amended and restated on October 26, 2016 and which establishes the relative rights of certain of our creditors under our financing arrangements (the "**Intercreditor Agreement**") and certain of our existing credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, such agreements do not prevent us from incurring obligations that do not constitute indebtedness as such term is defined therein. Any of these or other consequences or events could have a material adverse effect on our business, prospects, results of operations or financial condition.

**We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.**

The Indenture limits our ability to:

incur or guarantee additional indebtedness that would cause us to exceed a Consolidated Leverage Ratio (as such term is defined in the Indenture) of 4.25 to 1;

pay dividends or make other distributions, purchase or redeem our stock or prepay or redeem subordinated debt;

make investments or other restricted payments;

sell assets and subsidiary stock;

enter into certain transactions with affiliates;

create liens;

consolidate, merge or sell all or substantially all of our assets;

enter into agreements that restrict certain of our subsidiaries' ability to pay dividends; and

engage in any business other than a permitted business.

In addition, the 2021 Senior Facilities Agreement from Spain, the 2023 Senior Facilities Agreement, the 2023 ING Export Credit Facilities Agreements and the 2024 Citi Export Credit Facility Agreement contain covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.50 to 1 (and a consolidated EBITDA to total net interest ratio of 4.25 to 1 (as such terms are defined therein). Further, our existing financing arrangements require us to have positive equity and limit, among other things, our ability to acquire or sell certain assets, to undergo certain corporate actions (such as mergers and de-mergers), to create security over our assets and to open or maintain bank accounts or to enter into banking relationships with certain financial institutions.

Although all of these limitations are subject to significant exceptions and qualifications, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

If we fail to comply with any of these covenants, we will be in default under our financial indebtedness (including the Indenture and the Notes), and the relevant trustee, holders of the indebtedness or the applicable lenders could declare the principal and accrued interest on the Notes or the applicable loans due and payable, after any applicable cure period. These restrictions could materially adversely affect our ability to finance future operations or capital needs or engage in other business activities that may be in our best interest.

**Any impairment of our ability to draw funds under the 2021 Senior Facilities Agreement, 2023 Senior Facilities Agreement, the ING Facilities Agreement, the BRD Agreements, the Citi Facilities Agreement, the 2023 ING Export Credit Facilities Agreements and the 2024 Citi Export Credit Facility Agreement could materially adversely affect our business operations.**

Our operations have been primarily financed using cash generated in our operations and debt financing. We rely on our senior credit facilities under 2021 Senior Facilities Agreement, 2023 Senior Facilities Agreement, the Citi Facilities Agreement, the BRD Agreements, the ING Facilities Agreement, the 2023 ING Export Credit Facilities Agreements and the 2024 Citi Export Credit Facility Agreement to fund our business operations and for various other purposes. Further, if we were unable to draw funds under our senior revolving credit facilities, we may need to find alternative sources of funds which may be at higher interest rates. In addition, the overdraft facilities under the ING Facilities Agreement and the Citi Facilities Agreement are provided on an uncommitted basis and can be withdrawn at any time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw funds depends on, among other things, our ability to maintain certain ratios. Our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. In addition, our inability to maintain these financial ratios may also result in an event of default under 2021 Senior Facilities Agreement, 2023 Senior Facilities Agreement Citi Facilities Agreement, 2023 ING Export Credit Facilities Agreements, the ING Facilities Agreement or the 2024 Citi Export Credit Facility Agreement, which would prohibit us from drawing funds under those facilities and potentially trigger a cross-default under the Notes. See *"—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities."* This inability to draw funds or to maintain our operations due to a lack of cash flow could have a material adverse effect on our business, prospects, results of operations or financial condition.

**We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.**

Our ability to make payments on and to refinance our indebtedness, and to fund working capital and to make capital expenditures in the longer term, will depend on our future operating performance and ability to generate sufficient cash over the longer term. This depends on the success of our business strategy and on economic, financial, competitive, market, legislative, regulatory and other factors, as well as the factors discussed in these "*Risk Factors*," many of which are beyond our control.

No assurance can be provided that our business will generate sufficient cash flows from operations or that future debt or equity financings will be available to us to pay our debt when due or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources (including borrowings under the 2021 Senior Facilities Agreement, the 2023 Senior Facilities Agreement, the 2023 ING Export Credit Facilities Agreements, the ING Facilities Agreement, the Citi Facilities Agreement, the BRD Agreements and the 2024 Citi Export Credit Facility Agreement) are insufficient to pay our obligations as they mature or to fund our liquidity needs in the longer term, we may be forced to:

reduce or delay our business activities or capital expenditures;

sell assets;

obtain additional debt or equity capital;

restructure or refinance all or part of our debt on or before maturity; or

forego opportunities such as acquisitions of other businesses.

No assurance can be provided that we would be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on our indebtedness on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the 2020 Notes, the 2021 Senior Facilities Agreement, as amended on 27 July 2022, the 2023 Senior Facilities Agreement, 2023 ING Export Credit Facilities Agreements and the 2024 Citi Export Credit Facility Agreement limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and could have a material adverse effect on our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

**We may not be able to refinance maturing debt on terms that are as favourable as those from which we previously benefited or on terms that are acceptable to us, or at all.**

Our ability to refinance our debt depends on a number of factors, including the liquidity and capital conditions in the credit markets and we may not be able to do so on satisfactory terms, including in relation to the covenants, or at all. In the event that we cannot refinance our debt, we may not be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances. Such terms, including in relation to the covenants and additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition.

Furthermore, our inability to meet repayment obligations under the existing agreements could trigger various cross-default and cross-acceleration provisions, resulting in the acceleration of a substantial portion (if not all) of our debt and could have a material adverse effect on our business, prospects, results of operations or financial condition.

**Derivative transactions may expose us to unexpected risk and potential losses.**

As at December 31, 2023, we had € 2.8 million of embedded derivative assets related to the Notes (which include several call options, as well as one put option) and non-current derivative financial assets for the transaction between Digi Spain and abrdn in amount of 3.4 million. We had no derivative financial liabilities.

In addition, Digi Spain and the guarantor of the transaction, parent company RCS&RDS S.A. (as applicable), have granted the minority shareholder an irrevocable and unconditional right to sell and transfer all the shares held by it in Primafati, S.L.U., along with the associated debt, to DIGI Spain or the guarantor in the event of a material breach by Digi Spain (referred to as the 'Minority Shareholder Put Option'). For more information please see note 19.2 NCI of the consolidated financial statements.

From time to time, we may be party to certain derivative transactions, such as interest rate swap contracts, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments, that are not cash flow hedges, are reported in profit and loss, and accordingly could materially affect our reported results in any period. Moreover, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could have a material adverse effect on our financial condition, financial returns or results of operations.

**Risks Relating to the Shares and the Notes**

**Certain Shareholders hold a significant interest in and exert substantial influence over the Group and their interests may differ from or conflict with those of other Shareholders or with those of holders of the Notes.**

Mr. Zoltán Teszári directly and indirectly beneficially owns 60.1% of the Company and 100% of the issued and outstanding Class A Shares and therefore will have 100% of the voting rights in a shareholder meeting for holders of Class A Shares ("**Class A Meeting**") (no votes can be cast on shares that the Company holds in its own capital).

Due to his ability to exercise control over the Class A Shares and their voting rights as well as the special rights attached to Class A Shares, including in relation to the appointment of the Board of Directors, Mr. Zoltán Teszári will be able to exercise control over all decisions of the Board of Directors and matters requiring shareholder approval, including payment of dividends and approval of significant corporate transactions. Furthermore, the interests of Mr. Zoltán Teszári may not always be aligned with those of other holders of Shares.

If Mr. Zoltán Teszári, individually or (if applicable) together with any of his children or Mr. Zoltán Teszári's heirs jointly no longer holds a direct or indirect interest in at least 30% in the issued and outstanding nominal share capital of the Company, the rights accruing to the Class A Meeting as set out in the Articles shall cease to exist. For the avoidance of doubt, the provisions relating to the binding nomination right cease to apply in that circumstance.

**Holders of Class B Shares have lower voting rights than holders of Class A Shares which may impact the trading price of Class B Shares as well as control over the Company.**

Holders of Class A Shares and Class B Shares have different voting rights. Each Class A Share has 10 votes, and each Class B Share has one vote. When holders of Class A Shares and Class B Shares vote together, holders having a majority of the votes (or 66.67%, in the case of a vote requiring a special resolution for which a quorum requirement exists and such quorum is not present or represented (i.e. can only be adopted by a majority of at least two-thirds of the votes cast, if less than one half of the issued share capital is presented or represented at the General Meeting)) present and voting will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among the Shareholders or has a greater impact on one group than the other. Therefore, holders of Class A Shares will have more control over the outcome of Shareholder votes and decision-making. As only the Class B Shares are listed on the Bucharest Stock Exchange, the value of Class B Shares may be adversely affected given this distribution of voting rights and control. Our equity capital structure may inhibit or prevent acquisition bids, may decrease the value of the listed Shares and may make it difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. The existence of different classes of Shares with different voting rights limits the amount of control that holders of Class B Shares have over the Company.

**There is no assurance that the holders of the Shares and/or Notes will be able to sell them.**

The Shares are listed on the regulated market of the Bucharest Stock exchange and the Notes are listed on the regulated market of the Irish Stock Exchange. We cannot guarantee the liquidity of any market that may develop for the Shares and/or the Notes, the ability of the holders of the Shares and/or the Notes to sell such Shares and/or Notes or the price at which they may be able to sell. Liquidity and future trading prices of the Shares and/or the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for securities such as the Shares and/or the Notes and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Shares and/or the Notes that does develop and any market price quoted for the Shares and/or the Notes. As a result, we cannot ensure that an active trading market will be available for the Shares and/or the Notes.

**Trading on the Bucharest Stock Exchange may be suspended.**

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests or to the extent the relevant issuer is in breach of its obligations under the relevant securities laws and regulations. Also, the Bucharest Stock Exchange is entitled to suspend from trading Shares in other circumstances, in accordance with its regulations. Any suspension could affect our Shares' trading price and would impair the transfer of the Shares.

**The 2020 Notes may not remain listed on the Irish Stock Exchange.**

Although RCS & RDS will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List and admitted on the regulated market of Euronext Dublin as long as the Notes are outstanding, RCS

& RDS cannot assure prospective investors that the Notes will remain listed. If RCS & RDS cannot maintain the listing of the Notes on the regulated market of Euronext Dublin or it becomes unduly onerous to make or maintain such listing, RCS & RDS may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS & RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Official List on the regulated market of Euronext Dublin or another recognized listing exchange for high yield issuers in accordance with the Indentures, failure of the Notes to be approved for listing, or the delisting of the Notes from the Official List on the regulated market of Euronext Dublin or another stock exchange in accordance with the Indentures may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Furthermore, although RCS & RDS, in the Indentures, agreed to use its commercially reasonable efforts to maintain the listing of the Notes on the Irish Stock Exchange as long as they are outstanding, RCS & RDS cannot assure existing and prospective investors that the Notes will remain listed.

If RCS & RDS cannot maintain the listing of the Notes on the regulated market of the Irish Stock Exchange or it becomes unduly onerous to make or maintain such listing, it may cease to make or maintain such listing, provided that it will use commercially reasonable efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers, although there can be no assurance that RCS & RDS will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Irish Stock Exchange, failure to be approved for listing or delisting from another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

**The Shares and/or the Notes may be subject to market price volatility and the market price of may decline disproportionately in response to developments that are unrelated to the Company's operating performance.**

The market price of the Shares and/or the Notes (following their listing) may be volatile and subject to wide fluctuations. The market price of the Shares and/or the Notes may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these "Risk Factors," as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavorable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares and/or the Notes, which could lead to investors getting back less than they invested or a total loss of their investment.

**Not all rights available to shareholders in the United States or other countries outside the Netherlands or Romania will be available to holders of the Shares.**

In the event of an increase in our ordinary share capital, holders of Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded by a resolution of the General Meeting, which requires a proposal thereto by the Board of Directors which in turn requires the approval by resolution of the shareholders of the relevant class in respect of the pre-emptive rights of the holders of such class only or, if such increase can be decided by the Board of Directors and the Articles so permit, by a resolution of the Board of Directors. However, certain holders of Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Shares are registered under the Securities Act or such rights and Shares are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Shareholders in other jurisdictions outside the Netherlands or Romania may be similarly affected if the rights and Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdictions. We intend to evaluate at the time of any issue of Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to U.S. Shareholders, as well as the indirect benefits to us of enabling the exercise of U.S. Shareholders of their pre-emptive rights to Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

**The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive, share option plan or de-leveraging or otherwise may dilute all other shareholdings.**

The Group may seek to raise financing to fund future acquisitions and other growth opportunities, may issue shares in relation to share incentives or share option plans, or may raise finance for the purposes of de-leveraging. We may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

**Our ability to pay dividends to Shareholders may be constrained.**

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends to us. The actual payment of future dividends by us and the payment of dividends, if any, to us by our subsidiaries and the amounts thereof will depend on a number of factors, including (but not limited to) the amount of distributable profits and distributable reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws and financial restrictions on the debt instruments of our subsidiaries, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies and such other factors as the Board of Directors may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains.

**Foreign shareholders may be subject to exchange rate risk.**

The Shares are denominated in euro, but traded in Romanian lei. An investment in the Shares by an investor whose principal currency is not the leu exposes the investor to foreign currency exchange rate risk. Any depreciation of the leu in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms. In addition, we are required, under Romanian law, to pay our dividends through the system operated by the Central Depository.

**Transfers of the Shares and/or the Notes may be restricted, which may adversely affect the value of the Shares and/or the Notes.**

The Shares and the Notes have been offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the United States. The Shares and the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Therefore, an investor in the Shares and the Notes may not transfer or sell the Shares and/or the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and may be required to bear the risk of an investment in the Shares/ and or the Notes for an indefinite period of time. It is the investors' obligation to ensure that their offers and sales of Shares and/or the Notes within the United States and other countries comply with applicable securities laws.

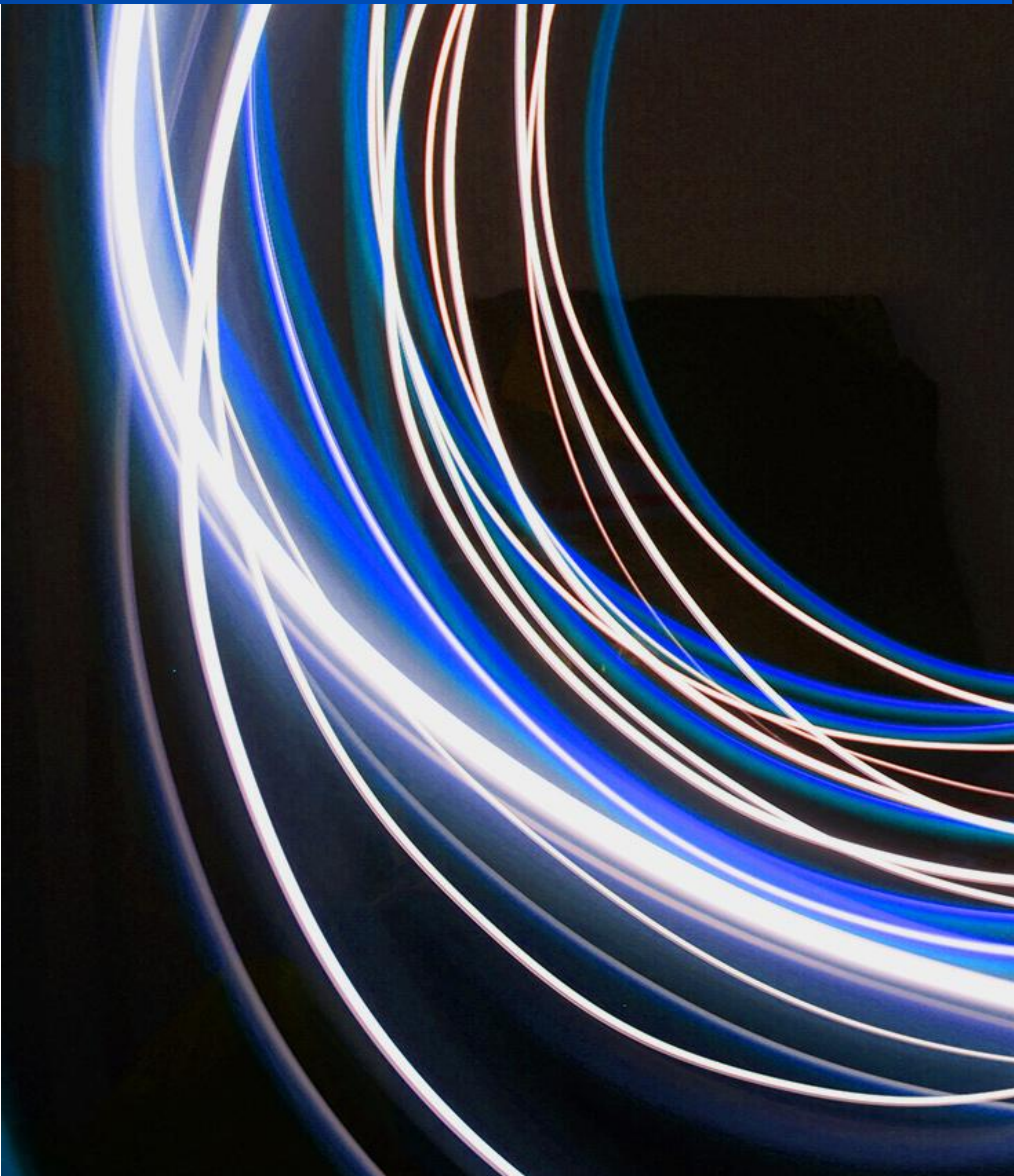
**We are subject to additional regulatory obligations and incur additional costs in connection with the trading of our Shares and Notes on the regulated market.**

We are required to meet regulatory requirements pertaining to entities with shares admitted to trading on the Bucharest Stock Exchange and the 2020 Notes, as well as those pertaining to entities registered in the Netherlands (such as the Dutch Corporate Governance Code), in particular with respect to disclosure, corporate governance and financial reporting, and allocate staff and resources to such purposes. Such increased costs could have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, the regulations and requirements applicable to companies whose securities are listed on the Bucharest Stock Exchange and/or the Irish Stock Exchange are subject to change, and any future changes can be difficult to predict, increasing the risk that the Company may in the future be in violation of such rules and regulations, which can result in extensive fines and administrative fees. In addition, the Board of Directors and management may be required to devote time and effort to ensure compliance with such rules and regulations, which may entail that less time and effort can be devoted to other aspects of the business.

**The rights of minority shareholders may be limited under Dutch law.**

The Company is organized under the laws of the Netherlands. The rights of holders of the Shares, including the Shares, are governed by the Company's Articles and by Dutch law. These rights, including the rights of minority shareholders, as well as other matters affecting such rights, may be different in the Netherlands from those elsewhere, and an investor's ability to exercise such rights may be limited.

# Management structure. Corporate Governance



# MANAGEMENT STRUCTURE. CORPORATE GOVERNANCE

**Introduction**

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

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

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

During 2023, we continued our efforts to comply with the BSE CGC.

The main principles of the BSE CGC that we did not implement[2] are the following:

the directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal made by a nomination committee consisting of non-executive directors. Although we have not implemented a specific selection procedure for board members and we do not follow the provisions of the BSE CGC when it comes to the nomination of directors, the corporate governance principles sought by the BSE CGC are achieved as the nomination of director candidates at the Company's level seeks to fulfil a series of requirements and the Class A Meeting upon making a proposal seeks to ensure that the board of directors (the "**Board of Directors**") is composed by members that have the requisite expertise, background, competences and – as regards the non-executive directors – independence, allowing thus the Board of Directors to carry out its duties properly;

the cash dividend distribution policy is approved by the General Meeting, rather than being approved at the level of the Board of Directors. This setup provides greater shareholder protection by escalating the decision to the General Meeting;

the Company has not yet implemented a specific policy for the assessment of the Board and has conducted only informal self-assessment processes with the involvement of the Audit Committee.

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

**Compliance with the Dutch Corporate Governance Code**

We acknowledge the importance of good corporate governance. In addition to its compliance with the corporate governance requirements under the BSE CGC (with the exceptions described above), the Company also ensures that it complies with the provisions DCGC, with certain exceptions. Based on the resolutions of the Board of Directors adopted in 2022 and 2023, by which the composition of the Remuneration and Audit Committees was changed, the Company is currently compliant also with the provisions of article 2.3.4. of the DCGC and B2 of BSE CGC. Currently, the Company does not comply with the following best practice provisions of the DCGC[3]:

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

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

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

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

Best practice provision 2.1.6. of the DCGC: The Company does not have a Diversity and Inclusion Policy. Similar to the above explanation for best practice 2.1.5 of the DCGC, the members of the Board, senior management and in fact all employees are recruited and promoted primarily based on professional achievements, experience and performance within the Group, irrespective of gender, age, origin or any other personal or social feature.

best practice provisions 2.1.7, 2.1.8 and 5.1.1. of the DCGC: the Company has 5 Non-executive Directors, of which 3 do not meet the independence criteria contained in the DCGC. Upon the appointment of the non-executive members of the Board of Directors, the general shareholders meeting aimed to set-up a Board of Directors whose members are selected individuals, with most extensive experience and insight into the Group's business. Therefore, Mr. Teszari Zoltan was reappointed as the Non-executive Board Director and as the President of the Board of Directors and Mr. Marius Varzaru (current general manager of Digi Spain) and Mr. Emil Jugaru (current Head of RCS & RDS Sales and Customer Care Business Unit) were reappointed as Non-executive members of the Board of Directors. Given the particularity of the business and operations of our Group companies and the need for business continuity and internal and industry awareness, the general shareholders meetings gave priority to these functionality needs. In order to ensure that proper corporate governance is observed by such non-executive members of the Board of Directors, they are under the obligation to observe the provisions of the Company's articles of association (the "**Articles**") and the corporate governance documents, which establish clear and detailed rules regarding independent behaviour and management of any conflict of interest that any member of the Board of Directors, and particularly all non-executive members of the Board of Directors are strictly required to comply with.

best practice provision 2.1.9 and 5.1.3. of the DCGC: the president of the Board of Directors (the "**President**") does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari's reappointment as the President was voted by the general shareholders meeting of the Company held on 30 April 2020 and he will continue to occupy this position for as long as he will be a member of the Board of Directors. The President is the principal shareholder of the Company. The President is not a member of the Audit Committee.

Best practice provision 2.1.10 of the DCGC**: t**he report of the non-executive directors does not state the opinion of the non-executive directors regarding the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9. The report of the non-executives only states which non-executive directors are not independent under the BSE CGC.

best practice provision 2.2.2 of the DCGC: the President of the Board of Directors may be reappointed for an indefinite number of terms. For details regarding the expected applicability period of and rationale for the deviation, please see the explanations in relation to best practice provisions 2.1.7., 2.1.8 and 2.1.9 above.

best practice provisions 2.2.4, 2.2.5 and 2.3.2 of the DCGC: the Company does not have a nomination committee. The Company has decided not to set up a nomination committee as referred to in the DCGC (and has not allocated such tasks to another board committee), since Class A Meeting currently performs the duties of a nomination committee. For details as to the reasoning for such deviation, please refer to the text above, where the same deviation is discussed when referring to compliance with the BSE CGC.

Best practice provision 2.2.6, 2.2.7., 2.2.8 of the DCGC: The Non -executive Directors do not evaluate their own functioning, the functioning of the various committees of the Non-executive Directors and of the individual Non-executive directors. However, due valuation by the Audit Committee and the Remuneration Committee of their own activity is performed on yearly basis. Also, Non-executives do not evaluate the functioning of the executive directors as a whole and that of the individual Executive Directors. However, due evaluation of the Executive Directors' activity is performed on a yearly basis by the Audit Committee and the Remuneration Commmitte.

best practice provision and 2.7.2 of the DCGC: there are no rules in place for the Non-executive Directors. However, Chapter VII from the Articles includes detailed provisions and rules regarding the Board of Directors, including on the composition, remuneration, the allocation of tasks and duties among the executive Directors (the "Executive Directors") and the Non-executive Directors, on the decision-making process and the management of any conflict of interest.

best practice provisions 3.1.2 of the DCGC: if share options are being awarded, share options can be exercised before three years have lapsed after they have been awarded (minimum term required by the DCGC), the minimum term of exercising share options is settled under the general shareholders or board of directors' meetings, under which the share options plans are approved.

best practice provision 3.3.2 of the DCGC: Non-executive Directors who are directors in other Group companies or employees of other Group companies may be awarded remuneration in the form of share options. Any such grant of shares as part of share option plans will need to be expressly decided by the Company's general shareholders resolutions and considering the activity under the functions occupied by the Non-executive Directors within the Group companies.

Best practice provision 4.1.10 of the DCGC: The Company does not make available to its shareholders the report of the general meeting for comments, but instead the deed of record from of the General Meeting is posted on the Company's website in a notarized form.

best practice provision 4.3.3 of the DCGC: which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Director or to remove such a Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. Instead, such resolution can be adopted by the General Meeting with a majority of two-thirds of the votes, representing at least half of the issued share capital. This deviation is meant to avoid vote inefficiencies or blockages upon the appointment or dismissal of any relevant Director.

best practice provision 3.4.2 of the DCGC: the main elements of the agreement of an Executive Director with the Company have not been published on the Company's website. However, sufficient information was disclosed regarding the remuneration of Directors (see Management - Compensation for directors and managers).

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

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

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

identity and background information about the members of the Board of Directors:*https://www.digi-communications.ro/en/about-us* ;

dedicated section to the documents regarding the General Shareholders' Meetings: *http://www.digi-communications.ro/en/general-share-holders*;

internal corporate governance documents: *http://www.digi-communications.ro/en/corporate-governance*.

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

**Management**

**Board of directors**

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

## Current Composition of the Board of Directors

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

| Name | Age | Position |
|---|---|---|
| Zoltan Teszari | 53 | President (Non-executive Director) |
| Serghei Bulgac | 47 | Chief Executive Officer (Executive Director) |
| Valentin Popoviciu | 49 | Executive Director |
| Emil Jugaru | 50 | Non-executive Director |
| Marius Varzaru | 45 | Vice-President Non-executive Director |
| Bogdan Ciobotaru | 46 | Independent Non-executive Director |
| Piotr Rymaszewski | 59 | Independent Non-executive Director |

## Biographical Details of the Directors

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

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

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

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

### Valentin Popoviciu (Executive Director)

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

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

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

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

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

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

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

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

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

**Senior Management team**

The current senior management team of the main subsidiaries of the Group, in addition to the Board of Directors listed above, is as follows[4]:

| Name | Age | Position |
|---|---|---|
| Dan Ionita | 45 | Non-executive Director of RCS & RDS and Chief Financial Officer of the Company |
| Mihai Dinei | 54 | Non-executive Director of RCS & RDS |
| Silviu Georgescu | 47 | Technical Director for IP fixed services, software and security of RCS & RDS |
| Catalin Neagoe | 43 | Deputy CEO DIGI Spain |
| Angel Alvarez | 45 | Chief Commercial Officer DIGI Spain |
| Ismael Serrano Casero | 49 | Chief Technical Officer DIGI Spain |
| Carlos Sanz Tejedor | 52 | Chief Financial Officer DIGI Spain |
| Emil Grecu | 47 | Director Digi Portugal |
| Mihaela Toroman | 44 | Accounts Manager and Treasurer of RCS & RDS and Financial Manager of the Company |
| Dragos Chivu | 52 | Managing Director of Digi Italy |
| Florin Ungureanu | 40 | Director of Citymesh Mobile NV, InSky NV and Digi Communications Belgium NV |

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

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

The Board of Directors is collectively responsible for the Company's general affairs. The Articles divide duties of the Board of Directors among its members. The Executive Directors are responsible for the continuity of the Company and its business, focusing on long-term value creation thereby taking into account the interests of the

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

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

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

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

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

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

**Operation of the Board of Directors**

**Rules regarding the meetings and the voting**

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

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

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

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

During 2023, starting with the date of the previous annual report (July 5, 2023) and until the date of this report, the Board of Directors adopted a number of 10 resolutions, in writing. These resolutions mainly regarded, amongst others, operational decisions such as amendment of existing facility agreement, approval of new export credit facility agreement, approval of financial reports, approval of FTTH sale and purchase agreement in Spain, approval and publication of the 2023 Annual Report and convocation of the 2023 and 2024 General Meeting of Shareholders, appointment of secretary and president for the 2023 General Shareholders Meetings. With the few exceptional situations of particular objective conflict of interest, all Board of Directors decisions were adopted unanimously.

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

**Board committees**

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

**Audit Committee – the Audit Committee's activity during 2023**

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

**Terms of reference of the Audit Committee**

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

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

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

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

Starting from the date of the publication of the previous annual report until the date of this report, the Audit Committee held a number of 3 meetings which are documented in 3 minutes. The meetings were held by telephone conference and the attendance was of 100%. Aditionally, the Audit Committee adopted 2 decisions which were taken outside of a formal meeting, regarding the approval of the internal audit chart and the recommendation of the appointment of an external auditor to evaluate the activity of the internal audit.

The Audit Committee activity during 2023 was mainly related to (i) approving auditing services, (ii) financial reporting, where the Audit Committee reviewed and approved quarterly, half-year and annual financial reports, (iii) assessment of particular risk management activities, (iv) reviewing the internal audit activity, mainly with respect to the approval of the annual audit plan and review the implementation of the approved audit plan and its effectiveness, updating the risk assessment, (v) the relation with the external auditor and (vi) the compliance officer's activity.

**Remuneration Committee – the Remuneration Committee's activity during 2023**

The Remuneration Committee is composed of three members, Mr. Bogdan Ciobotaru, President of the Remuneration Committee and Independent Non-executive Director, Mr. Piotr Rymaszewski, Independent Non-executive Director and Mr. Zoltán Teszári, President and Non-executive Director of the Board. The Remuneration Committee assists the Board of Directors with the implementation and development of remuneration and benefits policies, including bonuses for the Directors and employees.

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

**Terms of reference of the Remuneration Committee**

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

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

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

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

During 2023, the Company complied with the Remuneration Policy applicable to the Company's Directors as approved by the Company's shareholders' resolutions from April 30, 2020. Neither the Board of Directors nor the Remuneration Committee agreed on or implemented deviating rules or practices. The Remuneration Policy adopted at the Annual General Meeting 2020 was revised pursuant to the Revised European Shareholder's Rights Directive, which was implemented under Dutch law with effect as per December 1, 2019. The most important changes of the revised Remuneration Policy are amendments made according to the implementation of the EU Shareholders Rights Directive indicating the mission of the Company and the objective of the Policy, detailing the remuneration package of the Company's directors by categories of fixed and variable remuneration, as well as presenting the performance criteria and pay out levels of the variable remuneration. Going forward, the revised version of the Remuneration Policy will need approval from the General Meeting to be held in 2024.

With the due oversight and confirmation from the Remuneration Committee, and in accordance with the resolutions of the Company's shareholders and the Board of Directors were implemented the Company's ongoing stock option plans. (for more details regarding the stock option plans, see for reference the Remuneration section from this report).

From the publication of the previous annual report until the date of this report, the members of the Remuneration Committee adopted 3 decisions which were taken outside of a formal meeting, regarding the compliance with the performance criteria of SOP 8 for the year 2022 and for SOP 11 and the assesment of the existing Remuneration Policy. Additionally, the Remuneration Committee held a meeting on 30 April 2024 which was concluded with the adoption of the remuneration report for 2023 by undertaking an analysis and preparing an overview on the remuneration standards, ratios and employment related regulatory requirements and conditions applicable at the level of the Company's subsidiaries in Romania, Spain, Italy and Portugal, which has been reported to the Board of Directors.

The Board of Directors has, through its Remuneration Committee, prepared a remuneration report for 2023 in line with the legal disclosure requirements – see Remuneration section of this report.

**Capital, shares and voting rights**

As at December 31, 2023, the authorized share capital of the Company amounts to €11,000,000 (the "**Authorized Share Capital**") and is divided into:

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

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

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

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

As at December 31, 2023, the issued share capital of the Company amounted to €6,810,042.52 divided into:

64,556,028 Class A Shares with a nominal value of €0.10 each in the share capital of the Company; and

35,443,972 Class B Shares with a nominal value of €0.01 each in the share capital of the Company.

DIGI owned a number of 4,409,361 Class A Treasury Shares and 375,526 Class B Treasury shares.

**General Meeting**

**Annual General Meetings**

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

**Annual General Meeting 2024**

The 2024 Annual General Meeting of Shareholders to approve, inter alia, the 2023 statutory consolidated and stand-alone financial statements will be convened simultaneously with the publication of the audited statutory consolidated and stand-alone financial statements issued in accordance with IFRS Accounting Standards as endorsed by the European Union (EU-IFRS) and Section 2:362(9) of the Dutch Civil Code.

**Extraordinary General Meetings**

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

**Place of General Meetings**

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

**Convocation notices and agenda**

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

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

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

**Admission and registration**

The General Meeting is usually chaired by the President or the Vice-President.

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

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

**Voting rights**

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

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

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

**Dividend and distributions**

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

**Principal shareholder**

The Company is controlled by Mr. Zoltán Teszári, our President. He holds a direct stake of 2,280,122 Class A Shares, representing approximately 3.6% of the voting rights in the Company. In addition, Mr. Teszári holds a stake of approximately 95% of the voting rights in RCS Management S.A., which in turn holds a direct stake of 57,866,545 Class A Shares, representing approximately 91% of the voting rights in the Company. Mr. Teszári's direct holding represents approximately 2.4% of the economic interest in the Company and RCS Management S.A.'s holding represents approximately 61% of the economic interest in the Company.

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

**Risk management**

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

Risks Identification: The Company's exposure to business-related risks associated with the Company's and Group's daily operations and business activities is identified and aggregated in the Company's Risk and Control Evaluation Matrix. The risks are identified by managing business performance from a risk-return perspective.

Risks Evaluation/Measurement: This process aims to evaluate and prioritize the risks. In this respect, risk evaluation is the combination of the probability of occurrence and its impact in relation to the achievement of the business' objectives, and there are identified actions to be taken. The evaluation additionally includes qualitative factors that could be important for Company's strategic positioning and reputation.

Monitoring and controlling the risks: The Company is constantly developing internal policies and procedures for the supervision and approval of decision for the major operational processes.

Although there is no Risk Management Department in the Company, the enterprise risk assessment process is performed by Company's Internal Audit function with the support of process owners of major operational processes. The enterprise risk assessment system serves at optimizing operational business process in terms of effectiveness and efficiency, assuring that critical Group assets are protected and in monitoring activities in accordance with the applicable laws, regulation and corporate governance guidance and giving reasonable assurance on the reliability of the financial reporting.

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

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

**Internal audit**

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

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

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

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

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

The Audit Committee has a permanent agenda to cover Internal Audit related topics. For the year 2023 the Audit Committee reviewed and approved the annual audit plan and reviewed the operational initiatives for the continuous improvement of the internal audit function's effectiveness. The Audit Committee constantly reviews the progress against the approved audit plan and the results of internal audit activities, with strong focus on high risks identified and improvement areas that require attention. The Audit Committee analyzed the results by risks identified and affected processes, to highlight the improvements in the internal control environment.

In 2023, the internal audit function continued to update and enhance the formal enterprise risk assessment system and to suggest improvement paths for the major issues identified in connection with the activity of the Company. This process represents an ongoing assessment of the overall Company's internal control system, covering the entire range of risks. The operational processes addressed were assessed for risk based on a combination of two criteria: their importance to the Company and the likelihood of a material error occurring in the respective process, as well as from the perspective of the risk levels (high, moderate, low).

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

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

During 2023, the Internal Audit coverage across all local markets focused on principal risks regarding monitoring the applications and systems user access management, billing process of retail and business clients, wholesale billing process – revenues and costs - (interconnect, roaming and other services), customers' complaints management process, call center activities, fleet management, payroll processes.

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

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

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

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

**Risks**

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

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

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

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

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

A selective summary of main risks applicable for the year 2023 (and until the date of this report) is referenced below (however, for a complete and in-depth analysis with respect to the Company's risks and operational exposure, we kindly invite our investors and the market to read Risk Factors section from this report, as well as in the share and notes risk factors related to the most recent Prospectuses issued by the Company and by RCS & RDS, the Romanian subsidiary of the Company). The risk appetite of the Company is aligned with its strategy and priorities. Some of the risks and uncertainties the Company faces are outside its control, others may be influenced or mitigated. The Company has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols. This process is to a large extent ongoing. The mentioning of these mitigating actions may not in any way be viewed as an implied or express guarantee that such mitigation will in practice be effective in limiting the risk exposure and/or the potential damage to the Company from any such risk materializing.

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

| Risk type / category[6] | Description of main risk drivers | Risk appetite. Available mitigations, if any |
|---|---|---|
| Preliminary note applicable to all risks mentioned below: The Group is not reasonably able to give clear or exact estimations on the likelihood of occurrence of any of the below risks. However, if materialized, each of the below are medium to high risks from the perspective of the potential (either relatively important or highly significant) impact on the Group's business and operations. | | |
| Risk relating to our business and industry, and related to the countries where we operate | Strategic risks may affect the Group's strategic business plan performance targets and operational and development objectives.<br>The strategic risks to which our operations are continuously exposed relate to, amongst others: | The Group aims to have a (reasonably) responsible appetite concerning strategic and operational risks. By reference to the complexity, unpredictability of such risks and the inability for the Group to prevent the occurrence or ensure complete or successful reaction, for the future, the Company (and its Group) will continue to aim for a reasonably responsible appetite. |
| | Competition pressure and changes in the client demand, client churn, technological changes, average revenue per unit (ARPU) decrease, opportunistic growth, intensive capital needs, risks exposures for our energy supply business; | From a strategic and management perspective, the Group has so far proven to be relatively efficient in managing its growth and development expectations. However, we cannot guarantee that the significant competition that we face in all our markets and business lines will not encourage the movement of customers to our competitors and thereby adversely affect our revenue and profitability. We cannot benefit from same competitive advantages that our principal competitors in the local markets enjoy, such as greater economies of scale, easier access to financing and more comprehensive product offerings in certain business lines.<br>From a technological and development perspective, we invest significant amounts to upgrade our network offerings, adopt new technologies and increase the network coverage. However, there is no assurance that customers will accept these developments to the extent required to generate a rate of return that is acceptable to us. Additionally, our working capital needs have substantially increased in recent years and we may be required to limit our operations and expansion plans if, for any reason, we are unable to obtain adequate funding to meet these requirements.<br>Our success is closely tied to general economic developments in Romania and Spain and any negative developments may not |

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

| Risk type / category[6] | Description of main risk drivers | Risk appetite. Available mitigations, if any |
|---|---|---|
| | | be offset by positive trends in other markets, potentially jeopardizing our growth targets and adversely affecting our business, prospects, results of operations and financial condition. We did not put in place a mitigation system in this respect. |
| | Rapid speed of disruptive innovations and/or new technologies within the industry may outpace the Group's ability to compete and/or manage the risk appropriately, without making significant changes to the business model.<br>Failure to prioritize technology initiatives and effectively allocate resources in order to achieve the strategic Group's goals and objectives.<br>The migration to new technologies is not sufficiently analyzed and documented in order to identify the compatibility with existing network elements. Thus, there may be a risk of network malfunctions and/ or additional costs generated to fix the incompatibility.<br>The rollout of 5G will require major investments in the future for network construction. | The innovation, exploring the possibility to introduce new technologies and digitalization are front-and-center priorities of the Group.<br>However, the capital constraints may adversely affect the Group's ability to innovate and reduce the pace of introducing new technologies.<br>The Group implemented internal flows for analyzing and testing the proposals for new network development technologies to ensure compatibility with existing network elements.<br>The Group has a competitive advantage as the percentage of core fiber coverage is high and it will not require material investments for 5G rollout. |
| | The general internal, European and international economic, political and social context, instability of the credit markets, currency risks, our credit rating, general tax matters; including the political and military instability in the region generated by the Russian invasion of Ukraine; | Given its business profiles and presence on a reduced number of countries[7] (Romania, Spain, Italy, Portugal and Belgium), the Group's exposure to these country, market and industry risks cannot be at all times reasonably anticipated or mitigated. |
| | System failure/ shutdown, termination of main supplier agreements, failure to get sufficient/ appropriate managerial resources, insufficient insurance coverage, failure of billing, credit control and other operational systems, health risks affecting the mobile site architecture and development, personal data leakage, logistics, quality control, labor relations, information technology, force majeure. | Customary contractual agreements are put in place to protect the Group. The Group aims to look for alternative supplies and partnership options. However, in some cases, the Group might not be able to have access to sufficient or substitute alternatives.<br>The Group is actively recruiting talent and is actively making use of experienced middle-management. However, given the high specialization of the industry and know-how of skilled |

[7] In Portugal and Belgium licences and/or other assets were acquired, but provision of services to customers has not commenced until the date of this annual report

| Risk type / category[6] | Description of main risk drivers | Risk appetite. Available mitigations, if any |
|---|---|---|
| | | professionals, replacing or increasing several functions might not be a timely or successful process. |
| | IT risks relating to malfunction or disruption in the operational and accounting systems, or cyber-security breaches, could adversely impact the Group's ability to compete in a very active market.<br>The risk of cyber-attacks will continue to trend as one of high to medium operational risks for the Group given the dependence on IT systems and technologies.<br>Also, the cybersecurity risk is constantly evolving in line with technological advances such as teleworking, 5G launch.<br>Failure to protect customer data and ensure service availability could have an adverse impact on customer experience and may lead to financial, reputational and regulatory risks. | The Group invests heavily in IT infrastructure and is actively recruiting highly specialized IT professionals.<br>The majority of software applications were developed internally, this offering the possibility to rapidly react to environment changes which ensure a competitive advantage. Additionally, lower prevalence of external business software and applications ensure control over application source code and increased security.<br>The Group constantly implements appropriate technical and organizational measures for ensuring a strong level of security to address the current cybersecurity threats.<br>One of the main objectives is to ensure ongoing integrity, availability and resilience of data processing systems.<br>The Group's Information Security Department is comprised of highly-skilled personnel, being responsible for regularly testing the efficiency of the IT network and applications. The Group monitors the security incidents and security control effectiveness. An incident response procedure was designed and implemented.<br>Nevertheless, we draw attention that such systems cannot provide absolute assurance considering the complex environment of cyber security threats and knowing that cyber fraudster continuously working to develop new and unusual ways to siphon money from companies. |
| | Adoption of new software-based technologies and continuous digitalization of the Group's process may involve increased cost in transformational projects. There may be encountered difficulties in attracting and retaining skilled software developers. | The majority of software applications are internally developed, this offering the possibility to rapidly react to environment changes which ensure a competitive advantage.<br>The Software Department is composed of a team of experts in different programming languages and with wide relevant experience. |
| | Loss of mobile base stations, fixed stations, data center and other technologies used in providing services to customers could result in a material adverse impact on customers, revenues and reputation. Our resilience plan extends to wider service platform, including television, online services, energy. | The Group implemented resilience and redundancy levels for the technologies used in providing services to customers. Ongoing monitoring systems are implemented for the entire network structure (backbone, fixed fiber optic, mobile and other technologies) in order to increase the resilience levels and to identify improvements opportunities based on lessons |

| Risk type / category[6] | Description of main risk drivers | Risk appetite.<br>Available mitigations, if any |
|---|---|---|
| | Our mobile base stations are subject to possible complaints from other residents from the area which may lead to possible fines from local authorities and the risk of being compelled to move the mobile base station to other location resulting in additional costs and possible adverse impact on service coverage.<br>There should be considered the stringent environmental regulations to reduce radiation from base station may impede with infrastructure development. | learned from past incidents. Back-up solutions are implemented and updated.<br>There are designed internal procedures and controls to ensure that all agreements required by the laws and regulations are obtained before mobile base station construction.<br>Nevertheless, there may be situations when we will face complaints from other residents or instances when not being in full compliance with all applicable laws and regulations considering the complexity and diversity of legal framework. |
| | Reliance on suppliers for sourcing equipment, network devices, and other components and materials needed for infrastructure development may increase the concentration of risk and conduct to delays in rolling out plans and increased costs. Additionally, poor supply chain management and inefficiencies in managing the suppliers' financing may adversely impact the relations with critical suppliers. The sourcing risks increases during current military and, in general, geo-political crises.<br>Changes to national and European regulation regarding security threats could result in increased operating costs determined by changing the sourcing of our main equipment for network development. Also, there may be the risk of being compelled to change part of our existing network that may need additional investments. | The Group negotiates agreements with alternative suppliers for reducing the reliance on a single supplier for critical equipment.<br>The cash flow management is closely monitored. Nevertheless, there may be instances when the payment terms are not fully observed.<br>The Group continuously focus on obtaining in time the equipment and materials required for driving forward technological advances according to strategic plans. This was possible due to an extensive suppliers' network and highly-skilled procurement specialists.<br>Our subject matters experts closely monitor the changes in national and European regulations regarding security threats and the political situation around our key suppliers. |
| | Failure to deliver the planned technological advances, difficulties in maintaining the service quality delivered to clients, client churn and unrecoverable receivable due to potential macro-economic downside risks.<br>The Ukraine military conflict may impact the way how the business is operated, the employees and all partners, conducting to an increased risk of uncertainty in achieving the strategic objectives. | The Group's senior management and the Board was continuously focused in delivering strong results even during crises by changing the way how the operations are performed in order to ensure a safe environment for employees, clients, suppliers and all other partners.<br>The complementary selling channels were maximized for consolidating the market share.<br>The Group speed-up the process's digitalization and automation for increasing the efficiency. |
| Risk relating to legal and regulatory matters and litigation | Compliance risks cover unanticipated failures to comply with applicable laws, regulations, policies and procedures.<br>The telecommunications and media sectors are under | The Group has an adverse risk appetite with respect to legal and compliance risks and requires full compliance. The Company will continue to keep the same (and work to enhance) adverse risk appetite with respect to these risks. |

| Risk type / category[6] | Description of main risk drivers | Risk appetite.<br>Available mitigations, if any |
|---|---|---|
| | constant scrutiny by national competition regulators in the countries in which we operate and by the European Commission. We have been in the past, and may continue to be, the subject of competition investigations and claims in relation to our behavior in the markets of the jurisdictions where we operate.<br>Our operations and properties are subject to regulation by various government entities and agencies in connection with obtaining and renewing various licenses, permits, approvals and authorizations, as well as ongoing compliance with, among other things, telecommunications, audiovisual, environmental, health and safety, labor, building and urban planning, personal data protection and consumer protection laws, regulations and standards. Any increase in governmental regulation of our operations could increase our costs and could have a material adverse impact on our business, prospects, results of operations and financial condition.<br>A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operation. Additionally, from time to time we may not be in full compliance, temporarily, with applicable laws and regulations regarding permitting the construction of various components of our network. We have experienced, and may continue to experience, difficulties in obtaining some of these approvals and permits.<br>Certain agreements we have entered into for the purposes of developing our networks, including some of the agreements entered into with electricity distribution companies and public authorities for the lease of the majority of the poles that support our above-ground fixed fiber optic networks, have been entered into with persons whose title to the leased assets or authority and capacity to enter into such agreements were not fully verifiable or clear at the time they entered into the agreement. Additionally, certain agreements for the lease of poles from third parties are and continue to be | The Group aims to take appropriate measures in the event of a breach of applicable laws or the Group's corporate governance regulations.<br>The Group endeavors to stay abreast of changes to legislation and to ensure compliance. The legal in-house teams at the level of all Group companies and the collaborations with independent legal counsels have been constantly increasing for the past years. The Group pursues to strengthen its legal and regulatory team, and to increase in-house and partner education on applicable compliance expectations. |

| Risk type / category[6] | Description of main risk drivers | Risk appetite.<br>Available mitigations, if any |
|---|---|---|
| | arranged on the basis of oral agreements or tacitly accepted practices, creating a risk that they could be discontinued in the future. Termination or cancellation of the agreements may result in additional costs for re-execution of such agreements or for the implementation of an alternative solution or, in the worst case, in a loss of business.<br>The telecommunications industry in the markets in which we operate is characterized by the existence of a large number of patents and trademarks. Objections to the registration of new trademarks by third parties and claims based on allegations of patent and/or trademark infringement or other violations of intellectual property rights are common. We may also be subject to claims for defamation, negligence, copyright or other legal claims relating to the programming content or information that we broadcast through our network or publish on our websites. | |
| | The Company is subject to insider trading risks and potential violations of financial supervision laws due to unauthorized sharing of price sensitive information. In the event that any person involved with the Group (whether internal or external) is (alleged of being) involved in insider trading, this might cause significant reputational damage to the Group. | The Group has implemented an insider trading policy and has concluded trainings for the handling of price sensitive information. The Company endeavors to increase awareness of applicable insider trading prohibitions through dedicated non-disclosure agreement and acknowledgement correspondence.<br>Awareness programs are periodically updated for the target groups. |
| | The Group's employees or any other independent partners or consultants may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could have a material adverse effect on the Group's business. If any actions for violation of regulatory standards are instituted against the Group, and the Group is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of significant fines or other sanctions, and its reputation. If allegations of fraudulent conduct are made against the Group this may significantly impact the Group's reputation. | The Company and the Group subsidiaries are in process of redesigning and extending the compliance framework starting with 2018 by constantly developing the existing policies and procedures and approving new ones. The Company conducted trainings and an awareness campaign for its employees from critical functions related to "Code of Conduct", "Conflict of Interest, Anti-Corruption and Anti-Money Laundering"; the training programs help in setting the ethical culture across the Company and support employees understand their role in ensuring compliance.<br>The Group constantly worked in improving the ethical culture across the organization. The effectiveness of the compliance program in 2022 was assessed within the Compliance Risk Assessment (CRA) carried out in 2023. The assessment of the |

| Risk type / category[6] | Description of main risk drivers | Risk appetite. Available mitigations, if any |
|---|---|---|
| | | compliance program effectiveness will be annually updated. |
| | Inadequate information classification standards may lead to security, privacy and data protection issues and failure to comply with GDPR requirements and to adhere to customer permission requirements. | The Group assessed the internal framework for classifying, processing the personal data in order to ensure that the data is collected, processed and stored in line with applicable laws and regulations. |
| Risk relating to our financial position | Financial risks include uncertainty of financial return and the potential for financial loss due to capital structure imbalances, inadequate cash flows, asset impairments and the volatility of financial instruments related to foreign exchange and interest rate exposure.<br>Main financial risk drivers relate to: our substantial leverage and debt servicing obligations, applicable restrictive debt covenants, impairment of the ability to draw funds under the existing facilities agreements, ability to generate sufficient cash to service our debt, (in)ability to refinance maturing debt on favorable terms, exposure from derivative transactions. | The Group has a prudent risk appetite with respect to financial risks. The Group's desire is to keep the prudent risk appetite.<br>The management aims to constantly monitor leverage ratios according to the covenants of the Group's facilities commitments and the Notes / Indenture documentation.<br>Based on the current state of affairs, it is justified that the financial reporting is prepared on an ongoing concern basis.<br>The management aims to constantly monitor the optimal financing alternatives for its business plans.<br>The Group has started implementing periodical cash management controls and reconciliations in order to ensure an efficient utilization for daily business needs.<br>The management aims to constantly monitor the efficiency of the derivative instrument and the associated risks.<br>The Company's financial reporting includes those policies that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. |

**Other corporate governance practices**

The Company has implemented various corporate governance policies and procedures as described in this section, in order to develop a culture focused on integrity and business ethical behaviour (*https://www.digi-communications.ro /en/corporate/corporate-governance?p=2*)

**Directors Conflict of Interest Policy**

In this respect, starting with 2017, the corporate governance framework (the **“Compliance Framework”**) has been completed with the conflict of interest policy applicable to the Company’s directors (the **“Directors Conflict of Interest Policy”**) together with the provisions of the Articles and the Audit Committee Terms of Reference. During the financial year 2023 there were no (potential) conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests or other duties, except for a few exceptional situations described in the section “Rules Regarding the Meeting and the Voting” of this report. Any potentially conflictual situation or incident are to be solved by members of the Audit Committee who are not in a situation of conflict of interest or by the independent Non-executive Directors who are not in a situation of conflict of interest in accordance with the corporate governance rules of the Company.

**Code of Conduct**

The Board of Directors adopted on May 14, 2017 its code of conduct in accordance with section 2.5.2 of the Dutch Corporate Governance Code (the “**Code of Conduct**”). The Code of Conduct summarizes the principles and standards that must guide the Group’s actions. The Group shall conduct its business with fairness, honesty, integrity and respect for the interests of its stakeholders in a wide variety of social, political and economic environments. The Code of Conduct includes internal rules regarding the management of confidential information, the public disclosure of data, financial and accounting information, general rules on insider trading, fair competition, the management of conflict of interest, compliance with the laws and regulations, the working environment, health and safety, ethics at work, relevant environmental matters, etc. The Code of Conduct’s provisions are mandatory for the Group’s employees and Board members. The effectiveness of, and compliance with, the Code of Conduct and the other compliance policies are assessed through internal controls and procedures put in place by the Group, as well as through systematic and ad hoc financial and operational audits in addition to internal investigations, in order to detect, investigate and sanction (if confirmed) any alleged misconduct.

The Company and its Group subsidiaries are working to put in place further extended tools to enhance compliance with the Code of Conduct. A copy of the Code of Conduct is published on the Company’s website. This Code of Conduct may be amended by a resolution of the Board of Directors. Any amendments will be published on the Company’s website.

**Insider trading policy**

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

**The Whistleblowing Policy**

The Board of Directors adopted in May 2017 its whistleblowing policy (the **“Whistleblowing Policy”**), which sets out the framework under which an employee or other stakeholder can report concerns or complaints about any activity of a general, operational or financial nature, which in his opinion (i) infringes applicable law, regulation or any generally accepted Group practice; and (ii) may have significant negative impact on Group’s operations. On June 21, 2023 the Board of Directors adopted the first revised version of the Whistleblowing Policy containing an alignment to the current legislation, following the repeal of the House for Whistleblowers Act (Wet huis voor klokkenluiders). This new version provides general guidelines applicable to the Group and specifies that subsequent procedures will be adopted by the Company's subsidiaries based on local applicable law.

**The Anti-Bribery, Anti-corruption and Business Ethics Policy**

The Board of Directors adopted in March 2020 its anti-corruption and business ethics policy (the “**Anti-corruption and Business Ethics Policy**”) which sets the standards regarding business ethics and measures in order to prevent corruption, requires compliance with all applicable anti-corruption laws and regulations, bans bribery and corruption in any form and allows engagement only with business partners with high integrity standards. On June 21, 2023, the Board of Directors adopted the first revision of this policy which contains additional provisions regarding politically exposed persons, facilitation payments, conflict of interests and donations and sponsorships. This revised version provides a clearer focus on anti-bribery, considering the specific Certification received for ISO 37001.

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

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

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

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

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

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

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

The Group has implemented an electronic Gifts and Hospitality Register where all employees with access to IT systems must record all gifts and hospitality provided to or received from business partners. The analysis of the recordings is done by the DIGI Group's Compliance Officer in real time, each employee who makes a recording is notified by e-mail that the recording will be analyzed by the Compliance Officer, and subsequently will be informed about the result and the measures to be taken in relation to the received/offered gift/ hospitality service.

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

The Anti-Bribery, Anticorruption and Business Ethics Policy requires any individual within the Group to report any suspected violations thereof to Digi's Compliance Officer.

In line with DIGI Group's Partner Anti-Corruption and Business Ethics Due Diligence Guidance, beginning with 2020, we conduct Know Your Partner (KYP) checks and we have established the appropriate risk-based due diligence for selected Business Partners with whom the DIGI Group concludes contracts or purchase orders in amount of and exceeding €25 thousand (this threshold which was initially €100 thousand and during 2022 was lowered to €25 thousand in order to extend the number of partners and/or transactions covered by KYP checks). We implemented appropriate measures to reduce the potential identified risks, for example by carrying out a complete Legal Entity Partner Due Diligence Form, by inserting Anti-Corruption and Business Ethics Clauses or by requesting additional information or documents to clarify identified risks. In addition to the due diligence process performed at the initiation of the business relationship, the monitoring of business partners involving the reassessment of business partners from the perspective of compliance risks is carried out annually.

**Anti-Money Laundering Policy**

The Board of Directors adopted in March 2020 its anti-money laundering policy (the "**Anti-Money Laundering Policy**") which requires compliance with all applicable laws and regulations regarding anti-money laundering and terrorism financing. The Policy prohibits money laundering and terrorism financing in any form and provides a set of rules and procedures to be followed, which includes those relating to: (a) reporting cash transactions, when necessary, to the Group's compliance function; (b) appropriate, risk-based due diligence procedures applicable to customers and business partners; and (c) reporting any suspicious activity involving the Group, a customer or a business partner to the Group's compliance function. According to this policy, terrorism financing includes conducting any business relationship with individuals or entities that: (i) appear on the sanctions list published by the Financial Action Task Force (FATF); (ii) are identified or sanctioned as terrorist individuals or entities in any publication of the European Parliament or Council; and/or (iii) are located in countries subject to the European Union's international sanctions regime.

**The Personnel Conflict of Interest Policy**

The Board of Directors adopted in March 2020 its personnel conflict of interest policy (the "Personnel Conflict of Interest Policy") which stipulates the conduct expected from the Group's officers, directors, employees and contractors to ensure that all reasonable measures are taken in order to avoid and/or manage any actual, potential or perceived conflict of interest related to personal financial interest, family members interest or previous, current or potential involvement in any external activity that might be in conflict with the Group's interests.

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

In December 2023, the Annual Conflict of Interests Campaign has been launched within RCS & RDS and other Romanian subsidiaries, based on risk-oriented approach. The aim of this campaign was to recognize the changes in the cases that were previously declared, as well as the omissions to declare the three types of real/potential conflicts of interest implemented by the company (family members, transactional conflict of interests and external activities) and to identify, based on a mixed analysis, measures to reduce the risks derived from confirmed cases of conflict of interest. The campaign will be extended in 2024 at DIGI Group level. The above-mentioned Policies are applicable to all entities within the Group and mandatory for all our employees, officers and directors and we plan to strongly recommend our business partners that they adhere to these principles. These Policies are applied through detailed internal procedures. Where appropriate, the procedures are implemented and completed using documents (such as work instructions, internal orders or decision instructions) approved at the level of the Company's subsidiaries in order to incorporate the requirements of local law provisions.

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

During 2023, the Compliance Framework has been supplemented with the following three policies:

**The Donations and Sponsorships Policy**

The Board of Directors adopted on March 13, 2023 a policy on donations and sponsorships (the "**Donations and Sponsorships Policy**"), which is setting guidelines for donations and sponsorships within Digi Group. The Donations and Sponsorships Policy defines acceptable and unacceptable types of donations and sponsorships, such as those related to the political sector or those that could negatively impact the Group's image and reputation, and provides general eligibility criteria and rules for the approval process. The Policy also emphasizes that approved donations and sponsorships must be transparent, documented, and must not be used as a mean of violating anti-corruption, anti-bribery or money laundering regulations.

**The Non-Retaliation Policy**

The Board of Directors adopted on June 21, 2023, a policy on non-retaliation (the "**Non-Retaliation Policy**"), which is directly related to the Whistleblowing Policy. The purpose of the Non-Retaliation Policy is to incentivize the whistleblowers to report observed irregularities. This policy includes the commitment of DIGI Group to treat any form of harassment, intimidation, discrimination, or retaliation against genuine whistleblowers seriously. Such actions are considered significant misconduct and will be appropriately sanctioned.

**The Related Parties Transactions Policy and Procedure**

The Board of Directors adopted on March 27, 2023 a policy and a procedure on transactions with related parties (the "Related Party Transactions Policy" and the "Related Party Transactions Procedure"). The Related Party Transactions Policy has been prepared in accordance with the Dutch Corporate Governance Code and the Dutch Civil Code. The purpose of these corporate documents is to establish the necessary measures regarding the declaration, qualification, approval and reporting of the related parties' transactions, in order to ensure the protection of the Company's and its stakeholders' interests, as well as to comply with the applicable legal provisions.

**Compliance trainings and communication**

Digi's Compliance Group supports all employees to act with integrity and to proactively avoid potential violations by implementing a compliance training program tailored by needs (which is structured according to separate themes, such as Code of Conduct, anti-corruption and bribery, know your partner, conflict of interest) as well as communication campaigns, for example the internal communication messages on receiving/ offering gifts with the occasion of Winter/ Easter Holidays or contest organized on anticorruption themes to celebrate the International Anticorruption Day.

Starting with 2020 we launched a video training about the Anticorruption rules applied in the Digi Group. The employees are invited to watch and to listen the training, and afterwards, they have to answer a multiple-choice question quiz. This e-learning program is addressed to employees that could have a risk exposure taking into consideration the department they are working or the  position they held.

Also, in 2020 we inserted in the initial specialized training of the new employees in the Business Sales Department a brief presentation of the main anti-corruption and conflict of interest principles and rules and explanation on how employees could report any compliance system and related incidents on induction program. The induction program is addressed to new employees from the Business Sales Department. In October 2022, this short induction program was developed and implemented as classroom training for the new employees, presenting them the main compliance documents (Code of Conduct, compliance policies and procedures), as well as the main obligations that fall on them within the compliance program. The Induction Program is risk-oriented and targets the new employees from Bucharest, Romania, considering the structure of the organization and the specifics of the employment activity. The aim is to implement this training in other subsidiaries of the Company.

In June 2021, Digi's Compliance Officer led the reassessment of the Procurement Department regarding its anti-corruption measures. The questionnaire, composed of five questions, was based on two articles published in April 2021 on the Digi OneVoice website, under the heading "Ethics and Compliance". All of the employees in the department obtained a score of 100%, proof of the fact that the information in the articles was correctly assimilated and it can be applied during the daily activities carried out at work.

In December 2023 the Compliance Department launched the online training „Code of Conduct – what is it and why is it needed" having as objective providing a clear understanding of what constitutes the appropriate workplace conduct and good business ethics. The training material highlights the definition and the benefits of the Code of Conduct, and is presenting the content of the Code of Conduct, so that, based on the provided information, the trainees can be able to answer to a 5-question quiz. Initially, the training targets managers, but it will be extended durin 2024 to all employees.

In 2023, the Compliance Department assessed the effectiveness of the compliance program implemented during 2022 within the Romanian subsidiary of the Company, based on the Compliance Risk Assessment (CRA). The Compliance Risk Assessment ensures the identification and assessment, in a realistic manner, of the compliance risks and necessary mitigating controls.  The CRA will be annually reviewed and updated. Starting with 2024 it is intended to extend the CRA within other subsidiaries of the Group, with the support of the compliance functions of the Group's subsidiaries.

**ISO 37001:2016 Anti-Bribery Certification (SR ISO 37001:2017)**

Since July 2021, RCS & RDS, the Company's subsidiary, has been certified in terms of ISO 37001:2016. This accreditation certifies that the measures and procedures implemented in the field of Anticorruption and Business Ethics by the Digi's Compliance function Group are in line with international good practices, and that the

Company's Anti-Bribery Management System is applied in compliance with the ISO 37001:2016 Standard. This certification was maintained also in 2023.

The certification was maintained in 2023, without the auditors from QSCert (ISO certification company) issuing additional recommendations.
The purpose of the Anti-Bribery Policy, certified and implemented within the Digi Group, as well as the Management System is to support the organization to: avoid, or to reduce the risks or the possible costs and damages of involvement in bribery actions; to promote trust in trade negotiations; to improve its reputation.

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

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

# REMUNERATION REPORT FOR 2023

**Introduction**

The current revised remuneration policy (**Remuneration Policy 2020**) applies to both the executive and the non-executive members of the board of directors of the Company (the **Board**). It was adopted by the general meeting (the **General Meeting**) on April 30, 2020 and it was reviewed in light of developing corporate governance best practices as well as the implementation of the EU Shareholders Rights Directive. The Remuneration Policy 2020 replaces the Remuneration Policy 2017 adopted by the General Meeting on April 20, 2017.

The objective of the Remuneration policy 2020 is to provide remuneration in a manner that:

qualified and expert directors, capable to deliver our company strategy, can be recruited and retained;

long term value is created by the Group for its shareholders and other stakeholders by employing qualified and expert directors;

directors are rewarded in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite;

contributes to the Company's business strategy and its sustainability being appropriate to the dimension and the structure of the Group, as well as to the nature, business sector and the complexity of the business; and

takes into account the wider workforce arrangements (including internal pay ratios) within the Group to the extent possible as well as general societal views with respect to executive remuneration. It is very important for the Company's business that the executive remuneration aligns with the level of responsibility of this position of the Group and the professional experience, and to make sure that this is competitive with respect to its domestic and international comparable.

Annually, the Remuneration Committee prepares the remuneration report on the application of the Remuneration Policy (i.e., the Remuneration Policy 2020). This remuneration report was prepared in line with the requirements stemming from the implementation of the Shareholder Rights Directive in Dutch law. The 2022 Remuneration Report was submitted to the General Meeting from August, 18, 2023 for a non-binding, advisory vote and was adopted by the Meeting with the majority of votes, as detailed in the voting results, available on the Company's corporate web-site. The advisory vote on the 2022 remuneration report was positive and no concerns have been raised by shareholders. Therefore, the Remuneration Committee decided not to change the structure and level of disclosure of the 2023 remuneration report. This report will be submitted to the General Meeting for a non-binding, advisory vote.

**The activity of the Remuneration Committee during 2023**

During 2023, the Remuneration Committee assisted and supervised the Executive Directors with the implementation of the Remuneration Policy 2020 applicable to the Directors.

During 2023, the Company complied with the applicable Remuneration Policy 2020 and no deviating rules or practices were proposed by the Remuneration Committee. The Remuneration Committee confirms that for the reported year there have not been changes regarding the fixed monthly remuneration granted to the Directors comparing with the preceding reported financial year which were in line with the Remuneration Policy 2020. The Remuneration Committee confirms that no events occurred in the Group's business environment directly affecting the remuneration of the Directors.

**Remuneration of Directors**

***Composition of Board of Directors***

The composition of the Board of Directors during 2023 remained the same as that from the period May 1, 2019 – April 30, 2020. The members of the Board of Directors were reappointed on the same positions at the General Meeting from April 30, 2020.

***Remuneration of Board of Directors in 2023***

The current remuneration of the Directors has been determined by the Remuneration Committee according to the Remuneration Policy 2020 and taking into consideration the stock option plans approved by the General Meetings held on May 18, 2021 and December 28, 2022, as well as the stock option plans adopted by the Board of Directors on May 19, 2021 2022 and 2023 and on March 1, 2023.

**Total remuneration of Directors received from the Group during the reported financial year (all in EUROs equivalent [(1)])**

The table includes remuneration from all the Group companies where the Directors perform a role.

| Name of director, position | | Fixed remuneration | | | | | Variable Remuneration | | Extraordinary items | Pension expense | Total remuneration | Proportion of fixed remuneration | Proportion of variable remuneration |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base salary (net) | Base salary (gross) | Fixed Fees (net) | Fixed Fees (gross) | Fringe benefits | One-year variable [(2)] | Multi-year variable | | | | | |
| **Mr. S. Bulgac** CEO | **2023** | 62,733 | 107,239 | 150,000 | 256,408 | 6,458 | - | - | - | - | 370,105 | 100% | 0% |
| | **2022** | 63,078 | 107,829 | 150,000 | 256,404 | 12,329 | - | - | - | - | 376,562 | 100% | 0% |
| **Mr. V. Popoviciu** Executive Director | **2023** | 60,306 | 103,090 | 150,000 | 256,408 | 25,766 | 768,705 | - | - | - | 1,153,968 | 33% | 67% |
| | **2022** | 60,638 | 103,657 | 150,000 | 256,404 | 23,696 | - | - | - | - | 383,757 | 100% | 0% |
| **Mr. Z. Teszári** President | **2023** | 11,717 | 20,632 | 100,000 | 170,932 | 10,538 | 240 | - | - | - | 202,342 | 100% | 0% |
| | **2022** | 12,087 | 20,662 | 100,000 | 170,928 | 11,909 | 242 | - | - | - | 203,740 | 100% | 0% |
| **Mr. M. Varzaru** Non-executive Director | **2023** | 124,204 | 238,951 | 100,000 | 111,106 | - | 559,252 | - | - | - | 909,309 | 38% | 62% |
| | **2022** | 125,447 | 240,011 | 100,000 | 111,109 | - | 825,000 | - | - | - | 1,176,120 | 30% | 70% |
| **Mr. B. Ciobotaru** Non-executive Director | **2023** | 60,306 | 67,008 | 100,000 | 111,106 | - | 219,998 | - | - | - | 398.111 | 45% | 55% |
| | **2022** | 60,638 | 67,376 | 100,000 | 111,109 | - | - | - | - | - | 178,485 | 100% | 0% |
| **Mr. P. Rymaszweski** Non-executive Director | **2023** | - | - | 100,000 | 111,106 | - | - | - | - | - | 111,106 | 100% | 0% |
| | **2022** | - | - | 100,000 | 111,109 | - | - | - | - | - | 111,109 | 100% | 0% |
| **Mr. E. Jugaru** Non-executive Director | **2023** | 48,245 | 82,470 | 100,000 | 170,932 | 751 | 240 | - | - | - | 254,393 | 100% | 0% |
| | **2022** | 48,510 | 82,924 | 100,000 | 170,928 | 1,533 | 242 | - | - | - | 255,627 | 100% | 0% |
| **TOTAL** | **2023** | **367,512** | **619,390** | **800,000** | **1,187,998** | **43,512** | **1,548,435** | **-** | **-** | **-** | **3,399,335** | **-** | **-** |
| | **2022** | **370,398** | **622,459** | **800,000** | **1,187,991** | **49,467** | **825,483** | **-** | **-** | **-** | **2,685,400** | **-** | **-** |

*(1) The remuneration received in other currencies than Euro from the Company's subsidiaries were converted to Euro by using foreign exchange rates as at year end December 31, 2023, respectively December 31, 2022, for RON relative to EUR.*

*(2) Share options vested during the year valuated at share price from granting date. One-year variable also include share option and bonuses.*

The remuneration package as provided by the Remuneration Policy and as proposed and approved during the General Meeting was designated to reward the Directors in consistency with the Company's performance, without however encouraging directors to act in their own interest or to take risks that are not in line with the Company's strategy and its risk appetite. The variable compensation component of the executive directors intends to encourage the executive directors to focus on the Company's long-term value creation consistent with the Company's strategy and align (more closely) the interest of the executive directors with those of the shareholders. As per the Remuneration Policy, the variable remuneration as percentage of the fixed base salary of executive or non-executive directors of the Company may range from a minimum of 0% up to a maximum of 500%.

An executive director can therefore:

be awarded stock options under the Employee Share Option Plan (ESOP) as approved by the General Meeting or as will be approved by any future General Meeting; and

receive performance-linked cash bonuses subject to the criteria governing variable compensation.

Non – executive directors are awarded a fix salary. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict-of-interest rules). No variable compensation will be offered in respect of their role as non-executive directors of the Company and the Company will at all times take into account potential conflicts of interest.

The total remuneration of the Directors contributes to the long-term performance of the Company as it allows the Company to attract and retain qualified and expert directors who are motivated to achieve the Company's targets, implement its strategic goals and create long-term value for all stakeholders by receiving a remuneration package that is appropriate with the dimension and the structure of the Group, as well as to the nature, business sector and complexity of the business.

**Fixed remuneration of Executive and Non-executive Directors for the year 2023**

The fixed net fees of Executive Directors of the Company in 2023 was €150 thousand and that of the Non-executive Directors of the Company was €100 thousand, in line with the Remuneration Policy 2020 and management agreements concluded with the Company and in force during the reported year.

**Variable remuneration of Executive and Non-executive Directors for the year 2023 - in the form of cash bonuses**

No variable remuneration in the form of cash bonuses was paid by the Company to the Directors during the reported financial year. Nevertheless, certain Directors received variable remuneration in the form of cash bonuses from Group companies in relation to the positions they held within those companies and based on the agreements and performance criteria established by the relevant subsidiary, and in line with the provisions of the local law (see table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROs equivalent)*).

**Variable remuneration of Executive and Non-executive Directors for the year 2023 - in the form of stock options. Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee**

During 2021, the General Meeting approved a stock option plan for two of the Executive Directors of the Company and for one Non-Executive Director in consideration of his role in Company's subsidiaries and additionally, the General Meeting held on 2022 approved a stock option plan for one of the Executive Directors of the Company. The below table sets out the status of option grants made to Directors.

**Shares awarded, transferred and expired during 2023 to Directors of the Group under the Share Options Plans**

| Name of Director, position | The main conditions of share option plans | | | | | | | Information regarding the reported financial year | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Opening balance | During the year | | | Closing balance | |
| | 1 Specification of plan | 2 Performance period | 3 Award date | 4 Vesting Date | 5 End of holding period | 6 Start date Exercise Period | 7 Strike price of shares (EUR) | 8 Share options held at the beginning of the year | 9 Share options awarded | 10 Share options vested and transferred | 11 Share options subject to performance condition | 12 Share option awarded and unvested at the year end | 13 Share options subject to a holding period |
| **Mr. S. Bulgac CEO** | SOP 8 (2021) | 1 year | 19 May 2021 | 20 May 2022 | 28 March 2023[8] | 28 December 2022 | - | 80,000 | - | 0 | 80,000 | 80,000[9] | - |
| | SOP 8 (2022) | 1 year | 19 May 2022 | 20 May 2023 | 18 November[10] 2023 | 18 August 2023 | - | 80,000 | - | 0 | 80,000 | 80,000[11] | - |
| | SOP 8 (2023) | 1 year | 19 May 2023 | 20 May 2024 | - | - | - | - | 80,000 | - | 80,000 | 80,000 | - |
| **Mr. V. Popoviciu Executive Director** | SOP 8 (2021) | 1 year | 19 May 2021 | 20 May 2022 | 11 January 2023 | 28 December 2022 | - | 50,000 | - | 50,000 | 50,000 | - | - |
| | SOP 8 (2022) | 1 year | 19 May 2022 | 20 May 2023 | 25 August 2023 | 18 August 2023 | - | 50,000 | - | 50,000 | 50,000 | - | - |
| | SOP 8 (2023) | 1 year | 19 May 2023 | 20 May 2024 | - | - | - | - | 50,000 | - | 50,000 | 50,000 | - |
| | SOP 12 (2024) | 1 year and 3 months | 2 March 2023 | 6 May 2024 | - | - | - | - | 20,000 | - | 20,000 | 20,000 | - |
| **Mr. B. Ciobotaru Non-executive Director** | SOP 8 (2021) | 1 year | 19 May 2021 | 20 May 2022 | 11 January 2023 | 28 December 2022 | - | 30,000 | - | 30,000 | 30,000 | 0 | - |

**Overview on the stock option plans approved by the Company under shareholder's resolutions and the Board of Directors resolutions until present, with the oversight by the Remuneration Committee**

SOP 1, SOP 2, SOP 3, SOP 4, SOP 5, SOP 6, SOP 7, SOP 9 and SOP 10 closed in previous periods.

[8] These share options elapsed 3 months after the Start date of Exercise Period
[9] These share options elapsed 3 months after the Start date of Exercise Period
[10] These share options elapsed 3 months after the Start date of Exercise Period
[11] These share options elapsed 3 months after the Start date of Exercise Period

**SOP 8**

On 18 May 2021, the General Meeting decided to grant stock options to the Executive Directors of the Company and to a Non-Executive Director in consideration of his position in the Company's subsidiaries. 420,000 class B shares were designated for the purposes of SOP 8. SOP 8 was approved for three years (2021, 2022 and 2023) for the Executive Directors and for one year for the Non-Executive Director.

The performance conditions of the SOP 8:

In respect to the Executive Directors are as follows: (i) being a director or employee of the Company or its subsidiaries on the vesting date, (ii) Consolidated EBITDA of the Company as determined on the basis of IFRS financial statements for the respective financial year being at least 5% higher than consolidated EBITDA of the Company as determined on the basis of the IFRS financial statements for the previous year, (iii) Number of revenue generating units of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenue generating units of the Group, as defined and set out in the previous Annual Report of the Company (iv) Leverage ratio for the group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the respective financial year) to be not more than 3.25:1.

Regarding the Non-Executive Director, the performance condition of the stock options granted for other positions held within the Company's subsidiaries for 2021 was that of being a director or employee of the Company or of its subsidiaries on the vesting date.

**SOP 8 2021 was granted on 19 May 2021**. The Vesting Date of SOP 8 2021 started with 28 December 2022, namely after the date of the 2022 AGM, under which the shareholders adopted the financial statements for 2021, when the Performance Measurement Date (as defined under the 2017 ESOP Plan) was fulfilled. Therefore, on 11 January 2023, two of the Directors of the Company exercised the stock options, each of them concluding a share transfer agreement with the Company.

**SOP 8 2022 was granted on 19 May 2022**. The Vesting Date of SOP 8 2022 started with 18 August 2023, namely after the date of the 2023 AGM, under which the shareholders adopted the financial statements for 2022, when the Performance Measurement Date (as defined under the 2017 ESOP Plan) was fulfilled. Therefore, on 25 August 2023, one of the Executive Directors of the Company exercised the stock options and for this scope concluded a share transfer agreement with the Company.

**SOP 8 2023 was granted on 19 May 2023**. SOP 8 2023 may vest not earlier than one year from the Grant Date, at the Performance Measurement Date and subject to the fulfilment of performance conditions established by the General Meeting.

**SOP 11**

On January 12, 2023, the Company approved the granting of a number of 32,500 stock options to employees of one of the Company's subsidiaries. SOP 11 vill vest after one year from the grant date, taking in consideration that the performance criteria have been met.

**SOP 12**

On December 28, 2022, the General Meeting decided to grant stock options to one of the Executive Directors of the Company. 20,000 class B shares were designated for the purposes of SOP 12. SOP 12 may vest not earlier than one year and 3 months from the Grant Date, at the Performance Measurement Date and subject to the fulfilment of performance conditions established by the General Meeting.

**For further details on the applicable performance criteria, we refer to the following table:**

**Performance Criteria applicable to variable remuneration granted /exercised by Directors in the reported financial year**

| | 1 | 2 | 3 | | 4 |
|---|---|---|---|---|---|
| **Name of Director, position** | **Description of the performance criteria and type of applicable remuneration** | **Relative weighting of the performance criteria** | **Information on Performance Targets** | | **a) Measured performance and b) actual award outcome** |
| | | | **a) minimum target/threshold performance and b) corresponding award** | **a) maximum/target performance and b) corresponding award** | |
| **Mr. S. Bulgac CEO of Digi Communications NV SOP** | Criterion A referring to SOP 8 for the year 2023 - being a director or employee by the Company or its subsidiaries on the vesting date. | | Each criteria must be fulfilled to allow pay out of each related stock option | | 80,000 |
| | Criterion B referring to SOP 8 for the year 2023 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2023 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2022. | | | | |
| | Criterion C referring to SOP 8 for the year 2023 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company. | | | | |
| | Criterion D referring to SOP 8 for the year 2023 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2023) to be not more than 3.25:1 | | | | |
| **Mr. V. Popoviciu Executive Director of Digi Communications N.V.** | Criterion A referring to SOP 8 for the year 2023 - being a director or employee by the Company or its subsidiaries on the vesting date. | | Each criteria must be fulfilled to allow pay out of each related stock option | | 50,000 |
| | Criterion B referring to SOP 8 for the year 2023 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2023 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2022. | | | | |
| | Criterion C referring to SOP 8 for the year 2023 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company. | | | | |
| | Criterion D referring to SOP 8 for the year 2023 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2023) to be not more than 3.25:1 | | | | |
| | Criterion referring to SOP 12 for the year 2023 - being a director or employee by the Company or its subsidiaries on the vesting date. | | The criteria must be fulfilled to allow pay out of the related stock option | | 20,000 |

| Name of Director, position | 1<br>Description of the performance criteria and type of applicable remuneration | 2<br>Relative weighting of the performance criteria | 3<br>Information on Performance Targets<br>a) minimum target/threshold performance and b) corresponding award | 3<br>Information on Performance Targets<br>a) maximum/target performance and b) corresponding award | 4<br>a) Measured performance and b) actual award outcome |
|---|---|---|---|---|---|
| | Criterion A referring to SOP 8 for the year 2022 - being a director or employee by the Company or its subsidiaries on the vesting date. | | Each criteria has been fulfilled | | 50,000 |
| | Criterion B referring to SOP 8 for the year 2022 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2022 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2021. | | | | |
| | Criterion C referring to SOP 8 for the year 2022 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company. | | | | |
| | Criterion D referring to SOP 8 for the year 2022 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2022) to be not more than 3.25:1 | | | | |
| | Criterion A referring to SOP 8 for the year 2021 - being a director or employee by the Company or its subsidiaries on the vesting date. | | Each criteria has been fulfilled | | 50,000 |
| | Criterion B referring to SOP 8 for the year 2021 - EBITDA of the Company* as determined on the basis of IFRS financial statements for the year 2021 being at least 5% higher than EBITDA of the Company* as determined on the basis of the IFRS financial statements for the year 2020. | | | | |
| | Criterion C referring to SOP 8 for the year 2021 - Number of RGUs of the Group (excluding disposed activities as well as acquisitions), as defined and set out in the Annual Report of the Company for the period for which performace is measured, having increased by at least 300,000 units when compared with number of revenues generating units of the Group, as defined and set out in the previous Annual Report of the Company. | | | | |
| | Criterion D referring to SOP 8 for the year 2021 - Leverage ratio for the Group (calculated as consolidated total net financial indebtedness to EBITDA on the basis of IFRS group accounts for the year 2021) to be not more than 3.25:1 | | | | |
| **Mr. B. Ciobotaru Non-Executive Director of Digi Communications N.V.** | Criterion referring to SOP 8 for the year 2021 - being a director or employee by the Company or its subsidiaries on the vesting date. | | The criteria has been fulfilled | | 30,000 |

*By EBITDA of the Company, we refer to the consolidated EBITDA of the Group

**Other benefits**

Other benefits received by the Board Directors during 2023 are the use of company cars. No pension benefits are paid to Directors. Furthermore, no loans, prepayments or guarantees have been made to any of the Directors.

**Severance arrangements**

The Company is compliant with the best practice provisions on severance payments as laid down in 3.2.3 of the DCGC, stating that the remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component).

The service agreements currently entered into with the members of the Board do not provide a notice period for the relevant director's benefit.

In case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board decides otherwise based on a recommendation of the Remuneration Committee, but it will in any event not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pay will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behaviour on the part of the relevant executive director.

These conditions are provided in the management agreements concluded by the Company with each Director. During 2023, no severance payments were granted to the Directors.

**Other operations - Share buy-back. Share conversion:**

As at December 31, 2023 Class B treasury shares of the Company are in amount of 375,526, representing 0.38% of its issued share capital as at the date hereof.

**Information on how the remuneration complies with the Remuneration Policy and how the performance criteria were applied**

The remuneration received by the Board of Directors of the Company during 2023 is in accordance with the provisions of the Remuneration Policy 2020 as presented below.

Based on the Remuneration Policy 2020, the remuneration of Executive Directors of the Company is comprised of a net fixed fee of €150 thousand per year, a variable remuneration linked to performance, consisting of an incentive component in the form of stock options or in the form of a cash bonus, fringe benefits (use of company cars or allowances in respect of health and nursery insurance) and severance arrangements (in case of a dismissal, executive directors shall, subject to mandatory law, not be entitled to any severance payment in excess of three month's base salary, unless the Board of Directors decides otherwise based on a recommendation of the Remuneration Committee, but will not exceed one year's salary (the fixed base salary) in the preceding financial year. Severance pays will not be awarded if the agreement is terminated at the initiative of the executive director or in the event of seriously culpable or negligent behavior on the part of the relevant executive director).

During 2023 the remuneration granted to Executive Directors was entirely in compliance with the provisions of the Remuneration Policy 2020, i.e. the Executive Directors received from the Company net fixed fee of €150 thousand per year, a variable remuneration consisting of stock options based on the performance criteria established by the General Meeting held on 2021 (SOP 8) and 2022 (SOP 12) (see the performance criteria presented in the table above - *Performance of Directors in the reported financial year* and in respect to the components of the total remuneration the table above - *Total remuneration of Board Directors received from the Group during the reported financial year (all in EUROs equivalent)*).

From the review of the materials prepared by the specialized HR departments of the relevant Group subsidiaries, the Remuneration Committee is able to conclude that the market features are different from one country to another, that the regulatory environments and the social security requirements are particular to each territory and constantly changing. Also, none of the Group subsidiaries seem to depart to a significant extent from the market trends and conditions.

Based on the figures provided by the specialized HR departments of the relevant Group subsidiaries during 2023, there has been no significant variation in the remuneration of the employees of the Group.

The remuneration of the Non-Executive Directors, according to the Remuneration Policy 2020 provisions comprises of a net fixed annual compensation of €100 thousand. Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with conflict-of-interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest

During 2023 no severance payments, pensions, loans or guarantees were granted by the Company to Executive and Non-executive Directors. Additionally, no claw back rights were exercised in relation to remuneration granted to the Directors.

### Comparative information on the change of remuneration and Group performance

| Annual change | 2023 vs 2022 | 2022 vs 2021 | 2021 vs 2020 | 2020 vs 2019 | 2019 vs 2018 |
|---|---|---|---|---|---|
| **Director's remuneration variation** [(1)] | | | | | |
| **Mr. Bulgac, *CEO*** | -2% | -2% | -76% | 35% | -36% |
| **Mr. Popoviciu, *Executive Director*** | 201% | -52% | -21% | 37% | 11% |
| **Mr. Teszári, *President*** | -1% | 12% | 1% | -3% | 2% |
| **Mr Varzaru, *Non-executive Director*** | -23% | -10% | -3% | 61% | 9% |
| **Mr. Ciobotaru, *Non-executive Director*** | 123% | 0% | -71% | 295% | -1% |
| **Mr. Rymaszewski, *Non-executive Director*** | 0% | 0% | 0% | 0% | 0% |
| **Mr. Sambor Ryszka, *Non-executive Director*** ****until 1 May 2019*** | - | - | - | -100% | -23% |
| **Mr. Jugaru, *Non-executive Director*** ****from 1 May 2019*** | 0% | 0% | -3% | 24% | 114% |
| | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Company performance** | | | | | |
| **Revenues mil EUR** | 13% | 1% | 15% | 8% | 14% |
| **EBITDA** | 17% | -3% | 9% | 7% | 38% |
| **RGU (thousand)** | 15% | 2% | 13% | 12% | 8% |
| **Average remuneration** [(2)] | | | | | |
| **Total Group** | 4% | -3% | 8% | 5% | -1% |
| **Pay-ratio** [(3)] | 39.0 | 30.3[(4)] | 36.6 | 52.4 | 38.9 |

[(1)]*The variation of the Director's remuneration is due to the variation of the variable component of the remuneration granted to Directors under the stock option plans approved.*
[(2)]*Computed as total Group salaries expenses divided to the average number of Group employees.*
[(3)]*Pay-out ratio represents Average annual BoD member gross salary divided per Average annual employee gross salary. The fluctuations are caused by the variable component of the remuneration granted to Directors, as presented in "Total remuneration of Directors received from the Group during the reported financial year" table above.*
[(4)]*Corrected prior year from 15.2 to 30.3 due to mathematical error*

### The Remuneration Committee's plan for 2024

The Remuneration Committee plans to focus in 2024 on proposing a revised version of the 2020 Remuneration Policy and cooperating with the Executive Directors and with the senior management of the Company and its subsidiaries on the further proper implementation of the approved ongoing and further Stock Option Plans and on the implementation of the remuneration policy (to be approved by the 2024 General Meeting), on the implementation of Shareholders Directive provisions, as well as on advising and guiding the Company's subsidiaries in optimizing their remuneration policies and procedures.

# Environmental and Social Responsibility

# Social and environmental responsibility

## Introduction

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

Because we are aware of the consequences of our actions and have a bold vision for the future, we are committed to creating an organizational culture based on trust, integrity and transparency to employees, customers, partners, communities, and society, as a whole.

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

Responsibility, care, forward-looking, trust, diversity, team spirit – these are not just magic words, but core values for DIGI Group. During difficult times, we consider that it is most important to strengthen the values that drive our corporate culture. By acting proactively, we contribute, together with all stakeholders, to the development of a sustainable and confident future. During 2023, we continued to be one of the key drivers of the economy, as a telecommunications operator, and an accelerator of well-being in communities.

This non-financial section of DIGI's Annual Report will provide information about the way we create value for consumers, shareholders, employees, partners, and communities, for both the present and future generations, even in difficult times. This report has been prepared with reference to the GRI Standards 2021. The material topics and specific disclosures included in the non-financial statement are also referenced at the end of this report, in the GRI content index.

## ABOUT THE NON-FINANCIAL STATEMENT

Digi Communications N.V.'s (the "Company") non-financial statement covers the period 01st of January 2023 to 31st December 2023. The report has been developed with reference to the newest version of the Global Reporting Initiative("GRI") Standard 2021, the most used and internationally recognized standard for sustainability reporting. At the same time, the non-financial statement complies with the requirements of Directive 2014/95/EU. Thus, the content of the report provides information on environmental, social, and employee-specific indicators, respect for human rights, prevention of bribery, and corruption, alongside other indicators that are specific to our operations as identified in the materiality analysis performed in January-February 2023.

This non-financial statement is published with an annual frequency.

Also, the non-financial statement complies with the requirements stipulated in Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council for establishing a framework to facilitate sustainable investments.

The non-financial statement provides information about the activity of Digi Communications N.V. and its subsidiaries (hereinafter referred to as the "Group", "Digi" or the Digi "Group"): RCS & RDS S.A., the Romanian subsidiaries of RCS & RDS S.A. (INTEGRASOFT SRL, TOPO NETWORK & DESIGN SRL, DIGI INFRASTRUCTURA SRL, FOTO DISTRIBUTIE SRL, ENERGIA FOTO SRL, DELALINA SRL, NOVITAS ELECTRO SRL, CFO INTEGRATOR SRL, CAMPUS MEDIA SRL, PROFIMUSIC SRL, DIGISOFT IT SRL, U.C.R. SRL), Digi Italy Srl, Digi Spain Telecom SLU, Digi Spain Call Center S.L.U., Digi Spain Sale Force S.L.U. Primafaty SLU, Douafaty SLU, Patrafaty SLU, Cinceafaty SLU, Saseafaty SLU, Digi Portugal LDA., CITIMESH MOBILE NV, INSKY NV. As the companies established in Belgium had no operations during 2023, the reporting will not include information on the activity of these companies.

Where the information pertains to a specific company within the Group, it has been specified as such in the corresponding section. Where the information refers to Romania, Spain, or Italy, it describes the activity of the companies in that specific country, and where no specific reference to a particular company is made, the information disclosed is applicable to the entire Group.

For questions or suggestions regarding the content of this report, please use the following e-mail address: *investor.relations@digi-communcations.ro*.

## OUR BUSINESS MODEL

An overview of our business model, as well as a description of the services we provide and countries where we operate, can be found under section *BUSINESS Overview* of this report.

**Economic impact**

DIGI, as a group of telecommunications companies, plays an important role in the economic and social landscape of the regions it operates in. DIGI's operations have a considerable impact on other economic sectors that rely on communication services, such as internet connections and telephony. Thus, DIGI has a key role to play in supporting the activities of other economic operators and indirectly contributing to job creation along the economic chain.

| Description | 2022 (in thousands of Euros) Consolidated, at Group level | 2023 (in thousands of Euros) Consolidated, at Group level |
|---|---|---|
| **Direct economic value generated:** | 1,516.9 | 1,706.6 |
| **Revenues** | 1,516.9 | 1,706.6 |
| **Economic value distributed** | 1,127.0 | 1,240.7 |
| **Operating costs** | 1,127.0 | 1,240.7 |
| **Employee wages and benefits** | 240.3 | 288.6 |
| **Payments to shareholders** | 10.9 | 21.6 |
| **Payments to government/state budget*** | 5.6 | 6.4 |
| **Community investments** | 9.8 | 10.2 |
| **Economic value retained** | 389.9 | 464.6 |

*includes only the income tax paid

## EU TAXONOMY

This report has been drawn up to describe the information presented pursuant to Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852) to be included in the Non-Financial Statement of **DIGI Communications N.V. (hereinafter 'DIGI')**, for financial year 2023.

The information complies with the simplified reporting requirements under art. 8 of the Regulation on taxonomy and art. 10 para. (2) of art. 8 of the Delegated Act (Commission Delegated Regulation (EU) 2021/2178) and subsequent amending acts, Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2022/1214, Delegated Regulation (EU) 2023/2485 and Delegated Regulation (EU) 2023/2486.

**Article 8 Regulation on Taxonomy**

The Taxonomy regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050, in line with EU targets, as Taxonomy is a classification system for sustainable economic activities.

In the following section, we, as a non-financial enterprise, present the share of turnover, capital expenditure (CAPEX) and operational expenditure (OPEX) for the reporting period 2023, which are associated with the **taxonomy-aligned economic activities** of the first two environmental objectives (mitigation of climate change and adaptation to climate change) and **taxonomy-eligible economic activities** of the 6 environmental objectives in accordance with art. 8 of the Regulation on taxonomy and art. 10 para. (2) of art. 8 of the Delegated Act.

Following the internal evaluation, three main activities and four secondary activities, identified as being possible eligible according to the Regulation on Taxonomy for which the alignment with the first two environmental objectives - climate change mitigation and adaptation - was carried out.

An economic activity is considered Taxonomy eligible if it is described in delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), of Article 14 paragraph (2) and Article 15 paragraph (2) of Regulation (EU) 2020/852, regardless of whether or not the respective economic activity meets all the technical screening criteria provided for in the respective delegated acts.

**General presentation**

*Art. 8 (2) Regulation on taxonomy in conjunction with art. 10 para. (2) of art. 8 Delegated Act*

**Proportion of taxonomy-eligible, aligned, and non-eligible economic activities in total turnover, CapEx and OpEx – Financial Year 2023**

| Consolidated Amounts | Total (m EUR) | Proportion of eligible economic activities (%) | Proportion of aligned economic activities (%) | Proportion of non-eligible economic activities (in %) |
|---|---|---|---|---|
| **Turnover** | 1,704.6 | 0.12 | 0.00 | 99.88 |
| **Capital expenditure (CapEx)** | 920.0 | 6.61 | 0.00 | 94.76 |
| **Operational expenses (OpEx)** | 909.6 | 2.19 | 0.00 | 97.81 |

**Description of activity**

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

**Decisions in determining eligibility of the economic activities**

In order to identify eligible activities performed by DIGI, we carried out a full assessment of eligible activities and compared these activities with the description of economic activities/products listed in Annexes I or II of the Climate Delegated Act and the activities listed in Annexes I, II, III and IV of the Environmental Delegated Act. The sections below indicate what are the economic activities we identified as eligible for each of the three financial KPIs:

**Turnover**

From the activities which generate turnover for DIGI group, we identified activities which respect the definition as listed in the Annex II of the Climate Delegated Act, 2139/2021 for the following economic activities:

- NACE code 3511 – Production of electricity associated to taxonomy activity *CCM 4.1 – Electricity generation using solar photovoltaic technology*, with a value of 2.0 million EUR, 0.12% from turnover,
- NACE code 6110 is – Wired telecommunications activities associated to taxonomy activity *CCA 8.3 – Programming and broadcasting activities*, with a value of 336.8 million EUR, 19.76% from turnover*
- NACE code 5911 – Motion picture, video and television programme production activities. associated to taxonomy activity *CCA 13.3 – Motion picture, video and television programme production, sound recording and music publishing activities*, with a value of 16.0 million EUR, 0.94% from total turnover*

*According to the Climate Delegated Act and the interpretation provided by the European Commission in the Commission notice published on February 2nd, 2022, activities 8.3 and 13.3 are classified as adapted-enabling activities. As stated in the response to FAQ no. 5 in the mentioned document, adapted-enabling activities may qualify for eligibility if a climate risk and vulnerability assessment (CRVA) has been conducted. Since DIGI has not carried out the required CRVA, these activities have not beeen considered as eligible.

**CapEx**

The total value of CapEx is 920.0 million EUR.

The list of activities listed in the table below are considered to be eligible to the EU Taxonomy as they are described in the Climate Delegated Act:

| | CapEx | million EUR | % |
|---|---|---|---|
| CCM | 4.1 Electricity generation using solar photovoltaic technology | 19.2 | 20.9 |
| CCM | 6.6 Freight transport services by road | 9.8 | 1.07 |
| CCM/CE | 7.2 Renovation of existing buildings | 1.1 | 0.12 |
| CCM | 7.7 Acquisition and ownership of buildings | 18.1 | 1.97 |
| | | **48.2** | **5.24** |

Following the assessment of our financial statements, we identified the following activities listed on Annex II to the Climate Delegated Act, that may have a substantial contribution to Climate Change Adaptation.

| | CapEx | million EUR | % |
|---|---|---|---|
| CCA | 8.2 Computer programming, consultancy, and related activities | 4.0 | 0.43 |
| CCA | 8.3 Programming and broadcasting activities | 581.1 | 63.16 |
| CCA | 13.3 Motion picture, video and television programme production, sound recording and music publishing activities | 43.7 | 4.75 |
| | | **871.7** | **68.35** |

According to the Climate Delegated Act and considering the interpretation of the European Commission within the Commission notice published in February 2nd, 2022, activities 8.3 and 13.3 are classified as adapted – enabling activities, and activity 8.2 is classified as adapted activity.

Considering the answer provided to FAQ no. 5 in the document mentioned above, adapted and adapted – enabling activities may be eligible if a climate risk and vulnerability assessment (CRVA) has been performed. Considering that DIGI has not performed the required CRVA, these activities cannot be considered eligible.

**CapEx Plan**

The CapEx plan should include the list of taxonomy-eligible economic activities in 2023 and provides information on the planned CapEx for their financing with the aim of increasing sustainability over the next 5 years.

The CapEx plan for eligible activities should be based on the most recent business plan approved by management, while the time horizon reflects the five-year period for a CapEx plan set out in Annexes 1-5 to Commission Delegated Regulation (EU) 2020/852. Planned CapEx may be subject to revisions and changes.

For the financial year 2023 **a CapEx plan** has not been prepared to align eligible activities identified. The CapEx plan is to be prepared for the next financial period and included in the upcoming reports.

**OpEx**

The total value of OpEx is 909.6 million EUR.

The list of activities from the table below are considered to be eligible to EU Taxonomy as they are are described in the Environmental Delegated Act:

| | OpEx | million EUR | % |
|---|---|---|---|
| CCM | 6.6 Freight transport services by road | 11.7 | 1.29 |
| CCM/CE | 7.2 Renovation of existing buildings | 8.2 | 0.90 |

| | | | |
|---|---|---|---|
| | | **19.9** | **2.19** |

The following operational expenditure was done to support our main economic activities listed in the table below:

| | **OpEx** | **million EUR** | **%** |
|---|---|---|---|
| CCA | 8.3 Programming and broadcasting activities | 290.0 | 31.88 |
| CCA | 13.3 Motion picture, video and television programme production, sound recording and music publishing activities | 3.0 | 0.33 |
| | | **293.0** | **32.21** |

As previously mentioned in the Turnover section, these two activities are classified as adapted - enabling activities. They may be eligible if a climate risk and vulnerability assessment (CRVA) has been conducted. Since DIGI has not carried out the required CRVA, these activities cannot be considered eligible.

**EU Taxonomy alignment assessment**

According to EU Taxonomy Regulation, in order to determine the proportion of alignment, the eligible activities have to be assessed against the technical screening criteria listed for the substantial contributions, do not significant harm and minimum social safeguards. Following our assessment, we concluded that the technical screening criteria for substantial contribution was not fulfilled, so we didn't go further to assess alignment with DNSH and MSS. The results of the alignment assessment are detailed in the table below:

| **DIGI's contribution to EU environmental objectives** | | | | | | |
|---|---|---|---|---|---|---|
| **Economic activity** | **Environmental objective** ***(E) – Enabling*** ***(T) – Transitional*** | **Eligible** | **Aligned** | **Substantial contribution** | **DNSH** | **Minimum social safeguards** |
| CCM 4.1 – Electricity generation using solar photovoltaic technology | Climate mitigation | Yes | No | No | Assessment not complete | Assessment not complete |
| | Climate adaptation | | | Not applicable | | |
| | Water | | | Not applicable | | |
| | Circular economy | | | Not applicable | | |
| | Pollution prevention | | | Not applicable | | |
| | Biodiversity | | | Not applicable | | |
| CCM 6.6 – Freight transport services by road | Climate mitigation (T) | Yes | No | No | Assessment not complete | Assessment not complete |
| | Climate adaptation | | | Not applicable | | |
| | Water | | | Not applicable | | |
| | Circular economy | | | Not applicable | | |
| | Pollution prevention | | | Not applicable | | |
| | Biodiversity | | | Not applicable | | |
| CCM 7.7 – Acquisition and ownership of buildings | Climate mitigation | Yes | No | No | Assessment not complete | Assessment not complete |
| | Climate adaptation | | | Not applicable | | |
| | Water | | | Not applicable | | |
| | Circular economy | | | Not applicable | | |
| | Pollution prevention | | | Not applicable | | |
| | Biodiversity | | | Not applicable | | |
| CCM 7.2 – Renovation of existing buildings/ CE 3.2 - Renovation of existing buildings | Climate mitigation (T) | Yes | No | No | Assessment not complete | Assessment not complete |
| | Climate adaptation | | | Not applicable | | |
| | Water | | | Not applicable | | |
| | Circular economy | | | No | | |
| | Pollution prevention | | | Not applicable | | |
| | Biodiversity | | | Not applicable | | |

*The section. 1.2.2.2 (c) from annex I to art. 8 Delegated act (no double counting in case of contribution to several objectives)*

DIGI's eligible economic activities are not aligned to the EU Taxonomy as the technical screening criteria was not met for any of the economic activities performed.

To ensure alignment with the EU Taxonomy, it is necessary to obtain additional assessments and supporting documents. These are scheduled for completion and consideration as part of the alignment assessment in 2025 for the year 2024.

The approach outlined in FAQ no. 5 of the Commission notice released on February 2nd, 2022, regarding the economic activities classified as adapted-enabling and adapted, was used to reassess our eligible economic activities presented in 2022. As a result, the proportion of eligibility presented in the disclosure tables reflects the adjusted eligibility proportion of our economic activities performed in 2022.

**Key Performance Indicators ('KPI'): Turnover, CapEx and OpEx.**

For the 2023 reporting period, eligibility and alignment of the performed economic activities, must be disclosed for all the mentioned financial KPIs as per art. 10 (2) of Art. 8 Delegated Act.

The proportion of eligibility and alignment of the economic activities included for each of the financial KPIs is determined according to the provisions of the Disclosure Delegated Act no. 2021/2178, as follows:

**Turnover KPI**

Definition - The share of taxonomy-eligible/aligned economic activities in our total turnover was calculated as the share of net turnover derived from products and services associated with taxonomy-eligible economic activities (numerator) divided by net turnover (denominator), in EUR million, in each case for the financial year from 01.01.2023 to 31.12.2023.

The net turnover is disclosed within the *Consolidated Statement of profit or loss and other comprehensive income*, located on page 7 of the Consolidated Financial Statements for the financial year ended December 31, 2023, totaling EUR 1,704.6 million.

The turnover KPI numerator is defined as the net turnover derived from products and services associated with economic activities eligible for the taxonomy.

**CapEx KPI**

Definition - The CAPEX KPI is defined as taxonomy-eligible/aligned CAPEX (numerator) divided by total CAPEX for the financial year 2023.

Total Capital expenditure can be found in section *Liquidity and capital resources*, page 187, with the total value of EUR 920.0 million.

**OpEx KPI**

Definition - OpEx KPI is defined as taxonomy-eligible/aligned OpEx (numerator) divided by total OpEx.

The expense accounts related to external services (maintenance and repair expenses, and expenses for services performed by third parties) are detailed in Note 28, 'Revenues and Expenses,' under the section 'Sales, General and Administrative Expenses.' Additionally, staff expenses are outlined in Note 28 under 'Cost of Sales' and 'Sales, General and Administrative Expenses', located on page 7 of the *Consolidated Statement of profit or loss and other comprehensive income* for the fiscal year ended December 31, 2023, totaling EUR 909.6 million.

Total OPEX is composed of distribution expenses and administrative expenses (the nature of these expenses being that of expenses with salaries and compensations of employees, expenses with services provided by third parties, advertising and protocol expenses, social insurance expenses, etc.)

## Proportion of turnover from products or services associated with Taxonomy-aligned economic activities.

| Financial year 2023 | 2023 | | | Substantial contribution criteria | | | | | | DNSH criteria ("Do not cause significant harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities (1) | Codes (2) | Turnover (3) | Proportion of Turnover year 2023 (4) | Climate change Mitigation (5) | Climate change Adaptation (6) | Water (7) | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate change Mitigation (11) | Climate change Adaptation (12) | Water (13) | Pollution (14) | Circular economy (15) | Biodiversity (16) | Minimum safeguards (17) | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022 (18) | Category enabling activity (19) | Category transitional activity (20) |
| | | Million EUR | % | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| **A.1. Environmentally sustainable activities (Taxonomy-aligned)** | | | | | | | | | | | | | | | | | | | |
| Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | 0% | | |
| Of which Enabling | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | % | E | |
| Of which Transitional | | 0 | 0% | 0% | | | | | | N | N | N | N | N | N | N | % | | T |
| **A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)** | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | CCM 4.1 | 2.0 | 0.12% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0.39% | | |
| Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 2.0 | 0.12% | 0.12% | 0% | 0% | 0% | 0% | 0% | | | | | | | | 0.39% | | |
| A. Turnover of Taxonomy eligible activities (A.1+A.2) | | 2.0 | 0.12% | 0.12% | 0% | 0% | 0% | 0% | 0% | | | | | | | | 0.39% | | |

| | | |
|---|---|---|
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | |
| Turnover of Taxonomy on-eligible activities | 1,702.6 | 99.88% |
| Total (A + B) | 1,704.6 | 100% |

Reference to (b), (c) and (f) are available in:

*https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486*

## Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities.

| Financial year 2023 | | 2023 | | Substantial contribution criteria | | | | | | DNSH criteria ("Do not cause significant harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities (1) | Codes (2) | CapEx (3) | Proportion of CapEx year 2023 (4) | Climate change Mitigation (5) | Climate change Adaptation (6) | Water (7) | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate change Mitigation (11) | Climate change Adaptation (12) | Water (13) | Pollution (14) | Circular economy (15) | Biodiversity (16) | Minimum safeguards (17) | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022 (18) | Category enabling activity (19) | Category Transitional activity (20) |
| | | Million EUR | % | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b)(c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | 0% | | |
| Of which Enabling | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | % | E | |
| Of which Transitional | | 0 | 0% | 0% | | | | | | N | N | N | N | N | N | N | % | | T |
| A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g) | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | | | | | | | | | | |
| Electricity generation using solar photovoltaic technology | CCM 4.1 | 19.2 | 2.09% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 0% | | |
| Freight transport services by road | CCM 6.6 | 9.8 | 1. 07% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2.61% | | |
| Renovation of existing buildings | CCM 7.2/ **CE 3.2** | 1.1 | 0.12% | EL | N/EL | N/EL | N/EL | EL | N/EL | | | | | | | | 0.96% | | |
| Acquisition and ownership of buildings | CCM 7.7 | 18.1 | 1.97% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2.73% | | |
| CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 48.2 | 5.24% | 0% | 5.12% | 0% | 0% | 0.12% | 0% | | | | | | | | 6.3% | | |
| A. CapEx of Taxonomy eligible activities (A.1+A.2) | | 48.2 | 5.241% | 0% | 5.12% | 0% | 0% | 0.12% | 0% | | | | | | | | 6.3% | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy on-eligible activities | | 871.7 | 94.76% | | | | | | | | | | | | | | | | |
| Total (A + B) | | 920.0 | 100% | | | | | | | | | | | | | | | | |

Reference to (b), (c) and (f) are available in:

*https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486*

| | Proportion of CapEx/Total CapEx | |
|---|---|---|
| | Taxonomy - aligned per objective | Taxonomy - eligible per objective |
| CCM | 0% | 0% |
| CCA | 0% | 0% |
| WTR | 0% | 0% |
| CE | 0% | **0.12%** |
| PPC | 0% | 0% |
| BIO | 0% | 0% |

## Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities.

| Financial year 2023 | | 2023 | | Substantial contribution criteria | | | | | | DNSH criteria ("Do not cause significant harm") | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic activities (1) | Codes (2) | OpEx (3) | Proportion of OpEx year 2023 (4) | Climate change Mitigation (5) | Climate change Adaptation (6) | Water (7) | Pollution (8) | Circular Economy (9) | Biodiversity (10) | Climate change Mitigation (11) | Climate change Adaptation (12) | Water (13) | Pollution (14) | Circular economy (15) | Biodiversity (16) | Minimum safeguards (17) | Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022 (18) | Category enabling activity (19) | Category transitional activity (20) |
| | | Million EUR | % | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y; N; N/EL (b) (c) | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | Y/N | % | E | T |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | |
| OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | 0% | | |
| Of which Enabling | | 0 | 0% | 0% | 0% | 0% | 0% | 0% | 0% | N | N | N | N | N | N | N | % | E | |
| Of which Transitional | | 0 | 0% | 0% | | | | | | N | N | N | N | N | N | N | % | | T |
| A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g) | | | | | | | | | | | | | | | | | | | |
| | | | | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | EL; N/EL (f) | | | | | | | | | | |
| Freight transport services by road | CCM 6.6 | 11.7 | 1.29% | EL | N/EL | N/EL | N/EL | N/EL | N/EL | | | | | | | | 2.01% | | |
| Renovation of existing buildings | CCM 7.2/ CE 3.2 | 8.2 | 0.91% | EL | N/EL | N/EL | N/EL | EL | N/EL | | | | | | | | 0.19% | | |
| OpEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | 19.9 | 2.19% | 0% | 1.29% | 0% | 0% | 0.90% | 0% | | | | | | | | 2.20% | | |
| A. OpEx of Taxonomy eligible activities (A.1+A.2) | | 19.9 | 2.19% | 0% | 1.29% | 0% | 0% | 0.90% | 0% | | | | | | | | 2.20% | | |
| B. TAXONOMY-NON-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | |
| OpEx of Taxonomy on-eligible activities | | 889.6 | 97.81% | | | | | | | | | | | | | | | | |
| Total (A + B) | | 909.6 | 100% | | | | | | | | | | | | | | | | |

Reference to (b), (c) and (f) are available in:

*https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486*

| | **Proportion of OpEx/Total OpEx** | |
|---|---|---|
| | Taxonomy - aligned per objective | Taxonomy - eligible per objective |
| CCM | 0% | 0% |
| CCA | 0% | 0% |
| WTR | 0% | 0% |
| CE | 0% | **0.9%** |
| PPC | 0% | 0% |
| BIO | 0% | 0% |

DIGI Communications is not engaged in any activities related to nuclear or fossil gas.

| | | |
|---|---|---|
| | **Nuclear energy related activities** | |
| 1 | The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle | NO |
| 2 | The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies. | NO |
| 3 | The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades. | NO |
| | **Fossil gas related activities** | |
| 4 | The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels. | NO |
| 5 | The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels. | NO |
| 6 | The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels | NO |

Considering that DIGI doesn't perform any nuclear and fossil gas related activities, the additional tables provided in Annex III to the Delegated Act no. 1214/2022 were not applicable.

## GOVERNANCE ASPECTS

Digi Communications N.V. is a limited liability company (naamloze vennootschap) organized under the laws of the Netherlands, having its registered office in Amsterdam, the Netherlands, and its tax residence and main place of business in Bucharest, Romania.

The Company is organized under a one-tier board structure namely, a Board of Directors comprising of two Executive Directors and five Non-executive Directors, two of whom are independent Non-executive Directors.

The Board of Directors is collectively responsible for the Company's general affairs. The duties of the Board of Directors are divided among its members. The Executive Directors are responsible for the continuity of the Company and its business, focusing on long-term value creation thereby taking into account the interests of the Company's stakeholders and directing the day-to-day strategy of the Company. The Executive Directors are entrusted with managing the day-to-day affairs of the Company and are responsible for achieving the Company's objectives, strategy, and the accompanying risk profile, the performance trend, and results, and the corporate social responsibility issues relevant to the business of the Company and its subsidiaries. The Non-executive Directors are, inter alia, responsible for the supervision of the management of the Executive Directors and of the general affairs of the Company and the business connected with it and providing advice to the Executive Directors.

Directors are appointed by the General Meeting of Shareholders based on a binding nomination by the meeting of Class A shareholders. The General Meeting may, at all times deprive such a nomination of its binding character with a two-thirds majority of the votes representing at least half of the issued share capital, following which the Class A Meeting shall draw up a new binding nomination. When making a nomination, the Class A Meeting shall take into account that the Board of Directors shall be composed such that the requisite expertise, background, competencies, and – in the case of Non-executive Directors – independence are met, for them to be able to properly fulfill their duties. More information about expertise of the board members and management can be seen under section *Compliance with the Dutch Corporate Governance Code*

The President of the Board of Directors of Digi Communications N.V. is a non-executive member and holds no other executive position in the company. The company is organized under a unitary management system - the Board of Directors being the highest management body. The long-term objectives and strategy of the Company are the responsibility of the Executive Directors, in accordance with the provisions of the Articles of Incorporation and the provisions of the Dutch Corporate Governance Code.

| Name | Position | Type | Mandate (years) | Other significant positions and commitments held by each member, and the nature of the commitments | Age | Gender |
|---|---|---|---|---|---|---|
| **Zoltan Teszari** | **President** | **Non-executive Director** | **4** | Member of the Company's Remuneration Committee | 53 | **M** |
| **Marius Varzaru** | **Vice-President** | **Non-executive Director** | **4** | Member of the Audit Committee, General Manager of DIGI Spain Telecom SLU, General Manager of DIGI Spain Callcenter SLU, Sole Administrator of DIGI Spain SalesForce SLU, Member of the Board of Directors of DIGI Italy SL, Member of the Board of Directors of DIGI Portugal LDA | 45 | **M** |
| **Serghei Bulgac** | **CEO** | **Executive Director** | **4** | President and CEO executive member of the Board of Directors of RCS & RDS S.A., President of the Board of Directors of Digi Spain Telecom SLU, Digi Italy SL., Digi Communications Belgium NV, Member of the Board of Directors of Citymesh Mobile N.V. and Insky N.V. | 47 | **M** |
| **Valentin Popoviciu** | Board member | **Executive Director** | **4** | Vice-President and Executive member of the Board of Directors of RCS & RDS S.A., member of the Board of Directors of Digi Portugal LDA, Citymesh Mobile N.V., CEO and member of the Board of Directors of Insky N.V., Digi Communications Belgium NV, Director of Topo Network & Design S.R.L., Digisoft IT S.R.L., Foto Distributie S.R.L. | 49 | **M** |
| **Bogdan Ciobotaru** | Board member | **Independent Non-executive, Director** | **4** | President of the Company's Remuneration Committee, Member of the Company's Audit Committee, Non-executive director of RCS & RDS S.A. | 46 | M |
| **Emil Jugaru** | Board member | **Non-executive Director** | **4** | Head of Sales and Customer Relations Department of RCS & RDS S.A., Director of Digi Infrastructura S.R.L. | 50 | M |
| **Piotr Rymaszewski** | Board member | **Independent Non-executive, Director** | **4** | President of the Company's Audit Committee, Member of the Company's Remuneration Committee | 59 | M |

*We took into account the age of each member until 30th of April 2024, based on the exact birth day and month.*

100% of the Board of Directors members are men.

57.14% of the Board Members are between 30-50 years old.

42.86% of the Board Members are over 50 years old.

In addition to the Board of Directors listed above, each company within the Group has its own management structures. A detailed description of the Group's relevant corporate governance information, Board of Directors and Senior Management structure, diversity indicators and competences of their members, as well as Board of Directors committees and their composition, can be found under the section *Management Structure. Corporate governance* of the Company's 2023 Annual Report.

**Committee Structure**

| Committee name | Total number of members | Names of members | Number of executive members | Number of independent members | Number of non-executive members |
|---|---|---|---|---|---|
| **Audit Committee** | **3** | **Piotr Rymaszewski, Marius Varzaru, Bogdan Ciobotaru** | **N/A** | **2** | **3** |
| **Remuneration Committee** | **3** | **Bogdan Ciobotaru, Piotr Rymaszewski, Zoltan Teszari** | **N/A** | **2** | **3** |

The Group doesn't have formal committees responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people. Nevertheless, by the end of 2024, our goal is to establish an ESG committee who will be overseen by the Board. The ESG committee will assume responsibility for developing the Group's sustainability strategy, policies, and goals. Subsequently, upon finalization of the Group's strategic framework and objectives, we will integrate key performance indicators (KPIs) aligned with the sustainability strategy into the Board's performance assessment process. Moreover, our priority will be to develop the reporting process procedure, that will also include the description of the double materiality process and KPIs definitions for each material topic.

The Group has not formally defined its strategies, policies, and goals related to sustainable development. At the time of publication of this non-financial statement, for the third consecutive year, we are in the process of developing policies, procedures, and processes and adopting relevant measures that will help us design our sustainable development strategy and objectives. Currently, the responsibilities for managing the Group's impacts on the economy, environment, and people are delegated to the Managers within the relevant departments of DIGI Group that are each overseeing the topics under their area of expertise.

The Board of Directors is responsible for reviewing and approving the information reported in the non-financial statement, including the Group's material topics. The Board of Directors' performance evaluation process does not include KPIs related to the sustainability strategy.

Details about the remuneration process of the Board of Directors are presented in section *Compliance with the Dutch Corporate Governance Code*

For more details see *Management Structure*.

**Business ethics and responsibility**

Our industry relies heavily on trust and reputation. At the same time, it is heavily regulated and entails compliance with various laws and regulations. While failure to comply can result in legal consequences, it can also severely damage the reputation of the Company. Therefore, ethical business practices are essential for building and maintaining trust, which helps us maintain a positive reputation and attract new customers.

The DIGI Group's commitments to responsible business conduct are contained in the Code of Conduct, the Internal Rules and Regulations, as well as in the subsequent policies and procedures developed under the Code of Conduct: The Anti-Bribery, Anti-Corruption and Business Ethics Policy, the Conflict-of-Interest Policy, the Anti-Money Laundering Policy. All these documents have been approved by the Board of Directors of the Company, representing the highest level of approval. There is currently no Human Rights Policy or other stand-alone document, but human rights principles can be found in approved internal documents (Code of Conduct, Internal Regulations, and other subsequent internal documents). The Code of Conduct and Policies, which are public documents, can be accessed at: *https://www.digi-communications.ro/en/corporate/corporate-governance* and the Procedures and Internal Rules, which are internal documents, are published on the company's intranet page.

We are committed to exercising high ethical standards and conducting our business with fairness, honesty, and integrity. This includes complying with all applicable laws and regulations and taking a zero-tolerance approach to bribery, corruption, money laundering, and terrorist financing in any form. Every employee, officer, director, and contractor of the Group is required to adhere to a set of principles and rules when carrying on the commercial activities of or with the Group. These rules and principles are codified in the Group's Anti-Corruption and Business Ethics Procedure.

We expect any person or company that conducts business with or on behalf of the Group to adopt the Anti-Corruption and Business Ethics Policy or implement alternative rules and principles considered by the Group to be at least equivalent to those in the policy.

The DIGI Group's rules of responsible conduct are communicated to business partners both through the publication of the Code of Conduct and compliance policies on the Group's website, and at the start of the business relationship, by sending the partner the "DIGI Group's Anti-Corruption and Business Ethics Commitment" and the "Anti-Corruption and Business Ethics Clauses". This latter document, which must be signed and returned by the partner, is how DIGI Group ensures that the partner assumes compliance with applicable anti-corruption legislation and the implementation of business ethics and integrity principles at least equivalent to those assumed and implemented by DIGI Group. In the last quarter of 2023, the Company's Romanian subsidiary started a monitoring process consisting in the reassessment of the suppliers with whom currently maintains business relations from the perspective of compliance risks. Under such process, the "Anti-Corruption Clauses" were resubmitted, in 2023 to the suppliers to be signed for the renewal of the anti-corruption commitments.

In terms of communicating the rules of responsible business conduct to employees, they are informed of the codes of conduct/policies/procedures internally through the publication of these documents on the intranet and can be accessed at any time by our employees. Upon hiring, employees are informed of and sign the Code of Conduct, and communication of the relevant internal documents is made through the IT information platform.

Communication updates regarding our code of conduct/policies/procedures occur upon their periodic review. The compliance department conducts targeted awareness campaigns on specific topics to ensure that our employees are informed about the main provisions outlined in these documents.

More information on the policies and principles that govern our ethical business behavior can be found under section *Other corporate governance practices* of this report.

**In 2023, on the reporting channels implemented at the Group level, there were no complaints or cases of:**

confirmed incidents of corruption.

confirmed incidents of corruption in which employees were dismissed or disciplined for corruption.

confirmed incidents where contracts with business partners were terminated or not renewed due to violations related to corruption.

public legal cases regarding corruption brought against us or our employees.

However, an alleged attempt to influence a business decision was reported, which led to the termination of the business relationship with the partner involved.

According to the compliance risk assessment carried out during 2023 for the year 2022 within RCS & RDS S.A. (the Romanian subsidiary of the Company), 19 departments were assessed against 10 compliance risks, including corruption risks: active and passive corruption. Following the assessment, the area with the highest corruption risk was the Procurement Department. Following the assessment of controls implemented to mitigate corruption risk, a decrease from high to medium level was found for active corruption and from medium to low level for passive corruption.

In 2023, the Group made no political contribution. References to political contributions can be found in the Anti-Bribery, Anti-Corruption, and Business Ethics Policy and the subsequent Procedure and Policy on Donations and Sponsorships that are applicable to all subsidiaries of the Company. Additionally, the main subsidiaries of the Company have also such references within their own policies. Thus, according to the Anti-Bribery, Anti-Corruption and Business Ethics Policy, "DIGI Group does not contribute to, or financially support, political parties, political organizations or independent candidates and does not promise to cover election expenses." and according to the Donations and Sponsorships Policy adopted during 2023, "Donations and sponsorships to political parties, political organizations and candidates in the election process, public officials or persons elected/appointed to public office, public institutions and authorities are strictly prohibited."

**At the same time, the Group did not register any legal actions (pending or completed) during 2023, regarding anti-competitive behavior or any violations of anti-trust and monopoly legislation.**

**Conflict of interests**

The Company currently has two policies approved in this field:

1. Policy on Conflicts of Interest of Board of Directors approved in 2017 (more info available on page 59 of the *Company's 2022 Annual Report*), https://www.digi-communications.ro/en/see-file/2022-Annual-Report.pdf, and

2. Personnel Conflict of Interest Policy (more information can be found *here*).

To support the implementation of the Personnel Conflicts of Interest Policy, the Company has created internal software applications where employees can register the situations that can qualify as conflicts of interest and has implemented conflict of interest disclosure procedure during the recruitment process. At the same time, as a form of prevention, the Company implements an annual conflict of interest campaign, to create awareness on this topic. The campaign starts with an e-mail, that can be followed by reminders, through which all employees in corruption high-risk departments or positions are invited to access the dedicated applications and register their answers. The objective of this campaign is the continuous monitoring of conflicts of interest, a measure aimed at identifying changes in cases that were previously declared, as well as omissions to declare real/potential conflicts of interest, and meets the Company's desire to strengthen, by reducing the risks of corruption, the image of an ethical organization in front of employees, customers, and business partners.

The conflicts of interest that involve members of the Board of Directors are managed by the non-executive members of the Board of Directors. Concerning the disclosure to stakeholders of potential conflict of interest situations involving members of the Board of Directors, these are disclosed in accordance with the relevant legal provisions and in compliance with internal regulations on affiliated party transactions (Policy and Procedure on Affiliated Party Transactions).

**In 2023:**

5 reports that concerned conflicts of interest were reported through the reporting channels managed by the Compliance Department; 4 reports out of these 5 reports were confirmed, with no significant impact. In some cases, disciplinary investigations were initiated, in others risk mitigation measures were taken.

there were no violations of the Company's Code of Conduct reported through the reporting channels managed by the Compliance Department.

**Training on anti-corruption matters**

In 2023, the Group's employees have been informed by e-mail, followed by a reminder, on the policies and procedures related to anti-corruption on the date of their adoption, which was in 2020. To this effect, the policies adopted by the Company to regulate the mandatory principles and conduct in the area of anti-corruption have been published externally on the Company's website (digi-communications.ro). The anti-corruption procedures were posted on the intranet page to be accessed by the Romanian subsidiary's employees. For the employees located in other countries, the anti-corruption procedures have been communicated by e-mail to the subsidiary's management together with the request to make them known to their subordinates. The internal communication of compliance documents is managed by the local compliance officer/ responsible. Additionally, to raise awareness of corruption and its effects, a dedicated online training on "Anti-Corruption Rules within the DIGI Group" is available for employees of the Romanian subsidiaries in corruption high-risk departments/ positions on the intranet page. The online presentation lasts 16 min, and it is followed by a 5-question quiz. On December 31, 2023, the completion rate for this training was 62% in corruption high-risk departments/ positions.

At the same time, our employees who have management roles are responsible for encouraging their teams to complete the required training related to our anti-corruption and business ethics procedures.

**100% of management members have been informed about anti-corruption policies and procedures.**

| **Training and information on anti-corruption policies and procedures** | **2022** | **2023** |
|---|---|---|
| | **Spain** | |
| **Employee Category** | **People informed about anti-corruption policies and procedures** | **People informed about anti-corruption policies and procedures** |
| Management | 100% | 100% |
| Purchasing and Logistics | 9% | 100% |
| Legal | 30% | 100% |

| Training and information on anti-corruption policies and procedures | 2022 | | 2023 | |
|---|---|---|---|---|
| | Italy | | | |
| Employee Category | People informed about anti-corruption policies and procedures | People trained on anti-corruption policies and procedures (online) | People informed about anti-corruption policies and procedures | People trained on anti-corruption policies and procedures (online) |
| Administrative/ Logistics | 100% | 100% | 100% | 100% |
| Construction/ Operational | 100% | 100% | 100% | 100% |
| Technical | 100% | 100% | 100% | 100% |
| Sales | 100% | 100% | 100% | 100% |

*At the moment, the data regarding anti-corruption training for Romanian subsidiaries' employees could not be extracted. We are working on updating our internal systems so that for the next reporting cycle we can extract the information. For employees in Portugal, training will be implemented in 2024.*

**Reporting channels**

Based on the Group's existing policies, the reporting channels are implemented internally within each main subsidiary of the Group and are managed by the Compliance Officer/responsible of such subsidiary. Additionally, a reporting platform was implemented at the Group level.

The reporting channels for each Group subsidiary can be found at:

For Romania: https://www.digi.ro/raportare-nereguli

For Spain: https://www.digimobil.es/canaletico

For Italy: https://www.digimobil.it/it/whistleblowing/

For Portugal: *whistleblowing@digi.pt – published internally, only for employees.*

In 2023 no reports regarding critical concerns were submitted by suppliers, clients, or any other stakeholders. Regarding the compliance related case reported during 2022 the allegations have not been confirmed by the investigation and process improvement measures were decided.

Potential complaints received from stakeholders are dealt with and resolved promptly in accordance with current regulations, i.e. in accordance with the Whistleblowing Policy, as revised on June 21, 2023, for complaints falling into this category. Any retaliation against the employees or business partners who speak up about and report genuine concerns is not tolerated.

| Stakeholders' category | Total no. of complaints | | Total no. of complaints confirmed | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Employees | 0 | 2 | 0 | 0 |
| Suppliers | 0 | 0 | 0 | 0 |
| Clients | 0 | 0 | 0 | 0 |
| Business partners | 0 | 0 | 0 | 0 |

For advice on the implementation of Digi Group policies and practices, employees have access to the following e-mail addresses:

conformitate@rcs-rds.ro and

grup.conformitate@digi-communications.ro

Critical concerns regarding our potential and actual negative impacts raised by our stakeholders through grievance mechanisms are presented to the CEO or Board of Directors as soon as they are received. During the reporting period, no critical concerns were reported through the Company's reporting channel, except for the above-mentioned reports received from the Group's employees.

The reporting channels were implemented in compliance with the EU Directive 2019/1937 on the protection of whistleblowers and the transposing of this directive within the countries where the Group has operations.

**Communicating critical aspects**

In accordance with internal procedures, the CEO/Board of Directors is informed as soon as a report that concerns critical matters is received to decide on subsequent measures. In 2023, no reports on critical matters were received through the reporting channels set up internally for employees in all the Company’s main subsidiaries and externally through the reporting platform set up on the websites of the Company and its subsidiaries in Romania and Spain and for the subsidiary in Italy on its own website.

**Materiality assessment**

As a socially responsible Group of companies, we acknowledge our role in society and the accountability we hold towards our customers, partners, and other stakeholders. To identify and assess the economic, social, and environmental impact resulting from our operations and business relationships, we annually measure a series of non-financial metrics tailored to our industry.

In 2022 we took the next step and embarked on preparing our non-financial statement based on the GRI Standards 2021 methodology. During a dedicated workshop, subject matter consultants and representatives from the Group's main departments revised and established the stakeholder categories that would be consulted in the process of identifying the material topics.

For this reporting process, we used the results of the materiality analysis conducted between January and February 2023. The materiality analysis carried out for the FY 2022 also applies to the 2023 FY and was not updated to include the latest sustainability trends/ evolution, as we are using 2023-2024 to prepare for the upcoming requirements of the Corporate Sustainability Reporting Directive (CSRD). The main categories of stakeholders consulted were:

DIGI Group employees

Residential clients

Corporate clients

Shareholders & investors

Authorities

Goods and services providers

Network and equipment providers

Content and distribution providers

Mass-media

Financial partners

Non-governmental organizations

Local community

To establish the metrics, the first step was to identify the material topics, i.e., those topics that accurately represent the Group’s most significant economic, environmental, and social impact, both positive and negative. The list of potential material topics was generated after we performed an analysis of all our operations and examined our business relationships. Additionally, we referred to the latest sustainability trend reports, evaluated the prevailing national and European legislative framework (CSRD, EU Taxonomy), and incorporated insights from the telecommunication industry and other sustainability reporting standards (e.g., SASB, draft ESRS). The list was completed during the same dedicated workshop, conducted on our premises, in January 2023. Group’s employees from different departments attended the workshop, to ensure that we encompass the impact generated by all our activities and business lines.

Based on this list, we developed four online questionnaires: one for the stakeholder categories of the Group’s Romanian subsidiaries (external analysis), one for the DIGI Italy SL stakeholder categories, and the other two for the management members, specialists, and experts from the Romanian subsidiaries and DIGI Italy SL (internal analysis). The external questionnaires were similar in content. DIGI Spain Telecom S.L.U. was not included in the process.

To evaluate the impact of each topic accurately, the questionnaires were structured into two distinct sections, taking into consideration the positive and negative dimensions of the impacts. As on some topics, our activity can generate a positive impact (e.g., community investment), while others may only result in a negative impact (e.g., resource consumption and climate change), these sections were tailored accordingly. Additionally, the questionnaires included segments where respondents could offer qualitative (open-ended) feedback to highlight other areas/fields where the Group could potentially have an impact, either positive or negative. Furthermore, respondents were asked to provide suggestions on how we can improve our sustainability and reporting process.

Each potential material topic was evaluated on a scale of 0 to 3 (no impact, low impact, moderate impact, and high impact) to determine the extent of positive and negative impact. Moreover, each topic was accompanied by an explanation of the possible forms of impact. Additionally, respondents were provided with an N/A option - for cases where they did not know or preferred not to answer a question.

We conducted this process between January and February 2023 and a total of 4,197 responses were recorded, which were centralized and analyzed to identify both the positive and negative impact of our operations as perceived by external and internal stakeholders.

For the category of external stakeholders - suppliers, authorities, press, investors, the business partners with whom we collaborated in the last year were selected, and the questionnaires were sent to them by email. The questionnaires were sent to approx. 150 stakeholders.

For the category of external stakeholders - employees, we selected email addresses from the departments that have computer access, and the questionnaire was sent to them. The questionnaires were sent to approx. 950 employees.

For the category of internal stakeholders - employees, we selected email addresses from top management and the technical departments, people who know the activity of the group and understand the impact on the environment. The questionnaires were sent to approx. 240 employees.

The link to the external questionnaire was also published as a pop-up on our website to give the opportunity to answer to as many people as possible.

The analysis yielded two scores for each assessed topic, representing the extent of positive and negative impact, as assessed by internal experts and specialists, as well as by our stakeholders, depicted in the materiality matrix below.

As the process of identifying and assessing impacts by engaging with stakeholders relies in the first stage on a rather subjective evaluation, internally, the materiality threshold has been set where the Group's impact is at least low (scored 1 on the scale provided for assessment in the questionnaires). Thus, the material topics for DIGI Group were those for which either the average of stakeholder assessment or the average of internal assessment revealed a low impact, to allow us to better assess the impact by monitoring and measuring our activities through the lens of that specific topic.

*Impact means the effect that an organization has or could have on the economy, the environment, or people, including human rights, as a result of its activities or business relationships. Impacts can be negative or positive, actual, or potential, short, or long term, intended or unintended, reversible, or irreversible.*

**Materiality matrix**

| Material topic | Overview of impacts on the economy, environment, and people, including human rights | Actual/Potential | Positive/Negative |
|---|---|---|---|
| **Materials and waste** | The Group's activities involve the consumption of significant amounts of resources, including raw materials and energy, while also generating waste. This can have a negative impact on the environment, particularly if waste is not properly managed or disposed of. Currently, we have several campaigns involving e-waste recovery, but additional measures will be implemented once we establish the Group's sustainability strategy. | Actual and Potential | Negative |
| **Energy consumption** | Our operations consume significant amounts of energy, including in data centers, network equipment, and office buildings, which, if sourced from non-renewable resources, can have a significant impact on the environment and public health. We are taking measures to reduce energy consumption and switch to more sustainable energy sources. | Actual and Potential | Negative |
| **Climate change** | Greenhouse gas emissions are the leading cause of climate change. Through our operations, as well as through our business relationship, a vast amount of GHG emissions is generated which can have a negative impact on the environment and public health. The first step in our approach was to calculate our carbon footprint and then take steps and measures to mitigate these impacts. | Actual and Potential | Negative |
| **Biodiversity** | The construction of new telecommunication infrastructure can lead to habitat loss and fragmentation, which can impact biodiversity. To reduce the impact, we incorporate biodiversity considerations into our infrastructure planning and operations. | Actual and Potential | Negative |
| **Content policy** | Our company is dedicated to upholding sustainability and ethical business practices through our editorial policy. Our goal is to deliver truthful, objective, and unbiased information to our audience, enabling them to make informed decisions and gain a comprehensive understanding of the world. Although the impact we have measured has been shown to be predominantly positive, deviating from the above principles could potentially result in negative consequences. When we make the statement of "positive impact" in this case, we rely on the fact that from the CNA - an autonomous public authority charged with protecting the public interest in the field of audiovisual program services, in 2023 we received 14 warnings. | Actual and Potential | Positive and Negative |
| **Fair working environment** | Ensuring a fair working environment is crucial for the success of our Group. Thus, we are implementing policies and practices that prioritize employee well-being, providing opportunities for career growth, and ensuring a safe, equitable, and respectful workplace. Potential negative impact can result from a low retention rate, and being unable to attract, develop and reward talented employees. | Actual and Potential | Positive and Negative |
| **Supply chain management** | By working with a vast majority of local suppliers, we support local economies. Potential negative impacts regarding this topic may result from the practices that our suppliers are implementing. As we move forward, our commitment is to map and monitor these impacts, while also taking measures to address them. | Actual and Potential | Positive and Negative |
| **Data and network security** | We are prioritizing strong security measures and regular security assessments to ensure the safety and security of our customers' data and our networks. Potential negative impacts can result from cyber-attacks that are not foreseen. | Actual and Potential | Positive and Negative |
| **Occupational health and safety** | Implementing strong OH&S practices has a positive impact on workplace safety and health for our employees and reduces the risk of workplace accidents and injuries. The potential negative impact can arise from work accidents or work-related illness if health and safety measures are not closely followed by our employees. | Actual and Potential | Positive and Negative |

| | | | |
|---|---|---|---|
| **Personal data privacy** | Personal data privacy is not only a legal and regulatory requirement but also a social responsibility. We have a responsibility to protect our customer's personal information and to respect their privacy rights, which we uphold through ethical business practices. | Actual | Positive |
| **Stakeholder engagement** | By engaging with our stakeholders, we build strong relationships, identify, and manage risks more effectively, and can also drive innovation, given new perspectives and ideas. However, if we fail to effectively respond to stakeholders' increasing expectations on environmental, social, and governance (ESG) topics, it could lead to negative impacts on our stakeholders. | Actual and Potential | Positive and Negative |
| **Technological innovation** | By investing in new technological services and products, we have the potential to significantly decrease energy consumption and subsequently reduce greenhouse gas emissions. In addition to the environmental benefits, this investment can have a positive impact on the economy by generating new job opportunities. Furthermore, it can enhance the quality of life for individuals and communities where we operate. | Actual | Positive |
| **Impact on the local economy** | As a Group with more than 22,000 employees, we contribute to the development of our local communities by paying taxes that support local budgets. We have a decentralized presence in many localities, and we pay local taxes and payroll taxes in these localities, for example, we are present in 80 settlements, with a minimum of 5 employees, creating more jobs to encourage more people to stay in the area. This not only allows people to work closer to home, but also improves the quality of life for the community by increasing city revenue, creating a more self-sustainable community, and connecting the community. | Actual | Positive |
| **Quality of services** | Our services allow people to connect with others, regardless of their location, which can enhance social connections, encourage collaboration, facilitate knowledge sharing, and promote cultural exchange. We place a high priority on the quality of our services, which is why we significantly invest in the quality of our infrastructure every year. | Actual | Positive |
| **Business ethics and responsibility** | As one of the largest telecommunications companies in Romania, we understand the responsibility that comes with our position. We prioritize ethical business practices by adhering to high standards of conduct and complying with all applicable laws and regulations. By doing so, we aim to generate a positive impact and added value for the communities in which we operate. | Actual | Positive |
| **Digital inclusion and access to services** | Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony, and DTH.<br>Our fixed network in Romania passed a total of approximately 9.1 million homes as of December 31, 2023, which covered 95.1% of all dwellings, at some of the lowest prices on the market, verifiable with competitor websites. | Actual | Positive |
| **Internet governance and digital freedom** | We are committed to maintaining an open, accessible, and secure Internet platform that promotes innovation and expression. While we prioritize digital freedom, we also comply with regulations enforced by the competent authorities to ensure that our practices align with legal and ethical standards. | Actual and Potential | Positive |
| **Circular economy** | We recognize the importance of using products with high durability and repairability in mind to extend their lifespan and reduce waste. While our current circularity measures mainly focus on recovering and reusing customer equipment, we are committed to implementing additional measures once we establish our sustainability strategy at the Group level. | Actual and Potential | Positive |
| **Engaging with local communities** | Our donations and sponsorships have the potential to contribute to the economic and social development of the communities we serve, generating a positive impact for their beneficiaries. | Actual | Positive |

*The water topic did not result as material from our internal and external assessments, as we only use water for administrative purposes. However, in the environment chapter, information on water used is presented.*

**Stakeholder engagement**

Stakeholder engagement is vital for us as it enables us to build strong relationships with them, understand their needs and expectations, and develop strategies that create value for all stakeholders. Through our communication channels, we can gather feedback and insights from stakeholders that can inform decision-making, identify emerging trends, issues, and areas for improvement, and develop products and services that better meet their needs. Most importantly, we can help build trust and credibility with them, which leads to increased customer loyalty and improved reputation.

| Stakeholder category | How we engage | Frequency | Communication channels | Top material topic |
|---|---|---|---|---|
| **DIGI Group employees** | Regular information<br>Internal communication campaigns<br>Internal communication platform<br>Stakeholder consultation as part of the sustainability reporting process | Weekly - (internal communication), quarterly (internal competitions and sporting events), annually (events) | Intranet - DIGIONEVOICE<br>E-mail<br>Competitions and internal events<br>Display boards<br>Newsletters<br>Social media | Impact on the local economy<br>Quality of services<br>Internet governance and digital freedom |
| **Residential clients** | Newsletters<br>Call-center<br>Stakeholder consultation as part of the sustainability reporting process | Ongoing | Digi.ro<br>Online application<br>Social media<br>Newsletters<br>Flyers<br>E-mail<br>Events<br>Meetings<br>Phone calls | Technological innovation<br>Quality of services<br>Inclusion and access to telecommunications services |
| **Corporate clients** | Newsletters<br>Call-center<br>Stakeholder consultation as part of the sustainability reporting process | Ongoing | Digi.ro<br>Online application<br>Social media<br>Newsletters<br>Flyers<br>E-mail<br>Events<br>Meetings<br>Phone calls | Quality of services<br>Technological innovation<br>Inclusion and access to telecommunications services |
| **Shareholders & investors** | Direct communication<br>Stakeholder consultation as part of the sustainability reporting process | Ongoing | E-mails<br>Phone calls<br>Conferences and events<br>Presentations for investors<br>Financial reports | Business ethics and responsibility<br>Quality of services<br>Personal data privacy |

| Stakeholder category | How we engage | Frequency | Communication channels | Top material topic |
|---|---|---|---|---|
| **Authorities** | Strategic partnerships<br>Consultations<br>Public debates<br>Stakeholder consultation as part of the sustainability reporting process | Periodical | Financial reports<br>E-mails<br>Meetings<br>Phone calls | Quality of services<br>Data and network security<br>Personal data privacy |
| **Goods and services providers** | Assessment questionnaires<br>Stakeholder consultation as part of the sustainability reporting process | When necessary (commercial aspects)<br>Annual | E-mails<br>Meetings<br>Phone calls | Quality of services<br>Data and network security<br>Inclusion and access to telecommunications services |
| **Network and equipment providers** | Assessment questionnaires<br>Stakeholder consultation as part of the sustainability reporting process | When necessary (commercial aspects)<br>Annual | E-mails<br>Meetings<br>Phone calls | Quality of services<br>Involvement in local communities<br>Data and network security |
| **Content and distribution providers** | Assessment questionnaires<br>Stakeholder consultation as part of the sustainability reporting process | When necessary (commercial aspects)<br>Annual | E-mails<br>Meetings<br>Phone calls | Editorial policy<br>Supply chain management<br>Internet governance and digital freedom |
| **Mass-media** | Marketing activities<br>Press releases<br>Stakeholder consultation as part of the sustainability reporting process | Weekly | Interviews<br>Meetings<br>Events<br>E-mails<br>Phone calls | Editorial policy<br>Materials and waste<br>Biodiversity |
| **Financial partners** | Stakeholder consultation as part of the sustainability reporting process | When necessary | Financial reports<br>E-mails<br>Meetings<br>Phone calls | Data and network security<br>Supply chain management<br>Quality of services |
| **Non-governmental organizations** | Thematic partnerships<br>Social projects<br>Stakeholder consultation as part of the sustainability reporting process | Periodical | Events<br>E-mails<br>Meetings<br>Phone calls | Quality of services<br>Circular economy<br>Involvement in local communities |
| **Local community** | Stakeholder consultation as part of the sustainability reporting process | Annual | Events | Engaging with local communities<br>Content policy<br>Occupational health and safety |

## PRODUCTS AND SERVICES

**Our portfolio**

An overview of the services we provide for our clients can be found under section ***BUSINESS Overview*** of this report.

**Quality of services**

The quality of our services is a critical aspect for us, as it directly affects customer satisfaction. It is also a key matter for retaining customers, as a high quality of services means a high chance of them to renew contracts and stay with us for a long time. The topic also has a direct impact on our reputation, market share, and revenue. However, despite our best efforts to keep the quality of our services at a high level, we still have various areas that can be improved.

| **Total number of complaints from customers related to the quality of Romanian subsidiaries' services, recorded via call center and emails** | **2022** | **2023** |
|---|---|---|
| | **336.987** | **463.607** |
| *Out of which, complaints that were closed with a positive resolution for the client after an internal analysis* | 10% | 1% |
| *Out of which, complaints regarding network interruptions* | 6% | 2% |

More information about the quality of our networks and an overview of the coverage of the services we offer in Romania can be found under section ***BUSINESS Overview*** of the Company's Annual Report.

In 2023, our subsidiaries in Spain and Italy do not have systems in place for collecting complains related to the quality of our services. Additionally, our subsidiary in Portugal doesn't serve any customers, yet.

**Data and network security**

Data and network security are crucial aspects in our industry as we must ensure the confidentiality, integrity, and availability of data and communications networks. This involves implementing a range of security measures, including firewalls, encryption, access controls, and monitoring systems, to detect and prevent unauthorized access, data theft, and other security threats. Secure data and network practices are essential to ensure the confidentiality and privacy of customer data.

Digi Communications Group is constantly improving its technical capacities, internal regulations, and personnel skills to prevent cybersecurity violations. The importance of cybersecurity topics is critical, and the management of the company is aware of the importance of this domain in our core activities, but also of the role played on the market, as the leading provider of fixed internet services.

Since 2011, the company has been complying with the ISO/IEC 27001/2013, the international standard that sets out the specifications for an information security management system (ISMS). This way the Group systematically identifies and manages Cybersecurity Risks also by using international frameworks and best practices guides and recommendations in the matter.

As the number of phishing or other social engineering approaches and malware attacks has increased and also, being expected to maintain this course, exploiting different kinds of important subjects like the pandemic situation from a few years ago, recent armed conflict in Eastern Europe part, economic and financial inflation or any other relevant scenarios, Digi InfoSec Department developed simulations and prevention materials dedicated to internal users to improve awareness of this type of threats amongst the employees and improve their response/ reaction. Also, dedicated educational materials, e-learning supports, and guides have been conceived and distributed to the personnel, as well as continuous communication through a dedicated internal cyber-security blog.

The main useful information for the clients regarding security is available on our website, such as rules regarding the use of Digi network, IoT risks, and menaces, types of cyber-attacks, filtered/ blocked or restricted ports, vulnerability device checking tool, and FAQ.

InfoSec Department has been running communication campaigns targeting all kinds of users – residential, corporate, and Digi employees, being communicated through the website DIGI.ro, internal portal DigiOneVoice, newsletters, direct mailing, and press releases. For instance, the users can check their own connected devices' level of security on the DIGI.ro website and all public information about misleading/ fraud campaigns or cyber security menaces are disclosed in the media section on DIGI.ro.

Digi remains one of the largest ISP in the country and a reliable partner, proving every time increased dedication, involvement, and responsibility, values that helped to prevent the occurrence of major security incidents, and data loss by maintaining a high level of security of own services and networks.

In this respect, the Digi InfoSec Department has conducted and will continue to act with different types of actions, like:

deliver technical solutions and propose optimization projects to the internal team in charge of network and device protection against cyber-attacks.

assist research and development teams involved in the creation of future services and products.

cooperate with authorities to set up a cybersecurity framework and ensure safe services for clients and employees.

invest and adopt the latest cyber security technologies and solutions.

maintain cyber security hygiene and awareness programs for employees and clients as well.

| | | | **2023** |
|---|---|---|---|
| **Personal data confidentiality** | **Total number of leaks** | **Total number of thefts** | **Total number of losses of customer data** |
| **Romania** | 0 | 0 | 0 |
| **Italy** | 0 | 0 | 0 |
| **Spain** | 0 | 0 | 0 |
| **Portugal** | 0 | 0 | 0 |

**Customer privacy**

As we handle vast amounts of personal information, it is our responsibility to ensure the protection of sensitive information from unauthorized access or misuse. Safeguarding our customers' privacy is a key aspect of maintaining their trust and our positive reputation.

We adopt strong policies and practices regarding customer privacy and communicate them publicly on our websites, as per the European and local regulations in force. You can read more about the Group's Privacy Policy *here*.

**In 2023, at the Group level, there were no substantiated complaints of breaches of customer data security and privacy legislation.**

**Internet governance and digital freedom**

Internet governance refers to the rules, policies, standards, and practices that govern how the Internet is managed and operates, while digital freedom, on the other hand, refers to the ability of individuals to access, use, create, and share digital content freely, without censorship or undue interference from governments or other organizations.

As a Group that operates in the internet and telecommunication sector, we recognize that the success of our business depends on a stable, secure, and accessible internet and a governance framework that balances the need for security, privacy, and accessibility with the interests of businesses and people.

As access to the internet provides people with a means of communication and thus means of expression, we look at digital freedom as a core value for any society, recognizing that the ability of individuals to express themselves, share information, and access content is essential for a thriving internet ecosystem.

We are committed to ensuring that the internet remains an open, accessible, and secure platform for innovation and expression, while complying with the regulations enforced by the competent authorities at the same time.

## SOCIAL

**Fair working environment**

Through our human resources programs and policies, we aim to create a fair working environment where all our employees are treated with respect, dignity, and fairness. This creates a positive work culture that fosters employee motivation, job satisfaction, and productivity. We also encourage open communication between employees and management so that they can express their concerns, ideas, and suggestions without fear of retaliation.

Our employees are a vital asset and are essential to delivering high-quality services, driving innovation, maintaining customer satisfaction, and ensuring operational efficiency. At the Group level, the human resources department oversees the management of employee relations.

The Human Resources department operates an internal information system, in which all data required and/or arising from the management of human resources activities are stored and maintained.

**As of December 31, 2023, our team consisted of 22,149 employees, out of which:**

**Romania - 13,872 employees, of which 30.07% women and 69.93% men, and the average age was 39 years**

**Spain – 7,700 employees, of which 27.53% women and 72,47% men, and an average age of 38.81 years**

**Italy - 172 employees, of which 28.49% female, 71.51% male, and an average age of 38 years**

**Portugal - 405 employees, of which 13.09% female, 86.91% male, and an average age of 34.60 years**

The data regarding employment is reported in headcount and refers to employees at the end of the reporting period unless otherwise specified under each table.

**Type of employees by working hours, of the relevant Group subsidiaries**

| 2023 | Romania | | Spain | | Italy | | Portugal | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Full time | 9,507 | 4,003 | 5,309 | 1,610 | 115 | 36 | 352 | 53 | **15,283** | **5,702** |
| Part time | 193 | 169 | 271 | 510 | 8 | 13 | 0 | 0 | **472** | **692** |
| **Total** | **9,700** | **4,172** | **5,580** | **2,120** | **123** | **49** | **352** | **53** | **15,755** | **6,394** |

**Type of employees by employment contract, of the relevant Group subsidiaries**

| 2023 | Romania | | Spain | | Italy | | Portugal | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Permanent | 9,005 | 3,736 | 5,157 | 1,964 | 57 | 35 | 81 | 31 | **14,300** | **5,766** |
| Temporary | 695 | 436 | 423 | 156 | 66 | 14 | 271 | 22 | **1,455** | **628** |
| **Total** | **9,700** | **4,172** | **5,580** | **2,120** | **123** | **49** | **352** | **53** | **15,755** | **6,394** |

Currently, we do not have any information regarding employees of Group business partners.

**New employees and turnover rate*, of the relevant Group subsidiaries**

| 2023 | Romania | | | | Spain | | | | Italy | | | | Portugal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Category | New employees | | Employees who left the company | | New employees | | Employees who left the company | | New employees | | Employees who left the company | | New employees | | Employees who left the company | |
| | No. | Rate | No. | Rate | No. | Rate | No. | Rate | No. | Rate | No | Rate | No. | Rate | No. | Rate |
| **Gender** | | | | | | | | | | | | | | | | |
| Men | 1,054 | 7.36 | 1,693 | 11.82 | 2,479 | 35.39 | 1,339 | 19.12 | 104 | 100.00 | 20 | 19.23 | 215 | 74.46 | 77 | 26.67 |
| Women | 600 | 4.19 | 940 | 6.57 | 1,290 | 18.42 | 847 | 12.09 | 47 | 45.19 | 2 | 1.92 | 32 | 11.08 | 9 | 3.12 |
| **Total** | **1,654** | **11.55** | **2,633** | **18.39** | **3,769** | **53.81** | **2,186** | **31.21** | **151** | **145.19** | **22** | **21.15** | **247** | **85.54** | **86** | **29.78** |
| **Age group** | | | | | | | | | | | | | | | | |
| <30 | 833 | 5.82 | 1,147 | 8.01 | 980 | 13.99 | 539 | 7.70 | 32 | 30.77 | 4 | 3.85 | 75 | 25.97 | 24 | 8.31 |
| 30-50 | 698 | 4.88 | 1,263 | 8.82 | 2.297 | 32.80 | 1,325 | 18.92 | 101 | 97.12 | 14 | 13.46 | 162 | 56.10 | 60 | 20.78 |
| >50 | 123 | 0.86 | 223 | 1.56 | 492 | 7.02 | 322 | 4.60 | 18 | 17.31 | 4 | 3.85 | 10 | 3.46 | 2 | 0.69 |
| **Total** | **1,654** | **11.55** | **2,633** | **18.39** | **3.769** | **53.81** | **2,186** | **31.21** | **151** | **145.19** | **22** | **21.15** | **247** | **85.54** | **86** | **29.78** |

**Rate was calculated in relation to the average number of employees in the financial year 2023, i.e. Romania = 14,318 employees, Spain = 7,004 of employees, Italy =104 employees. Portugal = 288.75 employees*

**Diversity and equal opportunities**

The Group aims to create an equal opportunity working environment, free from discrimination, and harassment. Furthermore, we reinforce our position of not tolerating inappropriate behavior, unequal treatment, or any form of discrimination in the organization's activities when developing internal policies, regulations, or procedures.

The Code of Conduct, Internal Rules, and other internal regulations have been designed in accordance with the transposition into European and national law of the Universal Declaration of Human Rights.

Commitment to and respect for fundamental human rights is a core value for the sustainable development of Digi's business model. Our goal at Digi is that all people, regardless of gender, race, sexual orientation, age, nationality, color, ethnicity, religion, political opinion, social origin, disability, family status, or responsibility, have access to the same type of resources, and we know that it is important to act now, through concrete measures. Our HR procedures and rules cover the main fundamental human rights, starting from freedom of opinion, equal rights in dignity and security of person, and the right to rest and recreation, including reasonable limitation of the working day and periodically paid leave.

We make sure that the taxes established by the state (social unemployment insurance, insurance in case of illness or disability, health insurance) are paid to the state both in the name of the employee and in the name of the company.

Furthermore, we provide support in cases of loss of livelihood due to circumstances beyond one's control. On an ongoing basis, cases that are brought to HR's attention by their managers are supported for the granting of aid for special situations. In 2023, 97 special aids were granted to employees.

Through our Internal rules of operation, the entities of DIGI Group are committed to ensuring that employees benefit from the principle of equal opportunities and treatment between men and women, with non-discriminatory access to:

free choice of the workplace

employment in all posts or vacancies and at all levels of the professional hierarchy

equal pay for work of equal value

professional information and counseling, initiation, qualification, improvement, specialization, and retraining programs

promotion at any hierarchical and professional level.

Our colleagues are encouraged to bring any concerns about violations of these principles to the attention of the ethics teams or to report them through the above-mentioned reporting channels available.

Even at the HR Romania department level, we have an alias available to employees at *feedback@rcs-rds.ro*, where colleagues can address any situation/recommendation/proposal for HR Romania team activities.

In 2023, with the exception of two cases of labour harassment ended with appropriate disciplinary measures, in Spain subsidiaries, there were no complaints or incidents of discrimination, harassment, or human rights violations by our employees within the Group.

Employees by age, gender, and position in the Romanian subsidiaries of the Group

| **2023** | **Romania** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Category** | **Men** | | | | **Women** | | | |
| | **<30** | **30-50** | **>50** | **Total** | **<30** | **30-50** | **>50** | **Total** |
| **Sales** | 267 | 595 | 77 | **939** | 319 | 1,275 | 273 | **1,867** |
| | *1.92%** | *4.29%* | *0.55%* | ***6.77%*** | *2.30%* | *9.19%* | *1.97%* | ***13.46%*** |
| **Technical** | 397 | 2,601 | 750 | **3,748** | 66 | 299 | 35 | **400** |
| | *2.86%* | *18.75%* | *5.41%* | ***27.02%*** | *0.46%* | *2.16%* | *0.25%* | ***2.88%*** |
| **Customer Service** | 105 | 105 | 8 | **218** | 323 | 505 | 43 | **871** |
| | *0.76%* | *0.76%* | *0.06%* | ***1.57%*** | *2.33%* | *3.64%* | *0.31%* | ***6.28%*** |
| **Administrative,** | 32 | 454 | 270 | **756** | 50 | 484 | 186 | **720** |
| **Logistics** | *0.23%* | *3.27%* | *1.95%* | ***5.45%*** | *0.36%* | *3.49%* | *1.34%* | ***5.19%*** |
| **Media** | 47 | 298 | 66 | **411** | 54 | 159 | 17 | **230** |
| | *0.34%* | *2.15%* | *0.47%* | ***2.96%*** | *0.39%* | *1.15%* | *0.12%* | ***1.66%*** |
| **Construction** | 850 | 2,388 | 390 | **3,628** | 11 | 65 | 8 | **84** |
| | *6.13%* | *17.21%* | *2.81%* | ***26.15%*** | *0.08%* | *0.47%* | *0.06%* | ***0.61%*** |
| **Total** | **1,698** | **6,441** | **1,561** | **9,700** | **823** | **2,787** | **562** | **4,172** |
| | ***12.24%*** | ***46.43%*** | ***11.25%*** | ***69.93%*** | ***5.93%*** | ***20.09%*** | ***4.05%*** | ***30.07%*** |

**The rates were calculated in relation to the total number of employees on December 31, 2023 in Romania (13,872 people). For simplicity and clarity, percentage rates have been rounded to the nearest number.*

Click *here* for the total number of employees by age, gender and position in the Group's Romanian branches in 2022.

### Employees by age, gender, and position in the Spanish subsidiaries of the Group

| 2023 | Spain | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Category | Men | | | | Women | | | |
| | <30 | 30-50 | >50 | Total | <30 | 30-50 | >50 | Total |
| **Administrative, Logistics** | 20 | 107 | 10 | **137** | 27 | 160 | 11 | **198** |
| | *0.26%* | *1.39%* | *0.13%* | **1.78%** | 0.35% | 2.08% | 0.14% | **2.57%** |
| **Construction** | 313 | 1,649 | 610 | **2,572** | 15 | 89 | 27 | **131** |
| | *4.06%* | *21.42%* | 7.92% | **33.40%** | 0.19% | 1.16% | 0.35% | **1.70%** |
| **Customer service** | 146 | 298 | 20 | **464** | 197 | 547 | 84 | **828** |
| | *1.90%* | *3.87%* | 0.26% | **6.03%** | 2.56% | 7.10% | 1.09% | **10.75%** |
| **Sales** | 192 | 528 | 186 | **906** | 178 | 625 | 96 | **899** |
| | *2.49%* | *6.86%* | 2.42% | **11.77%** | 2.31% | 8.12% | 1.25% | **11.68%** |
| **Technical** | 182 | 1,218 | 101 | **1,501** | 7 | 53 | 4 | **64** |
| | *2.36%* | *15.82%* | 1.31% | **19.49%** | 0.09% | 0.69% | 0.05% | **0.83%** |
| **Total** | **853** | **3,800** | **927** | **5,580** | **424** | **1,474** | **222** | **2,120** |
| | ***11.08%*** | ***49.35%*** | **12.04%** | **72.47%** | **5.51%** | **19.14%** | **2.88%** | **27.53%** |

**Rates were calculated in relation to the total number of employees on December 31, 2023 in Spain (7,700 people). For simplicity and clarity, percentage rates have been rounded to the nearest number.*

Comparability with the information reported in 2022 is not possible as the employee categories of the Spanish and Itay subsidiaries have been redefined in 2023, to align with the employee categories of the Group's Romanian subsidiaries.

### Employees by age, gender, and position in DIGI Italy SL

| 2023 | Italy | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Category | Men | | | | Women | | | |
| | <30 | 30-50 | >50 | Total | <30 | 30-50 | >50 | Total |
| **Administrative/ Logistics** | *2* | *12* | *3* | ***17*** | *6* | *13* | *0* | ***19*** |
| | *1.16%* | *6.98%* | *1.74%* | ***9.88%*** | *3.49%* | *7.56%* | *0.00%* | ***11.04%*** |
| **Construction** | *20* | *32* | *8* | ***60*** | *0* | *2* | *0* | ***2*** |
| | *11.63%* | *18.60%* | *4.65%* | ***34.88%*** | *0%* | *1.16%* | *0%* | ***1.16%*** |
| **Technical** | *1* | *7* | *2* | ***10*** | *0* | *0* | *0* | ***0*** |
| | *0.58%* | *4.07%* | *1.16%* | ***5.81%*** | *0%* | *0%* | *0%* | ***0%*** |
| **Sales** | *5* | *26* | *5* | ***36*** | *2* | *22* | *4* | ***28*** |
| | *2.91%* | *15.12%* | *2.91%* | ***20.93%*** | *1.16%* | *12.79%* | *2.33%* | ***16.28%*** |
| **Total** | ***28*** | ***77*** | ***18*** | ***123*** | ***8*** | ***37*** | ***4*** | ***49*** |
| | ***16.28%*** | ***44.77%*** | ***10.47%*** | ***71.51%*** | ***4.65%*** | ***21.51%*** | ***2.33%*** | ***28.49%*** |

**Rates were calculated in relation to the total number of employees on December 31, 2023 in Italy (172 people). For simplicity and clarity, percentage rates have been rounded to the nearest number.*

### Employees by age, gender, and position in the Group's Portuguese subsidiaries

| 2023 | Portugal | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Category | Men | | | | Women | | | |
| | <30 | 30-50 | >50 | Total | <30 | 30-50 | >50 | Total |
| **Technical** | 1 | 1 | 0 | **2** | 0 | 0 | 0 | **0** |
| | 0.25% | 0.25% | 0% | **0.49%** | 0% | 0% | 0% | **0%** |
| **Administrative, Logistics** | 15 | 36 | 0 | **51** | 10 | 17 | 0 | **27** |
| | 3.70% | 8.89% | 0% | **12.59%** | 2.47% | 4.20% | 0% | **6.67%** |
| **Construction** | 85 | 213 | 0 | **298** | 2 | 22 | 0 | **24** |
| | 20.99% | 52.59% | 0% | **73.58%** | 0.49% | 5.43% | 0% | **5.92%** |
| **Sales** | 0 | 1 | 0 | **1** | 0 | 2 | 0 | **2** |
| | 0% | 0.25% | 0% | **0.25%** | 0% | 0.49% | 0% | **0.49%** |
| **Total** | **101** | **251** | **0** | **352** | **12** | **41** | **0** | **53** |
| | **24.94%** | **61.98%** | **0%** | **86.92%** | **2.96%** | **10.12%** | **0%** | **13.08%** |

**Rates were calculated in relation to the total number of employees on December 31, 2023, in Portugal (405 people). For simplicity and clarity, percentage rates have been rounded to the nearest number.*

Comparability with the information reported in 2022 is not possible, Digi Portugal subsidiarity reports started in 2023.

**Employees with disabilities within Digi Group**

| Gender | Romania | | Spain | | Italy | | Portugal | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Men | 37 | 28 | 21 | 20 | 1 | 1 | 0 | n/a | 59 | 49 |
| Women | 28 | 26 | 11 | 8 | 2 | 2 | 3 | n/a | 44 | 36 |
| **Total** | **65** | **54** | **33** | **28** | **3** | **3** | **3** | **n/a** | **103** | **85** |

Currently, we do not have information on the employees of the Group's business partners.

## Recruitment, remuneration, and benefits programs

### Recruitment

The recruitment procedure of the Romanian subsidiaries of the Group is established through an internal procedure named "Procedure of recruitment, employment and internal promotion". As a structure, the recruitment sub-department is part of the HR department and consists of 12 recruiters, who act as HR consultants for the Romanian subsidiaries of the Group.

When a vacancy arises, we use two methods:

1. Offline - internal transfers. On our intranet platform, we have developed a recruitment area where we post internal ads, and our employees have the opportunity to apply.

At the same time, we usually organize actions like:

referral campaigns (as a major business need);

job fairs (yearly presence at 4-5 job fairs);

headhunting (this technique is particularly used when searching for seniors and consists in directly approaching the people we are interested in).

2. Online. We are present on all major recruitment platforms in Romania and other social media platforms.

At DIGI Italy SL, our Intranet platform serves as a medium for employees to apply for available job positions. While we do not attend job fairs, we do encourage referral campaigns. Additionally, we utilize headhunting tools such as social networking platforms to advertise our job vacancies. 4 colleagues are responsible for the recruitment process and human resources management.

At DIGI Portugal, our team consists of 3 recruiters and addresses hiring needs for all departments of the company. The company's main objective is to identify candidates who meet the job requirements. This involves carrying out the recruitment process, conducting interviews and ultimately selecting the most suitable candidates for each position.

**Employees in senior management positions recruited from local communities, within Digi Group**

| Senior management***** positions recruited from local communities | Romania* | | | | Spain** | | | | Italy*** | | | | Portugal**** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | |
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| | 50 | 100 | 15 | 79 | 1 | 100 | 3 | 60 | 0 | 0 | 0 | 0 | 12 | 92.03 | n/a | n/a |

**local community = Romania (individuals born in Romania or with Romanian citizenship),*
***local community = Spain (individuals born in Spain or with Spanish citizenship),*
****local community = Italy (individuals born in Italy or with Italian citizenship)*
*****local community = Portugal (individuals born in Portugal or with Portuguese citizenship)*
****** senior management = positions in Board and Board-1 category (reporting directly to the members of the Board)*

### Remuneration

In the Romanian subsidiaries of the Group, remuneration is both fixed and variable. Fixed remuneration represents the basic salary granted to employees, which can be complemented by variable payment represented by commissions, granted at the departmental level by specific procedures or, where appropriate, directly in the employment contract (e.g., Sales, Service, and Installation). The fixed remuneration is modified on an annual basis, at the request of the team/operation coordinators based on a modification report, with the approval of the Board members. The variable part is also represented by performance bonuses granted based on requests from the direct coordinators, under the final approval of the Board members.

The remuneration also has a non-financial component represented by the granting of lunch tickets, private medical benefits /extra days of leave granted as follows: 1 day per 5 years of activity, up to a maximum of 4 days per year, which is included in the Procedure for scheduling and granting leave. Some non-financial aspects are presented in the job offer, depending on the specific job negotiations (car/mobile phone/private medical insurance). The remuneration flow includes several signatories highlighted in the "salary change proposal form" starting with the line managers and ending with the approval of the Board. Once the approval flow is completed, which can be either electronic or physical, the HR Department representatives, through the Recruitment and Payroll-Personnel sub-departments, make the changes.

Within the Romanian subsidiaries, employees who receive the nationally regulated minimum wage are employed in the following positions: telecommunications network operator, commercial agent, cashier commercial worker, and unskilled worker in the assembly and installation of parts.

Digi Spain promotes and implements fair, competitive, and motivational remuneration for its employees, paying salaries according to the market, with internal consistency, and in compliance with all the statutory requirements. Regularly, Digi Spain’s HR department analyzes and evaluates the Spanish job market, reviewing internal conditions when necessary. Internal equity is also studied and evaluated. The structure of Digi Spain's salary is based on annual salary ranges, one per each different position and department. All of them have 3 different levels, considering (i) experience, (ii) seniority, and (iii) autonomy of the employee (Junior-Medium-Senior). These conditions are reviewed and approved by the Managing Director on an annual basis.

Annually, at the beginning of the year and linked to the performance appraisal process, the salaries and wages are revised for employees who have been in the company for at least 6 months. That does not necessarily translate into an automatic salary increase. Only if the result of the evaluation is positive and the increase or promotion to the next level is justified, the salary increase is granted. Despite this, and during the year, any promotion or transfer that may be required or that may take place, will result in the revision of the salary conditions for the employee in consideration. Any promotion in terms of salary or position must be always approved by the Managing Director or Area Director, in writing. Positive performance appraisal is also mandatory in these cases.

DIGI Portugal's remuneration policy focuses mainly on attracting and retaining employees. In terms of procedures and mechanisms in place, the payroll policy is reviewed and evaluated once a year, new targets are set and the HR team, through its Manager, aligns with Top Management on the steps to be taken.

**The ratio of standard entry-level salary by gender compared to the local minimum salary within Digi Group**

| Ratios of standard entry-level salary compared to the salary at the national level | Romania | | | | Spain | | | | Italy | | | | Portugal | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | |
| | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | n/a |
| | 1 | 1 | 1 | 1 | 1.07 | 1.07 | 1.02 | 1.02 | 0.71 | 0.65 | 1 | 1 | 1.08 | 1.08 | n/a |

**Ratio of basic salary and remuneration of women to men, within the Romanian subsidiaries of the Group**

| 2023<br>Employee category | Ratio of the basic salary of women to men, for each employee category | Ratio of the basic remuneration of women to men, for each employee category |
|---|---|---|
| Sales | 1.01 | 0.78 |
| Technical | 1.02 | 1.00 |
| Customer Service | 0.95 | 0.95 |
| Administrative, Logistics | 0.92 | 0.85 |
| Media | 0.99 | 1 |
| Construction | 0.91 | 0.68 |

Click *here* for the ratio of women's to men's basic pay and remuneration in the Group's Romanian subsidiaries in 2022.

**Ratio of basic salary and remuneration of women to men, within the Spanish subsidiary of the Group**

| 2023<br>Employee category | Ratio of the basic salary of women to men, for each employee category | Ratio of the basic remuneration of women to men, for each employee category |
|---|---|---|
| Administrative, Logistics | 0.86 | 0.85 |
| Construction | 1.08 | 0.98 |
| Customer Service | 0.98 | 0.98 |
| Technical | 0.96 | 0.96 |
| Sales | 1.10 | 0.91 |

Comparability with the information reported in 2022 is not possible, as the employee categories of the Spanish and Italy subsidiaries have been redefined in 2023 to align with the employee categories of the Group's Romanian subsidiaries.

**Ratio of basic salary and remuneration of women to men, at DIGI Italy SL**

| 2023<br>Employee category | Ratio of the basic salary of women to men, for each employee category | Ratio of the basic remuneration of women to men, for each employee category |
|---|---|---|
| Administrative/ Logistics | 1 | 0.45 |
| Construction /Operational | 1 | 16.67 |
| Technical* | 1 | 1.17 |
| Sales | 1 | 0.11 |

**there are no female employees in this category*

**Ratio of basic salary and remuneration of women to men at the Group's Portuguese subsidiaries**

| 2023<br>Employee category | Ratio of the basic salary of women to men, for each employee category | Ratio of the basic remuneration of women to men, for each employee category |
|---|---|---|
| **Technical** | 0.00 | 0.00 |
| **Administrative, Logistics** | 1.00 | 1.00 |
| **Construction/ Operational** | 1.00 | 1.10 |
| **Sales** | 1.00 | 0.23 |

**Benefits**

| Benefits by on contract type and working hours | Romania | | Spain | | Italy | | Portugal | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **Full-Time** | **Part-Time** | **Full-Time** | **Part-Time** | **Full-Time** | **Part-Time** | **Full-Time** | **Part-Time** |
| Meal vouchers | ☑ | ☑ | ☑ | ☑ | ☑ | | ☑ | n/a* |
| Extra holiday days | ☑ | ☑ | | | | | | |
| Support in case of personal events (death, social benefits, etc.) | ☑ | ☑ | | | | | | |
| Private health insurance | ☑ | ☑ | ☑ | ☑ | ☑ | | ☑ | n/a |
| Other benefits | ☑ | ☑ | ☑ | ☑ | | | | |

**n/a = In Portugal there are no part time employees*

For the Romanian subsidiaries of the Group, there is no union representation and no collective labor agreement. The employees can submit requests to their direct coordinator, who is the employees' representative, and who can bring their requests to the attention of the board members at weekly meetings.

The notice period and the provisions for consultation and negotiation with employees are governed by the individual employment contract, according to the Romanian legislation (Labor Code).

For the Spanish subsidiaries, regulation in this regard is governed by the provisions of the Collective Agreement of the Metal Industry, Services, and Installations Sector. In the period to which this report refers, the Group's subsidiaries in Spain do not have their own collective agreement, but 100% of the workers are covered by the sector agreement.

Since 2023, DIGI Spain has union representation at the offices in Alicante, Almeria, Barcelona, Bilbao, Burgos, Castellón, Coruña, Guipuzcoa, Granada, Leon, Lleida, Logroño, Madrid, Malaga, Murcia, Oviedo, and Zaragoza. Since 2019, DIGI Call Center has union representation at the offices in Madrid. The management and the HR area, assisted by the legal department, maintain a continuous and cordial relationship with the workers' representatives.

**Parental leave, within Digi Group**

| Parental leave | Romania | | Spain | | Italy | | Portugal | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** | **Men** | **Women** |
| Number of employees that were entitled to parental leave | 9,700 | 4,172 | 5,580 | 2,120 | 122 | 48 | 321 | 84 |
| Number of employees that took parental leave | 164 | 537 | 236 | 72 | 1 | 2 | 18 | 1 |
| Number of employees that returned to work (in 2023) after parental leave ended | 91 | 244 | 169 | 58 | 1 | 1 | 18 | 1 |
| Number of employees that returned to work after parental leave ended (in 2022) that were still employed 12 months after their return to work (in 2023) | 34 | 147 | 83 | 37 | 0 | 1 | 0 | 0 |
| Return to work rate | 55% | 45% | 71.61% | 80.56% | 100% | 100% | 100% | 100% |
| Retention | 38% | 69% | 49% | 64% | 100% | 100% | 100% | 100% |

**Professional development**

The training programs organized within the DIGI Group are: internal (conducted by trainers from the HR department, and department coordinators) or external (conducted by specialized companies). Each new employee attends an Induction training, which, depending on the department, lasts 1-2 weeks.

The design of development programs or specific training sessions starts from company-wide development needs (driven by new internal processes - e.g., performance management, development of new behaviors at employee or management level), individual needs captured in individual development plans or business needs driven by the launch of new products/services/applications.

The training and development program consists of learning experiences offered by the company to employees, aimed at developing new knowledge and skills to be applied immediately after the training period.

The development work is carried out considering the following steps:

**1. identification of development needs**

**2. building learning solutions**

**3. delivery of the learning program**

**4. measuring the effectiveness of the program.**

Within the Group's Romanian subsidiaries, training and development activities are implemented by:

Training and Performance Management team (sub-department) within the HR structure, set up in 2018. In 2023, this team consisted of a Training Consultant and an Employer Branding Specialist. The team is coordinated by a Learning Manager, reporting to the HR Director.

A team consists of 2 trainers in the Business Sales Functional Area reporting to the Functional Director.

A team of 7 trainers in the Residential Sales Functional Area reporting to the Functional Director.

11 Call Centre trainers reporting to the Director concerned

The main learning directions are focused on 3-year strategic objectives:

Develop a strategic approach focused on increasing internal potential and professional reconversions for a rapid adaptation to new operational needs and creating a competitive employer advantage

Involvement of management in supporting efforts to recognize and value employee performance

Re-focusing course content when business strategy requires implementation support

Development of new "impactful" learning methods, capable of responding to technological and adult learning characteristics (coaching, webinars, platforms, hybrid training, etc.)

Providing opportunities for career and personal development (through performance management)

Building a learning community in the organization, based on sharing of best practices, that propagates a collaborative mindset and supports innovative thinking.

**Average hours of training by employee gender and category within the Romanian subsidiaries of the Group**

| 2023 | Romania | |
|---|---|---|
| **Category** | **Men** | **Women** |
| Sales | 13.33 | 15.4 |
| Technical | *Data not available* | *Data not available* |
| Customer service | 18.37 | 9.82 |
| Administrative, Logistics | *Data not available* | *Data not available* |
| Media | *Data not available* | *Data not available* |
| Construction | 1.18 | 0.04 |
| **Average no. of training h/employee** | **2.96** | |

*Note: in 2023 the number of training hours increased, through additional training related to the OHS topics*

**Examples of training sessions, by topic, within the Romanian subsidiaries of the Group**

| 2023 | | Romania |
|---|---|---|
| **Examples of training provided to employees** | **Total number of hours** | **Number of participants** |
| Health and Safety | 35,226 | 13,872 |
| Sales | 5,266.3 | 6,482 |
| Customer service | 385.5 | 3,576 |
| Qualifications skills (construction) | 113 | 632 |
| Soft skills | 15 | 1,150 |

DIGI Spain Telecom S.L.U. business has grown both in business volume and headcount, thus we enhanced focus on training and education, to ensure the continuity in the level of service we offer to our clients.

The two main and continuous learning objectives of the Spanish subsidiaries are:

1. Ensure the knowledge transfer of technical expertise to all employees, with special care for the new hires. To fulfill this objective, we have specific training teams in various departments, and we also have scheduled online training to ensure we get up-to-date knowledge to the employees all over Spain business in a timely and efficient manner.

2. Preserve the "company culture and values" that have propelled DIGI Spain Telecom to succeed so far and educate new managers in people management skills aligned to these company values. For this, we have created a Corporate Training team that provides soft skills and team leadership training throughout the organization.

We have in place a generic email address where all employees can address their issues regarding training: *formacion@digimobil.es*.

**Average hours of training by employee gender and category, at the Spanish subsidiaries of the Group**

| 2023 | Spain | |
|---|---|---|
| **Category** | **Men** | **Women** |
| Administrative, Logistics | 30,48 | 24,61 |
| Construction | 10,78 | 2,52 |
| Customer service | 8,28 | 6,89 |
| Technical | 12,90 | 5,20 |
| Sales | 6,60 | 4,43 |

**Examples of training sessions, by topic, at at the Spanish subsidiaries of the Group**

| 2023 | Spain | |
|---|---|---|
| **Examples of training provided to employees** | **Total number of hours** | **Number of participants** |
| Basic Level Health & Safety | 50,820 | 847 |
| Figma tool basic | 441 | 21 |
| LEADIGI: Infra - phase 1 | 810 | 81 |
| LEADIGI: Infra - phase 2 | 1,940 | 194 |

| | | |
|---|---|---|
| Specialist in basket vehicles | 400 | 50 |
| Working at heights and in confined spaces | 8,112 | 1,014 |
| Trainer of trainers | 72 | 9 |
| Microsoft Excel 2013: Basic and advance | 750 | 50 |
| Emergency intervention | 380 | 95 |
| IFRS | 126 | 7 |

**Average hours of training by employee gender and category, at DIGI Italy SL**

| **2023** | **Italy** | |
|---|---|---|
| **Category** | **Men** | **Women** |
| Technical | 8,280* | 0 |

**work in the field, in construction sites or fiber are covered only by men.*

**Examples of training sessions, by topic, at DIGI Italy SL**

| **2023** | **Italy** | |
|---|---|---|
| **Examples of training provided to employees** | **Total number of hours** | **Number of participants** |
| OHS | 72 | 115 |

**Average hours of training by employee gender and category, at the Group's Portuguese subsidiaries**

| **2023** | **Portugal** | | | |
|---|---|---|---|---|
| **Category** | **Men** | | **Women** | |
| | No. | % | No. | % |
| **Administrative, Logistics** | 0 | 0 | 14 | 40.00 |
| **Construction/ Operational** | 124 | 44.60 | 0 | 0 |

**Examples of training sessions, by topic, at the Group's Portuguese subsidiaries**

| **2023** | | **Portugal** |
|---|---|---|
| **Examples of training provided to employees** | **Total number of hours** | **Number of participants** |
| English | 40 | 14 |
| Health and Safety | 5,331 | 124 |

**Performance evaluation and career development plan, within the Romanian subsidiaries of the Group**

| **2023** | **Romania** | | | |
|---|---|---|---|---|
| **Category** | **Men** | | **Women** | |
| | No. | % | No. | % |
| **Customer service** | 181 | 71.54 | 359 | 38.23 |
| **Construction** | 2,533 | 63.35 | 8 | 12.30 |
| **Total** | **2,714** | **64** | **367** | **37** |

Spain and Italy subsidiaries: data not available since the performance evaluation and career development plan is ongoing.

Portugal subsidiaries: we are working to develop a procedure regarding the performance evaluation and career development plan for our employees.

**Occupational health and safety**

The health and safety of our employees is a constant preoccupation for us; thus, the Romanian subsidiaries of the Group have implemented and maintain an Occupational Health and Safety Management System in accordance with ISO: 45001. The implemented system is based on Occupational Health and Safety risk management standards/guidelines.

This management system covers all categories of employees within the Romanian subsidiaries of the Group: execution, operation, management, as well as contractors and subcontractors.

Risk identification within the Romanian subsidiaries of the Group is carried out at the workstation level by the assessment team (a senior manager, risk assessor, workplace workers, and workplace managers) visiting all workplaces to identify all possible sources of workplace injury and workers who may be exposed to risks/hazards. Yearly, the assessment team schedules at least a visit to each area throughout the company/workplace and follows the workflow at each workplace. As far as administrative office areas are concerned, each office is visited individually. During the visit, workers and workplace managers are involved and are familiarized with the workstations and/or evaluation areas visited.

The identification of risks at workplaces is based on checklists for the identification of hazards at workplaces, which include: work process, work equipment, workload, work environment, etc., and interviewing workers present at the workplaces, people who have access to the workplace that may be affected by the activity, people in the vicinity of the workplace, but also by observing the workflow and activities taking place there. Each identified risk is discussed within the risk assessment team to complete the hazard identification process.

Whenever employees observe risks in the workplace, they immediately report the situation to their direct coordinator, by phone, email, etc. The coordinator will analyze the risks presented together with the OH&S inspector from the OH&S department and the risk assessment committee and will take measures to eliminate/reduce these risks. During regular instructions, the employees are trained to know this risk-reporting procedure.

Third parties performing work for the Romanian subsidiaries of the Group, e.g., subcontractors, report risks/hazardous situations to the responsible person in the department for which they perform work. On the first day of starting the activity, the OH&S inspectors, together with the manager of the department where the third parties are going to perform their activity, carry out the collective training, and during this training, they are informed about the procedure for reporting dangerous situations that they find in the course of their activity and about the measure that can be taken to prevent these risks. At the level of DIGI Romania Group, 189 employees (copyright and PFA) work under collaboration contracts with the legal entities of the Group.

Following the risk assessment carried out by the Romanian subsidiaries of the Group, the workplaces do not exceed risk level 3.5 out of 7, so they do not present a high degree of danger for the performance of the activity, given that they are controlled by prevention and protection measures.

If a worker notices in the course of his work that he/she is exposed to situations that may put his life and health at risk, he/she shall immediately inform the manager of the workplace. The latter will expose the workplace for reassessment. Discussions will be held with the workers on the hazards identified, and together with the assessment committee will monitor and implement risk prevention and protection measures so that the worker's safety and health are not affected.

If the worker still believes that there are dangers in the workplace, he/she can stop the activity by discussing it with the direct superior and the Human Resources department.

If following a medical check-up, a worker receives a medical notice with certain conditions that may affect his/her work, e.g. a network operator receives medical advice with the condition that he/she will not work at height or drive the company car, the direct coordinator will make sure that this employee will no longer perform his/her activity by exposing him/herself to risks, under the conditions presented in the aptitude sheet and will ask the Human Resources department to analyze the possibility of assigning him/her to another function, corresponding to his/her new medical aptitude.

Within the Romanian subsidiaries of the Group, the investigation of accidents at work is carried out in accordance with the local law, as follows: any event occurring within the DIGI Group is communicated by the employee involved in the event, to the workplace manager. The latter communicates to the company's OH&S-ES (occupational health and safety - emergency situation) department, and the inspectors of the department communicate to the Territorial Labor Inspectorate in whose area the event occurred and start the investigation procedures of the event:

the investigation of events causing temporary incapacity for work is carried out by the responsible persons within DIGI, according to the legislation.

for the cases below, the investigation is carried out by the Territorial Labor Inspectorate within whose radius the event occurred.

a) the workers have suffered an obvious disability or death

b) the victims are foreign nationals performing their duties and who are workers of foreign employers

c) collective accidents: when at least three workers within the Group are injured at the same time and from the same cause.

In the case of events causing temporary incapacity for work, the OH&S inspectors of the same department will draw up the event investigation decision, which will be composed of at least 3 persons, one of whom must have appropriate technical training and must not be involved in the organization and management of the workplace where the event took place and must not have had a responsibility in the occurrence of the event, if applicable:

a designated worker.

a representative of the internal prevention and protection service.

an employee of the Group with higher levels of occupational health and safety training.

The members of the investigation committee will submit the final report to the Territorial Labor Inspectorate for approval.

Hazard identification and risk assessment process:

Identification of all risk factors based on pre-established checklists and quantification of the size of the risk based on the combination of severity and frequency of the maximum foreseeable consequence.

Risk assessment using the method of the National Institute for Research and Development in Occupational Health and Safety (I.N.C.D.P.M.). The purpose of this assessment is to determine quantitatively the level of risk/safety for a job based on systemic analysis.

The method consists of:

defining the system to be analyzed (workplace)

identifying the risk factors in the system

assessing the risks of injury and occupational illness

ranking risks and setting prevention priorities

proposing prevention and protection measures.

To protect employees against occupational health and safety risks, the Group provides Personal Protective Equipment (PPE) to categories of workers who, following an assessment carried out by the OHS inspectors, are found to be subject to risks that cannot be avoided and which by wearing PPE are reduced or eliminated.

PPE includes assortments such as hard hats, goggles, protective gloves, positioning belts, complex belts for climbers, protective boots, etc. Also, on an annual basis, OHS Inspectors together with team supervisors visually check PPE assortments based on verification forms, and if they are found to be defective, the assortment is recalled and the supervisor requests another piece of equipment from the worker.

The purpose of providing workers with personal protective equipment is to prevent occupational accidents and diseases. That is why both internal company regulations and national legislation make it compulsory to wear Personal Protective Equipment.

Upon hiring, all our employees receive a 3-day training course in occupational health and safety and emergency situations. In 2023, 1,654 new employees completed a total of 3,308 hours of general introductory training in the field of OHS and 9,924 hours of on-the-job training.

In addition to regular training, the Group had training courses dedicated to occupational safety and health, which were mandatory, and all employees attended at least one occupational health and safety training course:

Training for working near electricity, working at height, and first aid;

Training for working in confined spaces, electrical risk, working at height;

In 2023, at the Group level, 13,872 employees completed a total of 35,226 hours of training on occupational health and safety issues.

We mention that the total number of hours comes from estimates for each training, because, even if the training is for one person, it can be done in groups of several employees.

Our OH&S inspectors are carrying out on-site inspections to verify compliance with all OH&S regulations and they are using a mobile phone application that has been created especially for this operation.

Our employees are involved and consulted in the process of developing, implementing, and evaluating the OH&S management system in regular training sessions conducted by the workplace manager. During this training, our workers will receive details about life-threatening situations that they may encounter during the work process. Workers have permanent access to information related to occupational safety and health through the company's online platforms, where all materials are uploaded and updated whenever necessary, or through their dedicated OHS officer,

Within the DIGI Group, there are joint OH&S committees (employees and employee representatives). Depending on the number of employees in the company, employer and employee representatives are elected.

These committees meet at least quarterly, and as often as necessary. All employees are covered by these committees.

In 2023, the causes of workplace accidents were: traffic accidents, electrocution, falls from a height, falls from the same level (tripping, slipping), pathological causes, physical aggression ((altercation with a local), and animal bites.

**Work-related accidents, within the DIGI Group**

| 2023 | Romania | | Spain* | | Italy | | Portugal | |
|---|---|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women | Men | Women |
| Number of fatalities as a result of work-related injury | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of accidents at work causing serious injuries | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Number of recorded work-related injuries | 43 | 1 | 610 | 83 | 0 | 0 | 39 | 1 |

** in Spain, the definition of an accident at work is defined by the Real Decreto Legislativo 1/1994 del 20 de Junio, art 115, and is different from the definition from Romania. For example, in Spain, it is not necessary for the employee to take a minimum of 3 days of sick leave to be considered an accident at work*

To prevent road accidents, the following measures were taken:

During regular training sessions, which occur monthly for field operators, and quarterly or half-yearly for field/office operators according to the training-testing schedule, instructions specific to workplace processes are provided. This includes the Workplace Health and Safety Instructions for vehicle driving activities. These instructions are prepared by the HSE inspectors of the HSE-SU department and subsequently approved by the company management.

| 2023 | Romania | Spain | Italy | Portugal |
|---|---|---|---|---|
| Rate of fatalities as a result of work-related injury1) | 0 | 0 | 0 | 0 |
| Rate of high-consequence work-related injuries2) | 0 | 0.16 | 0 | 0 |
| Rate of recordable work-related injuries3) | 1.83 | 57.10 | 0 | 58.19 |

*1) Is calculated as the number of fatalities as a result of work-related injury divided by the number of hours worked and multiplied by 1 million;*
*2) Is calculated as the number of high consequence work-related injuries divided by the number of hours worked and multiplied by 1 million;*
*3) Is calculated as the number of recordable work-related injuries divided by number of hours worked and multiplied by 1 million*

**Digital inclusion and access to services**

We have a social responsibility to the communities where we operate, to ensure that our services are accessible, affordable, and reliable for everyone. We constantly invest in building and improving our infrastructure, to provide more people with access to our services.

At the same time, we offer affordable internet plans and devices, making it more accessible and affordable for all categories of people to benefit from our services.

| Distribution of RGUs per residential location | 2022 | | 2023 | |
|---|---|---|---|---|
| | Number of RGUs | % | Number of RGUs | % |
| **Urban** | 13.6 | 65% | 15.9 | 67% |
| **Rural** | 7.2 | 35% | 7.9 | 33% |
| **Total** | 20.8 | 100% | 23.9 | 100% |

*RGU = Revenue Generating Unit*

More information about the extent of our services and affordability can be found in ***Business Overview*** section of this report. In addition, we support digitalization initiatives to increase the inclusion of disadvantaged groups. More information on the projects we implemented for our communities can be read in the ***Community Investment*** section.

### Content policy

The content policy refers to the set of rules and principles that the media companies from the DIGI Group follow, to maintain editorial independence, integrity, and credibility. The policy is designed to ensure that the content we provide to our public is fair, accurate, impartial, and free from external influence.

### Digi24

Digi 24 is an editorially independent newsroom, our journalists get their information from official and unofficial sources, which are verified. Digi 24’s editorial values include objectivity, impartiality, and balance; thus, every news subject must start from these principles. We serve only the public interest and we aim to present all relevant sides in the stories we publish, ensuring that they are balanced and add context for our viewers. The topics proposed, produced and broadcast must always be "round", i.e., be looked at from all possible angles, and contain all possible approaches. We only publish factual, and honest journalism and we separate opinion from reporting.

Proof of our high-quality content stands in the fact that we are the only TV news channel that has not received a financial penalty in the last 3 and a half years from the relevant authorities, according to CNA (*https://www.cna.ro/-Decizii-de-sanc-ionare-.html*).

### Digi FM

Digi FM's editorial policy is based on the principles of impartial and accurate information for our audience. We align with our commitment to business ethics and accountability, promoting transparency and integrity in all aspects of our work.

We ensure that editorial independence is preserved by avoiding external influences. Information is obtained from credible sources and fact-checking is standard practice. Please note that the news used by Digi FM's newsroom is linked to the work of Digi24 TV and digi24.ro website, which belong to the same media trust. Both entities carry out news checks and adhere to high standards of journalism, helping to ensure the quality of the news content broadcast by Digi FM.

We rely on a set of internal rules that promote integrity, social responsibility, and avoidance of discrimination. We comply with current legislation and the standards imposed by the National Broadcasting Council, ensuring that all our content conforms to the highest professional and ethical standards in the industry.

### Journalistic integrity

### DIGI24

DIGI24 understands that its reputation rests on its ability to provide accurate and unbiased information and it aims to create a culture of responsibility, where people understand the importance of remaining true to the company’s values and ethical standards.

DIGI24 is an information television company, politically independent, which aims to promote impartial journalism. The public and its interests are at the center of its concerns.

Our vision emphasizes the fact that the Romanian public needs a reliable, politically independent source of information that promotes honesty and respect, civility, and creativity, and our mission is to inform and inspire the public.

Our values are accuracy, balance, equidistance, diversity of opinions, and integrity. You can read more about our Code of Ethics *here*.

Our Code of Ethics was drafted having in mind the highest ethics standards in Media, being inspired by codes of some of the largest media companies, such as BBC Editorial Guidelines 2010 and CBC Journalistic standards and practices. At the same time, the Code is supplemented by regulation in force, governing the audio-visual field.

### Digi Sport

As the audience figures show, according to (*https://www.forbes.ro/volumele-de-audiente-furnizate-de-televiziunile-de-sport-in-anul-2022-309510*), Digi Sport is the most important broadcaster and creator of television programs with a sports profile in Romania, with an activity that started in 2009, when the first two channels were launched. Currently, Digi Sport provides subscribers with content on four channels in SD and HD format, and some of the transmissions are broadcast on the Digi 4K channel in UHD format.

The Digi Sport vision respects the values of journalism: relevant information from various sports areas, relevance, and objectivity of news and debates.

Most of the programs in the Digi Sport grids are live broadcasts, their comments being characterized by correct and objective information, as we mentioned before, there are no fines received from the regulatory body.

In its other programs (informative shows and talk shows), Digi Sport broadcasts news, debates, analyses, and investigations. In the informative shows of the Digi Sport channels, up-to-date information is broadcast and commented on, daily.

Digi Sport applies a balanced editorial policy, to objectively reflect reality. The company encourages the members of the editorial team of Digi Sport to do their job correctly and professionally, without any limitations other than those imposed by law and ethics, meeting the viewers' needs to have access to a premium, balanced, and credible media product. Digi Sport aims to contribute through its programs to the promotion and development of Romanian sports, as well as to the education of the people who follow the sports phenomenon.

The information that helps us establish our objectives (acquisitions of programs, development of contracts, creation, and broadcasting of programs, etc.) comes from multiple sources, which, depending on their nature, undergo different verification processes. It comes either from official sources (provided by authorities, rights holders, business partners), professional information (news agencies, correspondents, mass media) or personal information obtained by members of the editorial team, some of which are from confidential sources.

In 2023, the media subsidiaries (DIGI24, Digi Sport 1, Digi Sport 2, Digi Sport 3, Digi Sport 4) of the Group received no fines, and there were 14 warnings from the local authorities for breaches of the Regulatory Code Regarding Audiovisual Content stipulations (compared to 5 warnings in 2022).

**Digi FM**

We are committed to presenting truthful, accurate, and objective news. We promote independence of content and transparency of any potential bias. We respect the right to privacy and avoid harm to individuals in the material we disseminate.

During the reporting period (2023), we did not incur any monetary losses as a result of legal proceedings associated with defamation.

From a commercial point of view, the terms of sponsorship are applied according to Romanian audio-visual regulations. All commercial displays are signposted, including product placement. Commercial integration into editorial content is not allowed, as this practice is considered disguised advertising under the law and sanctioned accordingly. Also, the company has not received any summons or monetary sanctions from the National Broadcasting Council.

**Supply chain management**

We aim to establish and develop long-term relationships with suppliers and ensure that they share the same values, adhere to the quality standards set by our management systems, and have the same vision to create sustainable products and services. Within the Romanian subsidiaries of the Group, the procurement procedure defines the procurement process and is applied by all employees involved in this process. The procurement process involves going through an evaluation process which involves registering the supplier and completing an evaluation form that has, among other aspects, ISO (9001, 14001, 18001/45001, 27001, etc.) or other industry/specific certification requirements. All procurement orders are generated through internal software by the procurement agent.

Our suppliers fall into 3 categories:

Goods and services

Network and equipment

Content and distribution

A description of our main suppliers can be found on page 156 of this annual report.

| Suppliers | Romania* | | Spain** | | Italy*** | | Portugal | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| No. of local suppliers | 13,799 | 15,610 | 11,135 | 11,744 | 609 | 47 | 376 | n/a |
| Other suppliers | 537 | 1,105 | 200 | 207 | 158 | 77 | 24 | n/a |
| **Total** | **14,336** | **16,715** | **11,335** | **11,951** | **767** | **124** | **400** | **n/a** |
| Expenditure with local suppliers thousand EUR | 589,928 | 748,948 | 752,364 | 411,085 | 23,564.7 | 22,722 | 111,182 | n/a |
| Expenditure with other suppliers thousand EUR | 78,659 | 313,844 | 40,590 | 15,810 | 875.66 | 415 | 40,980 | n/a |
| **Total****** | **668,587** | **1,062,792** | **792,954** | **426,894** | **24,440.36** | **23,137** | **152,163** | n/a |
| % Local suppliers | 96.25% | 93.30% | 98.24% | 98.20% | 79.4% | 37.90% | 94% | n/a |
| % Expenditure with local suppliers | 88.24% | 70.50% | 94.88% | 96.30% | 96.42% | 98.20% | 73% | n/a |

** local supplier = supplier established or registered in Romania*

*** local supplier = supplier or service provider, whose goods, services, or works offered have a local content higher or equal to 50%*

**** local supplier = supplier established or registered in Italy*

***** all amounts are presented in thousand euros.*

For suppliers for DIGI Italy SL currently, the purchasing process follows the standard procurement procedure, according to the requests of each department. In 2023, we established a procurement department tasked, among other responsibilities, with outlining the procurement process and policy. It has yet to fully define all its tasks. We are still in the process of organizing.

**Community investment**

The Group is involved in social and environmental projects, in accordance with the provisions laid down by the legislation of the countries in which the Group operates, representing its duty to civil society. The sponsorships and donations made by the Group represent a commitment to making a real contribution to improving the quality of life in the community to which it belongs, by being actively involved in projects supporting education, health, the environment, sport, and culture.

Through the social responsibility programs and activities that we support, we aim to identify and respond, to the extent of our resources and society's pressing needs, and to contribute to the development of the communities in which we operate and to improving the quality of life. Special interest is also given to digitization initiatives to increase the inclusion of disadvantaged groups and help build a more equitable and prosperous future.

With a sustainable vision and through permanent investments in infrastructure and advanced technologies, the Group prioritizes connectivity and accessibility of the services offered, to reduce social gaps and foster openness to new digital transformations. The framework governing our community investment strategy is built around 4 pillars:

Education

Digitalization

Volunteering and fostering community initiative

Health and wellbeing

**Total investment in community programs and projects, within Digi Group**

| 2022 | Romania | Spain | Italy |
|---|---|---|---|
| Total sponsorship budget | 1,7 mil EUR | 31 thousand EUR | 8,5 thousand EUR |
| Total number of projects supported | 44 | 10 | 5 |
| Total number of community partners | 84 | 7 | 5 |

| 2023 | Romania | Spain |
|---|---|---|
| Total sponsorship budget | 1 mil EUR | 12 thousand EUR |
| Total number of projects supported | 42 | 5 |
| Total number of community partners | 50 | 4 |

The group assesses the impact of community investment projects by analyzing key indicators including the number of direct beneficiaries, the number of indirect beneficiaries, the contribution of employees in the implementation of projects, the impact on beneficiaries as a result of the activities carried out, the extent to which the company believes it has established a link among partner organizations and their beneficiaries.

**Education #DigiEdu**

We consider investment in education the most effective way to increase the level of training and innovation capacity for the sustainable development of society. We support access to education and contribute to preventing and reducing school drop-out for students from disadvantaged backgrounds.

For the third consecutive year, we supported, in collaboration with Banca de Bine Association and Baneasa Developments, the "School without Break" campaign, a project that aimed to collect clothes, shoes, school supplies, and technological equipment for schools and children from underprivileged families in Teleorman, Giurgiu, Prahova, Ialomita, Suceava, Olt, Vaslui, Dambovita, Mures, Hunedoara, Bihor, Maramures, Bistrita - Nasaud, Suceava, and Bacau counties. Thus, between January and December 2023, approximately 45 tons of donations were distributed to over 7,000 people in 70 communities in vulnerable situations.

For the second consecutive year we continued our educational partnership with the Angels for Souls Association: "The Enchanted Cupboard - A step towards a better future". Through this social responsibility initiative, the lockers of three rural educational institutions in Arad County were fully equipped with school supplies, providing 900 students from the villages of Vinga, Mailat, and Manastur with the necessary resources for school activities.

Out of a desire to encourage performance and recognize the outstanding results obtained by students in competitions and school Olympiads organized by the Ilfov School Inspectorate, Cluj School Inspectorate, and Prahova Community Foundation, DIGI Group awarded deserving young people with prizes consisting of mobile phones, free mobile phone subscriptions, personalized backpacks and power banks. At the same time, we provided prizes and connectivity services for the 8th edition of the Boovie International Book Trail Festival in 7 locations in Brasov. Initiated by the Grow Up Project Association, the competition enjoyed an international scope through the participation of 182 schools from 5 countries, represented by 1,944 students and teachers from middle and high school.

**Digitalization #DigiActiv**

We are active investors in accelerating digital transformation and recognize that access to modern technologies and reliable connectivity is key to sustainable development. Through the projects we undertake, we guide our actions towards the digitization of local services, with a direct impact on the lives of citizens, especially those from vulnerable groups.

We continued our partnership with Save the Children Organization and supported the promotion of the "Children Alone at Home" program, aimed at protecting and educating young people left alone at home because their parents left to work abroad.

In 2023, DIGI extended its sponsorship of integrated communication services for foundations (Carousel Association, Save the Children Organization, Ateliere Fara Frontiere) and local authorities (Timis Social Welfare Department) that provided counseling, accommodation, and assistance to over 2900 refugees from Ukraine for social, educational, and professional integration.

We provided telecommunication services to the Romanian Association for Neonates in Long-Term Hospitalisation (ARNIS), the initiator of the SUS-TIN online monitoring platform, aiming to digitize the Neonatology Department of the Cluj-Napoca Emergency County Hospital and to contribute to increasing the quality of medical and social services provided to newborns. Between June and December 2023, 260 users used this tool that facilitated and streamlined communication between parents and medical staff.

In 2023, we continued the implementation of the "School of the Future" project launched in 2020, which aims to improve access to educational resources for students from rural areas with difficult socio-economic conditions and facilitate their participation in interactive courses. The support consists in providing free mobile internet subscriptions (Digi Activ 50 GB) for 13 schools in 6 counties: Arad (Sagu commune), Braila (Stancuta, Viziru, Insuratei), Sibiu (Sadu village), Bistrita-Nasaud (Matei, Budesti, Nuseni), Cluj (Moldovenesti, Chiuiesti, Frata, Taga) and Salaj (Simisna).

**Volunteering and fostering community initiative #DigiBenefit**

The Group's organizational culture is built on values such as teamwork, initiative, and volunteering. We encourage employees to develop their skills and dedicate time to support various community projects.

In 2023, DIGI Group organized the eighth edition of the internal blood donation campaign, "DIGI Donates LIFE", which registered remarkable results, involving more than 400 employees from 25 branches across the country. Through their generosity and solidarity, more than 180 liters of blood were collected, giving a chance to life to about 1,000 patients.

The registration fees supported by DIGI Group for the participation of employees in certain sports competitions (fishing competitions, mini football, Gerar Half Marathon, Arenas Cross, Retezat SkyRace, Azuga Trail, Ciucas X3, Bucovina Ultra Rocks, Baneasa Forest Run) represented, on the one hand, a support for various social causes (Magic EDU scholarships, Padurea Copiilor etc. ), but also an opportunity to involve colleagues in recreational activities (#DigiWell axis) and volunteering activities, such as trail sanitation or waste collection near the areas where these events took place.

Because we are aware of the responsibility, we share for the resources used in our activities and to encourage responsible behavior towards the natural environment, the company continued the "DIGI Cornerrr" project launched in 2021 in partnership with the Environ Association for the collection of electrical and electronic waste. This way, customers can bring such waste to DIGI's 458 locations (stores) across the country, and employees can implement the legal provisions on collection, treatment, and disposal.

**Health and wellbeing #DigiWell**

We are aware of the needs and welfare of society; we are actively involved in the life of the community and we aim to develop projects that generate significant change.

In 2023, DIGI reaffirmed its active involvement in facilitating free and equitable access to quality healthcare and, in collaboration with the Man Foundation, supported the Group's main community program. During the year, under the partnership between DIGI and the Man Foundation, the Maria Health and Medical Imaging Centre provided patients with free medical investigations, based on referral notes from the specialist, in a non-discriminatory manner, regardless of age, gender, ethnicity, religion, etc. The clinic also carried out medical examinations and consultations paid for by the Health Insurance House, within the allocated budget. Thus, in 2023, the Maria Health Centre carried out 20,351 medical investigations, and the costs of 15,826 of these were covered entirely from funds allocated by the Group.

In addition, the company continued the initiatives developed to promote competitions and leisure activities and offered sponsorships to sports federations or clubs (Romanian Tennis Federation, Romanian Table Tennis Federation, Athletic Sports Club Association, Raoul Sports Base, Real Racing Sports Club Association).

To amplify our mission of raising public awareness of the importance of voluntary blood donation, for the first time, Digi24, part of the DIGI Group, initiated the "We have the same blood" social campaign, the largest and most ambitious national project of a Romanian television station. Throughout 2023, in collaboration with the County Blood Transfusion Centers and with the support of local authorities, mobile blood donation collections were organized monthly in two counties in the country. The social initiative targeted, in particular, the localities far from the blood transfusion centers and aimed at facilitating the access of members of these communities to blood donation. At the end of the year, the impressive results of the Digi24 campaign reflect the Group's strong commitment to current community needs and its ability to be a key ally for society:

- More than 4,569 people from 22 counties of the country responded to the call for mobilization and civic spirit and donated in the mobile centers about 2,000 liters of blood that saved the lives of over 14,000 patients.
- One year after the launch of the project (December 1, 2022), the number of donors has increased 10 times nationwide.

**Affiliations**

The company is not currently a member of any industry-wide associations or advocacy organizations.

**Awards: DIGI Group**

| Publication/Organizer | Event | Award |
|---|---|---|
| **Mobile Communications** | Award Gala for the champions of 30 years of Internet in Romania | "INTERNET CHAMPION AWARD" |
| **CSR MEDIA** | Good Deeds Catalogue | Inclusion in the catalog of the national blood donation campaign "We have the same blood", a DIGI Group initiative run by Digi24 |
| **Ookla** | Speedtest Intelligence 2023 Awards | Spain's fastest fiber-optic network in 2023 |
| **Capital Magazine** | Capital Gala - Elite Companies | European Major Telecoms Player Award |
| **Bucharest Chamber of Commerce and Industry (CCIB)** | Top Companies in Bucharest Gala | 1st place in the Top Companies in Bucharest |
| | Top Companies in Bucharest Gala | First place for the corresponding field of activity and size class in the Top Companies in District 5 |
| | Top Companies in Bucharest Gala | "Operator with the most extensive mobile voice |

| | | |
|---|---|---|
| | | coverage in Romania" special award |
| | Top Companies in Bucharest Gala | Special press award for the producer of "Business Club" broadcast on Digi24, Ligia Munteanu |
| **Capital Magazine** | Top 300 Companies | 17th place |
| **Undelucram.ro** | Undelucram Top Employers 2023 | 5th place |
| **Bursa** | Bursa Gala | Award of Excellence for efforts to expand international presence |
| **Royal House of Romania** | Gala for Civic Courage | Digi24, "We have the same blood" campaign - Life Savers Award |
| **Top 100 Best Entrepreneurs/ Brand Media Production** | Romanian Entrepreneurship Gala | Award for developing the most extensive communications network |
| **Brand Finance, 2023** | Top 50 Most Valuable Romanian Brands | 5th place |
| **Medical Space** | Romanian Health Care Awards | Digi24, "We have the same blood" campaign - "Medical Campaign of the Year" Award |
| **Financial Newspaper** | Top 100 Most Valuable Companies in Romania | 39th place – DIGI Communications |

## ENVIRONMENT

The internet and telecommunication industry generates a negative impact on the environment, but it also has a role to play in reducing it. The internet allows people and businesses to improve their efficiency, allowing them to communicate and work remotely, thus contributing to reducing the amount of greenhouse gas emissions generated by traveling and traditional means of communication. At the same time, internet and communication have the power to enable more efficient supply chain management.

However, the amount of materials and energy required to develop the necessary infrastructure and power the network and data centers is significant, as raw materials extraction and energy production have a great contribution to greenhouse gas emissions and climate change.

In addition, across the value chain, producing and disposing of electronic devices (routers, laptops, smartphones, etc.) also require energy and raw materials consumption, which can lead to deforestation, pollution, and the destruction of habitats, while generating significant amounts of waste that often end up in landfills.

Although our industry has great potential in enabling innovation for tackling the most pressing environmental and social challenges, investments in renewable energy and measures for circular economy are essential steps to be taken on our path to reduce our environmental impact.

### Management of materials and waste

Conducting our activity involves the use of a great range of materials: from metals for cables, wires, antennas and towers, and glass and plastics used in cables to chemicals and rare earth elements used in the production of the electronic equipment that we or our clients use.

We are aware that the production and disposal of these materials can have significant environmental and social impacts, especially across our value chain. However, at this moment we do not measure the impact associated with our activity.

For the 2023 non-financial report, in Romania, we started mapping and monitoring the amount of materials consumed. In this first phase, the data presented below was estimated, by multiplying the materials purchased for our activity in Bucharest to the other 41 counties where we conduct our activity. The data was extracted by the procurement department.

| **Materials used Romania** | **2022** | **2023** |
|---|---:|---:|
| Plastic bottles (pieces) | 1,784 | 42,255 |
| Paper and cardboard (pieces) | 322,622 | 121,422 |
| Paper and cardboard (rollers) | 255 | 543 |
| Paper and cardboard (ream) | 70,317 | 67,052 |
| Printing ink cartridge (piece) | 6,909 | 8,357 |
| Plastic materials - foil (piece) | 56 | 269 |
| Plastic materials - foil (meters) | 3,383 | 2,600 |

| | | |
|---|---|---|
| Plastic materials - foil (square meter) | 5,250 | n/a |
| Plastic materials - foil (top) | n/a | 16,247 |
| Plastic materials - foil (rollers) | 7,337.5 | 9,479 |
| Tires (pieces) | 11,223 | 4,267 |
| Cables (pieces) | 27,586 | 377,725 |
| Cables (meters) | 27,256,086 | 25,290,222 |
| Cables (square meters) | 480 | 200 |
| Cables (rollers) | 1 | 1 |
| Cables (sets) | 16 | 12 |
| Lighting fixture | 309 | 479 |
| Light bulbs | n/a | 9,597 |
| Wood (drums) pieces | 79,902 | 1,063 |
| Batteries | 36,787 | 50,987 |
| Electrical and electronic equipment (pieces) | 1,407,592 | 2,893,925 |

All the quantities mentioned in the above table were purchased and used in 2023, and to the extent that they could no longer be used, they were handed over to authorized operators for recycling or disposal of those specific categories of waste.

| **Materials used Italy (kg)** | **2022** | **2023** |
|---|---|---|
| Plastic | 50.4 | 242.86 |
| Paper and cardboard | 1,095.2 | 2,105.1 |
| Wood | 2,850 | 5,788 |

88.11% of the wood used and 11.4% of the paper used came from recycled materials.

Italy: quantities of materials used in 2023 have increased because we started building the network infrastructure.

| **Materials used Spain (kg)** | **2023** |
|---|---|
| Paper | 9,868 |
| Wood | 380,200 |
| Fiber 12FO | 214,001 |
| Fiber RA | 113,115 |
| Fiber Riser | 7,662 |
| Mesh | 45,422 |

For DIGI subsidiaries in Portugal, we do not currently have system in place to collect the materials used in the operational activity.

**Managing waste**

Waste management is a priority for us, as we generate a significant amount of waste in our direct operation through our data centers and network infrastructure, as well as across the value chain (electronic devices that our clients and customers use).

Electronic devices such as smartphones, laptops, and routers have a limited lifespan and are often discarded or replaced after a few years, contributing to e-waste. This can result in the disposal of hazardous materials and pollutants that can harm the environment and human health.

Data centers are also a significant source of waste, and they require large amounts of energy to power and cool the servers. This energy consumption contributes to greenhouse gas emissions and can result in the production of e-waste when outdated equipment is replaced. Network infrastructure, such as fiber optic cables and transmission towers, also contribute to waste through their production, installation, and maintenance. This can include the use of non-renewable resources, such as petroleum-based plastics and metals, and the disposal of materials at the end of their lifespan.

Our main activity involves, among other things, the external purchase of various electrical and electronic equipment, batteries, and accumulators that we install at our client's premises. Apart from that, we import various types of other equipment necessary for conducting our activity, equipment that comes in packages of different materials, which later end up as waste. In Romania, all the equipment arrives at one of the three large warehouses that the Group owns and is stored there for a short period of time before being immediately sent across the country for various works. The packaging that can be reused, for example, part of the pallets and cardboard boxes that are not damaged (approximately 85%), is reused when sending the equipment across the country.

For the Romanian subsidiary of the Group, waste management is conducted in accordance with an internal procedure, whose purpose is to establish the methods of collection, sorting, utilization, and disposal of waste, in a way that does not endanger the health of the population and the environment. The procedure refers to all operations and activities of the company that produces waste. Due to the national extent of our activity, rather large quantities of packaging waste, electrical and electronic equipment waste, household waste, paper and cardboard waste, cable waste, etc. are produced. Therefore, we have concluded different contracts with operators authorized to collect and recycle or eliminate these types of waste.

The main activity of the company is "Telecommunication activities through wired networks", which involves, among other things, the purchase of various electrical and electronic equipment, batteries, and accumulators to be installed by the company's customers. Along with this electrical and electronic equipment, other equipment necessary for the activity is imported and packaged, which then becomes waste in our country. After being imported, all the equipment arrives at one of the three large warehouses that the company owns and is stored there for a short period of time to be immediately sent to the country for various works. We work with stocks for various equipment, which is stored in the company's warehouses, if the space allows storage as packed, they are shelved, but most of the time everything that comes from import is disassembled and packed so that it can be stored properly in the warehouses. Packaging that can be reused, for example, some of the pallets and cardboard boxes that are not damaged, up to 85%, are reused when the equipment is sent back into the country.

In addition to this main activity, in 2023 (similar to 2022) campaigns involving the recovery and replacement of Akta networks were also carried out nationwide, resulting in cable waste and electrical equipment waste (metal boxes). All waste was stored on the concrete platform or in special containers provided by operators authorized to collect and dispose of or recycle these types of waste. Since the employees of the company carry out their activities both in the field and at the offices - specially designed premises, they produce household waste, this type of waste is handed over to the local sanitation operators authorized to collect this type of waste.

| **Waste category** | **Waste generated (Romania) tones 2022** | **Waste generated (Romania) tones 2023** |
|---|---|---|
| DEEE | 542 | 300.15 |
| Glass | n/a | 0.35 |
| Metal | 3.3 | 0 |
| Batteries* | 37.8 | 2.99 |
| Plastic | 291.8 | 229.47 |
| wood | 10.9 | 2.18 |
| Paper and cardboard | 150.1 | 479.56 |
| Mixed municipal waste | 2,390.9 | 41,902.3 |
| Cables | 1,727 | 53.51 |
| Oils | 0.6 | 0.43 |
| Printer cartridges | 6.3 | 5.03 |
| Waste from construction and demolitions | 93.6 | 3,701.84 |
| Insulation materials | 13.3 | n/a |
| Non-ferrous metals | 0.3 | 1.24 |
| Ferrous metals | n/a | 7.53 |
| Tires | 4 | 4 |
| **Total** | **5,271.9** | **46,690.58** |

**both from our activities, as well as collected from our customers*

All the quantities mentioned in the table above were handed over to operators authorized to recycle or eliminate those specific waste categories. The contracts are mainly signed at a national level, but there are a few exceptions where the contracts are signed locally, because of the limited quantities produced, and the operators prefer to collect large quantities to cover the cost of the transport. Currently, we centralize at the country level and monitor the amounts of waste produced in all the locations of our Romanian's subsidiaries.

Due to changes in the Romanian legislation, starting from 2023, the waste produced must be registered online, in the Integrated Environmental System by the 15th of March for the previous year. Therefore, in each county of Romania, the company has appointed a person responsible for monitoring and reporting the waste quantities generated in our activities. The data presented for Romania covers all our warehouses, Digi stores, and national-level headquarters.

| Waste diverted from disposal (Romania) 2023 | Onsite | Offsite |
|---|---|---|
| **Hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 0 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 6.94 |
| Other recovery operations (treating) | 0 | 1.07 |
| **Total** | **0** | **8.01** |
| **Non-hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 0 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 1,018.47 |
| Other recovery operations (treating) | 0 | 1.92 |
| **Total** | **0** | **1,020.39** |

| Waste directed to disposal (Romania) 2023 | Onsite | Offsite |
|---|---|---|
| **Hazardous waste (tones)** | | |
| Incineration (with energy recovery) | 0 | 0 |
| Incineration (without energy recovery) | 0 | 0 |
| Landfilling | 0 | 0 |
| Treating | 0 | 0 |
| **Total** | **0** | **0** |
| **Non-hazardous waste (tones)** | | |
| Incineration (with energy recovery) | 0 | 57.51 |
| Incineration (without energy recovery) | 0 | 0.43 |
| Landfilling | 0 | 45,604.19 |
| **Total** | **0** | **45,662.13** |

In Romania, we started a campaign to provide selective waste collection containers, both at our warehouses and at our headquarters, to reduce the municipal waste produced and to recycle as much as possible the waste produced by both the company's employees and the people who visit our cashiers. According to the law, we collect it separately.

**Circular economy**

Given the substantial consumption of natural resources, including rare earth metals, minerals, and fossil fuels, required to produce the equipment essential for our infrastructure, we endeavor to implement measures of circularity wherever feasible. . By adopting a circular economy approach, we can minimize waste and reduce our reliance on virgin materials by recovering, repairing, and reusing products and components. Simultaneously, this can bring us economic benefits, as the product-as-a-service model helps us reduce costs when we recover devices and equipment installed at our clients’ premises.

While we can’t control how our customers dispose of the devices bought from us, we try to offer them the possibility of returning them to our premises.

In 2023, in Romania, with help from our partners from Environ, we managed to expand the Digi Cornerrr project in all our stores. Started in 2021, the project aims at helping our clients and employees dispose of their electric and electronic waste (smartphones, fixed-line telephones, routers), but also their batteries and accumulators. The waste collected was either used by our partner in its own projects or recycled or eliminated, depending on the condition of each equipment.

In 2023, through DIGI Cornerrr campaign, we managed to collect the following e-waste:

2,500 pieces of WEEE (700kg)

Waste code 16 02 14 = 2,316 pieces (681kg) – discarded equipment

In Spain, the waste generated by the organization in its own activities is always managed by a third party. The third party is a company specializing in waste management that manages the waste in accordance with the legal requirements. The third-party company issues and provides us with a certificate regarding the destination of the waste.

| Waste category | Waste generated (Spain) tones 2022 | Waste generated (Spain) tones 2023 |
|---|---|---|
| Metal | 3.98 | 18.72 |
| Wood | 102.66 | 265.2 |
| Paper and cardboard | 51.66 | 73,80 |
| Cables | 2.58 | 4.04 |
| Optical fiber | 1.19 | 4.16 |
| Scrap | n/a | 0.44 |
| Plastic | 4.59 | 36.61 |
| Household waste | 11.37 | 11.39 |
| Industrial waste | 15.5 | 0 |
| Mix of concrete bricks, tiles and ceramics | n/a | 20 |
| Mixed waste | 19.23 | 61.49 |
| Ordinary waste | 1.55 | 6.29 |
| Mixed packaging | 8.46 | 4.99 |
| RCD contaminated waste | 8.98 | 11.80 |
| Bulk waste | 14.36 | 31.14 |
| Construction and demolition waste | 12 | 55.32 |
| Other type of waste | n/a | n/a |
| **Total** | **258.11** | **605.39** |

| Waste diverted from disposal (Spain) 2023 | Onsite | Offsite |
|---|---|---|
| **Hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 0 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 0 |
| Other recovery operations (repurposing, refurbishment) | 0 | 0 |
| **Total** | **0** | **0** |
| **Non-hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 0 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 402.53 |
| Other recovery operations (repurposing, refurbishment) | 0 | 0 |
| **Hazardous waste (tones)** | **0** | **402.53** |
| **Waste directed to disposal (Spain) 2023** | **Onsite** | **Offsite** |
| **Hazardous waste (tones)** | | |
| Incineration (with energy recovery) | 0 | 0 |
| Incineration (without energy recovery) | 0 | 0 |
| Landfilling | 0 | 0 |
| Treating | **0** | 0 |
| **Non-hazardous waste (tones)** | 0 | 202.86 |
| Incineration (with energy recovery) | 0 | 0 |
| Incineration (without energy recovery) | 0 | 0 |
| Landfilling | **0** | 202.86 |

At DIGI Portugal, the main sources of waste are directed to landfill. All work teams are trained to collect their waste at the end of each day/activity and hand it over to DIGI's warehouse for proper waste management. In the warehouses, employees are instructed to separate waste according to its type. It is strictly forbidden to mix different types of waste. In the offices, the waste produced is residual waste, so its management is the responsibility of the cleaning companies, according to the legislation. In offices, waste is also separated according to its type.

At Digi Portugal, the main objective regarding waste management is to reduce, reuse, and recycle waste while complying with the legal requirements in force. For any situation that arises that could have an impact on waste management and control and associated costs, immediate measures are implemented. DigiPortugal only has contractual relationships with licensed organizations for the collection and treatment of waste, as required by current legislation. To this end, a contract for collection and treatment is established with waste service providers, and Digi systematically monitors the total number of collections and the quantities collected. The same applies to the control of recoverable waste, such as metals and copper cables.

| **Waste category** | **Waste generated (Portugal) tones 2023** |
|---|---|
| Metal | 15.94 |
| Plastic | 29.18 |
| Wood | 148.77 |
| Paper and cardboard | 214.86 |
| Household waste | 48.55 |
| Construction waste | 10.02 |
| Fibre | 8.42 |
| Tonners | 0.05 |
| **Total** | **475.79** |

Construction and demolition waste was generated due to renovation/works carried out at the company's workplaces.

| **Waste diverted from disposal (Portugal) 2023** | **Onsite** | **Offsite** |
|---|---|---|
| **Hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 0 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 0 |
| Other recovery operations (repurposing, refurbishment) | 0 | 0.05 |
| **Total** | **0** | **0.05** |
| **Non-hazardous waste (tones)** | | |
| Preparation for reuse | 0 | 15.94 |
| Recycling (downcycling, upcycling, composting, anaerobic digestion) | 0 | 392.81 |
| Other recovery operations (repurposing, refurbishment) | 0 | 0 |
| **Hazardous waste (tones)** | **0** | **408.75** |

| **Waste directed to disposal (Portugal)** | **Onsite** | **Offsite** |
|---|---|---|
| **Hazardous waste (tones)** | | |
| Incineration (with energy recovery) | 0 | 0 |
| Incineration (without energy recovery) | 0 | 0 |
| Landfilling | 0 | 0 |
| Treating | **0** | 0 |
| **Non-hazardous waste (tones)** | 0 | 0 |
| Incineration (with energy recovery) | 0 | 0 |
| Incineration (without energy recovery) | 0 | 66.99 |
| Landfilling | 0 | 66.99 |

The waste that the company has not been able to recover is demolition and construction waste, plastic that cannot be recycled, and fiber.

For DIGI Italy SL, as the only service offered by the company is mobile telephony, the company does not generate significant amounts of waste. For the waste that results from the office activities (paper, cardboard, glass, and municipal waste), a tax is paid to the local administration based on the area of our offices located in Milan, Via Giovanni Bensi 11 (for 400 square meters and the warehouse located in Cesano Boscone for 410 square meters).

### Water use

Within all the companies in the Group, the water is used only for household activities, within our administrative offices, stores, and warehouses.

| Water consumption | 2022 | | 2023 | | |
|---|---|---|---|---|---|
| | Romania ($m^3$) | Spania ($m^3$) | Romania ($m^3$) | Spania ($m^3$) | Portugal ($m^3$) |
| **Water used** | 14,671 | 106.2 | 38,698.42 | 107.75 | 281 |
| **Water evacuated** | 14,671 | 106.2 | 38,698.42 | 107.75 | 281 |

*The data was extracted from the supplier invoices.*

In 2023, we improved our internal water monitoring systems by directly extracting data from water bills, moving away from the estimates of water usage that characterized our methodology in 2022.

### Biodiversity

As part of the telecommunications network development process, the construction of new sites complies with existing legislation on the authorization of construction works. This authorization process aims to guarantee high construction quality and to assess and limit construction activities in protected areas or historically significant buildings, thereby safeguarding these areas and cultural heritage.

During the construction and installation phase of telecommunications sites, a variety of materials and equipment are utilized. We take care to protect the environment, clearly establishing work zones, implementing measures to prevent accidental pollution, and adopting separate waste collection procedures during and after the completion of these works.

To reduce the scale of construction activities, driven by financial prudence and environmental considerations, we strategically opt for flexible solutions during the design phase of mobile site projects. This includes using slender structures with low heights and a minimal ground footprint.

From the start of our company, we have always considered potential collaborations with other telecommunications operators and infrastructure owners that allow for the accommodation and operation of telecommunications equipment. In doing so, together with our partners, we tried to optimize the construction and operation costs of existing infrastructure through shared utilization, thus providing a means to mitigate the impact of new developments.

We have also implemented the GREEN site solution, which refers to sites that do not require batteries to ensure equipment operation during power outages. This solution is suitable for sites that do not have a critical role in the integrated functioning of our network.

Another principle we have considered for cost efficiency and reducing environmental impact is the use of 100% prefabricated structures. These structures allow for quick installation and uninstallation, but perhaps most importantly, they allow for reuse. Uninstalling a prefabricated telecommunications site involves disconnecting equipment, uninstalling it, dismantling the passive infrastructure (tower + foundation), and recovering and reusing 100% of all components.

**87% of the tower structures constructed by the DIGI Group are prefabricated structures.**

Due to the significant energy consumption required to operate telecommunications networks, we also place special emphasis on state-of-the-art equipment and technologies that improve the services provided to our customers and ensure reduced energy consumption.

### Energy consumption

Energy consumption from traditional sources has a potentially significant negative impact, with energy production currently being one of the sectors that has an important contribution to climate change. In internet and telecommunication services, the amount and the source of the energy consumed can also have an economic impact, as the cost of energy is a significant part of the operational cost of data centers and telecom networks. As energy prices rise, the cost of providing these services increases, which can lead to higher prices for consumers. Additionally, energy consumption can also be affected by energy policies and regulations, which can impact the cost of doing business.

For us, at DIGI, our own energy consumption comes from the fuel of our fleet and the electricity and thermal energy consumed in our data centers, stores, and headquarters. At the same time, the company is an energy supplier. On the energy market we focus on residential clients, where at this moment, the price of the energy is dictated by legislation in force.

| Fuel consumption from non-renewable sources | 2022 Romania | | 2023 Romania | |
|---|---|---|---|---|
| | l | toe | l | toe |
| Gasoline | 966,395.94 | 776.26 | 1,023,791.68 | 822.36 |
| Diesel | 9,513,485.51 | 8,014.64 | 13,245,430.57 | 11,158.61 |
| Gasoline for hybrid cars | 15,523.77 | 12.47 | 26,239.57 | 21.08 |
| LPG | 14,551.67 | 30.39 | 84,993.96 | 177.45 |
| | **MWh** | **toe** | **MWh** | **toe** |
| Natural gas | 9,913.76 | 852.58 | 8,278.72 | 711.97 |

In 2023, the company's fleet vehicle has increased, therefore the quantity of fuel increased also.

| Electricity and thermal energy consumption | 2022 Romania | | 2023 Romania | |
|---|---|---|---|---|
| | MWh | toe | MWh | toe |
| Self-supplied electricity | 151,042.94 | 12,989.69 | 159,842.62 | 13,746.47 |
| Electricity consumed from third parties | 85,509.52 | 7,353.82 | 94,407.05 | 8,377.01 |
| Renewable energy | 273.03 | 23.48 | 7,212.58 | 620.28 |
| | **Gcal** | **toe** | **Gcal** | **toe** |
| Thermal energy from third parties | 603.74 | 60.37 | 846.17 | 84.62 |
| **Sold electricity** | **MWh** | **toe** | **MWh** | **toe** |
| **To 3rd parties** | 164,933.00 | 14,184.24 | 135,197.00 | 11,626.94 |

*Self-supplied electricity – electricity purchased from the energy market*
*Electricity from third parties – electricity consumption extracted from the invoices received from the owners of the spaces we rent (no control over the supplier, as the consumption is re-invoiced to us)*

Renewable energy – Electricity produced from our PV panels

Conversion factors:

Gasoline density: 0.765 t/m3

Diesel density: 0.830 t/m3

GPL density: 1.898 t/m3

1 ton of gasoline = 1.05 toe

1 ton of diesel=1.015 toe

1 ton of GPL= 1.1 toe

1 MWh = 0.086 toe

1Gcal=0.1 toe

Energy intensity 2023 (toe/eur) = Total energy consumption in Romania/ Turnover in Romania = 35.719,85 toe/ 1.0 billion EUR = 0.36 toe/ euro

On the energy market, we focus on the household sector, and currently the offers are dictated by the legislation in force, the maximum sale price being capped by the authorities. As regards the purchase of energy for customers and self-consumption, we try to cover the quantities through long-term contracts with a lower percentage in the PZU.

**Reducing energy consumption**

We are aware that a significant part of our direct negative environmental impact comes from the energy consumed. Therefore, we aim to invest every year in technology and measures that can help us reduce this consumption.

In this direction, the company has taken measures to reduce energy consumption, visible in the energy efficiency documents and our internal procedures. At the same time, in 2022, an audit was carried out on the entire energy profile of the Romanian subsidiary of the Group, by an external company, where measures to reduce electricity consumption for the period 2023-2027 were designed and proposed for implementation. The energy audit is renewed once every four years.

| Reduction in energy | Reduction in 2023 | Investment value (Euro) | Description of the initiative that led to that reduction |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **consumption** | | | |
| Fuel | 8,666 toe | 9,144,000 | Replacing vehicles in our fleet with new generation vehicles with start/stop system. The initiative to reduce fuel consumption was started in 2018 for part of the cars in our fleet and the process has continued until now. The energy saving is calculated for a number of 2,286 existing cars in the company's fleet with this system implemented. The average consumption of a car without start/stop is 8 liters/100 Km, while the consumption for a car with start/stop system is 5 liters/100 km, the difference of 3 liters/100km represents energy savings. |
| Electricity | 105,326 MWh | the procedure applies | Implementing of a program to power off the lighting system in the building. Our internal procedure says: „The lighting system should only be used in the situation where the area where the activity is carried out is not naturally lit effectively and to power off the lighting system when leaving the workspace.” The reduction is achieved through lower energy invoices. The estimation is based on the lighting consumption before the implementation of the procedure and after the implementation of the procedure (when the consumption decreased at night). |
| Electricity | 24,688 MWh | the procedure applies | Implementing a program to eliminate unnecessary consumers from the electricity grid (e.g. computers left on after hours): "Turn off all office equipment used (PC, PC monitor, printer, scanner, copier, etc.) at the end of working hours. Office equipment shall be left in standby mode only in exceptional cases and only for work activities. Exceptions include technical equipment which must be in permanent operation and whose stoppage would cause malfunctions in the provision of services. The calculation was estimated based on the lighting consumption before and after the application of the procedure (when consumption decreased at night). |
| Electricity | 3,778 MWh | 273,069 | Implementing an efficient LED-based lighting system. In 2011, a pilot project was started to modernize the premises of the company with LED lamps, more energy-efficient and more reliable. Until 2023, LED-based equipment has been changed in 300 locations of the company, the energy savings being around 3,778 MWh. |
| Electricity | 149,576 MWh | 121,095 | Developing a PV system for own electricity production. In 2022, we became prosumers for our headquarters in Oradea, setting up a photovoltaic system with an installed power of 92.130kWp. The energy produced is used for own consumption, while the surplus is injected into the electrical distribution network. The energy saving is for the year 2023. |
| Electricity | 1,445 MWh | 0 | Eliminating several equipment boxes serving signal distribution within residential buildings/years. Every year, a small part of the national RCS&RDS network is switched to optic fiber, thus reducing the total consumption of the telecommunications network. In 2023 3,298 boxes were removed. The energy reduction estimation was based on the average box power of 50W. |
| Electricity | 7,063 MWh | 19,209,850.70 | The project to install hybrid solutions (solar/generator) at telecommunication sites started in 2016. By 2023 we have 2745 such systems active with a total production in 2023 of 7063 MWh. The green energy produced by the panels on the telecom sites is for own consumption. The investment amounts to 19,209,850.70 euros. |

Additional measures planned to be implemented for the 2023 – 2027 period:

Installation of photovoltaic systems on telecommunication sites to offset electricity consumption. With this energy efficiency method, we aim to use green renewable energy for our own consumption. In 2023 a total of 2745 such systems were installed, saving 7063 MWh with an investment of 19,209,850.70 euro.

Phased replacement of external lighting fixtures with LED models, more energy efficient, the new fixtures being equipped with solar panels with motion sensors. The calculation is initially estimated for the company's headquarters, with 10 solar lamps installed at each of the 31 main headquarters. For this case, the investment is of 40,300 euros with an investment recovery period of 0.6 years and energy savings of around 288.3 MWh/year.

In certain areas of the company's premises, the water dispensers/purifiers installation, works for 24 hours a day instead of 8 hours a day for 5 days a week. As a future measure to reduce energy consumption, we aim to install timers on the sockets that supply this equipment. The timer systems will be adjusted according to the specifics of the space served and set up to interrupt the electricity supply one hour after the end of the program and to reconnect them to the electrical network one hour before the start of the program. The investment is estimated at 5,000 euros, with a recovery period of less than one year. The estimated energy savings is around 29.06 MWh/year.

Installing cold aisles between two rows of racks (rows with equipment) for the data centers. The estimates are conducted for the data center with the highest consumption, the one in Bucharest. These cold aisles represent a system used for specific cooling of certain areas within the data center, in our case two rows of racks. The investment will be around 13,900 euros with recovery in more than 10 years, the estimated energy saving being of 2.9 MWh/year.

Installing advanced systems for monitoring the electricity consumption, by purchasing smart meters. The investment was estimated at 957,300 euros, having a number of 19,146 locations (shelters plus telecommunications sites), at an average of 50 euros per location.

Installing fans and temperature/humidity sensors on the shelters, to take over the load of the air conditioners during the cooler season. The shelters where the telecommunications equipment is located are cooled using air conditioners (high consumption of electricity), set to start when a certain temperature is exceeded inside. When the outside temperature is below 18 degrees, the air will be cooled using fans that have lower energy consumption. The estimated investment for this measure is 580,800 euros for 2,200 shelters, with a recovery rate of 0.06 years, the energy savings obtained being around 37,213 MWh/year.

Installing a heat pump heating system, an estimated investment of 3,100,000 euros, with the investment recovery period being 0.7 years. The energy savings amounts to approximately 18,023 MWh/year. The calculations are estimated for the 31 main offices, the investment per office being 100,000 euros. This specific heating system is 4-5 times more economical than an electric plant, providing more energy per unit than a conventional heating system.

Thermal insulation for the shelters, an investment of 11,000,000 euros for 2,200 such locations, with the investment recovery period being 0.35 years. The estimated energy saving is 127,886 MWh/year.

**Energy consumption for our subsidiaries in Spain**

| **Fuel consumption from non-renewable sources** | **2022 Spain** | | **2023 Spain** | |
|---|---|---|---|---|
| | **l** | **toe** | **l** | **toe** |
| Gasoline | 806,357.05 | 647.71 | 1,068,016.97 | 857.89 |
| Diesel | 1,954,083.61 | 1,646.20 | 2,684,594.15 | 2,261.64 |
| LPG | 1,719.88 | 1.39 | 1,143.85 | 2.39 |

In 2023, the company's fleet vehicle has increased, therefore the quantity of fuel increased also.

| **Electricity and thermal energy consumption** | **2022 Spain** | | **2023 Spain** | |
|---|---|---|---|---|
| | **MWh** | **toe** | **MWh** | **toe** |
| Electricity consumed from third parties | 977.51 | 84.07 | 1,167.10 | 100.37 |

Conversion factors:

Gasoline density: 0.765 t/m3

Diesel density: 0.830 t/m3

1 ton of gasoline = 1.05 toe

1 ton of diesel=1.015 toe

1 MWh = 0.086 toe

**Energy consumption for DIGI Italy SL**

| Fuel consumption from non-renewable sources | 2022 Italy | | 2023 Italy | |
|---|---|---|---|---|
| | l | toe | l | toe |
| Gasoline | 39,347 | 31.61 | 70,105 | 56.31 |
| Diesel | 30,528 | 25.72 | 33,007 | 27.81 |

In 2023, the company started to build its network infrastructure, therefore it registered an increase in activity as well as in the necessary company vehicles.

| Electricity and thermal energy consumption | 2022 Italy | | 2023 Italy | |
|---|---|---|---|---|
| | MWh | toe | MWh | toe |
| Electricity consumed from third parties (green) | 30.05 | 2.58 | 61.89 | 5.32 |

In 2023, our electricity and thermal energy increased due to an expansion of our team (an increase of 106% vs 2022).

Conversion factors:

Gasoline density: 0.765 kg/m3

Diesel density: 0.830 kg/m3

1 ton of gasoline = 1.05 toe

1 ton of diesel=1.015 toe

1 MWh = 0.086 toe

**Energy consumption for DIGI Portugal**

| Fuel consumption from non-renewable sources | 2023 Portugal | |
|---|---|---|
| | l | toe |
| Gasoline | 22,695 | 18.23 |
| Diesel | 420,209 | 354.01 |

| Electricity and thermal energy consumption | 2023 Portugal | |
|---|---|---|
| | MWh | toe |
| Electricity consumed from third parties | 5,516.79 | 474.44 |
| *Of which green energy* | 1,498.36 | 128.86 |

*For Digi Portugal is the first year of reporting*

**Group**: Total energy consumption 2023 (toe) = Gasoline + Diesel + Gasoline for hybrid cars + LPG + Natural gas + Self-supplied electricity + Electricity consumed from third parties + Renewable energy + Thermal energy from third parties = 822.36 + 857.89 + 56.31 + 18.23 + 11,158.61 + 2,261.64 + 27.81 + 354.01 + 21.08 + 177.45 + 2.39 + 711.97 + 13,746.47 + 8,377.01 + 100.37 + 474.44 + 620.28 + 5.32 + 84.62 = 39,878.26 toe.

**Climate change**

**Carbon Footprint Assessment 2023**

Recognizing the environmental impact of its operations, DIGI Group has initiated the calculation of its Carbon Footprint for 2023, delineating the scope of the endeavor. Accordingly, a transparent methodology was devised to articulate the underlying assumptions and data used in the calculation process.

The inventory constitutes the quantification of greenhouse gas (GHG) emissions directly attributable to the organization's operations within the defined boundary and scope for the reporting period. It is pertinent to note that this assessment was conducted with limited data availability, with the aim of enhancing granularity in future evaluations.

The carbon footprint embodies the total volume of greenhouse gas (GHG) emissions generated along its value chain. This quantification method primarily relies on calculation rather than direct measurement. GHG emissions are computed by multiplying activity data with an emission factor (kg CO2e = Activity Data × Emission Factor). The GHG Protocol methodology was used to calculate Scope 1, 2 and 3 generated emissions, for both market- and location-based assessments.

Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

Scope 2 includes indirect emissions from sources controlled by the company, most often associated with the use of electricity generated by third parties. Electricity falls into this category because consuming electricity does not produce emissions (vs. consuming fuel), but producing electricity generates GHG emissions.

Scope 3 includes indirect emissions from processes and activities across the entire value chain, from resource/material consumption or the amount of waste generated, to meals or furniture purchased for company offices. The GHG Protocol further divides Scope 3 emissions into 15 categories, which are detailed in "Carbon Footprint Assessment Steps, Assumptions, Limitations and Emission Factors".

**Research and Overall Assessment Approach**

In conducting the comprehensive evaluation of DIGI Group's Carbon Footprint, the Consultant analyzed methodologies employed by numerous companies operating in comparable economic and activity sectors. This approach facilitated the accurate identification and evaluation of emission sources across the group's entire operational chain. The methodology adheres to the GHG Protocol standards and has successfully pinpointed sector-specific emission sources, including those associated with upstream leased electrical equipment assets.

In 2022, the carbon footprint assessment covered only Romania, Spain, and Italy, as the operations in Portugal were in their early stages and were not yet incorporated into the calculation. Furthermore, only 5 out of the 15 categories in scope 3 were considered during the calculation:

Purchased goods and services for internal use

Capital goods

Waste generated in operations

Business travel

Employee commuting

We reported the criteria for which we were able to collect data for reporting. Also, not all the criteria from Scope 3 are relevant for our business, e.g. investments and franchises.

However, in 2023, Portugal was integrated into the calculation process. The significant development was that the carbon footprint assessment extended to include all categories applicable to the group's activities in scope 3. This enhancement marked a crucial step forward in comprehensively evaluating the environmental impact across all facets of the group's operations.

The GHG Protocol further divides Scope 3 emissions into 15 categories:

**S3.1.1. Purchased Goods and Services for Internal Use**

According to the GHG Protocol, this category includes all upstream (i.e., cradle-to-gate) emissions from the production of products purchased or acquired by the reporting company in the reporting year. Products include both goods (tangible products) and services (intangible products). In this assessment, Scope 3.1.1. refers to the goods and services intended solely for internal use.

**S3.1.2. Purchased Goods and Services for Retail**

This category is here defined as goods (and services) purchased by the reporting company from suppliers with the aim of subsequently selling these products to end consumers.

**S3.2. Capital Goods**

This category includes emissions from capital goods that are purchased and amortised by the organisation. This includes goods used by the organisation to manufacture a product, provide a service, or sell, store and deliver merchandise.

**S3.3. Fuel and energy-related activities**

Activities related to fuel and energy (not included in Scope 1 or Scope 2 emissions calculations) refer to GHG emissions resulting from extraction, production, and transportation of purchased or acquired fuels and energy.

**S3.4. Upstream Transport and Distribution**

Emissions from upstream transport and distribution of goods are emissions from freight services that are paid by the organisation. It encompasses activities such as shipping, trucking, or other modes of transportation involved in bringing inputs to the organisation's operations. These activities are typically considered indirect emissions and fall within the supply chain emissions category

**S3.5. Waste generated in Operations**

Waste generated in operations refers to any byproducts, residuals, or discarded materials resulting from an organisation's operational activities. This includes solid waste, hazardous waste, or wastewater generated during production, manufacturing, or service delivery processes.

As the DEFRA 2023 database of emission factors does not contain detailed enough emission factors to represent the waste type and treatment to accurately assess DIGI's emission in this category, the Consultant has built an emission factor database from diverse publicly-available and licence-owned databases such as UNFCC GHG Calculator, ecoinvent 391, GHG Protocol waste emissions, DEFRA UK, Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) and BEIS 2023.

**S3.6. Business Travel**

Business travel mainly refers to fuel burnt in mobile sources of combustion occurring in plane travel, for example. Hotel nights might be included when linked to business travel, i.e. a stay-over for flight connections, when attending a conference or for other business purposes. The indirect emissions generated during the journey should also be included if such data are available and significant.

**S3.7. Employee commuting**

Employee commuting includes emissions related to the transportation of employees from their home address to their workplaces, encompassing the various modes of transportation used by employees, including private vehicles, public transportation, walking, or cycling. These commuting activities contribute to the organisation's indirect emissions, as they occur outside the operational boundaries but are associated with the employees' work-related activities.

**S3.8. Upstream leased assets**

Upstream leased assets refer to assets or equipment that an organisation leases or rents from external parties for its operations. These assets can include office space, machinery, vehicles, or other resources necessary for conducting business activities. The emissions associated with upstream leased assets are considered indirect emissions as they occur outside the organisation's operational boundaries but are linked to its operations.

This emission category is not taken into account as the Consultant uses the operational-control approach for this assessment and thus, any energy consumed by the leased assets were already assessed under Scope 1 or Scope 2.

**S3.9. Downstream Transport and Distribution**

According to the GHG Protocol, this category includes emissions that occur in the reporting year from the transportation and distribution of sold products in vehicles and facilities not owned or controlled by the reporting company.

**S3.10. Processing of sold products**

Processing of sold products refers to the activities involved in transforming or modifying products before they are delivered to customers or end-users. This can include processes such as assembly, packaging, labelling, or customization of products to meet customer requirements. The emissions associated with the processing of sold products are typically considered indirect emissions, as they occur outside the organisation's operational boundaries but are connected to its products and services

**S3.11. Use of Sold Products**

The use of sold products refers to the activities and operations carried out by customers or end-users after they have purchased and acquired the products from an organisation. It involves the regular usage, maintenance, and operation of the products throughout their intended lifespan. The emissions associated with the use of sold products are generally considered indirect emissions, as they occur outside the organisation's operational boundaries but are linked to the functionality and performance of its products.

**S3.12. End-of-life treatment of sold products**

End-of-life treatment of sold products refers to the processes and activities involved in managing and handling products at the end of their useful life. This includes activities such as recycling, refurbishing, remanufacturing, or disposing of products in an environmentally responsible manner. The emissions associated with the end-of-life treatment of sold products are considered indirect emissions, as they occur outside the organisation's operational boundaries but are connected to the lifecycle of its products.

**S3.13. Downstream leased assets**

Downstream leased assets refer to assets, typically equipment or facilities, that a company leases from another party to support its production or operational activities. These assets are situated in the later stages of the supply chain, closer to the end-user or consumer, and are crucial for the company's downstream operations.

**S3.14. Franchises**

Category 14 of the Scope 3 Standard includes emissions from the operation of franchises not included in Scope 1 or Scope 2. Franchisors should account for emissions that occur from the operation of franchises (i.e., the scope 1 and scope 2 emissions of franchisees) in this category.

This emission category is not applicable for the DIGI Group as it does not own franchises.

**S3.15. Investments**

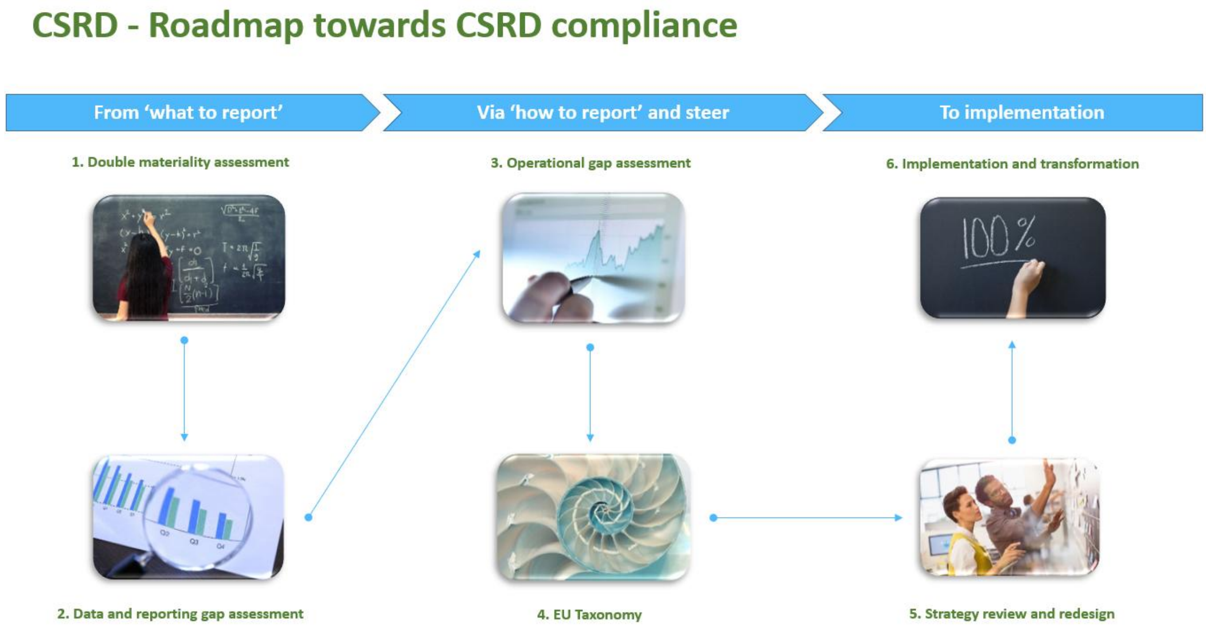
This category includes Scope 3 emissions associated with the reporting company's investments in the reporting year, not already included in Scope 1 or Scope 2. This category applies to investors (i.e., companies that invest intending to make a profit) and companies that provide financial services. This category also applies to investors that are not profit-driven (e.g. multilateral development banks), and the same calculation methods should be used. Investments are categorised as a downstream scope 3 category because providing capital or financing is a service provided by the reporting company.

This emission category was not assessed because is not part of Digi group activities.

The Total Generated Emissions (t CO2e) of DIGI Group for 2023 calculated in this assessment are: 247,288.71t CO2e. A breakdown of each company's emissions is provided below:

| **Dashboard Carbon Footprint 2023** | | |
|---|---|---|
| **DIGI Communications** | **Assessed Scope with calculated Emissions (t CO2e)** | |
| | **Scope 1 - Direct Emissions** | 48,307.26 |
| | **Scope 2 - Indirect Emissions (market-based)** | 37,171.38 |
| | **Scope 2 - Indirect Emissions (location-based)** | 59,522.63 |
| | **Scope 3 - Value Chain** | 161,810.08 |
| | **Total (market-based)** | **247,288.71** |
| | **Total (location-based)** | **269,639.96** |
| **TOTAL EMISSIONS - t CO2e (market-based)** | | **247,288.71** |
| **TOTAL EMISSIONS -t CO2e (location-based)** | | **269,639.96** |

*Assessment followed the GHG Protocol methodology.*
*Emission Intensity = The Data Sources and Assumptions made can be consulted in detail in Annex 4.*
*For Romania, the carbon footprint was calculated using an estimated energy label for the year 2022. As the legal reporting deadlines for the energy label for each energy supplier are well after the deadline for this report and knowing the quantities of energy purchased in 2023, we estimated the carbon footprint using the energy labels for the year 2022 for the suppliers we had in 2023.*




## CSRD - ROADMAP TOWARDS CSRD COMPLIANCE

**1. Double Materiality Assessment**

To achieve the goal of double materiality analysis, the Digi Group started defining the dedicated members of ESG committee for CSRD and ESRD reporting. The committee will be established by the end of 2024 and will consist of people from key reporting departments and functions: legal, compliance, human resources, risk management, financial, occupational health and safety, fleet management, accounting, environment and energy supply, as well as a person delegated each country where the DIGI Group operates.

In the past, these members have participated in ESG and GRI courses, and at this time, all members are scheduled to attend a technical course on ESRS reporting.

At the time of reporting, the Digi Group has entered the process of signing the contract with a consultant to support the ESG committee's conduct and implement the double materiality analysis.

**2. Reporting and Data Gap Assessment**

In order to improve data accuracy, the group has developed an internal data collection application. The application is to be deployed by the end of 2024 and will be used by all countries in the Group. At this time, work is underway to update the application to meet the requirements of CSRD and ESRS, as it was initially developed based on the GRI Standards 2021. At the same time, as the application is being updated, we will also develop a reporting manual, that will include all the terms, definitions and calculations methodologies used for the reporting process.

**3. Operational Gap Assessment**

During the preparation of the sustainability reports for 2022 and 2023, we identified a number of operations aimed at optimizing current data collection processes.

**Details of the identified operations:**

- **Automations:** Implementation of automation solutions for certain repetitive tasks, in order to increase the efficiency and accuracy of the process.
- **Corrections:** Making the necessary corrections to the previously collected data, in order to ensure the accuracy and reliability of the information presented in the reports.
- **Redefinitions of internal reporting systems:** Adapting and redefining various reporting systems to facilitate a more detailed and relevant analysis of the company's reported KPIs.
- **Aligning the reporting process at Group level:** Harmonizing the reporting process and methodology for all the companies in the Group.

Some of the identified improvement actions have already been implemented, while others are in the process of being implemented by the end of 2024.

**Expected benefits:**

Full implementation of the improvement operations will lead to:

- **Increased efficiency:** Reducing the time and resources needed to collect and analyze data.
- **Improved accuracy:** Ensuring the quality and reliability of the information presented in the sustainability statement.
- **Increased transparency:** Facilitating access to relevant and detailed information on the company's performance in the field of sustainability.
- **Strategic alignment:** Ensuring compatibility with the standards and methodology used at Group level.

**4. EU Taxonomy**

Starting 2023, the Group is working with an external partner for the calculation and reporting of the EU Taxonomy KPIs. Together with the consultant, we are in the process of developing internal mechanisms that will allow the evaluation of the technical criteria and DNSH criteria for alignment with the Taxonomy for the the activities identified in the previous reporting processes (2022 and 2023) as eligible.

**5. Strategy**

At this moment, the actions implemented by Digi Group to improve its sustainability performance, reduce negative impact and increase positive impact, are not formalized under the umbrella of a sustainability strategy. The group plans to develop and start implementing the sustainability strategy in accordance with CSRD in 2024.

## GRI CONTENT INDEX

| | |
|---|---|
| **Statement of use** | **Digi Communications N.V. has reported in accordance with the GRI Standards for the period of January 1, 2023 –December 31, 2023** |
| **GRI 1 used** | **GRI 1: Foundation 2021** |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | **Requirements omitted** | **Reason** | **Explanation** |
| **General disclosures** | | | | | |
| **GRI 2: General Disclosures 2021** | 2-1 Organizational details | 35, 71, 81 | | | |
| | 2-2 Entities included in the organization's sustainability reporting | 6, 71 | | | |
| | 2-3 Reporting period, frequency and contact point | 71, 237 | | | |
| | 2-4 Restatements of information | EU Taxonomy KPIs for financiar year 2022, as presented at pages 72-80 | | | |
| | 2-5 External assurance | The content of the non-financial statement was not externally assured. | | | |
| | 2-6 Activities, value chain and other business relationships | 6, 7, 71, 95, 109, 140 - 155 | | | |
| | 2-7 Employees | 96, | | | |
| | 2-8 Workers who are not employees | Information unavailable | Currently, the Group does not hold information regarding people who have concluded other types of collaboration with the Group companies than employment agreements. | | |
| | 2-9 Governance structure and composition | 81, 82 | | | |
| | 2-10 Nomination and selection of the highest governance body | 81, 82 | | | |
| | 2-11 Chair of the highest governance body | 81 | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 82 | | | |
| | 2-13 Delegation of responsibility for managing impacts | 82 | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | 39, 40, 82 | | | |
| | 2-15 Conflicts of interest | 83, 84 | | | |
| | 2-16 Communication of critical concerns | 86 | | | |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | Requirements omitted | Reason | Explanation |
| | 2-17 Collective knowledge of the highest governance body | No measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development during the reporting period. | | | |
| | 2-18 Evaluation of the performance of the highest governance body | 82 | | | |
| | 2-19 Remuneration policies | 42, 43, 60 – 69 | | | |
| | 2-20 Process to determine remuneration | 60, 100 | | | |
| | 2-21 Annual total compensation ratio | 69 | Information was reported based on the average annual employee salary and not median, as required by this disclosure. | | |
| | 2-22 Statement on sustainable development strategy | 2, 127, 128 | | | |
| | 2-23 Policy commitments | 35 – 37, 55 - 59 | | | |
| | 2-24 Embedding policy commitments | 55 – 59 | | | |
| | 2-25 Processes to remediate negative impacts | Information incomplete | There are no formal commitments. All negative impacts are remediated in accordance with the European or each country national legal provisions in place. | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | 85 | | | |
| | 2-27 Compliance with laws and regulations | 109 | | | |
| | 2-28 Membership associations | 112 | The Group is not part of any industry associations, other membership associations, and national or international advocacy organizations in which it participates in a significant role. | | |
| | 2-29 Approach to stakeholder engagement | 86, 91, 92 | | | |
| | 2-30 Collective bargaining agreements | 101 | | | |
| **Material topics** | | | | | |
| **GRI 3: Material Topics 2021** | 3-1 Process to determine material topics | 86, 87 | | | |
| | 3-2 List of material topics | 88 - 91 | | | |
| **Materials and waste** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 113 - 116 | | | |
| **GRI 301: Materials 2016** | 301-1 Materials used by weight or volume | 114 | | | |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | Requirements omitted | Reason | Explanation |
| **GRI 306: Waste 2020** | 306-1 Waste generation and significant waste-related impacts | 114 - 119 | | | |
| | 306-2 Management of significant waste-related impacts | 114 - 119 | | | |
| | 306-3 Waste generated | 115, 117, 118 | | | |
| | 306-4 Waste diverted from disposal | 116 - 118 | | | |
| | 306-5 Waste directed to disposal | 117 - 118 | | | |
| **Energy consumption** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 119, 120, | | | |
| **GRI 302: Energy 2016** | 302-1 Energy consumption within the organization | 120, 122, 123 | | | |
| | 302-2 Energy intensity | 120 | | | The energy intensity was calculated specifically for the Romanian subsidiaries, given their significant energy consumption compared to the other subsidiaries. |
| | 302-4 Reduction of energy consumption | 120 - 122 | | | |
| **Climate change** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 124 - 126 | | | |
| **GRI 305: Emissions 2016** | 305-1 Direct (Scope 1) GHG emissions | 126, 225 - 233 | | | |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 126, 225 - 233 | | | |
| | 305-3 Other indirect (Scope 3) GHG emissions | 126, 225 - 233 | | | |
| **Biodiversity** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 119 | | | |
| | 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Information unavailable | | | Information was not monitored as per the requirements of this disclosure |
| **Circular economy** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 116, 117 | | | |
| **Group specific disclosure** | Equipment and devices recovered and reused | 117 | | | Disclosure reported only for the Romanian subsidiaries of the Group. |
| **Fair working environment** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 94, 95, 96, 98, 99, 102, 103 | | | |
| **GRI 401: Employment 2016** | 401-1 New employee hires and employee turnover | 95 | | | |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | Requirements omitted | Reason | Explanation |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 101 | | | |
| | 401-3 Parental leave | 102 | | | |
| **GRI 404: Training and Education 2016** | 404-1 Average hours of training per year per employee | 103, 104 | | | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 104 | | | |
| **GRI 405: Diversity and Equal Opportunity 2016** | 405-1 Diversity of governance bodies and employees | 81, 82, 96 - 98 | | | |
| | 405-2 Ratio of basic salary and remuneration of women to men | 100 | | | |
| **GRI 406: Non-discrimination** | 406-1 Incidents of discrimination and corrective actions taken | 96 | | | |
| **Occupational health and safety** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 104 - 107 | | | |
| **GRI 403: Occupational Health and Safety 2018** | 403-1 Occupational health and safety management system | 104, 105 | | | |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 105, 106 | | | |
| | 403-3 Occupational health services | 106 | | | |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 105, 106 | | | |
| | 403-5 Worker training on occupational health and safety | 106 | | | |
| | 403-6 Promotion of worker health | 106 | | | |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 106 | | | |
| | 403-9 Work-related injuries | 107 | | | |
| **Data and network security** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 93 | | | |
| **Group specific disclosure** | Measures to prevent data and network security breaches | 93, 94 | | | |
| **Personal data privacy** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 94 | | | |
| **GRI 418: Customer privacy 2016** | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | 94 | | | |
| **Supply chain management** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 109 | | | |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | Requirements omitted | Reason | Explanation |
| **GRI 204: Procurement Practices 2016** | 204-1 Proportion of spending on local suppliers | 109 | | | |
| **Stakeholder engagement** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 91, 92 | | | |
| **Group specific disclosure** | Communication channels per stakeholder category | 91, 92 | | | |
| **Technological innovation** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 10, 16, 90, 141 | | | |
| **Group specific disclosure** | Number of cities where 5G mobile telecommunication services are available | 152 | | | |
| **Impact on the local economy** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 72, 90, 110, 142 - 154 | | | |
| **GRI 201: Economic Performance 2016** | 201-1 Direct economic value generated and distributed | 72 | | | |
| **GRI 202: Market presence 2016** | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 99, 100 | | | |
| | 202-2 Proportion of senior management hired from the local community | 98 | | | |
| **Quality of services** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 8, 9, 90, 93, 144 - 154 | | | |
| **Group specific disclosure** | Number of complaints received from clients on aspects regarding network interruptions | 94 | | | |
| **Business ethics and responsibility** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 55 - 59, 82 – 84, 90 | | | |
| **GRI 205: Anti-corruption 2016** | 205-2 Communication and training about anti-corruption policies and procedures | 84, 85 | | | |
| | 205-3 Confirmed incidents of corruption and actions taken | 83 | | | |
| **GRI 206: Anti-competitive Behavior 2016** | 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 83 | | | |
| **GRI 415: Public Policy 2016** | 415-1 Political contributions | 83 | | | |
| **Digital inclusion and access to services** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 107, 141 – 143 | | | |

| GRI Standard/ Other Source | Disclosure | Page number(s) and/or direct response | Omissions | | |
|---|---|---|---|---|---|
| | | | Requirements omitted | Reason | Explanation |
| **Group specific disclosure** | Distribution of RGUs per residential location | 107 | | | |
| **Internet governance and digital freedom** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 94 | | | |
| **Group specific disclosure** | Number of IP addresses and domains blocked | Information unavailable. | Information was not monitored. | | |
| **Content policy** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 89, 108, 109 | | | |
| **Group specific disclosure** | Financial penalties received for non-compliance with the Regulatory Code Regarding Audiovisual Content | 109 | | | |
| **Group specific disclosure** | Warnings received for non-compliance with the Regulatory Code Regarding Audiovisual Content | 109 | | | |
| **Engaging with local communities** | | | | | |
| **GRI 3: Material Topics 2021** | 3-3 Management of material topics | 90, 110 – 112 | | | |
| **Group specific disclosure** | Number of projects implemented to support the local community | 110 | | | |
| **Group specific disclosure** | Total value of donations and sponsorships | 110 | | | |

# Share Capital Structure and Shares

## SHARE CAPITAL STRUCTURE AND SHARES

The value of the issued and paid-up capital as at December 31, 2023 was €6,810,042.52, divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (€ 0.10) each and (ii) 35,443,972 class B shares, with nominal value of one eurocent (€ 0.01) each.

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

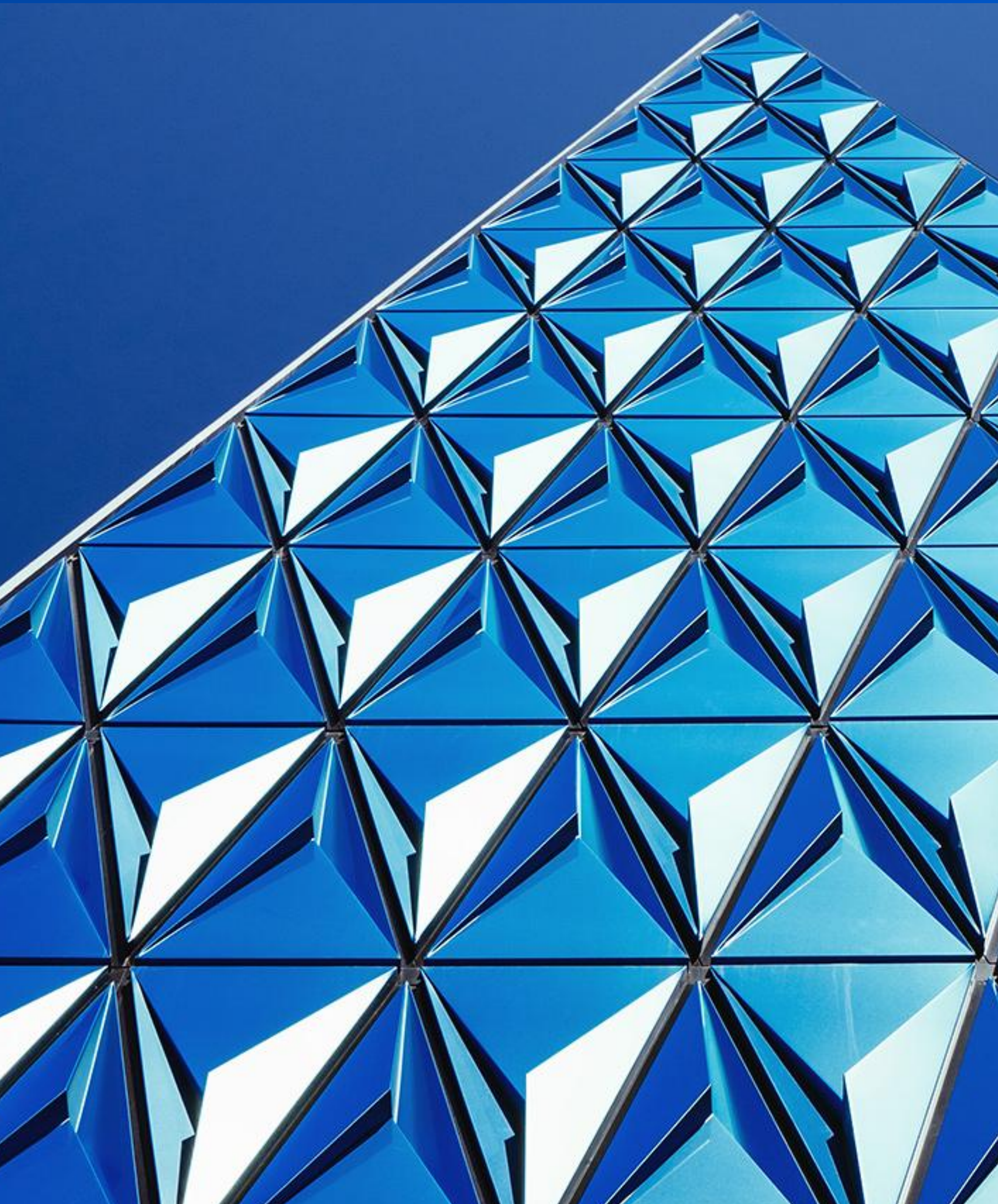
| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Class A:** | | |
| Ordinary Shares – Issued and Paid (No.) | 64,556,028 | 64,556,028 |
| Ordinary Shares – Unissued (No.) | 35,443,972 | 35,443,972 |
| Nominal Value | 0.10 EUR per share | 0.10 EUR per share |
| **Class B:** | | |
| Ordinary Shares – Issued and Paid (No.) | 35,443,972 | 35,443,972 |
| Ordinary Shares – Unissued (No.) | 64,556,028 | 64,556,028 |
| Nominal Value | 0.01 EUR per share | 0.01 EUR per share |
| Share Capital Value (EUR) | 6,810,042.52 | 6,810,042.52 |

At 31 December 2023, the shareholders of DIGI are as follows:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| **Shareholder name** | **No. of shares** | **%** | **No. of shares** | **%** |
| **Class A:** | | | | |
| RCS Management S.A. | 57,866,545 | 57.87% | 57,866,545 | 57.87% |
| Zoltan Teszari | 2,280,122 | 2.28% | 2,280,122 | 2.28% |
| DIGI-treasury shares | 4,409,361 | 4.41% | 4,409,361 | 4.41% |
| **Total class A** | 64,556,028 | | 64,556,028 | |
| **Class B:** | | | | |
| Shares listed on BVB | 35,068,446 | 35.07% | 34,846,746 | 34.85% |
| DIGI - treasury shares | 375,526 | 0.38% | 597,226 | 0.60% |
| **Total class B** | 35,443,972 | | 35,443,972 | |
| **TOTAL** | 100,000,000 | | 100,000,000 | |

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

# Dividend Policy



## DIVIDEND POLICY

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

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

At the Annual General Meeting of Shareholders, to be held in June, 2024, the dividend of RON 1.25 per share in respect of 2023, will be submitted for Shareholders’ approval. For the calculation of dividends, treasury shares of the Company were not treated as outstanding ordinary shares and were excluded from the number of issued ordinary shares.

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

# Group Overview

# BUSINESS

**Overview**

**Introduction**

We are an European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Source: Group and peer reporting*). We are the leading provider of telecommunication services in Romania, with significant operations in Spain and also present in Italy, Portugal and Belgium.

**Romania.** Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. As at December 31, 2023, our technologically-advanced fixed network in the country covered 95.1% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently reported by ANCOM as at June 30, 2023). We also operate a technologically-advanced mobile network, which shares the backbone of our fixed infrastructure. In addition, Romania is entirely within the footprint of our DTH signal.

**Spain**. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica. We also offer fixed internet and data and fixed-line telephony services through Telefónica's fixed network and through our own GPON FTTH network. In September 2021 we launched XGSPON on the Spanish market. As at December 31, 2023, our technologically-advanced fixed network in the country covered 32.6% of all dwellings (based on the number of homes passed that we served out of total dwellings as most recently published by Spanish National Institute of Statistics in 2021).

**Italy**. We provide mobile telecommunication services as an MVNO through the mobile network of Vodafone. Our service offerings in Italy target the large local Romanian community and the value centric Italian market. Since October 2023 we have started, on a test basis, to expand our portfolio of services by launching FTTH (Fiber to the Home) acces with high-speed broadband, bringing two offerings to customers in operating areas connectable to our FTTH and we are looking to further invest and expand our footprint and connectivity solutions.

**Portugal**. At the end of 2021, we were awarded radio frequencies in Portugal at the mobile spectrum auction. We are in the process of developing the fixed and mobile networks and we will start operations at a later date.

**Belgium.** During 2022, we were awarded, together with Citymesh NV, part of Cegeka Group, mobile spectrum in Belgium at the 5G auction organized by the Belgian Institute for Postal Services and Telecommunication ("BIPT"). We have started to build a new national mobile network (the 4th). This will allow the Group to expand its business on the Belgium market, in order to provide high quality, affordable telecommunication services, based on the latest technologies.

For the year ended December 31, 2023, our geographies accounted for the following portions of our total revenue: Romania for €1,019.4 million, or 60.3%; Spain for €642.0 million, or 38.0% and Italy for €29.0 million, or 1.7%.

As at December 31, 2023, we had a total of 23.9 million RGUs, of which 5.7 million were Pay TV RGUs, approximately 5.9 million were fixed internet and data RGUs, approximately 10.9 million were mobile telecommunication services RGUs and approximately 1.3 million were fixed-line telephony RGUs.

We have historically generated strong revenue streams. Our total revenue and other income amounted to €1,706.6 million for the year ended December 31, 2023. We have reported Adjusted EBITDA and Adjusted EBITDA margins of €591.2 million and 34.6%, respectively, for the year ended December 31, 2023.

We offer five principal types of services:

**Pay TV** (cable TV and DTH) is our original line of business. As at December 31, 2023, we had approximately 5.7 million Romanian RGUs for Pay TV services.

We offer **fixed internet and data** services through our technologically-advanced fixed networks in Romania and in Spain through Telefónica's fixed line network and through our own GPON-XGSPON FTTH network. As at December 31, 2023, we had approximately 4.6 million and 1.4 million fixed internet and data RGUs in Romania and Spain, respectively.

We provide **mobile telecommunication services** using our own 2G+4G and 5G networks in Romania (5G in certain areas) and as an MVNO in Spain and Italy. As at December 31, 2023, we had approximately 5.8 million, 4.7 million and 420,000 mobile telecommunication services RGUs in Romania, Spain, and Italy, respectively.

We offer **fixed-line telephony** services through our technologically-advanced fixed networks in Romania and in Spain through Telefónica's fixed line network and through our own GPON-XGSPON FTTH network. As at December 31, 2023, we had approximately 890,000 and 445,000 fixed-line telephony RGUs in Romania, and Spain, respectively.

**Key Strengths**

We consider our key strengths to include the following:

***Attractive local markets with stable structural growth.*** We currently focus our telecommunication offerings on Romania and Spain. These economies have been experiencing strong positive developments in recent years, outperforming the EU's overall GDP growth rate, and their respective telecommunication services markets have been growing steadily. Our operations in Romania and Spain accounted for approximately 60.3% and 38.0%, respectively, of our consolidated revenue for the year ended December 31, 2023.

**Market leadership in core business lines and robust RGU growth.** We are the leading provider of pay TV services in Romania by number of RGUs. We also lead Romania's fixed internet and data market, as at June 30, 2023. In addition, we are the leading provider of fixed-line telephony services in Romania as at June 30, 2023. Finally, we are the leading provider of post-paid mobile telecommunication services in Romania as at June 30, 2023 (*Sources: Group reporting; ANCOM*). We are focused on increasing market penetration in our markets by further expansion and cross-selling multiple service offerings to our current and prospective subscribers. Capitalizing on our high-quality technical infrastructure, competitive pricing and attractive content, we have achieved substantial, mainly organic growth; which led to a total number of RGUs across all business lines to approximately 23.9 million as at December 31, 2023.

***Advanced fixed and mobile infrastructure in Romania*****.** Our fixed network in Romania is technologically advanced and, as at December 31, 2023, covered 95.1% of dwellings from the country. We have upgraded almost the entire Romanian fixed network to GPON or comparable technology and were able to offer transmission speeds of up to 1,000 Mbps for internet and data services. Starting with 2022 we offered transmission speeds of up to 10 Gbps for internet and data services in major cities in Romania, the fastest available to residential users on the market. As at December 31, 2023, our mobile telecommunication services in Romania covered (outdoor voice coverage) approximately 99.5% of the country's population and were provided via approximately 8,100 base stations. 5G mobile telecommunication services are available in certain Romanian cities based on our existing licenses.

***Leading commercial proposition for customers*****.** Our technical capabilities, wide network coverage and multiple service offerings enable us to provide customers with a wide range of services at competitive prices. Our ability to offer multiple services is a central element of our strategy and allows us to attract new customers who wish to benefit from our varied product offerings, to expand the uptake of our service offerings within our existing customer base and increase customer loyalty by offering multiple services at cost-effective prices. For example, we have a flexible customer proposition in Romania, which includes a comprehensive cable TV offering (including analog and digital packages with optional add-ons for HBO, MAXPAK, Adult, Balcan Music, Film NOW and DIGI 4K), superfast fixed internet and data (at speeds of 500 Mbps or 1,000 Mbps and starting with 2022 at speeds of up to 10 Gbps in certain large cities in Romania), fixed-line telephony and mobile packages (with solutions offering various call minutes allowances and generous mobile traffic of up to 100 GB per month at 4G / 5G speeds).

***Robust financial performance*.** Our business has consistently generated strong revenue streams. For the years ended December 31, 2022 and 2023 our total revenue was €1,492.8 million and €1,690.4 million, respectively. For the year ended December 31, 2023 our other income was €16.2 million compared with €24.7 million for the year ended December 31, 2022. We have historically had robust Adjusted EBITDA and a prudent approach to capital expenditure. Our Adjusted EBITDA was €505.6 million and €591.2 million for the years ended December 31, 2022 and 2023, respectively. Our total capital expenditure was €729.7 million and €560.1 million for the years ended December 31, 2023 and 2022, respectively. This represented 42.8% and 36.9% of our total revenue and other income for the years ended December 31, 2023 and 2022, respectively. In addition, we have historically maintained prudent capital and liquidity structures with a leverage ratio of 2.5 and 2.3x for the years ended December 31, 2023 and 2022, respectively, and an interest coverage ratio of 8.x and 11.x, respectively, for the same periods.

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

### Areas of Operations

We operate in Romania, Spain and Italy. The scope of our services varies from country to country.

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

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

*(1) Through Telefónica's network and through our own GPON-XGSPON FTTH network.*
*(2) As an MVNO.*
*(3) Includes cable TV and DTH operations.*

### Products and Services

### Business Lines

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

To customers in Romania whose homes or businesses are covered by our fixed network, we offer our branded cable TV, fixed internet and data and fixed-line telephony, either individually or in combination. We offer fixed internet and data and fixed-line telephony services in Spain through Telefónica's network and through our own GPON-XGSPON FTTH network.

We offer mobile telecommunication services in Romania through our own networks, which share the backbone of fixed infrastructure. We also offer mobile telecommunication services in Spain and Italy as an MVNO. We were awarded mobile spectrum in Portugal and Belgium at the 5G auction, in 2021 and 2022, respectively and we will offer high quality, affordable mobile telecommunication services.

Finally, we offer DTH services to customers in Romania.

The table below sets out the number of RGUs per business line and per geographic segment as at December 31, 2023:

| | Romania | Spain | Italy | Total RGUs per service |
|---|---|---|---|---|
| Pay TV [1] | 5,682 | - | - | **5,682** |
| Fixed Internet and Data | 4,571 | 1,373 [2] | - | **5,944** |
| Mobile Telecommunication Services | 5,820 | 4,663 [3] | 420 [3] | **10,903** |
| Fixed-line Telephony | 890 | 445 [2] | - | **1,335** |
| **Total RGUs per country** | **16,963** | **6,481** | **420** | **23,864** |

*(1) Includes cable TV and DTH operations.*
*(2) Through Telefónica's network and through our own GPON-XGSPON FTTH network.*
*(3) As an MVNO.*

### Cable TV Services

Our cable TV services consist of distributing local and international programming content through our cable TV networks. We offer cable TV services in Romania. As at June 30, 2023 we are the largest pay TV operator, by number of RGUs (*Source: Group and peer reporting, ANCOM*).

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

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

**Cable TV product packages**

In Romania, we offer two main packages—an analog package and a digital package. Each package has two further versions: a standard version, which is addressed to all customers, and a reduced version, which is addressed to customers in rural areas. As at December 31, 2023, approximately 65.0% of our cable TV customers were subscribed to the analog package and approximately 35.0% of our cable TV customers were subscribed to the digital package. We believe that our standard packages are attractive to customers in terms of content offered for the price and as they provide access to our own channels (other than Film NOW and DIGI 4K, our premium pay TV channels) for no additional fee. In combination with the digital package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV market in Romania, with certain local variations regarding the number and composition of channels included in each package.

**DTH**


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

We are a leading DTH operator in Romania, which is entirely within the footprint of our signal.

**DTH product packages**

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

As at December 31, 2023, we had approximately 5.7 million pay TV RGUs and served approximately 9.1 million homes passed in Romania (*Sources: Group reporting*).

**Fixed Internet and Data**

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

As at December 31, 2023, we had approximately 4.6 million (business and residential) and 1.4 million fixed internet and data RGUs in Romania and Spain, respectively. Business subscribers represent an important part of our fixed internet and data business in Romania, as they generate a significant part of our revenue, although they are much fewer in number than residential subscribers.

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

**Fixed internet and data product packages**

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

We offer the following packages to residential customers:

> "**Fiberlink 500**" and "**Fiberlink 1,000**" are our main residential fixed internet and data offerings in Romania. "Fiberlink 500" and "Fiberlink 1,000" allow unlimited traffic at speeds of up to 500 Mbps and 1,000 Mbps, respectively. We also offer "**Fiberlink Popular**" and "**Fiberlink Popular Gigabit**" packages to certain of our rural customers, which allow unlimited traffic at speeds of up to 300 Mbps and up to 1,000 Mbps, respectively. At the end of 2021, RCS & RDS announced the launch of "**Fiberlink 2.5 Gb**" and "**Fiberlink 10 Gb**", which are available starting with December 2021 in Bucharest and starting with 2022 in other major cities in Romania.
>
> We offer fixed internet and data in Spain under "**Digi Net 300 Mb**" and "**Digi Net 1 Gb**" on Telefonica's network allowing unlimited traffic at speeds of up to 300 Mbps and 1 Gbps, respectively. Also, we offer, through our own GPON and XGSPON network, "**Digi Net Smart 1Gb**", "**Digi Net Pro-Digi 10Gb**" and starting January 2023, "**Digi Net Smart 500Mb**" packages allowing unlimited traffic at speeds of up to **1 Gbps**, **10 Gbps and 500Mbps**, respectively.

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

**Mobile Telecommunication Services**


As at December 31, 2023, we were one of four licensed providers of mobile services in Romania. We provide mobile telecommunication services, which include both voice and data services, for which we use our own 2G+4G and 5G networks in Romania (5G in certain areas). In addition, we provide mobile telecommunication services as an MVNO in Spain and Italy.

As at December 31, 2023, our networks coverage (outdoor voice coverage) in Romania extended to approximately 99.5% of the country's population. We have frequency blocks in the bands of 800 MHz, 900 MHz, 2,100 MHz, 2,600 MHz and 3,400-3,800 MHz in Romania, some of which were awarded to us in a spectrum auction in November 2022. We are the leader in inbound number porting in mobile, with approximately 4.6 million numbers ported between 2008 and December 31, 2023. In 2023, approximately 867 thousand mobile numbers were ported to us, the largest share of approximately 1.5 million mobile telephony numbers ported in Romania during this period (Source: ANCOM).

We are also the leader in Spain in net number porting in mobile, with approximately 1,5 million net numbers ported between Q4 2020 and December 31, 2023. In 2023, more than 955 thousand mobile numbers were ported to us during this period resulting in more than 603 thousand net portabilities (Source: AOPM).

As at December 31, 2023, we had approximately 5.8 million, 4.7 million and 420,000 mobile telecommunication services RGUs in Romania, Spain and Italy, respectively.

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

**Mobile telecommunications product packages in Romania**

In Romania, we offer mobile telecommunications product packages in the form of service plans structured to meet the needs of our subscribers. These service plans provide for flat rates allowing either generous or unlimited number of minutes of voice communications across the main networks, as well as mobile internet traffic up to 100 GB per month at 4G and 5G speeds (5G service is currently available in several Romanian cities). We have also implemented 2G+4G solutions instead of 3G in rural areas to improve indoor coverage.

In Romania, we offer one main package, with several variations. "**Digi Mobil Optim**" offers a range of packages that target customers who wish to have unlimited minutes inside and/or outside of the network and a generous monthly mobile data allowance of up to 100 GB mobile internet data traffic at 4G / 5G speeds.

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

**Mobile telecommunications product packages in Spain and Italy**

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

In Italy, we provide a range of MVNO mobile voice, messaging and data services under the brand name "**Digi Mobil"** using Vodafone's network. We renewed our offering portfolio by introducing the new DIGI Combo (10€, 8€, 6€ and 5€), which include different data volumes, international calls and unlimited national voice traffic, while offering the highest quality services at affordable prices. In addition, these offers can also be combined among them, in ways that most suit customers' communication and connectivity needs. These new products have been well received by the market, as well as driving further value by ensuring that our existing customers are put first and new customers do not receive differentiated treatment and by continuing to reinforce the concept of propinquity to the ethnic target.

**Fixed-line telephony**

As at June 30, 2023, we were the largest fixed-line telephony operator in Romania, by total number of RGUs (*Sources: Group and peer reporting; ANCOM*). We also offer fixed-line telephony services in Spain through Telefónica's local network and through our own GPON-XGSPON FTTH network.

As at December 31, 2023, we had approximately 890,000 (business and residential) and 445,000 fixed-line telephony RGUs in Romania and Spain, respectively.

**Fixed-line telephony product packages**

We offer fixed-line telephony services in Romania and Spain. We believe that our fixed-line telephony service offering helps increase customer retention on our networks in those countries.

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

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

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

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

**Content**

## Own TV channels

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

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

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

Our premium sports channels own exclusive TV rights to broadcast the Women's Tennis Association's ("**WTA**") tournaments, Spanish Cup (Copa del Rey), Spanish Super Cup, English Football League Cup, Scottish Premiership and Rugby World Cup 2023 in Romania. In addition, we have non-exclusive rights to broadcast the following major competitions in Romania: the UEFA Champions League, the UEFA Super Cup, the UEFA European Qualifiers, the Romanian Football Leagues 1 and 2, the Romanian Cup and Super Cup, the English Premier League, the Spanish La Liga, the German Bundesliga, the Italian Serie A, the French Ligue 1, the Formula One, the Moto GP, the European Handball Federation ("**EHF**") Champions League, World and European Handball Championships, the European Rugby Champions Cup, the Billie Jean King Cup, the Romanian team matches in Davis Cup (Tennis), the Romanian Basketball League, the Basketball Euroleague and Rugby World Cup 2023.

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

| Sport | Competition | Romania | Period |
|---|---|---|---|
| Football | Romanian League 1 | ✓ | 2019 – 2024 |
| Football | Romanian League 2 | ✓ | 2021 – 2024 |
| Football | Romanian Cup | ✓ | 2021 – 2024 |
| Football | Romanian Super Cup | ✓ | 2021 – 2024 |
| Football | UEFA Champions League | ✓ | 2021 – 2024 |
| Football | UEFA Super Cup | ✓ | 2021 – 2024 |
| Football | UEFA European Qualifiers | ✓ | 2021– 2028 |
| Football | Premier League | ✓ | 2022 – 2025 |
| Football | Spanish La Liga | ✓ | 2021 – 2024 |
| Football | Italian Serie A | ✓ | 2021 – 2024 |
| Football | French Ligue 1 | ✓ | 2021 – 2024 |
| Football | German Bundesliga | ✓ | 2021 – 2025 |
| Football | English Football League Cup | ✓ | 2022 – 2024 |
| Football | Scottish Premiership | ✓ | 2022 – 2025 |
| Football | Spanish Cup (Copa del Rey) | ✓ | 2022 – 2025 |
| Football | Spanish Super Cup | ✓ | 2022 – 2025 |
| Handball | EHF Champions League | ✓ | 2021 – 2025 |
| Handball | EHF and IHF Handballs Championships | ✓ | 2022 – 2025 |
| Racing | Formula One | ✓ | 2020 – 2023 |
| Racing | Moto GP | ✓ | 2020 – 2023 |
| Tennis | WTA Tour | ✓ | 2022 – 2023 |
| Tennis | Billie Jean King Cup & Davis Cup (Romanian | ✓ | 2022 - 2024 |

| Sport | Competition | Romania | Period |
|---|---|---|---|
| | team matches) | | |
| Rugby | EPCR Challenge Cup & Heineken Champions Cup | ✓ | 2022 - 2025 |
| Rugby | Rugby World Cup | ✓ | 2023 |
| Basketball | Basketball Euroleague | ✓ | 2023 – 2024 |
| Basketball | Romanian Basketball League | ✓ | 2020 – 2023 |

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

**Own radio channels**

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

**Third-party content**

Separately from the channels that we own, we acquire the rights to distribute TV channels from local and international programming content providers. In the case of all international and most local providers, we down-link and retransmit these channels as originally packaged (or with subtitles or dubbed), while with certain local providers we receive the channel via terrestrial fiber transmission. As at December 31, 2023, we had distribution agreements in place with 47 content providers. In Romania, we were entitled to retransmit 321 pass-through channels. Our pass-through channel providers assume full responsibility for programming content and ensuring compliance with applicable rules, including those on the protection of minors. The programming content generally consists of films, sports, general entertainment, documentaries, children's programs, news and music.

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

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

Our most important pass-through channels in Romania are: "**Pro TV**", "**Antena**", "**Kanal D**", "**HBO**", "**Discovery**", "**Eurosport**", "**Disney**" and "**NGC**."

**Multiple Offerings**

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

As the geographical coverage of our mobile network has increased in recent years, so has the number of customers who subscribe to multiple services. In Romania, the average number of services per one residential network customer was 2.1 and the percentage of network customers using more than one service was approximately 75.0% of all our base subscribers in the country, in each case, as at December 31, 2023. In Spain, the average number of services per one network customer was 1.4 and the percentage of network customers using more than one service was approximately 30.0% of all our base subscribers in the country, as at the same date.

The table below sets out the percentage of network customers that subscribe to multiple services in Romania and Spain, as a percentage of our base subscribers as at December 31, 2023:

| | **Romania** | **Spain** |
|---|---|---|
| Single-play | 25.0% | 70.0% |
| 2 or more | 75.0% | 30.0% |
| *Of which 3 or more* | 32.0% | 11.0% |
| *Of which quad-play* | 5.0% | - |

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

**Electricity generation and supply**

Since 2012, we have acquired several developmental stage solar energy projects as a means to reduce or partially offset our costs for electricity. As at December 31, 2023, these projects have an aggregate installed capacity of 15.72 MW, all of them being fully operational.

Under incentives promulgated by the Romanian government, producers of electricity from renewable sources (e.g., solar) that are accredited by the Romanian energy regulator are entitled to receive green certificates that can be subsequently sold to suppliers and other entities that have a legal obligation to acquire them. As at December 31, 2023, we accumulated €4.5 million of green certificates generated by our solar energy production activities.

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

**Operations**

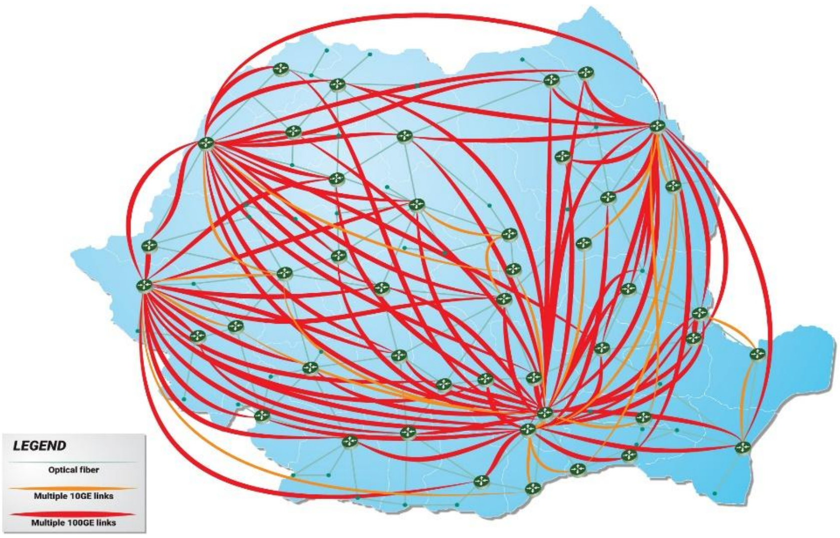
***Fixed Fiber Networks***

*Romania*

In Romania, we own and operate an advanced, fully digitalized and two-way capable fixed network. The network architecture provides approximately 99.9% FTTB/FTTH coverage based on GPON or comparable technology, with the rest (located in rural areas composed primarily of single-family homes) being hybrid fiber-coaxial networks, giving us the highest fiber share among similar cable operators in Europe.

We have an intercity fixed backbone network of approximately 65,000 kilometers. Our backbone network covers, in addition to the capital city of Bucharest, all 41 county capital cities and numerous smaller cities and towns. Our fixed network in Romania passed a total of approximately 9.1 million homes as at December 31, 2023. In addition to residential customers, we service business customers in all counties and major cities of Romania.

The map below sets out our fixed backbone network in Romania as at December 31, 2023:

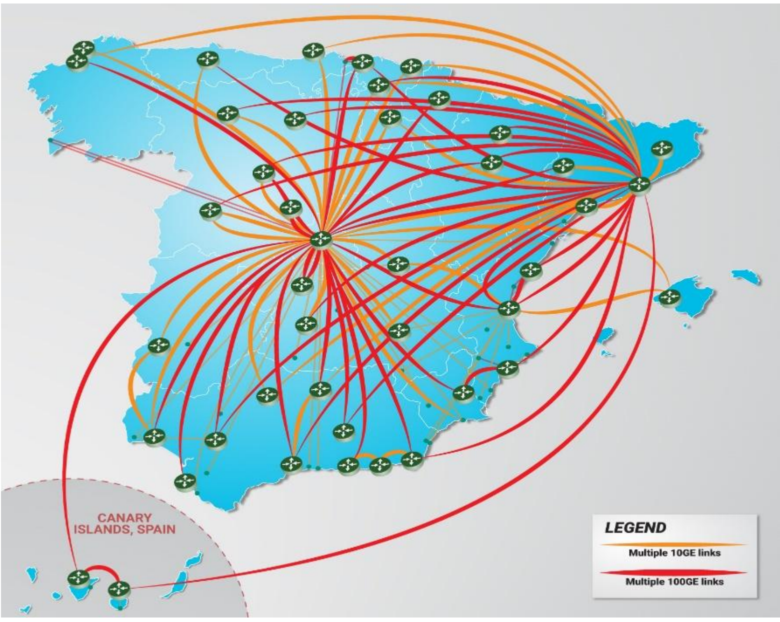



We continue to pursue technological improvements of our network, as well as expansion of our coverage. We believe that our network provides the opportunity to market attractive fixed internet and data and fixed-line telephony services, offering significant growth opportunities in terms of subscribers and revenue with limited additional investment.

*Spain*

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

The map below sets out our fixed backbone network in Spain as at December 31, 2023:



The table below sets out the number of homes passed and percentages of dwellings covered, by jurisdiction, as at December 31, 2023:

| | As at December, 31 |
|---|---|
| | 2023 |
| **Romania** | |
| Number of homes passed (millions) | 9.1 |
| Percentage of dwellings covered [(1)] | 95.1% |
| **Spain** | |
| Number of homes passed (millions) | 8.7 |
| Percentage of dwellings covered [(1)] | 32.6% |

*(1) Calculated based on data by ANCOM for Romania and by the National Institute of Statistics for Spain.*

***Mobile Telecommunication Services Networks***

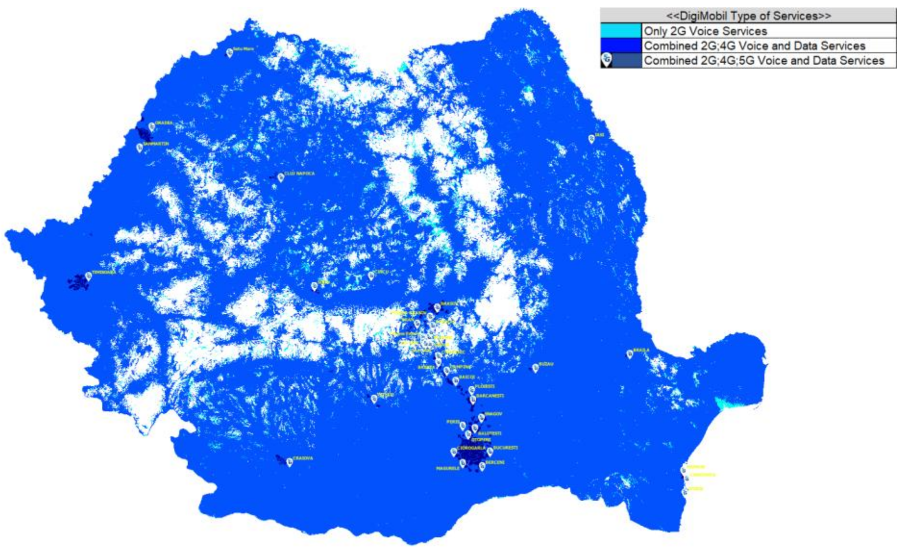
*Romania*

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

As at December 31, 2023, our mobile telecommunication services (outdoor) covered approximately 99.5% of Romania's population, respectively. As at the same date, our mobile telecommunication services were provided through approximately 8,100 base stations (*Sources: Group reporting*).

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

The map below sets out the territorial coverage of our own mobile telecommunication network in Romania as at December 31, 2023:




5G mobile telecommunication services are available in certain important Romanian cities, based on our existing licenses. Based on the last tender organized in November 2022 by NRA (National Regulatory Authority), we were awarded additional spectrum in 2,600 MHz and 3,400-3,800 MHz frequencies (4 blocks of 2x5 MHz new spectrum in 2,600 MHz frequencies and 5x10 MHz in 3,400-3,800 frequencies, the latter representing the renewal of our existing spectrum from 3,400-3,800 MHz frequencies which will enter into force in 2026, after expiration of the existing one). These new spectrum resources will allow RCS & RDS to continue the growth of its innovative digital communication services and implementation of new technologies, providing broadband connectivity at all economic and social levels, at the same affordable prices.

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

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

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

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

***Mobile frequencies awarded in Portugal***

At the end of 2021, we were awarded radio frequencies in Portugal at the mobile spectrum auction. We are in process of developing the fixed and mobile networks and we will start the operations at a later date.

***Mobile frequencies awarded in Belgium***

As of June 6, 2022 the joint venture of Citymesh NV, part of Cegeka Group, and RCS & RDS won the new entrant spectrum package in the 5G-auction and will start the build of a new ($4^{th}$) national mobile network.

Following the auction concluded on June 21, 2022, Citymesh Mobile NV obtained the spectrum package in the 700 MHz, 900 MHz, 1,800 MHz, 2,100 MHz and 3,600 MHz bands for a total value of EUR 114,3 million payable in full or annually in equal instalments (at the choose of the subsidiary) for the entire duration of the right of use, which is 20 years, less for the 3,600 MHz rights that ends in May 2040.

***Fixed-line Telephony***

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

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

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

***DTH Operations***

We manage our DTH satellite retransmission operation using the up-link infrastructure we own. International turnaround channels are received via our dishes, digitized and sent to the single turnaround center. Channels from various broadcasters are received via fiber cables and re-broadcasted. In the turnaround center channels are then compressed, encrypted and multiplexed (thus combining few channels in a single signal).

From these locations, the broadcast feed is transmitted to the geostationary satellite operated by Intelsat, which is located 35,800 km above the equator at 1 degree West longitude and to the geostationary satellite operated by Telenor on a neighboring orbital position at 0.8 degrees West. We have four large-diameter satellite dishes for up- linking signals.. A dish mounted externally at subscribers' premises receives the signal. The dish is connected to a set-top box that decodes the signal and converts it into video, sound and data information.

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

***Satellites and transponders***

As at December 31, 2023, we use five high-powered transponders: two on the Intelsat satellite and three on the Telenor satellite to transmit our DTH signal and one additional transponder on the Intelsat satellite to transmit occasional use signals. The lease agreement with Intelsat (which covers all transponders that we use) is currently valid until 2026. The number of television channels that can be broadcast to subscribers is dictated by the amount of transponder space available. Currently, we are using all our available transponder capacity. We also use simulcrypt agreements.

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

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

**Set-top boxes and encryption**

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

**DISTRIBUTION AND SALES**


We employ four primary sales channels: (i) our own retail network; (ii) agents providing door-to-door sales; (iii) inbound and outbound telesales; and (iv) online channels – our own webpage. In Romania, these channels use our own sales force. Furthermore, in Spain and Italy, we serve our residential customers also through retail sales partners (dealers) and lately, in 2023, through certain retail stores in big cities.

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

**CUSTOMER SERVICE AND RETENTION**

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

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

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

**MARKETING**

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

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

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

Customers can obtain information related to our services and products at our customer sales offices, through our call centers and on our digital channels (website and social network platforms). Most of them are available in Romanian, English, Spanish and Italian, in order to provide the most comfortable, professional and comprehensive services to everyone and remove language barriers. Our continuing focus is on permanent improvement of the engagement with our customers in order to develop long-term valuable relationships and provide an unmatched customer experience.

***BILLING***

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

For our multiple-service customers, we issue a single invoice for all services. The billing software is developed in-house and is used in all the countries where we operate.

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

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

**EQUIPMENT SUPPLIERS**

In our cable TV business line, our principal supplier for video receivers and modulators is Jiuzhou (HK) Multimedia Limited. Nagravision and ZTE supply the encryption and subscriber management system. For fixed internet and data services, our main suppliers are Cisco and Juniper for high end routers and ECI for DWDM transmissions.

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

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

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

**SERVICE SUPPLIERS**

We purchase our content from both local producers and international providers. Some of our major content suppliers are Warner Bros, SkyShowtime, Walt Disney and Viasat.

Our main suppliers for global internet interconnection and IP transit services are the leading industry operators Arelion Romania, Colt Technology Services and Cogent.

Our main suppliers of interconnection services in telephony are major telecommunications operators present in Romania and Europe. These include Orange, Vodafone, Telekom Romania, Arelion Sweden, Telefónica, Belgacom International Carrier Services, Telecom Italia Sparkle, A1 Telekom Austria and Tata Communications.

Our supplier of DTH satellite services is Intelsat.

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

## INTELLECTUAL PROPERTY

We own a relatively large number of trademarks including verbal trademarks (protecting words) and combined trademarks (protecting both words and image), including: “RCS & RDS,” “DIGI,” “DIGI TV,” “DIGI FILM,” “DIGI SPORT,” “DIGI MOBIL,” “DIGI MOBIL 5G,” “DIGI MOBIL 5G SMART,” “DIGI LINK,” “DIGI TEL,” “DIGI NET,” “DIGI VIDEO GUARD,” “DIGI 24 HD,” “DIGI 4K,” “DIGI LIFE,” “DIGI WORLD,” “UTV,” “DIGI Oriunde,” “DIGI Online,” “DIGI PLAY,” “DIGI Energy,” “Pro FM,” “DIGI FM,” “DANCE FM,”“DIGI COMMUNICATIONS N.V.,” “ROMANIA FURATA,” “GENERATIA DIGI SPORT” and “DIGI One Voice.” These trademarks are registered for the territories, in which they are used, and certain trademarks are also registered for additional territories or on a national or European basis.

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

We generally do not license our trademarks. As an exception, we provided certain licenses for the use of our trademarks by third parties as a post-closing covenant at the disposal of our subsidiaries. In Slovakia, we entered into a trademark license agreement in 2016, which was subsequently extended until December 2024.

## LITIGATIONS AND LEGAL PROCEDURES

For details, please see note Note 35 from the consolidated financial statements as at December 31, 2023.

# Financial Results

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

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the consolidated financial statements of the Group as of December 31, 2023.

The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in sections captioned "Forward-Looking Statements" of this report.

**Overview**

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

**Romania**. Our offerings in Romania include pay-TV (cable TV and DTH), fixed internet and data, mobile telecommunication services, fixed-line telephony.

**Spain**. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica and we offer fixed internet and data and fixed-line telephony services through Telefónica's fixed network and through our own GPON-XGSPON 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 and the value centric Italian market.

**Portugal**. We expanded operations in Portugal, where we were allocated radio frequencies at the mobile spectrum auction from 2021.

**Belgium**. During 2023, we have continued to develop our presence and signed agreements that will allow us to start operations with a limited physical footprint. In February 2023 Citymesh Mobile signed the agreement for the purchase of 100% of the shares of Dense Air Belgium SRL from Dense Air LTD. This agreement grants us usage rights to the spectrum in the frequency block of 2575-2620Mhz, until 30 June 2027. Also, in August 2023 Digi Belgium and InSky have concluded with Proximus Plc, a series of wholesale agreements, under which the Belgian Joint Venture acquired national roaming services for a minimum period of 5 (five) years on the Belgian territory. Additionally, under the above-mentioned agreements, a number of around 400 (four hundred) mobile sites (physical infrastructure) are expected to be bought in the next 4 (four) years. Alongside the spectrum package acquired during the last auction, completed in June 2022, these new commercial agreements will allow our Belgian Joint Venture to continue developing our strategy, which, together with the substantial investments and significant efforts allotted to this end, will enable us to prepare for the start of the communications services in the Belgian market.

For more details, please see *Business* section.

For the year ended December 31, 2023, we generated revenue (excluding intersegment revenue) and other income of €1,707 million, net profit of €92.2 million and Adjusted EBITDA of €591.2 million.

**Recent Developments**

On February, 20th, 2024 The European Commission has approved, under the EU Merger Regulation, the proposed creation of a joint venture by Orange and MásMóvil. The approval is conditional upon full compliance with a commitments package, offered by Orange and MásMóvil.

As part of its proposed package of commitments, the joint-venture has agreed to divest to Digi Spain as remedy taker certain sets of blocks of frequencies (2 x 10 MHz in the 1,800 MHz band, 2 x 10 MHz in the 2,100 MHz band and 20 MHz in the 3,500 MHz band) for a consideration of €120 million, which includes a conditional component of €20 million and to enter into an optional national roaming agreement at market conditions, which Digi Spain can decide to use or not. The package is pending approval from the Spanish Authorities.

Digi Spain concluded an asset sale and purchase agreement with Sota Investments Spain OpCo, S.L.U., a company controlled by aconsortium comprising Macquarie Capital, abrdn and Arjun Infrastructure Partners, leading international infrastructure investors, for the sale by DIGI Spain of a FTTH network in 12 provinces across the regions of Madrid, Segovia, Avila, Castilla-La Mancha, Comunidad Valenciana and Murcia, Spain (the "Network"), for a consideration of up to EUR 750,000. The Network currently comprises approximately

4,250,000 homes passed, with the aim of comprising a total of 6,000,000 homes passed. The deployment of the rest of the Network will be carried out gradually over an estimated period of three years. The transaction is subject to closing conditions, such as foreign direct investment clearance and economic concentration merger control.

**Presentation of Revenue and Operating Expenses**

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country-by-country basis. In 2023 we generated revenue in Romania, Spain and Italy. In 2023, we incurred operating expenses in Romania, Spain, Italy and Portugal. Revenue and operating expenses are further broken down into the following geographic segments: Romania, Spain and Other.

The revenue for each of our geographic segments for the years ended December 31, 2023 and 2022 was as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(€ millions)** |
| Romania | 1,019.4 | 964.9 |
| Spain | 642.0 | 500.4 |
| Other [(1)] | 29.0 | 27.5 |
| **Total revenue** | **1,690.4** | **1,492.8** |

*[1)] Other represents - operation in Italy, Portugal and Netherlands for segment operating expenses line*

The operating expenses for each of our geographic segments for the years ended December 31, 2023 and 2022 were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(€ millions)** |
| Romania | 573.6 | 560.7 |
| Spain | 508.0 | 418.3 |
| Other [(1)] | 33.7 | 32.9 |
| Depreciation, amortisation and impairment of tangible and intangible assets and right of use assets | 417.5 | 359.4 |
| **Total operating expenses** | **1,532.9** | **1,371.2** |

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

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

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

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

***Pay TV***

*Cable TV*

The revenue we receive for cable TV services in Romania consists principally of flat-rate monthly subscription fees. The level of subscription fees depends on the programming package chosen by the particular customer. Customers can add extraoptions to digital subscriptions.

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

***DTH***

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

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

***Fixed internet and data***

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

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

***Mobile telecommunication services***

The revenue that we receive for mobile telephony services in Romania consists of flat-rate monthly subscription fees, per-minute telephone charges and, to a lesser extent, interconnection fees that we receive from other service providers whose customers call our customers, as well as charges for text and video messages to, or from, third-party numbers. We do not charge for calls or messages to, or from, other customers within our own fixed-line and mobile telephony networks. We charge for SMS to other networks in Romania, SMS to international destinations and in roaming. We also charge for voice and data traffic in roaming that exceed the quantity included in the subscription by the "roam-like-at-home" policy in European countries and all voice and data traffic in roaming in other countries that are not part of SEE. Another revenue stream for mobile telephony is from the international calls to destinations that are not included in the subscriptions. The revenue that we receive for mobile internet and data services in Romania consists principally of flat-rate monthly subscription fees.

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

We expanded operations in Portugal and Belgium, where we were attributed mobile spectrum at the 5G auction, and we will be launching our services at a later date.

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

| **Mobile telephony interconnection fees** | **For the year ended December 31,** | |
|---|---|---|
| | **2023** | **2022** |
| | | **(eurocents/minute)** |
| Romania | 0.40 | 0.55 |
| Spain | 0.40 | 0.55 |
| Italy | 0.40 | 0.55 |

Our expenses also include energy consumed by the network, personnel expenses and related expenses of our maintenance and customer service staff, radio spectrum fees payable to communications authorities in Romania and Portugal and service carry fees that we pay to Telefónica in Spain and to Vodafone in Italy.

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

***Fixed-line telephony***

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

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

***Other operations***

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

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

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

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

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

**General economic environment in our key markets**

The markets in which we operate were materially and adversely impacted by the global crisis. The main markets on which we operate have shown significant economic growth in recent years. In particular, Romania and Spain, which accounted for 98.3% and 98.2% of our total revenue for the year ended December 31, 2023 and December 31, 2022, respectively, had some of the highest real GDP growth rates in Europe (*Source: Eurostat*).

The effects of an economic downturn or recession caused by the COVID-19 pandemic and the military conflict in Ukraine may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income (which may, in its turn, lead to a decrease in consumption spending), and government responses to the economic crisis, such as austerity measures, exceptional one-off taxes to compensate for decreasing budget revenues and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations.

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

**Competition**

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

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

**Regulation**

***Mobile telecommunication licenses in Romania, Portugal and Belgium***

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

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

In addition, in order to participate in auctions for mobile telecommunications licenses, we may be required to provide significant third-party guarantees of our ability to pay corresponding license fees should the license sought be granted to us.. If we are successful in our bids, we may need to attract additional financing to ensure that we have sufficient funds to pay those license fees. If we do, that will increase our balance sheet liabilities and finance expenses recorded on our statement of profit or loss.

***Taxation***

The military conflict in Ukraine through the economic downturn and/or recession caused may lead to an increase in tax rates and exceptional one-off taxes to compensate for decreasing budget revenues.

**Growth in business, RGUs and ARPU**

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

Our total RGU base has grown from 20.8 million RGUs as at December 31, 2022 to 23.9 million RGUs as at December 31, 2023, representing an increase of 14.8%.

The following table shows our RGUs by geographic segment and business line and monthly ARPU by geographic segment as at and for the years ended December 31, 2023 and 2022:

| | As at and for the year ended 31 December | |
|---|---|---|
| **(RGUs: thousands; ARPU: €/period)** | **2023** | **2022** |
| **Group operations** | | |
| **RGUs** | **23,864** | **20,782** |
| **ARPU (1)** | **5.8** | **5.8** |
| | | |
| **Romania** | | |
| **RGUs** | | |
| Pay TV (2) | 5,682 | 5,432 |
| Fixed internet and data (3) | 4,571 | 4,204 |
| Mobile telecommunication services (4) | 5,820 | 4,933 |
| Fixed-line telephony (3) | 890 | 933 |
| ARPU (1) | 4.5 | 4.6 |
| | | |
| **Spain** | | |
| **RGUs** | | |
| Fixed internet and data | 1,373 | 843 |
| Mobile telecommunication services (4) | 4,663 | 3,796 |
| Fixed-line telephony | 445 | 279 |
| ARPU (1) | 9.3 | 9.6 |
| | | |
| **Other (5)** | | |
| **RGUs** | | |
| Mobile telecommunication services (4) | 420 | 362 |
| ARPU (1) | 6.2 | 6.6 |

*(1) ARPU refers to the average revenue per RGU in a geographic segment or the Group as a whole, for a period by dividing the total revenue of such geographic segment, or the Group, for such period to the RGUs number.*
*(2) Includes RGUs for Cable television and DTH services.*
*(3) Includes residential and business RGUs.*
*(4) Includes mobile telephony and mobile internet and data RGUs.*
*(5) Includes Italy.*

Our revenue may not always grow in direct proportion with the increase in our RGUs. In part, these variations reflect the fact that ARPU differs. We try to increase profitability in each business line by careful management of expenses through negotiation of content fees, interconnection costs and similar expenses, use of newer technologies for improved results of operations and, where possible, by conducting certain operations and investment related activities in-house to achieve cost efficiencies. In all our business lines we have focused, and continue to focus, on increasing the number of RGUs by acquiring new customers and by cross-selling more services to our existing customers while maintaining our Adjusted EBITDA Margin. Our approach reflects the relatively wide range of our business and our ability to offer multiple services to our customer base. As at December 31, 2023, each of our residential customers in Romania (excluding DTH customers) subscribed to an average of 2.1 services (similarly, an average of 2.1 as at December 31, 2022) and each of our residential customers in Spain subscribed to an average of 1.4 services (similarly, an average of 1.3 as at December 31, 2022). Currently, there is a trend towards subscribers discontinuing fixed-telephony services altogether, which has an impact on the average number of services per subscriber.

The following table shows the evolution of our total RGUs by business line for 2023 and 2022:

| | As at December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(thousands)** |
| Pay-TV | 5,682 | 5,432 |
| Fixed internet and data | 5,944 | 5,047 |
| Mobile telecommunication services | 10,903 | 9,091 |
| Fixed-line telephony | 1,335 | 1,212 |
| **Total** | **23,864** | **20,782** |

**Technical capabilities and limitations of our networks**

***Fixed offerings***

We offer cable TV, fixed internet and data and fixed-line telephony through our fixed network in Romania, which, as at December 31, 2023, covered 95.1% of dwellings (*Sources: Group reporting; ANCOM*). Our ability to expand our reach, attract new customers and migrate existing customers to higher levels of service depends on the capabilities and limitations of these networks. As at the date of this report, we have upgraded almost the entire Romanian fixed network to GPON or comparable technology and were able to offer transfer speeds of up to 1,000 Mbps for internet and data services. Starting with 2022 we offered transfer speeds of up to 10 Gbps for internet and data services in major cities in Romania, the fastest available to residential users on the market.

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

In Spain we offer fixed broadband and fixed-line telephony services with a national footprint based on a wholesale indirect access NEBA agreement with Telefónica. Additionally, in certain areas, we offer the same fixed services through our own built FTTH network. As at December 31, 2023, our technologically-advanced fixed network in the country covered 32.6% of all dwellings (*Sources: Group reporting; INE*).

***Mobile offerings***

*Romania*

We have frequency blocks in the bands of 800 MHz, 900 MHz, 2,100 MHz, 2,600 MHz and 3,400-3,800 MHz in Romania, some of which were awarded to us in a spectrum auction in November 2022. As at December 31, 2023, we had approximately 8,100 mobile network base stations covering approximately 99.5% (outdoor voice coverage) of the country's population. We offer 5G mobile telecommunication services in certain Romanian cities based on our existing licenses and intend to continue the roll-out of our mobile networks in the country.

*Spain and Italy*

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

In Italy, we have an MVNO agreement with Vodafone, regarding Digi Italy's access to Vodafone's radio spectrum and mobile communication network and infrastructure. Our current full MVNO agreement with Vodafone is effective until February 1, 2028.

*Portugal*

We have been allocated spectrum licenses in 900 MHz (2x5 MHz), 1800 MHz (2x5 MHz), 2.6 GHz (2x5 MHz FDD and 25 MHz TDD) and 3.6 GHz (40 MHz) as a result of our winning the relevant auction organized in 2021. This will allow the Group to expand its business on the Portuguese market, in order to provide high quality, affordable telecommunication services, based on the latest technologies.

*Belgium*

We have been allocated spectrum licenses in 700 MHz, 900 MHz, 1800 MHz, 2100 MHz and 3600 MHz as a result of winning the auction organized in 2022 by the Belgian Institute for Postal Services and Telecommunications. Starting February 2023, Citymesh Mobile was also granted usage rights to the spectrum in the frequency block of 2575-2620Mhz, by acquisition of Dense Air Belgium SRL from Dense Air LTD.

***DTH***

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

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

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

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

None of these are measures of financial performance under IFRS, and they are solely derived from the consolidated financial statements. Therefore, you should not consider our reported EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities reported in the consolidated financial statements.

Our EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the years ended December 31, 2023 and 2022:

| | | |
|---|---|---|
| | **For the year ended December 31,** | |
| | **2023** | **2022** |
| | **(€ millions, unless otherwise stated)** | |
| **Revenue** (1) | **1,690.4** | **1,492.8** |
| **Other income** | **16.2** | **24.7** |
| Operating profit | 173.2 | 145.6 |
| Depreciation, amortisation and impairment (2) | 417.5 | 359.4 |
| **EBITDA** (2) | **590.7** | **504.9** |
| Other expenses | 0.5(3) | 0.7(3) |
| **Adjusted EBITDA** | **591.2** | **505.6** |
| **Adjusted EBITDA Margin (%)** | **34.6%** | **33.3%** |

*(1) Excludes intersegment revenue.*
*(2) EBITDA is consolidated operating profit or loss plus charges for depreciation, amortisation and impairment of assets. Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items. EBITDA and Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA"*
*(3) Includes €0.5 million non-cash expenses related to the Stock Option Plans (€0.7 million for 2022).*

The change in our Adjusted EBITDA and Adjusted EBITDA Margin from €505.6 million and 33.3%, respectively, for the year ended December 31, 2022 to €591.2 million and 34.6% respectively, for the year ended December 31, 2023 was primarily due to the strong growth of the pay-TV and fixed internet and data services, development of our mobile business line in Romania and strong results from the Spanish operations. The Adjusted EBITDA Margin increase by 4.0% compared to prior period.

**Exchange rates**

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

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

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

In addition, we have significant exposure to the euro as a significant portion of our outstanding financial debt is denominated in that currency, and we also have certain limited exposure to the U.S. dollar, in which we purchase certain content for our cable TV and DTH businesses and certain CPE. As at December 31, 2023, we had €1,238.3 million of obligations denominated in euros and €63.7 million of obligations denominated in U.S. dollars (2022: €1,121.7 million and €78.7 million). See *"—Liquidity and Capital Resources—Financial Obligations."* Our euro exposure is partially mitigated by euro-denominated revenue from our operations in Spain and Italy, which, together with revenue collected in local functional currencies, but denominated in euros, accounted for 39.7% of our total revenue for the year ended December 31, 2023. However, we still pay a significant portion of our euro- and U.S. dollar-denominated expenses out of revenue generated in our principal functional currencies.

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

In the periods under review the Romanian leu has declined compared to the euro, with approximately 0.3%. Our obligations denominated in U.S. dollars are significantly smaller, so the appreciation of the U.S. dollar did not have a major effect on the Group. See *"—Quantitative and Qualitative Disclosures About Market Risks—Currency Risk."*

The following table sets out, where applicable, the period end and average exchange rates for the years ended December 31, 2023 and 2022 of the euro against each of our principal functional currencies and the U.S. dollar:

| **Value of one euro in the relevant currency** | **As at and for the year ended December 31,** | |
|---|---|---|
| | **2023** | **2022** |
| **Romanian leu (RON)** (1) | | |
| Period end rate | 4.97 | 4.95 |
| Average rate | 4.95 | 4.93 |
| **U.S. dollar (USD)** (1) | | |
| Period end rate | 1.11 | 1.07 |
| Average rate | 1.08 | 1.05 |

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

In the year ended December 31, 2023, we had a net foreign exchange loss of €4.7 million (year ended December 31, 2022: net loss of €0.6 million). In each of those periods, our net foreign exchange loss was primarily due to the depreciation of the leu against the euro and the U.S. dollar valid on Romanian territory. See *"—Liquidity and Capital Resources—Financial Obligations."*

**Depreciation, amortisation and impairment of assets**

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

The following table shows the evolution of our depreciation, amortisation and impairment of assets expenses for the years ended December 31, 2023 and 2022:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2023** | **2022** |
| **Continuing operations** | | **(€ millions)** |
| Depreciation of property, plant and equipment | 165.7 | 139.8 |
| Amortisation of non-current intangible assets | 95.4 | 82.3 |

| | | |
|---|---|---|
| Amortisation of Subscriber acquisition costs | 59.1 | 51.8 |
| Depreciation of right of use asset | 91.2 | 79.8 |
| Impairment of property, plant and equipment and non-current intangible assets | 6.2 | 5.8 |
| **Total** | **417.5** | **359.5** |

**Churn**

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

*Cross-selling*. We believe that customers who subscribe to multiple services are less likely to leave our services. In Romania, our average number of services per residential customer was 2.1 (excluding DTH) and the percentage of customers using more than one service was approximately 75.0% as at December 31, 2023. In Spain, the average number of services per one network customer was 1.4 and the percentage of network customers using more than one service was approximately 30.0% of all our base subscribers in the country, as at the same date.

*Quality of offerings and pricing*. Our attractive pricing and relatively advanced technology compared to our competitors and our premium content offerings often make it unattractive to replace our services with those offered by our competitors.

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

**Capital expenditure**

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

Consequently, our capital expenditures have been significant. In the year ended December 31, 2023, we had capital expenditure of €729.7 million and represented 42.8% of our revenue and other income for this period. In the year ended December 31, 2022, we had capital expenditure of €560.1 million and represented 36.9% of our revenue for this period.

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

further expansion of our fixed networks;

further expansion and development of our mobile network, as permitted by our existing licenses;

payments for the acquisition of television content rights;

payments for the acquisition of new telecommunication licenses or renewal of existing telecommunication licenses;

expansion of our fixed internet and data and fixed telephony business in Spain;

expansion of our business in Portugal and Belgium;

the acquisition of CPE, including certain network equipment such as GPON terminals (which may not generally be treated as CPE by other members of our industry), and other equipment, such as set-top boxes, mobile data devices and fixed-line telephone handsets, satellite dishes, satellite receivers and smartcards; and

potential acquisitions.

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

The Company did not carry out research and development activities in 2023 or in 2022.

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

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

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

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

Our current contract with Intelsat (which covers both satellites used to transmit our DTH signal) is effective until April 30, 2026. As at December 31, 2023, under this agreement we leased five transponders.

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

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

**Acquisitions and disposals**

***Acquisitions***

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

The additions of Customer relationships in the period ended 31 December 2023 relate to the acquisition of customer contracts in Romania from various smaller entities for EUR 3,412 thousand.
During the year, we acquired or paid installments for the acquisition of a number of other small telecommunication operators in Romania. See "*—Liquidity and Capital Resources—Historical cash flows—Cash flows used in investing activities.*"

As part of our strategy, we may undertake additional acquisitions in the future in our existing business lines or complementary to them as, and if, appropriate opportunities become available. We regularly monitor potential acquisition targets, while assessing their attractiveness relative to other strategic alternatives available to us. We also may acquire smaller businesses on an opportunistic basis. However, a decision to proceed with any such acquisition will be subject to a number of conditions that may or may not materialize, including regulatory support and availability of third-party financing. See "*—Capital expenditure*".

**Historical Results of Operations**

**Results of operations for the years ended December 31, 2023 and 2022**

**Revenue**

Our revenue (excluding intersegment revenue and other income) for the year ended December 31, 2023 was €1,690.4 million, compared with €1,492.8 million for the year ended December 31, 2022, an increase of 13.2%.

The following table shows the distribution of revenue by geographic segment and business line for the years ended December 31, 2023 and 2022:

| | For the year ended December 31, | | % change |
|---|---|---|---|
| **Segment** | **2023** | **2022** | **2023 v 2022** |
| | | | **(€ millions)** |
| **Romania** | 1,019.4 | 964.9 | 5.6% |
| **Spain** | 642.0 | 500.4 | 28.3% |
| **Other** (1) | 29.0 | 27.5 | 5.5% |
| **Total revenue** | **1,690.4** | **1,492.8** | **13.2%** |

| **Category** | **2023** | **2022** | **2022 v 2023** |
|---|---|---|---|
| | | | |
| Fixed services (2) | 841.2 | 725.3 | 16.0% |
| Mobile services | 714.2 | 615.9 | 16.0% |
| Other (3) | 135.0 | 151.6 | -11.0% |
| **Total** | **1,690.4** | **1,492.8** | **13.2%** |

*1) Includes revenue from operations in Italy and Portugal.*
*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, sale of electricity, green certificates as well as advertising revenues.*

**Revenue in Romania** for the year ended December 31, 2023 was €1,019.4 million, compared with €964.9 million for the year ended December 31, 2022, an increase of 5.6%. Revenue growth in Romania was primarily driven by increases in our mobile, fixed internet and data and pay TV RGUs.

Our Pay TV RGUs increased from approximately 5.4 million as at December 31, 2022 to approximately 5.7 million as at December 31, 2023, an increase of approximately 4.6%, and our fixed internet and data RGUs (residential and business) increased from approximately 4.2 million as at December 31, 2022 to approximately 4.6 million as at December 31, 2023, an increase of approximately 8.7%. These increases were primarily due to our attractive pay tv and fixed internet and data packages.

Mobile telecommunication services RGUs increased from approximately 4.9 million as at December 31, 2022 to approximately 5.8 million as at December 31, 2023, an increase of approximately 18.0%, mainly driven by our attractive offerings.

Fixed-line telephony RGUs (residential and business) decreased from approximately 933 thousand as at December 31, 2022 to approximately 890 thousand as at December 31, 2023, a decrease of approximately 4.6%, as a result of the general trend away from fixed-line telephony and towards mobile telecommunication services.

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

**Revenue in Spain** for the year ended December 31, 2023 was €642.0 million, compared with €500.4 million for the year ended December 31, 2022, an increase of 28.3%. The increase in revenue was principally due to an increase in the number of our mobile telecommunication services and fixed internet and date RGUs, mainly driven by our attractive offerings.

Mobile telecommunication services RGUs increased from approximately 3.8 million as at December 31, 2022 to approximately 4.7 million as at December 31, 2023, an increase of approximately 22.8%.

Fixed internet and data RGUs increased from approximately 843 thousand as at December 31, 2022 to approximately 1.4 million as at December 31, 2023, an increase of approximately 62.9%, and fixed-line telephony RGUs increased from approximately 279 thousand as at December 31, 2022 to approximately 445 thousand as at December 31, 2023, an increase of approximately 59.5%.

**Revenue in Other** represented revenue from our operations in Italy and Portugal and for the year ended December 31, 2023 was €29.0 million, compared with €27.5 million for the year ended December 31, 2022, an increase of 5.5%. We had an increase of RGUs from approximately 362 thousand as at December 31, 2022 to approximately 420 thousand as at December 31, 2023, an increase of approximately 16.0%.

**Total operating expenses**

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortisation and impairment) for the year ended December 31, 2023 were €1,532.9 million, compared with €1,371.2 million for the year ended December 31, 2022, an increase of 11.8%.

**Operating expenses**

The table below sets out our expenses (excluding intersegment expenses, other expenses and depreciation, amortisation and impairment) per geographic segment for the years ended December 31, 2023 and 2022.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (€ millions) | (% of revenue) | (€ millions) | (% of revenue) |
| **Continuing operations** | | | | |
| Romania | 573.6 | 56.3% | 560.7 | 58.1% |
| Spain | 508.0 | 79.1% | 418.3 | 83.6% |
| Other [(1)] | 33.7 | 116.3% | 32.9 | 119.6% |
| **Total** | **1,115.4** | **66.0%** | **1,011.8** | **67.8%** |

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

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***Operating expenses from continuing operations***

**Operating expenses in Romania** for the year ended December 31, 2023 were €573.6 million, compared with €560.7million for the year ended December 31, 2022, an increase of 2.3%. This was primarily due to increases in utilities expenses during the period. In general, the increase of operating expenses follows the trend of the growth of business.

**Operating expenses in Spain** for the year ended December 31, 2023 were €508.0 million, compared with €418.3 million for the year ended December 31, 2022, an increase of 21.5%. This significant increase was primarily due to fixed telephony, internet and data and mobile interconnection expenses due to increased mobile and fixed RGUs and roll-out of our fixed line services. Salary expenses increased significantly due to a larger employee base.

**Operating expenses in Other** represented expenses of our operations in Italy, Portugal and expenses of the Company (expenses incurred by DIGI Communications N.V.) and for the year ended December 31, 2023 were €33.7 million, compared with €32.9million for the year ended December 31, 2022, an increase of 2.4%.

**Depreciation, amortisation and impairment of tangible and intangible assets**

The table below sets out information on depreciation, amortisation and impairment of our tangible and intangible assets for the years ended December 31, 2022 and 2023.

| | For the year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| | | (€ millions) |
| **Continuing operations** | | |
| Depreciation of property, plant and equipment | 165.7 | 139.8 |
| Amortisation of non-current intangible assets | 95.4 | 82.3 |
| Amortisation of Subscriber acquisition costs | 59.1 | 51.8 |
| Depreciation of right of use asset | 91.2 | 79.8 |
| Impairment of property, plant and equipment and non-current intangible assets | 6.2 | 5.8 |
| **Total** | **417.5** | **359.5** |

**Depreciation from Continuing operations**

**Depreciation of property, plant and equipment**

Depreciation of property, plant and equipment was €165.7 million for the year ended December 31, 2023, compared with €139.8 million for the year ended December 31, 2022, an increase of 19%. This increase was primarily due to the continued development of our networks.

**Amortisation of non-current intangible assets**

Amortisation of non-current intangible assets was €95.4 million for the year ended December 31, 2023, compared with €82.3 million for the year ended December 31, 2022, an increase of 16%.

**Amortisation of subscriber acquisition costs**

Amortisation of subscriber acquisition costs was €59.1 million for the year ended December 31, 2023, compared with €51.8million for the year ended December 31, 2022, an increase of 14%, primarily due to the increase in additions in Romania and Spain.

**Depreciation of right of use asset**

Depreciation of right of use asset was €91.2 million for the year ended December 31, 2023 compared to €79.8 million for the year ended December 31, 2022, an increase of 14.3% due to the additions in the period.

**Other income/expense**

We recorded €16.2 million of other income and €0.5 million of other expenses in the year ended December 31, 2023, compared to €24.7 million of other income and €0.7 million of other expenses in the year ended December 31, 2022.

For the year ended December 31, 2023, other income represents the subvention related to electricity supply.

For the year ended December 31, 2022, other income represents the subvention related to electricity supply.

For the year ended December 31, 2023, other expenses include the net result related to share option plans vested.

For the year ended December 31, 2022, other expenses include the net result related to share option plans vested.

**Operating profit**

For the reasons set forth above, our operating profit was €173.2 million for the year ended December 31, 2023, compared with €145.6 million for the year ended December 31, 2022.

**Net finance expense**

We recognized net finance expense of €73.0 million in the year ended December 31, 2023, compared with net finance expense of €63.2 million in the year ended December 31, 2022, an increase of 15%.

**Share of loss of equity-accounted investees net of tax**

We had share of loss of equity-accounted investees net of tax for the year ended December 31, 2023 of €6.5 million, compared with €1.1 million for the year ended December 31, 2022.

**Profit before taxation**

For the reasons set forth above, our profit before taxation was €93.7 million for the year ended December 31, 2023, compared with a profit of €81.2 million for the year ended December 31, 2022.

**Income tax expense**

An income tax expense of €1.4 million was recognized in the year ended December 31, 2023 compared to a tax expense of €6.5 million recognized in the year ended December 31, 2022.

**Profit for the year**

For the reasons set forth above, our net profit for the year ended December 31, 2023 was €92.2 million (from continuing operations), compared with a profit of €74.8 million for the year ended December 31, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

credit risk

liquidity risk

market risk (including currency risk, interest rate risk and price risk).

Further information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital as well as quantitative disclosures are included throughout the consolidated financial statements, *Note 32 "Financial risk management".*

**Historical cash flows**

The following table sets forth, for the years ended December 31, 2023 and 2022 our consolidated cash flows from operating activities, cash flows used in investing activities and cash flows from (used in) financing activities.

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(€ millions)** |
| **Cash flows from operations before working capital changes** | **601.4** | **493.5** |
| Cash flows from changes in working capital (1) | (73.0) | (18.6) |
| **Cash flows from operations** | **528.4** | **474.9** |
| Interest paid | (60.6) | (41.8) |
| Income tax paid | (6.4) | (5.6) |
| **Net cash flows from operating activities** | **461.3** | **427.5** |
| **Net cash flows from/ (used in) investing activities** | **(704.1)** | **89.6** |
| **Net cash flows from (used in) financing activities** | **202.7** | **(275.3)** |
| Net increase/(decrease) in cash and cash equivalents | (40.1) | 241.8 |
| Cash and cash equivalents at the beginning of the period | 261.4 | 19.6 |
| **Cash and cash equivalents at the closing of the period** | **221.3** | **261.4** |

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

Cash flows from operations before working capital changes were €601.4 million in the year ended December 31, 2023 and €493.5 million in the year ended December 31, 2022. The variance from 2022 to 2023 was due to the reasons discussed in *"—Historical Results of Operations—Results of operations for the years ended December 31, 2022 and 2023."*

The following table shows changes in our working capital:

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(€ millions)** |
| Decrease/(increase) in trade receivables, other and contract assets | (62.0) | (50.6) |
| Decrease/ (increase) in inventories | 3.0 | 2.1 |
| (Decrease)/increase in programming assets | (25.6) | (26.5) |
| (Decrease)/increase in trade payables and other current liabilities | 8.3 | 49.2 |
| (Decrease)/increase in contract liabilities | 3.3 | 7.3 |
| **Total** | **(73.0)** | **(18.6)** |

We had a negative change in working capital of €73.0 million in the year ended December 31, 2023 (negative change in working capital of 18.6 million in the year ended December 31, 2022).

**Cash flows from operating activities** were €461.3 million in the year ended December 31, 2023 and €427.5 million in the year ended December 31, 2022. Interest paid was €60.6 million in the year ended December 31, 2023, compared with net interest paid of €41.8 million in the year ended December 31, 2022. Income tax paid was €6.4 million in the year ended December 31, 2023, compared with €5.6 million in the year ended December 31, 2022. The increase in cash flows from operating activities in the year ended December 31, 2023, as compared to the year ended December 31, 2022, was due to an increase in our subscriber's base and the improved performance of certain business lines.

**Cash flows used in investing activities** were €704.1 million in the year ended December 31, 2023, and cash flow from investing activities were €89.6 million in the year ended December 31, 2022.

The following table shows our capital expenditures by category for the years ended December 31, 2023 and 2022:

| | For the year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| | | **(€ millions)** |
| Network and equipment [1] | 389.0 | 332.6 |
| Customer Premises Equipment (CPE) [2] | 73.1 | 56.6 |
| Programme assets—content for our own channels [3] | 39.8 | 37.6 |
| License and software [4] | 62.5 | 44.8 |
| Customer relationships [5] | 3.4 | 4.4 |
| Other additions to tangible assets [6] | 101.5 | 116.0 |
| Other additions to intangible assets | 64.1 | 60.4 |
| Right of use assets [7] | 189.9 | 188.4 |
| **Total additions to tangible and intangible assets** | **923.4** | **840.9** |
| Differences between capital expenditures for tangible and intangible assets and additions to tangible and intangible assets [8] | (193.7) | (280.8) |
| Capital expenditures for the acquisition of tangible and intangible assets | **729.7** | **560.1** |
| **Total** | **729.7** | **560.1** |

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

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

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

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

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

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

*(7) Composed of rights of use recognized in respect of future commitments for leasing contracts.*

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

In addition to cash flow from investing activities included in the capital expenditure above there is the increase in programe assets position from the cash flow from operations.

During the year ended December 31, 2023, we acquired tangible and intangible assets for €923.4 million. We had €389.0 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber optic and mobile networks in Romania and Spain. We had additions of €73.1 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We had €39.8 million in additions to our programme assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions for contracts entered into in this and prior years. We had €62.5 million in additions to our intangible assets, primarily to recognize renewal of mobile licences in Romania and newly acquired mobile licences in Portugal, as well as software licenses for equipment for our mobile networks. We also had additions to customer relationships of €3.4 million, reflecting amounts incurred for the acquisition of customers from other cable and internet providers in Romania. Capital expenditures for the acquisition of tangible and intangible assets were €193.7 million lower than accounting additions to tangible and intangible assets during the year. This was primarily due to additions of right of use assets which are payable in the future period and longer payment terms, especially for part of the network, as well as equipment and CPE additions.

**Cash flows from financing activities** were a €202.7 million inflow for the year ended December 31, 2023 (€275.3 million outflow for the year ended December 31, 2022).

During the year we had drawings from Export Credit Facilities in amount of € 132.5 million and Digi Spain drew € 138 million from Senior Facility.

In January 2022, the Group made partial repayment of the Group's financial debt in the aggregate amount of €272 million. The outstanding balance of SFA 2020 and of the short term & working capital facilities from Romania

were repaid.

Total payments of lease obligations in amount of €100.2 million were made during the year.

**Planned Cash Requirements and Capital Expenditure Plan**

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

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

expansion of our fixed network;

expansion and further development of our mobile network;

acquisition of additional television content rights and licenses;

costs associated with CPE and the acquisition of new customers;

payments for the acquisition of new telecommunication licenses or renewal of existing telecommunication licenses; and

potential acquisitions.

As at December 31, 2023, our commitments to incur additional capital expenditures (consisting primarily of payments for content rights, and commitments to purchase of equipment and CPE) amounted to approximately €365 million discounted value (€536 million undiscounted value).

**Contractual obligations**

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

The table below sets out the maturities of our financial liabilities and other major contractual commitments, including estimated payments and excluding the impact of netting agreements as at December 31, 2023, based on the agreements in place as at that date. We expect that our contractual commitments may evolve over time in response to current business and market conditions, with the result that future amounts due may differ considerably from the expected amounts payable set out in the table below.

| | Carrying amount as at December 31, 2023 | Contractual cash flows as at December 31, 2023 | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | | | (€ millions) | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Interest bearing loans and borrowings, including bonds | 1,383.5 | 1,496.1 | 119.0 | 129.3 | 636.9 | 611.0 | - |
| Lease liabilities | 389.6 | 528.3 | 51.1 | 46.2 | 70.0 | 115.6 | 245.4 |
| Trade and other payables and other liabilities | 634.8 | 637.2 | 525.9 | 38.4 | 44.6 | 28.3 | - |
| Capital expenditure and operating expenditure contractual commitments (1) | 364.9 | 364.9 | 75.7 | 48.5 | 112.1 | 71.9 | 56.7 |
| **Total** | **2,772.8** | **3,026.5** | **771.7** | **262.3** | **863.6** | **826.8** | **302.1** |

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

**Financial obligations**

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

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

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

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

***2) 2021 Senior Facilities Agreement Spain (“2021 SFA”)***

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

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

On 29 June 2023, Digi Spain Telecom S.L.U. (“Digi Spain”), the Company’s Spanish subsidiary, acting as borrower, together with the Company and RCS & RDS S.A., as original guarantors, ING Bank N.V. and Banco Santander as bookrunners and mandated lead arrangers and a syndicate of banks acting as lenders, entered into an amendment agreement to the Facility Agreement dated 26 July 2021, under which it will be made available to Digi Spain, an additional term loan facility in amount of EUR 100 million for a period equal to four years, until 30 June 2027. The borrowed amount of the new term loan facility will be used by the Borrower for the financing of capital expenditure on the fiber-optic network (and related equipment and infrastructure) in Spain and for associated personnel costs.

The interest rate under the SFA 2021 Facility A, Facility B and Facility C is composed of a margin of 2.225% per annum plus EURIBOR 3M, effective starting April 2022, for Facility D is 2.50% per annum plus EURIBOR 3M and for Facility E is 2.75% per annum plus EURIBOR 3M.

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

The 2021 Senior Facilities Agreement was unconditionally guaranteed by the Company on a pari-passu basis, and shares the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

As at December 31, 2023, the outstanding balances were in amount of EUR 341.8 million**.**

***3) Export Credit Facilities***

On 24 April 2023, RCS & RDS S.A., as borrower, together with the Company and Digi Spain Telecom S.L.U. as original guarantors and ING Bank N.V., as original lender, arranger, facility agent and ECA agent, have concluded two export credit facilities agreements in a total amount of EUR 132.7 million.

The two facilities are intended to be used with the purpose of financing the purchase of good and services for developing the Romanian and Portuguese telecommunications networks of the Company’s subsidiaries.

Finnvera – Covered Export Credit Facility Agreement (Finnvera – ECA) is in total amount of EUR 72.7 million and EKN – Covered Export Credit Facility Agreement (EKN – ECA) in amount of EUR 59.9 million. By the end of the year a total amount of EUR 72.7 million was withdrawn from Finnvera – ECA and EUR 59.7 million from EKN – ECA.

Finnvera – ECA shall be repaid in six (6) equal instalments by repaying on each repayment date an amount which reduces the amount of outstanding loans by an amount equal to 1/6th of the loans borrowed. The first repayment date is the date falling six months after the starting point of credit, being 20 September 2023. Termination date is the date falling thirty (30) months after the first repayment date, being 20 March 2026. An interest of 6M Euribor plus a margin of 0.7% is payable at each repayment date.

EKN – ECA consist of two facilities A and B, that shall be repaid in six (6) equal instalments by repaying on each repayment date an amount which reduces the amount of outstanding loans by an amount equal to 1/6th of the loans borrowed. The first repayment date is the date falling six months after the starting point of credit, being 28 August 2023 for Facility A and 30 October 2023 for Facility B. Termination date is the date falling thirty (30) months after the first repayment date, being 28 February 2026 for Facility A and 30 April 2026 for Facility B. An interest of 6M Euribor plus a margin of 0.7% is payable at each repayment date.

The Export Credit Facilities are unconditionally guaranteed by the Company on a pari-passu basis, and shares the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

***4) Senior Facility Agreement 2023***

On 21 April 2023, RCS & RDS S.A. (the Company's subsidiary in Romania - "RCS &RDS"), as borrower, the Company and Digi Spain Telecom S.L.U. as original guarantors and ING Bank N.V., BRD-Groupe Societe Generale S.A., Citibank Europe plc, Dublin – Romania Branch, Raiffeisen Bank S.A. and UniCredit S.A., as mandated lead arrangers, other financial institutions listed therein as original lenders have concluded a senior facility agreement (the "SFA") consisting of: (i) a term loan facility in a total aggregate amount of € 150 million, for a period not exceeding 31 January 2028; (ii) a revolving credit facility in a total aggregate amount of € 100 million, for three years from the signing of the SFA, and (iii) one or more incremental facilities not exceeding in aggregate € 250 million, which is not commited and which may be established and made available in accordance with the SFA. The borrowed amounts may be used by the Company's Romanian subsidiary for the purposes of debt refinancing, capital expenditure, investments, general corporate and working capital purposes.

At 31 December 2023 the facility remains undrawn.

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

***RCS & RDS short term financing***

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

***DIGI Spain short term financings***

DIGI Spain is party to several short term and working capital facilities with Banco Santander, Caixabank, Bankinter and BBVA.

***Lease liabilities***

As at December 31, 2023, we had lease liabilities as per IFRS 16, in place for a total outstanding aggregate amount of €389.6 million (December 31, 2022: €295.6 million).

***Contingent obligations***

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

See also *Note 35 from the Consolidated Financial Statements as at December 31, 2023*.

***OFF-BALANCE SHEET ARRANGEMENTS***

Other than commitments described under the caption "—*Contractual Obligations*" (including letters of guarantees in the aggregate amount of €56.9 million), we did not have any material off-balance sheet arrangements as at December 31, 2023. See also *Note 35 from the Consolidated Financial Statements as at December 31, 2023*.

**Main variations of assets and liabilities as at December 31, 2023**

Main variations for the consolidated financial position captions as at December 31, 2023 are presented below (for details, please see *Consolidated Financial Statements for the year ended 31 December 2023* included in this Annual report):

**ASSETS**

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

The available for sale financial assets at fair value through OCI of €51.1 million as at December 31, 2023 (December 31, 2022: €36.8 million) comprise of shares in RCSM obtained as result of the Share swap contracts between the Company and minority shareholders. The fair value assessment at year end was made based on the quoted price/share as of the valuation date, which is a relevant method of estimating the market value of a minority ownership in its equity.

For details, please see *Note 10 from the Consolidated Financial Statements as at December 31, 2023.*

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

As at December 31, 2023 trade and other receivables were €92.8 million and contract assets were €94.3 million (December 31, 2022: trade and other receivables €75.5 million; contract assets were €78.6 million), increase due to normal business development, mainly coming from Spain and Romania.

***Derivative financial assets***

As at December 31, 2023 derivative assets included embedded derivative assets for the Senior Notes measured at fair value, in amount of €2.8 million and non-current derivative financial assets for the transaction between Digi Spain and abrdn in amount of €3.4 million (December 31, 2022: €5.1 million) For details, please see *Note 34 from the Consolidated Financial Statements for year ended December 31, 2023.*

**LIABILITIES**

***Loans and borrowings***

As at December 31, 2023 the non-current portion of loans and borrowings were in amount of €1,183.7 million (December 31, 2022: €1,027.8 million) and the current portion was in amount of €199.8 million (December 31, 2022: €94.9 million) including the effect of borrowing costs. The increase is mainly due to withdrawings from the Export Credit Facilities and in Spain, from the Syndicated Facility. For details, please see caption *"Financial obligations*" from above.

**FINANCIAL INDICATORS**

Below are presented consolidated financial indicators for the year ended 31 December 2023:

| **Financial Indicator** | **As at 31 December 2023** | **As at 31 December 2022** |
|---|---|---|
| **Current ratio** | | |
| Current assets/Current liabilities | 0.52 | 0.61 |
| **Debt to equity ratio** | | |
| Long term debt/Equity x 100<br>(where Long term debt = Borrowings over 1 year) | 160% | 187% |
| Long term debt/Capital employed x 100<br>(where Capital employed = Long term debt+ Equity) | 62% | 65% |
| **Trade receivables turnover** | | |
| Average receivables/Revenues | 38.41 days | 34.67 days |
| **Non-current assets turnover** | | |
| (Revenues/Non-current assets) | 0.59 | 0.64 |

## BOARD OF DIRECTORS' STATEMENTS

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

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

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

a. for information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Corporate Governance in this annual report. For information on the rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. For information on the rights attached to the Class B Shares, please refer to the Articles which can be found on the Company's website. As at 31 December 2023, the issued share capital of the Company amounted to €6,810,042.52 divided into 64,556,028 Class A Shares representing 64.56% of the total issued share capital and 35,443,972 Class B Shares representing 35.44% of the total issued share capital.
b. the Company has imposed no limitations on the transfer of Class A Shares and Class B Shares (with the exception of the Relationship Agreement). The Company is not aware of any depository receipts having been issued for shares in its capital.
c. for information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Acts (Wet op het financieel toezicht) notification requirements apply, please refer to Corporate Governance of this annual report. There you will also find a list of shareholders who are known to the Company to have holdings of 3% or more.
d. Mr. Zoltán Teszári directly and indirectly, exercises control over 100% of the Company's Class A Shares. Mr. Zoltán Teszári owns 2.4% of the Class A Shares directly and controls the rest of the Class A Shares through his 94.9% share ownership of RCS Management S.A (economic interest). The Class A Shares have special rights in the Company. For information on the special rights attached to the Class A Shares, please refer to the Articles which can be found on the Company's website. To summarize, each Class A Share confers the right to cast 10 votes, members of the Board of Directors are appointed and dismissed on nomination of the meeting of holders of Class A Shares, the meeting of holders of Class A Shares holds the right to make proposals to the general meeting of shareholders for remuneration of members of the Board of Directors in the form of shares, certain decisions of the Board of Directors concerning disposal or encumbrance of assets requires the approval from the meeting of holders of Class A Shares and amendment of the Articles of association of the Company which affect the rights of the Class A Shares, require the prior approval of the meeting of holders of Class A Shares.
e. current equity incentive plans adopted by the Company are administered by the Remuneration Committee.
f. no restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles do not allow the Company to cooperate with the issue of depository receipts for shares.
g. the Company is not aware of the existence of any agreements with shareholders which may result in restrictions on the transfer of shares or limitation of voting rights (with the exception of the Relationship Agreement).
h. the rules governing the appointment and dismissal of members of the Board of Directors of the Company are stated in the Articles of the Company. All members of the Board of Directors are appointed by the general meeting of shareholders upon a binding nomination by the meeting of holders of Class A Shares. The general meeting of shareholders has the power to dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles are stated in the Articles and require a resolution of the general meeting of shareholders which can only be passed pursuant to a prior proposal of the Board of Directors of the Company. Any amendment of the Articles which affect the rights of the Class A Shares, requires the prior approval of the meeting of holders of Class A Shares.

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

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

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

In accordance with best practices 1.4.3 from the DCGC, the Board of Directors is of the opinion that:

(i) the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems with regard to the risks as referred to in best practice provision 1.2.1. from the DCGC;

(ii) notwithstanding the measures that the Company is implementing in order to improve control on financial reporting, the aforementioned systems provide reasonable assurance that the financial reporting do not contain anymaterial inaccuracies;

(iii) it is justified that the financial reporting is prepared on a going concern basis; and

(iv) the report states the material risks, as referred to in best practice provision 1.2.1., and the uncertainties, to the extent that they are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

# Annex management board report

## ANNEX 1 IMPORTANT INFORMATION

**Important Information**

**Cautionary Note Regarding Forward-Looking**

Certain statements in this Report are not historical facts and are forward-looking. Forward- looking statements appear in various locations, including, without limitation, in the sections entitled *"Risk Factors"*, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and *"Business"*. We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Report includes forward- looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

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

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "Risk Factors," as well as those included elsewhere in this Report. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward- looking statements. These factors include:

significant competition in the markets in which we operate;

rapid technological changes leading to increased competition and the rendering of our technologies or services obsolete;

our capital expenditure not being able to generate a positive return or a significant reduction in costs or promote the growth of our business;

deterioration of the general internal economic, political and social conditions in our principal countries of operation;

continued uncertainties, challenging conditions in the global economy or volatile credit markets;

currency transactional and translation risks associated with exchange rate fluctuations;

a systems failure or shutdown in our networks;

our ability to use Intelsat's and Telenor's satellites to broadcast our DTH services and failure to find a commercially acceptable alternative in a reasonable amount of time;

difficulty in obtaining adequate managerial and operational resources as a result of our rapid growth and expansion in new areas of business;

our ability to attract and retain key personnel without whom we may not be able to manage our business effectively;

our ability to attract new customers and retain existing customers if we do not maintain or improve our reputation for quality of service;

continued demand for cable TV and telecommunications products and services;

our ability to retain or increase our subscriber base and increasing costs of operations if we cannot acquire or retain content or programming rights or do so at competitive prices;

a decrease in our ARPU figures as a result of our business strategy;

failure to manage customer churn;

our insurance not adequately covering all potential losses, liabilities and damage related to our business and certain risks being uninsured or not insurable;

problems with and interruptions to our billing and credit control systems that our business relies upon;

discontinuing of products or services by terminating contracts with, or charging of non-competitive prices by our current hardware, software and service suppliers;

volatility in the cost of electricity we supply to our customers;

our dependence on various intellectual property rights that we license from or that may be claimed by third parties;

our dependence on our interconnection, roaming and MVNO arrangements with other telecommunications operators and third party network providers, over which we have no direct control;

concerns about health risks relating to the use of mobile handsets or the location of mobile telecommunication towers;

leakage of sensitive customer data in violation of laws and regulations, and any other failure to fully comply with applicable data protection legislation, resulting in fines, loss of reputation and customer churn;

undertaking future acquisitions on an opportunistic basis;

downgrading of our credit ratings by an international rating agency;

changes to IFRS standards for lease accounting and revenue recognition;

changes in the determination of our tax residency;

claims relating to breaches of competition law and investigations by competition authorities to which we may have been and may continue to be subject;

our failure to comply with existing laws and regulations or the findings of government inspections, or increased governmental regulation of our operations, which could result in substantial additional compliance costs or various sanctions or court judgments;

difficulty in obtaining required licenses, permits or other authorisations to operate our existing network, and any subsequent amendment, revocation, suspension, or termination of licenses and permits obtained;

disruption of service and additional expenses incurred as a result of being required to move some of our networks which are based on contracts and which may be terminated;

inadvertent infringement of the intellectual property rights of others, which could lead to liability for infringements in relation to information disseminated through our network, protracted litigation and, in certain instances, loss of access to transmission technology or content;

variation in payments related to copyrights;

adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations;

major litigation with the Antena Group and other parties and unfavorable court decisions;

failure to comply with anti-corruption laws or allegations thereof;

other contractual claims, complaints, litigation and negative publicity therefrom;

higher vulnerability of the economies of the countries where we operate to fluctuations in the global economy;

social, political and military conflicts in the region of our operations;

political and economic uncertainty and risk resulting from the UK’s vote to leave the European Union;

difficult business climate as a result of corruption in some of the markets where we operate;

rapid or unforeseen economic or political changes characteristic of emerging markets such as the markets in which we operate;

downgrading of Romania’s credit ratings by an international rating agency;

Romania’s difficulties related to its integration with the European Union;

less developed legal and judicial systems in some of our markets of operation;

difficulty of service of process in, and enforcement of judgments rendered by courts of, the United States and the United Kingdom;

our substantial leverage and debt servicing obligations;

debt covenants that restrict our ability to finance our future operations and capital needs and to pursue business opportunities and activities;

impairment of our ability to draw funds under the Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement;

the significant amount of cash required to service our debt and sustain our operations and the fact that our ability to generate cash depends on many factors beyond our control and we may not be able to generate sufficient cash to service our debt;

our inability to refinance maturing debt on terms that are as favorable as those from which we previously benefited or on terms that are acceptable to us or at all;

our exposure to unexpected risk and potential losses relating to derivative transactions;

the other factors discussed in more detail under "Risk Factors"; and

factors that are not known to us at this time.

This list of important factors and the other factors discussed in the section entitled "Risk Factors" is not exhaustive. Other sections of this Report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

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

**Presentation of Financial and Other Information**

**Presentation of Financial Information**

The financial information presented in this Report is, unless otherwise indicated, the historical consolidated financial information for the Group. DIGI is the holding company for the Group and holds the majority of the outstanding shares of RCS & RDS. DIGI has no significant operations and has not engaged in any significant activities other than financing activities relating to the Group and acting as its holding company.

Included herein are the consolidated financial statements of the Group as at and for the year ended December 31, 2023, prepared in accordance with the IFRS as adopted by the EU (the "Annual Financial Statements") and with Section 2:362(9) of the Dutch Civil Code.

The Group's presentation currency is the euro, as further described in the sections entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations and Capital Structure—Exchange Rates".* Accordingly, the Annual Financial Statements included herein are presented in euros.

In 2023 we have had operations in Romania, Spain, Italy and Portugal. In Note 4 of the Annual Financial Statements, as part of our "Other" segment we reported (i) revenue from, and expenses of, our (a) Italian operations and (b) Discontinued Operations, in each case, for the applicable periods and (ii) expenses of the Company. In this Report, unless otherwise stated, as part of our "Other" segment we only present the results of our Italian operations, for revenue, and the results of our Italian operations and expenses of the Company, for operating expenses.

**Operating and Market Data**

**RGUs and ARPU**

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

More specifically:

for our cable TV and DTH services, we count each basic package that we invoice to a customer as an RGU, without counting separately the premium add-on packages that a customer may subscribe for;

for our fixed internet and data services, we consider each subscription package to be a single RGU;

for our fixed-line telephony services, we consider each phone line that we invoice to be a separate RGU, so that a customer will represent more than one RGU if it has subscribed for more than one phone line; and

for our mobile telecommunication services, we consider the following to be a separate RGU: (a) for post-paid services, each separate SIM on a valid contract; (b) for pre-paid services, each mobile voice and mobile data

SIM with active traffic in the last month of the relevant period, except for Romania where pre-paid RGUs are not included due to low amount of traffic generated.

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

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

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

**Non-Gaap Financial Measures**

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

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

**Rounding**

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

## ANNEX 2 CORPORATE GOVERNANCE COMPLIANCE STATEMENT AS PER BSE CGC

Corporate **Governance Compliance Statement as per the BSE CGC**

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | **Section A - General Principles** | | |
| | The role of the Board of Directors in a one-tier board system and the role of the Supervisory Board/ Management Board in a two-tier board system should be clearly defined and documented in the company's articles of association, internal regulations and/ or other similar documents. The Board should ensure that company's articles of association, the resolutions of the general meeting of shareholders, and the internal regulations of the company include a clear distinction of powers and competencies between the general meeting of shareholders, the Board and the executive management. | YES | |
| | The Board should be structured in such a way that allows it to diligently fulfill its duties. The Board should meet sufficiently regularly to discharge its duties effectively. | YES | |
| | The Board should ensure that a formal, rigorous and transparent procedure is put into place regarding the appointment of new members to the Board. | YES (PARTIALLY) | The directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal made by the nomination committee established by the Board of Directors based on a selection procedure. Although there is no nomination committee established and the Company has not implemented a specific selection procedure of the board members, the corporate governance standard sought by the BSE CGC is achieved by Class A Meeting nomination taking into account that the Board of Directors composition should reflect the requisite expertise, background, competences. |
| | There should be a clear division of responsibilities between the Board and the executive management. | YES | According to the Articles of Association |
| | The Board and its committees should have the appropriate balance of skills, experience, gender diversity, knowledge and independence to enable them to effectively perform their respective duties and responsibilities. It is recommended for the majority of non-executive members of the Board of Directors or Supervisory Board to be independent. All members of the Board should be able to allocate sufficient time to the company to discharge their responsibilities effectively. The Board should ensure that it is appropriately | YES (PARTIALLY) | Class A meeting takes into consideration these criteria when making the binding nomination of the board of directors. As regards the independence of non-executive directors –two non-executive directors are considered independent which is deemed by the Company to allow the Board to carry out the duties in a proper and robust manner. |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | informed to enable it to discharge its duties. | | |
| | Board members must strictly observe the secrecy of the proceedings, debates and decisions taken, unless otherwise decided by the Board or unless regulations in force require the appropriate disclosure. | YES | According to the management agreements concluded with the Company, the Directors have the obligation to maintain the confidentiality of the information disclosed to them during their mandate unless otherwise approved by the Company. |
| | **Section A – Specific Principles** | | |
| **A.1.** | All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A. | YES | While the Board of Directors is not formally regulated by separate terms of reference, the composition, activity, functions and responsibilities of the Board of Directors of the Company are provided in detail within the Articles (in force since the 21 April 2017).<br>(*See for reference Chapter VII (from clause 15 to 23) from the Articles*) |
| **A.2.** | Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest. | YES | Detailed provisions regarding the management of the Conflict of Interest matters regarding the Board of Directors are included in the following Company corporate regulations: clause 18 from the Articles, the Code of Conduct of the Company (applicable as of 14 May 2017), the Conflict of Interest Policy applicable to Board members (applicable as of 14 May 2017), and the Terms of Reference of the Audit Committee (applicable as of 14 May 2017). |
| **A.3.** | The Board of Directors or the Supervisory Board should have at least five members. | YES | The Board of Directors of the Company has 7 members. |
| **A.4.** | The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/ she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/ she is considered independent in character and judgement in practice and according to the following criteria:<br>A.4.1. Not to be the CEO/executive officer of the company or | YES | 5 members of the Board of Directors (out of 7) are non-executive.<br><br>2 members of the Board of Directors (out of 7) are considered independent non-executive directors – Bogdan Ciobotaru and Piotr Rymaszewski.<br><br>The policy on the Profile for Non-Executive Directors provides for certain rules and criteria in connection with the non-executive directors *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).* |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
| --- | --- | --- | --- |
| | of a company controlled by it and not have been in such position for the previous five years;<br>A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;<br>A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;<br>A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it;<br>A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;<br>A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;<br>A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;<br>A.4.8. Not to have been a non-executive director of the company for more than twelve years;<br>A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.. | | |
| **A.5.** | A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/ her mandate. | YES | — |
| **A.6.** | Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds | YES | — |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board. | | |
| **A.7.** | The company should appoint a Board secretary responsible for supporting the work of the Board. | YES | The current company secretary is Ms. Eliza Popa. |
| **A.8.** | The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process. | YES (PARTIALLY) | According to the Terms of Reference of the Audit Committee, the Audit Committee performs such evaluation. The evaluation for the year 2023 was presented by the Audit Committee to the Non-executive and the Executive members of the Board during the meeting from 1 May 2024. The Company has not implemented a formal specific procedure with regards to the assessment of the members of the Board. |
| **A.9.** | The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities. | YES | *(See for reference Section "Corporate Governance" from this report – In the case of the Board the no. of resolutions is disclosed.)* |
| **A.10.** | The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board. | YES | *(See for reference Section "Corporate Governance" from this report)* |
| **A.11.** | The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the Nomination Committee should be independent. | YES (PARTIALLY) | The directors are appointed following a nomination made by the Class A Meeting, instead of a nomination proposal by the nomination committee established by the Board of Directors and consisting of non-executive directors. Although, there is no nomination committee established and the Company has not implemented a specific formal nomination procedure for board members, the corporate governance standard sought by the BSE CGC is achieved by applying this nomination procedure, as the Class A Meeting takes into account that the Board of Directors composition should reflect the requisite expertise, background, competences and—as regards two non-executive directors—their independence, thus allowing the Board to carry out its duties in a proper and robust manner. |
| | **Section B – General Principles** | | |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | The company should have in place an efficient risk management and internal control system. The Board should determine the principles of and approaches to the risk management and internal control system in the company. | YES | According to the Terms of Reference of the Audit Committee |
| | The company should arrange for internal audits to independently evaluate, on a regular basis, the reliability and efficiency of the risk management and internal control system and the corporate governance practices. | YES | According to the Terms of Reference of the Audit Committee |
| | The Board of Directors or Supervisory Board, as the case may be, should set up an independent audit committee capable of ensuring the integrity of financial reporting and of the internal control system, including the internal and external audit processes. | YES | According to the Terms of Reference of the Audit Committee |
| | The company will ensure that all related party transactions are considered on their merits in a manner that ensures independence and the protection of the interests of the company, compliant with the restrictions set out in related legislation and fairly disclosed to shareholders and potential investors. The definition of related parties follows that of International Accounting Standard 24. | YES | According to the Terms of Reference of the Audit Committee and the Related Parties Policy |
| | **Section B - Specific Principles** | | |
| **B.1.** | The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent. | YES | The Audit Committee of the Company has 3 non-executive members.<br><br>The members of the Audit Committee are qualified individuals, with audit, financial and management experience, including experience accumulated as members of audit committees and/or boards of other major companies.<br><br>2 out of the 3 members of the Audit Committee are considered independent non-executive Board members. |
| **B.2.** | The Audit Committee should be chaired by an independent non-executive member. | YES | The chair of the Audit Committee is an independent director, as required by the BSE CGC. The Board of Directors of the Company has approved the appointment of Mr. Piotr Rymaszewski as chairman of the Audit Committee. |
| **B.3.** | Among its responsibilities, the Audit Committee should | YES | *(See for reference in this respect the Terms of Reference of* |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | undertake an annual assessment of the system of internal control. | | *the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance)* |
| **B.4.** | The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board. | YES | *(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2023 in section "Corporate Governance" from this Report)* |
| **B.5.** | The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties. | YES | This assessment was performed by the Audit Committee and the other non-executive members of the Board of Directors on a case by case basis. |
| **B.6.** | The Audit Committee should evaluate the efficiency of the internal control system and risk management system. | YES | This assessment was performed by the Audit Committee during the meetings that have taken place in 2023.<br><br>*(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2023 in section "Corporate Governance" from this Report)* |
| **B.7.** | The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team. | YES | This assessment was performed by the Audit Committee during the meetings that have taken place in 2023.<br><br>*(See for reference in this respect the Terms of Reference of the Audit Committee (applicable as of 14 May 2017) – available at http://www.digi-communications.ro/en/corporate-governance and the description of the Audit Committee's activity in 2023 in section "Corporate Governance" from this report)* |
| **B.8.** | Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards | YES | The Audit Committee submitted to the Board a summary on the Audit Committee's activity in 2023, comprising main findings. Other ad-hoc reporting was performed during the year.<br><br>In addition, whenever it was deemed necessary during the year, the Audit Committee reported to the Board of Directors particular matters that called for the Board of Directors' attention, care or decision. |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| **B.9.** | No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties. | YES | There are numerous provisions in the Articles and in the other corporate governance documents of the Company precluding from any preferential treatment between the Company and one shareholder with regard to entering into transactions and agreements.<br><br>The Board of Directors of the Company has also adopted a Policy on Bilateral Contacts with the Shareholders.<br><br>*(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).* |
| **B.10.** | The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board<br>following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements. | YES (PARTIALLY) | There is no formal and separate policy regarding the transactions that the Company can enter into. However, the Articles contain for detailed provisions regarding the approval requirements for the entering by the Company into such agreements and transactions (*for example, see for reference clause 19 from the Articles*). The Company is also subject to the transparency requirements introduced by the revised EU Shareholders' Rights Directive (2017/828/EU), as transposed into Dutch law, which requires material related party transactions to be approved by the Board, as well as publicly announced. |
| **B.11.** | The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity. | YES | The internal audit function is ensured by a group of selected individuals lead by an appointed Internal Audit Director of the Company. |
| **B.12.** | To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer. | YES | The relationship between the internal audit function and the Audit Committee is described and regulated in detail in the Terms of Reference of the Audit Committee *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).* |
| | **Section C - General Principles** | | |
| | The level of remuneration should be sufficient to attract, retain and motivate skillful and experienced people as members of the Board and the management. The Board should ensure transparency related to remuneration matters. The shareholders should be provided with relevant information in order to understand the principles applied by the company | YES | The revised Remuneration Policy and the Terms of Reference of the Remuneration Committee comply with these principles *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).* |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
|---|---|---|---|
| | regarding the remuneration policy, which is based on fair rewards and motivation for Board members, and for the CEO or Management Board. A company should have a remuneration policy and rules defining that policy.<br>It should determine the form, structure and level of remuneration of members of the Board, the CEO and when applicable, members of the Management Board. | | |
| | **Section C - Specific Principles** | | |
| **C.1.** | The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.<br>The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems.<br><br>It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.<br><br>The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.<br><br>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion. | YES | The 2020 GSM of the Company has approved a revised Remuneration Policy and the Terms of Reference of the Remuneration Committee are valid as amended on 4 June 2019 *(See for reference in this respect the Company's website at http://www.digi-communications.ro/en/corporate-governance).* The remuneration report is included in Remuneration section. |
| | **Section D - General Principles** | | |
| | The company should disseminate the most important information both in Romanian and English, to enable Romanian and foreign investors to have access to the same | YES | |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
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| | information at the same time. | | |
| | A company should do its best to enable its shareholders to participate in general meetings, aiming at using electronic communication means through (a) live broadcast of general meetings and/or (b) live bilateral communication where shareholders may express themselves during a general meeting from a location other than that of the general meeting, as long as this is in line with legislation regarding data processing. A company should aim to provide for an electronic voting system at general meetings, including remote electronic voting. | YES (PARTIALLY) | According to clause 32 from the Articles, the Company encourages its shareholders to vote and address questions by electronic means to the general meetings as per its convocation documents which are published on the Company's website. For more details and the conditions applicable to any shareholder's participation and voting, see for reference all provisions from clause 32 onwards from the Articles and the convocation documents available at section *https://www.digi-communications.ro/en/corporate/general-share-holders*. The Company does not provide live broadcasting of its general shareholders meetings. |
| | **Section D - Specific Principles** | | |
| **D.1.** | The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: | YES | Currently, the IR is a cross-functional unit covered by an external service provider together with the PR function, the Chief Financial Officer of the Company and the Company Secretary. |
| **D.1.1.** | Principal corporate regulations: the articles of association, general shareholders' meeting procedures. | YES | The Articles contain detailed provisions on the corporate rules of the Company (including regarding the procedures of the general shareholders' meeting). |
| **D.1.2.** | Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; | YES | (*See for reference in this respect section"Corporate Governance" from this Report*). |
| **D.1.3.** | Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non- compliance with the present Code; | YES | All such (current and periodic) reports are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares*. |
| **D.1.4.** | Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions | YES (PARTIALLY) | Please see the convocation documents available on the Company's website at section *https://www.digi-communications.ro/en/corporate/general-share-holders*. There is no formal procedure in place for the nomination of Board members. Currently, the nomination is carried out by the class A shareholders. Based on clause 32 of the Articles |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
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| | taken; | | and the convocation documents, shareholders can address and vote the general meeting including by electronic means. The Company did not receive questions from shareholders related to the agenda of the 2023 general meeting. |
| **D.1.5.** | Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; | YES | All relevant (current and periodic) reports, see for reference the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares* |
| **D.1.6.** | The name and contact data of a person who should be able to provide knowledgeable information on request; | YES | You can contact us at *investor.relations@digi-communications.ro* |
| **D.1.7.** | Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports. | YES | All such (current and periodic) reports are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations*.*http://www.digi-communications.ro/en/investor-relations/shares* |
| **D.2.** | A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website. | YES | The Reserves and Dividend Policy of the Company is accessible on the Company's website – *http://www.digi-communications.ro/en/see-file/Digi-Communications-NV-Dividend-policy-ENG.pdf*.<br><br>Also, regarding dividend policy, see company disclosures in section "Dividend Policy" of the initial public offer prospectus of April 26, 2017 (page 73). |
| **D.3.** | A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should | NO | Neither the Company nor the Group subsidiaries have adopted formal policies with respect to forecasts. Also, forecasts are not made with a periodical regularity. However, the Company and/or its Group subsidiaries perform either *ad-hoc* and/or occasional forecasting based on relevant assumptions. Such forecasts (such as the business plans) are prepared either upon request from external partners (e.g., lending banks, regulatory authorities, etc.) or for internal analytical purposes (e.g., for assessing CAPEX previsions, etc.). |

| Ref. | Code provisions | Compliance as at May 1, 2024 | Note |
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| | be published on the corporate website. | | |
| **D.4.** | The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect at the earliest as of the next general meeting of shareholders. | YES | Clause 32 from the Articles of the Company provides for the freedom of any shareholder to attend a general shareholders' meeting. For more details and the conditions applicable to any shareholder's participation and voting, see for reference all provisions from clause 32 onwards from the Articles. |
| **D.5.** | The external auditors should attend the shareholders' meetings when their reports are presented there. | N/A | The Company does not restrict the participation of the external auditors at the general shareholders' resolutions resolving upon the external auditors' report. |
| **D.6.** | The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting. | YES | With respect to the annual results for 2023, see for reference Section Risk management, risks and internal control systems and Risk factors section to this report. |
| **D.7.** | Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise. | NO | According to its corporate documentation, the Company publishes the annual results and the yearly management report on the BSE, AFM, on its website and on a national and international online newspaper, as well as the result of the general shareholders' meeting resolutions within the shortest deadlines. |
| **D.8.** | The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms. | YES | All such periodic reports in both Romanian and English languages are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares*. |
| **D.9.** | A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls. | YES | All such presentations are accessible are accessible on the Company's website - *http://www.digi-communications.ro/en/investor-relations/shares/financial-results-presentations/investor-presentations*. |
| **D.10.** | If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area. | N/A | The Company occasionally supports forms of sports, cultural, religious, educational or artistic expressions. |

## ANNEX 3 CORPORATE GOVERNANCE COMPLIANCE STATEMENT AS PER THE DUTCH CORPORATE GOVERNANCE CODE (DCGC)

**Corporate Governance Compliance Statement as per the Dutch Corporate Governance Code (DCGC)**

| Ref. | Code provisions | Compliance as at May 1, 2024 | Explanation |
|---|---|---|---|
| **1.1.1** | **Strategy for sustainable long-term value creation:** The executive directors should develop a view on sustainable long-term value creation by the company and its affiliated enterprise and formulate a strategy in line with this. The executive directors should formulate specific objectives in this regard. Depending on market dynamics, it may be necessary to make short-term adjustments to the strategy.<br>When developing the strategy, attention should in any event be paid to the following:<br>i. the strategy's implementation and feasibility;<br>ii. the business model applied by the company and the market in which the company and its affiliated enterprise operate;<br>iii. opportunities and risks for the company;<br>iv. the company's operational and financial goals and their impact on its future position in relevant markets;<br>v. the interests of the stakeholders;<br>vi. The impact of the company and its affiliated enterprise in the field of sustainability, including the effects in people and the environment;<br>vii. Paying a fair share of tax to the countries in which the company operates; and<br>viii. The impact of new technologies and changing business models.. | YES | ___ |
| **1.1.2** | **Involvement of the non-executive directors:** The executive directors should engage the non-executive directors early on in formulating the strategy for realizing sustainable long-term value creation. The executive directors accounts to the non-executive directors for the strategy and the explanatory notes to that strategy. | YES | ___ |
| **1.1.3** | **Role of the non-executive directors:** The non-executive directors should supervise the manner in which the executive directors implement the strategy for sustainable long-term value creation. The non-executive directors should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the non-executive directors, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation. | YES | ___ |
| **1.1.4.** | **Reporting by the executive directors:** In the management report, the | YES | ___ |

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| | executive directors should provide a more detailed explanation of its view on sustainable long-term value creation and the strategy to realise this and describe the contributions made to sustainable long-term value creation in the past financial year. The executive directors should report on both short and the long-term developments. | | |
| **1.1.5.** | To ensure that the interests of the relevant stakeholders of the company are considered when the sustainability aspects of the strategy are determined, the company should draw up an outline policy for effective dialogue with those stakeholders. The relevant stakeholders and the company should be prepared to engage in a dialogue.<br>The company should facilitate this dialogue unless, in the opinion of the executive directors, this is not in the interests of the company and its affiliated enterprise. The company should publish the policy on its website. | NO | The Company does not have a formal approved policy for dialogue with stakeholders although such interactions are envisaged by the non-financial section of the report. |
| **1.2.1** | **Risk assessment:** The executive directors should identify and analyze the risks associated with the strategy and activities of the company and its affiliated enterprise. The identification and analysis should cover in any case the strategic, operational, compliance and reporting risks. The executive directors are responsible for establishing the risk appetite, and also the measures that are put in place in order to counter the risks being taken. | YES | ___ |
| **1.2.2** | **Implementation:** Based on the risk assessment, as referred to in best practice provision 1.2.1., the executive directors should design, implement and maintain adequate internal risk management and control systems. To the extent relevant, these systems should be integrated into the work processes within the company and its affiliated enterprise and should be familiar to those whose work they are relevant to. | YES | ___ |
| **1.2.3** | **Monitoring of design and operation:** The executive directors should monitor the design and operation of the internal risk management and control systems and should carry out a systematic assessment of their design and operation at least once a year. Attention should be paid to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the internal audit function and the external auditor. Where necessary, improvements should be made to internal risk management and control systems. | YES | ___ |
| **1.3.1** | **Appointment and dismissal:** The executive directors both appoint and dismisses the senior internal auditor. Both the appointment and the dismissal of the senior internal auditor should be submitted to the non- | YES | ___ |

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| | executive directors for approval, along with the recommendation of the audit committee. | | |
| 1.3.2 | **Assessment of the internal audit function:** The executive directors should assess annually the way in which the internal audit function fulfils its responsibility, after consultation with the audit committee. An independent third party should assess the performance of the internal audit function at least every five years. | YES | ___ |
| 1.3.3 | **Internal audit plan:** The internal audit function should draw up an audit plan, after consultation with the executive directors, the audit committee and the external auditor. The audit plan should be submitted to the executive directors, and then to the non-executive directors, for approval. In the internal audit plan, attention should be paid to the interaction with the external auditor. | YES | ___ |
| 1.3.4 | **Performance of work:** The internal audit function should have sufficient resources to execute the internal audit plan and have access to information that is important for the performance of its work. The internal audit function should have direct access to the audit committee and the external auditor. Records should be kept of how the audit committee is informed by the internal audit function. | YES | ___ |
| 1.3.5 | **Reports of findings:** The internal audit function should report the audit results to the executive directors and audit committee and inform the external auditor. The findings of the internal audit function should, at least, include the following:<br>i. any flaws in the effectiveness of the internal risk management and control systems;<br>ii. any findings and observations with a material impact on the risk profile of the company and its affiliated enterprise; and<br>iii. any failings in the follow-up of recommendations made by the internal audit function.<br>The internal audit function should report hierarchically to a member of the executive directors, preferably to the CEO. | YES | ___ |
| 1.3.6 | **Absence of an internal audit department:** If there is no separate department for the internal audit function, the non-executive directors will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee and will consider whether it is necessary to establish an internal audit department. The non-executive directors should include the conclusions, along with any resulting recommendations and alternative measures, in the report of the non-executive directors. | N/A | ___ |
| 1.4.1 | **Accountability to the non-executive directors:** The executive directors | YES | ___ |

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| | should discuss the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 inclusive with the audit committee and render account of this to the non-executive directors. | | |
| **1.4.2** | **Reporting on risk management:** In the management report, the executive directors should render account of:<br>i. the execution of the risk assessment, with a description of the principal risks facing the company in relation to its risk appetite as referred to in best practice provision 1.2.1..;<br>ii. the design and operation of the internal risk management and control systems during the past financial year;<br>iii. any major failings in the internal risk management and control systems which have been observed in the financial year, any significant changes made to these systems and any major improvements planned, along with a confirmation that these issues have been discussed with the audit committee and the non-executive directors; and<br>iv. the sensitivity of the results of the company to material changes in external factors. | YES | ___ |
| **1.4.3** | **Statement by the executive directors:** The executive directors should state in the management report, with clear substantiation, that:<br>i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems with regard to the risks as reffered to in the best practice provision 1.2.1.;<br>ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;<br>iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and<br>iv. the report states the material risks as reffered to in best practice provision 1.2.1. and the uncertainties, to the extent that they are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report. | YES | ___ |
| **1.5.1** | **Duties and responsibilities of the audit committee:** The audit committee undertakes preparatory work for the non-executive directors' decision-making regarding the supervision of the integrity and quality of the company's financial and sustainability reporting and the effectiveness of the company's internal risk management and control systems, as referred to in best practice provisions 1.2.1. to 1.2.3. inclusive. It focuses | YES | ___ |

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| | among other things, on the supervision of the executive directors with regard to:<br>i. relations with, and compliance with recommendations and follow up of comments by, the internal and external auditors and any other external party involved in auditing the sustainability reporting;<br>ii. the funding of the company;<br>; and<br>iii. the company's tax policy. | | |
| **1.5.2** | **Attendance of the executive directors, internal auditor and external auditor at audit committee consultations:** The chief financial officer, the internal auditor and the external auditor should attend the audit committee meetings, unless the audit committee determines otherwise. The audit committee should decide whether and, if so, when the chairman of the executive directors should attend its meetings. | YES | ___ |
| **1.5.3** | **Audit committee report:** The audit committee should report to the non-executive directors on its deliberations and findings. This report must, at least, include the following information:<br>i. the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3, inclusive;<br>ii. the methods used to assess the effectiveness of the internal and external audit processes;<br>iii. material considerations concerning financial and sustainability reporting; and<br>**iv.** the way in which the material risks and uncertainties referred to in best practice provisions 1.4.2. and 1.4.3 have been analysed and discussed, along with a description of the most important findings of the audit committee. | YES | ___ |
| **1.5.4** | **Non-executive directors:** The non-executive directors should discuss the items reported on by the audit committee on the basis of best practice provision 1.5.3. | YES | ___ |
| **1.6.1** | **Functioning and appointment:** The audit committee should report annually to the non-executive directors on the functioning of, and the developments in, the relationship with the external auditor. The audit committee should advise the non-executive directors regarding the external auditor's nomination for appointment/reappointment or dismissal and should prepare the selection of the external auditor. The audit committee should give due consideration to the executive directors' observations during the aforementioned work. Also, on this basis, the | YES | ___ |

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| | non-executive directors should determine its nomination for the appointment of the external auditor to the general meeting. | | |
| 1.6.2 | **Informing the external auditor about its functioning:** The non-executive directors should give the external auditor a general idea of the content of the reports relating to itsfunctioning. | YES (PARTIALLY) | The annual Audit Committee and Remmuneration Committee Reports |
| 1.6.3 | **Engagement:** The audit committee should submit a proposal to the non-executive directors for the external auditor's engagement to audit the annual accounts. The executive directors should play a facilitating role in this process. In formulating the terms of engagement, attention should be paid to the scope of the audit, the materiality to be applied and remuneration for the audit. The non-executive directors should resolve on the engagement. | YES | ___ |
| 1.6.4 | **Accountability:** The main conclusions of the non-executive directors regarding the external auditor's nomination and the outcomes of the external auditor selection process should be communicated to the general meeting. | YES | ___ |
| 1.6.5 | **Departure of the external auditor:** The company should publish a press release in the event of the early termination of the relationship with the external audit firm. The press release should explain the reasons for this early termination. | YES | ___ |
| 1.7.1 | **Provision of information to the external auditor:** The executive directors should ensure that the external auditor will receive all information that is necessary for the performance of his work in a timely fashion. The executive directors should give the external auditor the opportunity to respond to the information that has been provided. | YES | ___ |
| 1.7.2 | **Audit plan and external auditor's findings:** The external auditor should discuss the draft audit plan with the executive directors before presenting it to the audit committee. The audit committee should discuss annually with the external auditor:<br>i. the scope and materiality of the audit plan and the principal risks of the annual reporting identified by the external auditor in the audit plan; and<br>ii. based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the annual accounts and the management letter. | YES | ___ |
| 1.7.3 | **Publication of financial reports:** The audit committee should determine whether and, if so, how the external auditor should be involved in the content and publication of financial reports other than the financial statements. | YES | ___ |

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| 1.7.4 | **Consultations with the external auditor outside the executive directors' presence:** The audit committee should meet with the external auditor as often as it considers necessary, but at least once per year, without the presence of the executive directors. | YES | ___ |
| 1.7.5 | **Examination of discussion points arising between the external auditor and the executive directors:** The non-executive directors should be permitted to examine the most important points of discussion arising between the external auditor and the executive directors based on the draft management letter or the draft audit report. | YES | ___ |
| 1.7.6 | **External auditor's attendance of non-executive directors' meetings:** The external auditor should in any event attend the meeting of the non-executive directors at which the report of the external auditor on the audit of the annual accounts is discussed. | YES | ___ |
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| 2.1.1 | **Profile:** The non-executive directors should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the company. The profile should address:<br>i. the desired expertise and background of the non-executive directors;<br>ii. the desired diverse composition of the non-executive directors, referred to in best practice provision 2.1.5;<br>iii. the size of the non-executive directors; and<br>iv. the independence of the non-executive directors.<br>The profile should be posted on the company's website | YES | ___ |
| 2.1.2 | **Personal information:** The following information about each non-executive director should be included in the report of the non-executive directors:<br>i. sex or, if desired by the person concerned, gender identity;<br>ii. age;<br>iii. nationality;<br>iv. principal position (if appropriate);<br>v. other positions, in so far as they are relevant to the performance of the duties of the non-executive directors;<br>vi. date of initial appointment; and<br>vii. current term of office. | YES | ___ |
| 2.1.3 | **Executive committee:** If the executive directors work with an executive committee, the executive directors should take account of the checks and balances that are part of the two-tier system. This means, among other things, that the executive directors' expertise and responsibilities are safeguarded and the non-executive directors are informed adequately. | N/A | The Company has one tier system. |

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| | The non-executive directors should supervise this while paying specific attention to the dynamics and the relationship between the executive directors and the executive committee. In the management report, account should be rendered of:<br>i. the choice to work with an executive committee;<br>ii. the role, duty and composition of the executive committee; and<br>iii. how the contacts between the non-executive directors and the executive committee have been given shape. | | |
| **2.1.4** | **Expertise:** Each non-executive director and each executive director should have the specific expertise required for the fulfilment of his duties. Each non-executive director should be capable of assessing the broad outline of the overall management. | YES | ___ |
| **2.1.5** | **Policy on Diversity and Inclusion (D&I policy)**: The company should have a D&I policy for the enterprise. The D&I policy should in any case set specific,<br>appropriate and ambitious targets in order to achieve a good balance in gender diversity and the other D&I<br>aspects of relevance to the company with regard to the composition of the board, the supervisory<br>board, the executive committee (if any) and a category of employees in managerial positions ("senior<br>management") to be determined by the board.**:** The non-executive directors should adopt a D&I policy for the composition of the board. The board of directors should adopt the D&I policy for the senior management and for the rest of the workforce with the prior approval of the non-executive directors. | NO | The Company does not have a diversity and inclusion policy. The desired expertise and background for the board of directors are decisive when directors are appointed or reappointed. The members of the board, as well as all employees of the Company and of the group companies are recruited and promoted primarily based on professional achievements, experience and performance within the group, irrespective of gender, age, origin or any other personal or social feature. Although the Company does not have in place a formal diversity policy, in practice, the Company has not and does not intend to discriminate between potential candidates for any available board position due to their gender, age, origin or any other personal or social feature. |
| 2.1.6 | **Reporting on the D&I policy:** The corporate governance statement should explain the D&I policy and the way in which it is implemented in practice. This includes the following information:<br>i. the goals of the D&I policy;<br>ii. the plan to achieve the goals of the D&I policy;<br>iii. the results of the D&I policy in the past financial year and – where relevant and applicable – insight into the flow, progression and retention of employees; and<br>iv. the gender composition of the board of directors and senior management at the end of the past financial year.<br>If one or more goals for the composition of the board of directors and/or the senior management are not achieved, an explanation of the reasons should be includedin the corporate governance statement, along with an | NO | The Company does not have a D&I policy. See explanation to principle 2.1.5. above. |

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| | explanation as to which measures are being taken to attain the goals, and by when this is likely to be achieved. | | |
| 2.1.7 | **Independence of the non-executive directors:** The composition of the non-executive directors is such that the members are able to operate independently and critically vis-à-vis one another, the executive directors, and any particular interests involved. In order to safeguard its independence, the non-executive directors are composed in accordance with the following criteria:<br>i. any one of the criteria referred to in best practice provision 2.1.8, sections i. to v. inclusive should be applicable to at most one non-executive director;<br>ii. the total number of non-executive directors to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of non-executive directors; and<br>iii. for each shareholder, or group of affiliated shareholders, directly or indirectly holding more than 10 per cent of the shares in the company, there is at most one non-executive director who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections vi. and vii. | NO | The Company has five non-executive directors, of which three do not meet the independence criteria contained in the DCGC. This deviation from the DCGC exists since April 2017 and continued in 2023 and will last at least until the expiry of the mandate cycle of the present members of the board. When appointing the non-executive members of the board, the general shareholders meeting from April 21, 2017 and April 30, 2020 aimed to set-up a board made up from selected individuals with most extensive experience and insight into the group. Therefore, Mr. Teszari Zoltan was reappointed as the non-executive director and as the President of the board, while Mr. Marius Varzaru (current general manager of Digi Spain) and Mr. Emil Jugaru (Head of RCS & RDS Sales and Customer Care Business Unit) were reappointed as non-executive members of the board. Given the particularity of the business and operations of our group companies and the need for business continuity and internal and industry awareness, the general shareholders meeting from 21 April 2017 and 30 April 2020 gave priority to these functionality needs. However, the amended articles of association of the Company and the corporate governance documents of the Company establish clear and detailed rules regarding independent behavior and the management of any conflict of interest that any member of the board, and particularly all non-executive members of the board are strictly required to comply with. |
| 2.1.8 | **Independence of non-executive directors:** A non-executive director is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree:<br>i. has been an employee or member of the management board of the company or an issuing institution associated with the company as referred to in Section 5:48 of the Financial Supervision Act (*Wet op het financieel toezicht/Wft*)) in the five years prior to the appointment;<br>ii. receives personal financial compensation from the company, or an entity associated with it, other than the compensation received for the work performed as a non-executive director and in so far as this is not in keeping with the normal course of business;<br>iii. has had an important business relationship with the company or an entity associated with it in the year prior to the appointment. This includes in any event the case where the non-executive director, or the firm of which he is a shareholder, partner, associate or advisor, has acted as advisor to the company | NO | See explanation to best practices 2.1.7. above. |

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| | (consultant, external auditor, civil notary or lawyer) and the case where the non-executive director has been a management board member or an employee of a bank with which the company has a lasting and significant relationship;<br>iv. is a member of the management board of a company in which a member of the management board of the company which he supervises is a non-executive director;<br>v. has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members;<br>vi. has a shareholding in the company of at least 10 per cent, taking into account the shareholding of natural persons or legal entities collborating with him on the basis of an express or tacit, verbal or written agreement;<br>vii. is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which directly or indirectly holds at least 10 per cent of the shares in the company, unless the entity is a group company. | | |
| **2.1.9** | **Independence of the chairman of the board:** The chairman of the board should not be a former member of the board of the company and should be independent within the meaning of best practice provision 2.1.8. | NO | The president (chairman) of the board does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari's appointment as the president was voted by the general shareholders meeting of the Company from 21 April 2017, reappointed by the general meeting of the Company from 30 April 2020 and will last during the entire period for which Mr. Teszari Zoltan will be a member of the board. The president is the principal shareholder of the Company. The president is not a member of the audit committee. |
| **2.1.10** | **Accountability regarding non-executive directors' independence:** The report of the non-executive directors should state that, in the opinion of the non-executive directors, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled and, if applicable, should also state which non-executive director(s), if any, it does not consider to be independent. | NO | The report of the non-executive directors only states which non-executive directors are not independent under the Bucharest Stock Exchange Corporate Governance Code. |
| **2.2.1** | **Appointment and reappointment periods – executive directors:** An executive director is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The D&I objectives from best practice provision 2.1.5 should be considered in the preparation of the appointment or reappointment. | YES | ___ |
| **2.2.2** | **Appointment and reappointment periods – non-executive directors:** A non-executive director is appointed for a period of four years and may then be reappointed once for another four-year period. The non-executive | NO | The president (chairman) of the board may be reappointed for an indefinite number of terms. For details regarding the expected applicability period of and rationale for the deviation, please see the explanations from above. |

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| | director may then be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of reappointment after an eight-year period, reasons should be given in the report of the non-executive directors. In any appointment or reappointment, the profile referred to in best practice provision 2.1.1 should be observed. | | |
| **2.2.3** | **Early retirement:** A non-executive director or an executive director should retire early in the event of inadequate performance, structural incompatibility of interests, and in other instances in which this is deemed necessary by the non-executive directors. In the event of the early retirement of an executive director or non-executive director, the company should issue a press release mentioning the reasons for the departure. | N/A | During 2023 there were no early retirements events for non-executive directors or executive directors. |
| **2.2.4** | **Succession:** The non-executive directors should ensure that the company has a sound plan in place for the succession of executive directors and non-executive directors that is aimed at retaining the balance in the requisite expertise, experience and diversity. Due regard should be given to the profile referred to in best practice provision 2.1.1 in drawing up the plan for non-executive directors. The non-executive directors should also draw up a retirement schedule in order to avoid, as much as possible, non-executive directors retiring simultaneously. The retirement schedule should be published on the company's website. | NO | The Company has a retirement schedule. However, in light of his position as principal shareholder of the Company and with the General Meeting of shareholders' approval, the retirement schedule will not be applicable to the President (chairman) of the Board. Mr. Zoltan Teszari, the main shareholder of the Company, holds the position of President of the Board. According to the Rotation Schedule for the non-executive directors of the Company established by the Board pursuant to article 15 paragraph 6 of the Articles on 15 May 2017, Mr. Zoltan Teszari is expressly excluded from the agreed rotation schedule. |
| **2.2.5** | **Duties of the selection and appointment committee:** The selection and appointment committee should prepare the non-executive directors' decision-making and report to the non-executive directors on its deliberations and findings. The selection and appointment committee should in any event focus on:<br>i. drawing up selection criteria and appointment procedures for executive directors and non-executive directors;<br>ii. periodically assessing the size and composition of the executive directors and the non-executive directors, and making a proposal for a composition profile of the non-executive directors;<br>iii. periodically assessing the functioning of individual executive directors and non-executive directors, and reporting on this to the non-executive directors;<br>iv. drawing up a plan for the succession of executive directors and non-executive directors;<br>v. making proposals for appointments and reappointments; and<br>vi. supervising the policy of the executive directors regarding the | NO | The Company does not have a nomination committee (and did not allocate such tasks to another board committee). The Company has decided not to set up a nomination committee as referred to in the DCGC, since the general meeting of holders of class A shares as a whole will perform the duties of such nomination. |

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| | selection criteria and appointment procedures for senior management. | | |
| 2.2.6 | **Evaluation by the non-executive directors:** At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate its own functioning, the functioning of the various committees of the non-executive directors and of the individual non-executive directors and discuss the conclusions of this evaluation. In doing so, attention should be paid to:<br>i. substantive aspects, conduct and culture the mutual interaction and collaboration and the interaction with the executive directors;<br>ii. events that occurred in practice from which lessons may be learned; and<br>iii. the desired profile, composition, competencies and expertise of the non-executive directors.<br>The evaluation should take place periodically under the supervision of an external expert. | NO | However, due valuation by the Audit Committee and the Remuneration Committee of their own activity is performed on yearly basis. |
| 2.2.7 | **Evaluation of the executive directors:** At least once per year, outside the presence of the executive directors, the non-executive directors should evaluate both the functioning of the executive directors as a whole and that of the individual executive directors and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of executive directors. At least once annually, the executive directors, should also evaluate its own functioning as a whole and that of the individual executive directors. | NO | However, due valuation of the Executives Directors' activity is performed on a yearly basis by the Audit Committee and the Remuneration Committee. |
| 2.2.8 | **Evaluation accountability:** The non-executive directors' report should state:<br>i. how the evaluation of the non-executive directors, the various committees and the individual non-executive directors has been carried out;<br>ii. how the evaluation of the executive directors and the individual executive directors has been carried out;<br>iii. the main findings and conclusions of the evaluations; and<br>iv. what has been or will be done with the conclusions from the evaluations. | NO | See explanation to best practices 2.2.6 and 2.2.7 above. |
| 2.3.1 | **Non-executive director's terms of reference:** The division of duties within the non-executive directors and the procedures of the non-executive directors should be laid down in terms of reference. The non-executive director's terms of reference should include a paragraph dealing with its relations with the executive directors, the general | YES | Although there are no separate rules in place for the non-executive directors, Chapter VII from the Articles include detailed provisions and rules regarding the board, including on the composition, remuneration, the allocation of tasks and duties among the executive directors and the non-executive directors, on the decision-making process and the management of any conflict of interest. The |

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| | meeting, the employee participation body (if any) and the executive committee (if any). The terms of reference should be posted on the company's website. | | Articles are available on the company's website. |
| 2.3.2 | **Establishment of committees:** If the board consists of more than four non-executive directors, it should appoint from among its non-executive directors an audit committee, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the non-executive directors, the duty of these committees is to prepare the decision-making of the non-executive directors. If the non-executive directors decide not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committees should apply to the non-executive directors together. | YES (PARTIALLY) | The Company does have audit and remuneration committees, but does not have a nomination committee. See explanation to principle 2.2.5 above. |
| 2.3.3 | **Committees' terms of reference:** The non-executive directors should draw up terms of reference for the audit committee, the remuneration committee and the selection and appointment committee. The terms of reference should indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. The terms of reference should be posted on the company's website. | YES | ___ |
| 2.3.4 | **Composition of the committees:** The audit committee or the remuneration committee should not be chaired by the chairman of the board or by a former executive of the board of the company. More than half of the members of the committees should be independent within the meaning of best practice provision 2.1.8. | YES | The Audit Committee and the Remuneration Committee are chaired by non-executive independent directors of the Company. More than half of the members of the committees are independent. |
| 2.3.5 | **Committee reports:** The non-executive directors should receive from each of the committees a report of their deliberations and findings. In the report of the non-executive directors, it should comment on how the duties of the committees were carried out in the financial year. In this report, the composition of the committees, the number of committee meetings and the main items discussed at the meetings should be mentioned. | YES | ___ |
| 2.3.6 | **Chairman of the board:** The chairman of the board should in any case ensure that:<br>i. the non-executive directors have proper contact with the executive directors, the employee participation body (if any) and the general meeting;<br>ii. the board elects a vice-chairman;<br>iii. there is sufficient time for deliberation and decision-making by the board; | YES | ___ |

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| | iv. the board members receive all information that is necessary for the proper performance of their duties in a timely fashion;<br>v. the board and its committees function properly;<br>vi. the functioning of individual executive directors and non-executive directors is assessed at least annually;<br>vii. the board members follow their induction programme;<br>viii. the board follow their education or training programme;<br>ix. the board performs activities in respect of culture;<br>x. the non-executive directors recognize signs from the enterprise affiliated with the company and ensures that any actual or suspected material misconduct and irregularities are reported to the supervisory board without delay;<br>xi. the general meeting proceeds in an orderly and efficient manner;<br>xii. effective communication with shareholders is assured; and<br>xiii. the non-executive directors are involved closely, and at an early stage, in any merger or acquisition processes.<br>The chairman of the board should consult regularly with the executive directors. | | |
| **2.3.7** | **Vice-chairman of the board:** The vice-chairman of the board should deputize for the chairman when the occasion arises. | YES | ___ |
| **2.3.8** | **Delegated non-executive director:** A delegated non-executive director is a non-executive director who has a special duty. The delegation must not extend beyond the duties of the board itself and must not include the management of the company. Its purpose is more intensive supervision and advice and more regular consultation with the executive directors. The delegation should only be of a temporary nature. The delegation must not detract from the duties and powers of the non-executive directors. The delegated non-executive director continues to be a member of the board and should report regularly on the execution of his special duty to the plenary board. | N/A | ___ |
| **2.3.9** | **Temporary executive function of a non-executive director:** A non-executive director who temporarily takes on the management of the company, where the executive directors are absent or unable to fulfil their duties, should resign as a non-executive director of the board. | N/A | ___ |
| **2.3.10** | **Company secretary:** The non-executive directors should be supported by the company secretary. The secretary:<br>i. should ensure that the proper procedures are followed and that the statutory obligations and obligations under the articles of association are complied with;<br>ii. should facilitate the provision of information of the board; and | YES | ___ |

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| | iii. should support the chairman of the board in the organisation of the affairs of the board, including the provision of information, meeting agendas, evaluations and training programmes.<br>The company secretary should, either on the initiave of the non-executive directors or otherwise, be appointed and dismissed by the executive directors, after the approval of the non-executive directors has been obtained. If the secretary also undertakes work for the executive directors and notes that the interests of the executive directors and the non-executive directors diverge, as a result of which it is unclear which interests the secretary should represent, the secretary should report this to the chairman of the board. | | |
| **2.3.11** | **Report of the non-executive directors:** The annual statements of the company include a report by the non-executive directors. In this report, the non-executive directors should render account of the supervision conducted in the past financial year, reporting in any event on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2. | YES (PARTIALLY) | Information with respect to these matters are not comprised in a separate report of non-executive directors but in the Corporate Governance section of this report. |
| **2.4.1** | **Stimulating openness and accountability:** The executive directors and the non-executive directors are each responsible for stimulating openness and accountability within the body of which they form part, and between the different bodies within the company. | YES | ___ |
| **2.4.2** | **Other positions:** Executive directors and non-executive directors should report any other positions they may hold to the non-executive directors in advance and, at least annually, the other positions should be discussed at the non-executive directors meeting. The acceptance of membership of a supervisory board by an executive director requires the approval of the non-executive directors. | YES | ___ |
| **2.4.3** | **Point of contact for the functioning of non-executive directors and executive directors:** The chairman of the board should act on behalf of the board as the main contact for the executive directors, non-executive directors and shareholders regarding the functioning of executive directors and non-executive directors. The vice-chairman should act as a contact for individual non-executive directors and executive directors regarding the functioning of the chairman. | YES | ___ |
| **2.4.4** | **Attendance at non-executive directors' meetings:** Non-executive directors should attend non-executive directors' meetings and the meetings of the committees of which they are a part. If non-executive directors are frequently absent from these meetings, they should be held to account on this. The report of the non-executive directors should state | YES | ___ |

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| | the absenteeism rate from non-executive directors and committee meetings of each non-executive directors. | | |
| 2.4.5 | **Induction programme for non-executive directors:** All non-executive directors should follow an induction programme geared to their role. The induction programme should in any event cover general financial, social and legal affairs, financial and sustainability reporting by the company, any specific aspects that are unique to the relevant company and its business activities, the company culture and the relationship with the employee participation body (if any), and the responsibilities of a non-executive director. | YES | ___ |
| 2.4.6 | **Development:** The executive directors and non-executive directors should each conduct an annual review for their own body to identify any aspects with regard to which the non-executive directors and executive directors require training or education. | YES | ___ |
| 2.4.7 | **Information safeguards:** The executive directors should ensure that internal procedures are established and maintained which safeguard that all relevant information is known to the executive directors and the non-executive directors in a timely fashion. The non-executive directors should supervise the establishment and implementation of these procedures. | YES | ___ |
| 2.4.8 | **Non-executive directors' responsibility for obtaining information:** The non-executive directors and each individual non-executive director have their own responsibility for obtaining the information from the executive directors, the internal audit function, the external auditor and the employee participation body (if any) that the non-executive directors need in order to be able to carry out its duties properly as a supervisory body. | YES | ___ |
| 2.4.9 | **Obtaining information from officers and external parties:** If the non-executive directors consider it necessary, it may obtain information from officers and external advisers of the company. The company should provide the necessary means to this end. The non-executive directors may require that certain officers and external advisors attend its meetings. | YES | ___ |
| 2.5.1 | **Executive directors' responsibility for culture:** The executive directors should adopt values for the company and its affiliated enterprise that contribute to a culture focused on sustainable long-term value creation and discuss these with the non-executive directors. The executive directors are responsible for the incorporation and maintenance of these values within the company and its affiliated enterprise. The executive | YES | ___ |

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| | directors should encourage a behavior that is in keeping with the values and propagate these values through leading by example. Attention must be paid to the following, among other things:<br>i. the strategy and the business model;<br>ii. the environment in which the enterprise operates; and<br>iii. the existing culture within the enterprise, and whether it is desirable to implement any changes in this; and<br>iv. the social safety within the enterprise and the ability to discuss and report actual or suspected misconduct or irregularities. | | |
| **2.5.2** | **Code of Conduct:** The executive directors should draw up a code of conduct and monitor its effectiveness and compliance with this code, on the part of both itself and the employees of the company. The executive directors should inform the non-executive directors of its findings and observations with regards to the effectiveness of, and compliance with, the code. The code of conduct should be posted on the company's website. | YES | ___ |
| **2.5.3** | **Employee participation:** If the company has established an employee participation body, the following should also be discussed in the consultations between the executive directors, the non-executive directors and such employee participation body:<br>i.the conduct and culture in the company and its affiliated enterprise;<br>ii. the values adopted by the board of directors on the basis of best practice provision 2.5.1, and<br>iii. the company's D&I policy. | N/A | ___ |
| **2.5.4** | **Reporting on culture:** In the management report, the executive directors should provide explanatory notes on:<br>**i.** the culture within the enterprise, and whether it is desirable to implement any changes in this;<br>**ii.** how the culture, the underlying values and conduct promoted within the enterprise contribute to sustainable long-term value creation and, if it is considered desirable to amend these, which initiatives are taken to further increase this contribution;; and<br>iii. the effectiveness of, and compliance with, the code of conduct. | YES | ___ |
| **2.6.1** | **Procedure for reporting actual or suspected misconduct or irregularities:** The executive directors should establish a procedure for reporting actual or suspected misconduct or irregularities within the company and its affiliated enterprise. The procedure should be posted on | YES | ___ |

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| | the company's website. The executive directors should ensure that employees have the opportunity to file such a report without jeopardizing their legal position. | | |
| **2.6.2** | **Informing the chairman of the board:** The executive directors should inform the chairman of the board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. If the actual or suspected misconduct or irregularity pertains to the functioning of one or more executive directors, employees can report this directly to the chairman of the board. | YES | ___ |
| **2.6.3** | **Notification by the external auditor:** The external auditor should inform the executive directors and the chairman of the audit committee without delay if, during the performance of his duties, he discovers or suspect an instance of misconduct or irregularity. If the actual or suspected misconduct or irregularity pertains to the functioning of one or more executive directors, the external auditor should report this directly to the chairman of the board. | N/A | ___ |
| **2.6.4** | The internal audit function should inform the executive directors and the chairman of the audit committee<br>without delay if, during the performance of his duties, he discovers or suspects an instance of material<br>misconduct or irregularity. If the actual or suspected material misconduct or irregularity pertains to the<br>functioning of one or more executive directors, the internal audit function should report this to the<br>chairman of the board. | YES | ___ |
| **2.6.5** | **Oversight by the non-executive directors:** The non-executive directors monitor the operation of the procedure for reporting actual or suspected misconduct or irregularities, appropriate and independent investigations into signs of misconduct or irregularities, and, if an instance of misconduct or irregularity has been discovered, an adequate follow-up of any recommendations for remedial actions.<br>In order to safeguard the independence of the investigation in cases where the executive directors their selves are involved, the non-executive directors should have the option of initiating its own investigation into any signs of misconduct or irregularities and to coordinate this investigation. | YES | ___ |
| **2.7.1** | **Preventing conflicts of interest:** Executive directors and non-executive directors are alert to conflicts of interest and should in any case refrain from the following: | YES | ___ |

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| | i. competing with the company;<br>ii. demanding or accepting substantial gifts from the company for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;<br>iii. providing unjustified advantages to third parties at the company's expense;<br>iv. taking advantage of business opportunities to which, the company is entitled for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree. | | |
| **2.7.2** | **Terms of reference:** The terms of reference of the non-executive directors should contain rules on dealing with conflicts of interest, including conflicting interests between executive directors and non-executive directors on the one hand and the company on the other. The terms of reference should also stipulate which transactions require the approval of the non-executive directors. The company should draw up regulations governing ownership of, and transactions in, securities by executive or non-executive directors, other than securities issued, by the company. | NO | See explanation to principle 2.3.1 above. |
| **2.7.3** | **Reporting:** A conflict of interest may exist if the company intends to enter into a transaction with a legal entity:<br>i. in which a member of the board personally has a material financial interest; or<br>ii. which has a member of the board who is related under family law to a member of the board of the company.<br>An executive director should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such executive director to the chairman of the board and to the other members of the board without delay. The executive director should provide all relevant information on this subject, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.<br>A non-executive director should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such non-executive director to the chairman of the board without delay and should provide all relevant information in that regard, including relevant information regarding to his spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree. If the chairman of the | N/A | ___ |

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| | board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the board without delay.<br>The non-executive directors should decide, outside the presence of the executive director or non-executive director concerned, whether there is a conflict of interest. | | |
| **2.7.4** | **Accountability regarding transactions: board members:** All transactions in which there are conflicts of interest with board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with board members that are of material significance to the company and/or to the relevant board members should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with. | YES | ___ |
| **2.7.5** | **Accountability regarding transactions: majority shareholders:** All transactions between the company and legal or natural persons who hold at least ten percent of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the non-executive directors. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with. | YES | ___ |
| **2.7.6** | **Personal loans:** The company should not grant its board members any personal loans, guarantees or the like unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the non-executive directors. Loans should not be forgiven. | YES | ___ |
| **2.8.1** | **Non-executive directors involvement:** When a takeover bid for the company's shares or for the depositary receipts for the company's shares is being prepared, in the event of a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Article 2:107a(1)(c) of the Dutch Civil Code, and/or in the event of other substantial changes in the structure of the company, the executive directors should ensure that the non-executive directors is involved in the takeover process and/or the change in the structure closely and in a timely fashion. | YES | ___ |
| **2.8.2** | **Informing the non-executive directors about a request for inspection by a competing bidder:** If a takeover bid has been announced for the shares, or depositary receipts for shares, in the company, and the | YES | Until the date of this report such event did not occur. |

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| | executive directors receive a request from a competing bidder to inspect the company's records, the executive directors should discuss this request with the non-executive directors without delay. | | |
| **2.8.3** | **Executive directors' position on a private bid:** If a private bid for a business unit or a participating interest has been made public, where the value of the bid exceeds the threshold referred to in Article 2:107a(1)(c) of the Dutch Civil Code, the executive directors of the company should as soon as possible make public its position on the bid and the reasons for this position. | YES | Until the date of this report such event did not occur. |
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| **3.1.1** | **Remuneration policy proposal:** The remuneration committee should submit a clear and understandable proposal to the non-executive directors concerning the remuneration policy to be pursued with regard to the executive directors. The non-executive directors should present the policy to the general meeting for adoption. | YES | ___ |
| **3.1.2** | **Remuneration policy:** The following aspects should in any event be taken into consideration when formulating the remuneration policy:<br>i. the objectives of the strategy for the implementation of sustainable long-term value creation within the meaning of best practice provision 1.1.1;<br>ii. the scenario analyses carried out in advance;<br>iii. the pay ratios within the company and its affiliated enterprise;<br>iv. the development of the market price of the shares;<br>v. an appropriate ratio between the variable and fixed remuneration components. The variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character;<br>vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded; and<br>vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. In any case share options cannot be exercised during the first three years after they are awarded. | NO | If shares options are being awarded, share options can be exercised before three years have lapsed after they have been awarded (minimum term required by the DCGC). This deviation was implemented to match the Romanian tax provisions for the granting of stock option to employees and management and also to ensure sooner transfer of stocks to eligible employees, officers and directors. |
| **3.1.3** | **Remuneration – executive committee:** If the board has an executive committee, the executive directors should inform the non-executive directors about the remuneration of the members of the executive committee who are not executive directors. The executive directors should discuss this remuneration with the non-executive directors | N/A | ___ |

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| | annually. | | |
| 3.2.1 | **Remuneration committee's proposal:** The remuneration committee should submit a proposal to the non-executive directors concerning the remuneration of individual executive directors. The proposal is drawn up in accordance with the remuneration policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the company and its affiliated enterprise. | YES | ___ |
| 3.2.2 | **Executive directors' views on their own remuneration:** When drafting the proposal for the remuneration of executive directors, the remuneration committee should take note of individual executive directors' views with regard to the amount and structure of their own remuneration. The remuneration committee should ask the executive directors to pay attention to the aspects referred to in best practice provision 3.1.2. | YES | ___ |
| 3.2.3 | **Severance payments:** The remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). Severance pays will not be awarded if the agreement is terminated early at the initiative of the executive director, or in the event of seriously culpable or negligent behavior on the part of the executive director. | YES | These conditions are provided in the management agreements concluded by the Company with each Director. |
| 3.3.1 | **Time spent and responsibility:** The remuneration of the non-executive directors should reflect the time spent and the responsibilities of their role. | YES | The revised Remuneration Policy provides for principles applicable to both the executive and the non-executive members of the board of directors of the Company. According to the revised Remuneration Policy, the remuneration of the non-executive directors is a fixed fee – which also takes into account holding seats on committees, e.g. Audit Committee, Remuneration Committee etc.) of the Company and which shall be set at market appropriate levels. The level of the remuneration is different from that of the non-executives.<br>Non-executive directors who are directors in other Group companies or employees of other Group companies may, in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as determined by the Board in full compliance with Conflict of Interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest. |
| 3.3.2 | **Remuneration of non-executive directors:** non-executive directors must not be awarded remuneration in the form of shares and/or rights to shares. | NO | Non-executive directors who are directors in other Group companies or employees of other Group companies may, but only in consideration of such separate roles and/or positions, be awarded fixed and/or variable remuneration (in the form of stock options under the ESOP or variable cash compensation as |

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| | | | determined by the Board in full compliance with Conflict of Interest rules). No variable compensation will be offered in respect of their role as non-executive director of the Company and the Company will at all times take into account potential conflicts of interest. |
| 3.3.3 | **Share ownership:** Shares held by a non-executive director in the company on whose supervisory board they serve should be long-term investments. | YES | ___ |
| 3.4.1 | **Remuneration report:** The remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law:<br>i. how the remuneration policy has been implemented in the past financial year;<br>ii. how implementation of the remuneration policy contributes to sustainable long-term value creation;<br>iii. how scenario analyses have been taken into consideration;<br>iv. the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios compared to at least five previous financial years;<br>v. in the event that an executive director receives variable remuneration, how this remuneration contributes to sustainable long-term value creation, the measurable performance criteria determined in advance on which the variable remuneration depends, and the relationship between the remuneration and performance; and<br>vi. in the event that a current or former executive director receives a severance payment, the reason for this payment. | YES | The Remuneration Committee prepares, annual reports outlining its activity within the Company, as well as outlining the remuneration conditions at the level of the most relevant subsidiaries of the Company. In 2023, the activity of the Remuneration Committee mainly focused on the implementation of the new revised remuneration policy. |
| 3.4.2 | **Agreement of executive director:** The main elements of the agreement of an executive director with the company should be published on the company's website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting at which the appointment of the executive director will be proposed. | YES (PARTIALLY) | The main elements regarding the remuneration of the executive directors from the agreement concluded with the Company have been published on the Company's website https://www.digi-communications.ro/en/see-file/Remuneration-of-the-executive-members-of-the-Board-of-Directors-1.pdf |
| | | | |
| 4.1.1 | **Non-executive directors supervision:** The non-executive directors' supervision of the executive directors should include the supervision of relations with shareholders. | YES | ___ |
| 4.1.2 | **Proper conduct of business at meetings:** The chairman of the general meeting is responsible for ensuring the proper conduct of business at meetings in order to promote a meaningful discussion at the meeting. | YES | ___ |
| 4.1.3 | **Agenda:** The agenda of the general meeting should list which items are | YES | ___ |

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| | up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items:<br>i. material changes to the articles of association;<br>ii. proposals relating to the appointment of board members;<br>iii. the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend);<br>iv. any proposal to pay out dividend;<br>v. resolutions to approve the management conducted by the executive directors (discharge of executive directors from liability);<br>vi. resolutions to approve the supervision exercised by the non-executive directors (discharge of non-executive directors from liability);<br>vii. any substantial change in the corporate governance structure of the company and in the compliance with this Code; and<br>viii. the appointment of the external auditor. | | |
| **4.1.4** | **Proposal for approval or authorization:** A proposal for approval or authorization by the general meeting should be explained in writing. In its explanation the executive directors should deal with all facts and circumstances relevant to the approval or authorization to be granted. The notes to the agenda should be posted on the company's website. | YES | ___ |
| **4.1.5** | **Shareholder's explanation when exercising the right to put items on the agenda:** If a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it. | YES | ___ |
| **4.1.6** | **Placing of items on the agenda by shareholders:** A shareholder should only exercise the right to put items on the agenda after having consulted the executive directors. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example as a result of the dismissal of one or more board members, the executive directors should be given the opportunity to stipulate a reasonable period in which to respond (the response time). The opportunity to stipulate the response time should also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Article 2:110 of the Dutch Civil Code. The relevant shareholder should respect the response time stipulated by the executive directors, within the meaning of best practice provision 4.1.7. | YES | ___ |
| **4.1.7** | **Stipulation of the response time:** If the executive directors stipulate a response time, it should be a reasonable period that does not exceed 180 | YES | ___ |

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| | days from the moment the executive directors are informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be dealt with. The executive directors should use the response time for further deliberation and constructive consultation, in any event with the relevant shareholder (or shareholders), and should explore the alternatives. At the end of the response time, the executive directors should report on this consultation and the exploration to the general meeting. This should be monitored by the non-executive directors.<br>The response time may be stipulated only once for any given general meeting and should not apply to an item in respect of which a response time or a statutory reflection period as referred to in Article 2:114b of the Dutch Civil Code has already been stipulated, or to meetings where a shareholder holds at least three-quarters of the issued capital as a consequence of a successful public bid. | | |
| **4.1.8** | **Attendance of members nominated for the board:** Board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination. | YES | ___ |
| **4.1.9** | **External auditor's attendance:** The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should attend and be entitled to address the meeting for this purpose. | YES | ___ |
| **4.1.10** | **Report of the general meeting:** The report of the general meeting should be made available, on request, to the shareholders no later than three months after the end of the meeting, after which shareholders should have the opportunity to react to the report in the following three months. The report should then be adopted in the manner provided for in the articles of association. | NO | The deed of record from the General Shareholder's Meeting of August 18, 2023was posted on the Company's website in a notarized form. |
| **4.2.1** | **Substantiation of invocation of overriding interest:** If the executive directors and the non-executive directors do not provide the general meeting with all information desired with the invocation of an overriding interest on the part of the company, they must give reasons for this. | YES | ___ |
| **4.2.2** | **Contacts and dialogue with shareholders:** The company should formulate an outline policy on bilateral contacts with the shareholders and should post this policy on its website. Shareholders and the company should be prepared to enter into a dialogue, where appropriate and at their own discretion. The company is expected to facilitate the dialogue unless, in the opinion of the board of directors, this is not in the interests of the company and its affiliated enterprise. Shareholders are expected to be prepared to enter into a constructive dialogue with the company. If a | YES | ___ |

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| | shareholder enters into a dialogue with the company outside the context of a general meeting, the shareholder shall disclose his full share disclose his full share position (long and short and through derivatives) at the request of the company. | | |
| **4.2.3** | **Meetings and presentations:** Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences should be announced in advance on the company's website and by means of press releases. Analyst meetings and presentations to investors should not take place shortly before the publication of the regular financial information. All shareholders should be able to follow these meetings and presentations in real time, by means of webcasting, telephone or otherwise. After the meetings, the presentations should be posted on the company's website. | YES | ___ |
| **4.2.4** | **Posting information in a separate section of the website:** The company should post and update information which is relevant to the shareholders and which it is required to publish or submit pursuant to the provisions of company law and securities law applicable to it in a separate section of its website. | YES | ___ |
| **4.2.5** | **Executive directors contacts with press and analysts:** The contacts between the executive directors on the one hand and the press and financial analysts on the other should be handled and structured carefully and with due observance of the applicable laws and regulations. The company should not do anything that might compromise the independence of analysts in relation to the company and vice versa. | YES | ___ |
| **4.2.6** | **Outline of anti-takeover measures:** The executive directors should outline all existing or potential anti-takeover measures in the management report and should also indicate in what circumstances and by whom these measures may likely be used. | YES | ___ |
| **4.3.1** | **Voting as deemed fit:**Shareholders, including institutional investors (pension funds, insurance companies, investment institutions and asset managers), should exercise their voting rights on an informed basis and as they deem fit. Institutional investors that use the services of proxy advisors (i) should encourage those proxy advisors to be prepared to enter into a dialogue with the company regarding their voting policy, voting guidelines and voting recommendations, and (ii) ensure that their votes are cast in line with their own voting policy. | YES | ___ |
| **4.3.2** | **Providing voting proxies or voting instructions:** The company should give shareholders and other persons entitled to vote the possibility of | YES | ___ |

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| | issuing voting proxies or voting instructions, to an independent third party prior to the general meeting. | | |
| 4.3.3 | **Cancelling the binding nature of a nomination or dismissal:** The general meeting of shareholders of a company not having statutory two-tier status (*structuurregime*) may adopt a resolution to cancel the binding nature of a nomination for the appointment of a member of the board and/or a resolution to dismiss a member of the board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion must not be set higher than one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be adopted by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting. | NO | Such resolution can be adopted by the general meeting with a two-third majority representing at least half of the issued share capital (default position under Dutch statutory law). This deviation is provided within the Articles as approved by the Company's general shareholders resolutions from April 21, 2017. This deviation is meant to avoid vote inefficiencies or blockage upon the appointment or dismissal of any relevant director. |
| 4.3.4 | **Voting right on financing preference shares:** The voting right attaching to financing preference shares should be based on the fair value of the capital contribution. | YES | ___ |
| 4.3.5 | **Publication of institutional investors' engagement policy:** Institutional investors should implement principle 4.4 when drawing up their engagement policy. Istitutional investors should publish their engagement policy on their website. | N/A | ___ |
| 4.3.6 | **Report on the implementation of institutional investors' engagement policy:** Institutional investors should report at least annually, on their website on how they implemented their engagement policy. The report should provide in any case a general description of their voting behaviour, as well as an explanation of the most significant votes and the use of the services of proxy advisors. "Most significant votes" should be understood in any event to mean:<br>i. votes on matters that have received substantive media attention or votes on items that are regarded by institutional investors as a priority in of the run-up to the general meeting season;<br>ii. votes on a resolution on the agenda of a general meeting (a) that are of strategic importance, or (b) where the institutional investor disagree with the resolution of the company's board of directors; or<br>iii. votes in general meetings of the companies in which the institutional investor has a large holding compared to the institutional investor's holding in other investee companies. | N/A | ___ |

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| | In addition, institutional investor should report on their website at least once per quarter on whether and, if so, how they have voted as shareholders for each company and voting item. In the report, institutional investors should disclose the key points of the dialogues they have conducted with companies. If an institutional investor votes against a resolution of the board of directors ar abstains from voting on a resolution of the board of directors, the institutional investor should explain the reasons for voting behaviour to the board of directors either proactively or at the company's request. | | |
| **4.3.7.** | **Abstaining from voting in the event of a larger short position than long position:** Shareholders will abstain from voting if their short position in the company is larger than their long position. | N/A | |
| **4.3.8.** | **Share lending:** Shareholders should recall their lent shares before the voting record date for a general meeting of the company if the agenda for that meeting includes one or more significant matters. The shareholder should determine what is regarded as a significant matter, but this will include, in any event, resolutions on the agenda of a general meeting:<br>i. that is of strategic importance;<br>**ii.** where the shareholder disagrees with the resolution of ht ebaord of directors. | N/A | |
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| **4.5.1** | **Trust office board:** The board of the trust office should have the confidence of the holders of depositary receipts and operate independently of the company that has issued the depositary receipts. The trust conditions should specify in what cases and subject to what conditions holders of depositary receipts may request the trust office to call a meeting of holders of depositary receipts. | N/A | ___ |
| **4.5.2** | **Appointment of board members:** The board members of the trust office should be appointed by the board of the trust office, after the vacancy has been announced on the website of the trust office. The meeting of holders of depositary receipts may make recommendations to the board of the trust office for the appointment of persons to the position of board member. No executive directors or former executive directors, non-executive directors or former non-executive directors, employees or permanent advisors of the company should be a member of the board of the trust office. | N/A | ___ |
| **4.5.3** | **Board appointment period:** A person may be appointed to the board of the trust office for a maximum of two four-year terms, followed by a | N/A | ___ |

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| | maximum of two two-year terms. In the event of a reappointment after an eight-year period, reasons should be given in the report of the board of the trust office. | | |
| **4.5.4** | **Attendance of the general meeting:** The board of the trust office should attend the general meeting and should, if desired, make a statement about how it proposes to vote at the meeting. | N/A | ___ |
| **4.5.5** | **Exercise of voting rights:** In exercising its voting rights, the trust office should be guided primarily by the interests of the depositary receipt holders, taking the interests of the company and the enterprise affiliated with it into account. | N/A | ___ |
| **4.5.6** | **Periodic reports:** The trust office should report periodically, but at least once per year, on its activities. The report should be posted on the company's website. | N/A | ___ |
| **4.5.7** | **Contents of the reports:** The report referred to in best practice provision 4.5.6 should in any event set out:<br>i. the number of shares for which depositary receipts have been issued and an explanation of changes to this number;<br>ii. the work carried out in the financial year;<br>iii. the voting behaviour in the general meetings held in the financial year;<br>iv. the percentage of votes represented by the trust office during the meetings referred to in section iii.;<br>v. the remuneration of the members of the board of the trust office;<br>vi. the number of meetings held by the board and the main items dealt with in them;<br>vii. the costs of the activities of the trust office;<br>viii. any external advice obtained by the trust office;<br>ix. the positions or ancillary held by the board members of the trust office; and<br>x. the contact details of the trust office. | N/A | ___ |
| **4.5.8** | **Voting proxies:** The board of the trust office should issue voting proxies under all circumstances and without limitations to all depositary receipt holders who request this. Each depositary receipt holder may also issue binding voting instructions to the trust office in respect of the shares which the trust office holds on his behalf. | N/A | ___ |
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| **5.1.1** | **Composition of the board of directors:** The majority of the board of directors is made up of non-executive directors. The requirements for independence stipulated in best practice provisions 2.1.7 and 2.1.8 apply to the non-executive directors. | NO | The majority of the board is made up of non-executive directors. However, the Company does not apply to the requirements for independence. See explanation to principle 2.1.7 above. |

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| **5.1.2** | **Chairman of the board of directors:** The chairman of the board of directors chairs the meetings of the board of directors. The chairman of the board of directors should ensure that the board collectively and its committees, have a balanced composition and function properly. | YES | ___ |
| **5.1.3** | **Independence of the chairman of the board of directors:** The chairman of the board of directors should not be an executive director or former executive director of the company and should be independent within the meaning of best practice provision 2.1.8. | NO | The chairman is a non-executive director However, the chairman is not independent within the meaning of principle 2.1.8. See explanation to principle 2.1.9 above. |
| **5.1.4** | **Composition of committees:** The committees referred to in best practice provision 2.3.2 should comprise exclusively non-executive directors. Neither the audit committee nor the remuneration committee can be chaired by the chairman of the board of directors or by a former executive director of the company | YES | ___ |
| **5.1.5** | **Reporting on supervision by non-executive directors:** The non-executive directors render account of the supervision exercised in the past financial year. They should, as a minimum, report on the items referred to in best practice provisions 1.1.3, 2.1.2, 2.1.10, 2.2.8, 2.3.5 and 2.4.4 and, if applicable, the items referred to in best practice provisions 1.3.6 and 2.2.2. | YES (PARTIALLY) | Information with respect to these matters are not comprised in a separate report of non-executive directors but in the Corporate Governance section of this report. |

## ANNEX 4 DATA SOURCES AND ASSUMPTIONS

Romania

| Scope | Category | Details | Approach and Emission Factors | Type of Data |
|---|---|---|---|---|
| 1 | Stationary Combustion | Natural gas | DEFRA 2023 | Activity data regarding natural gas consumption. |
| 1 | Mobile Combustion | Gasoline, Diesel, LPG | DEFRA 2023 | Activity data regarding fuel consumption. |
| 1 | Fugitive Emissions | R410A, HFC-134a, HFC-32 | A leakage percentage was applied to to estimate the emissions generated from potential leaks that are assumed to occur in a year, as indicated by GHG Protocol HFC Tool. A 3% leakage was assumed for domestic Air Conditioning (AC) units and 3.6% for industrial-type ACs. Corresponding DEFRA 2023 emissions factors were used to assess the generated emissions. | Activity data regarding refrigerant consumption. |
| 2 | Purchased Electricity (market-based) | Self-supplied, third-party electricity and green energy | The market-based electricity emission factor was sourced from our own 2023 energy label in the case of self-supplied electricity. For third-party electricity, no data was available, thus only the 2022 location-based emission factor was used. For green-energy consumption, under the GHG Protocol, an emission factor equalled to 0 was used, and related emissions for the production, transport and distribution of green energy were assessed under Scope 3.3. | Activity data regarding electricity consumption. |
| 2 | Purchased Electricity (location-based) | Self-supplied and third-party electricity | For location-based, the 2022 national electricity mix emission factor for Romania was used. | Activity data regarding purchased electricity |
| 2 | Purchased Heat | Heat purchased from a third party supplier | The emission factor for heat consumption was location-based, taken from official available documents. | Activity data regarding purchased heat. |
| 3 | Purchased Goods and Services | Food, beverages, advertising materials, stationery, other consumable items, consulting services, banking and insurance services, cleaning products, security services | Attribution of EXIOBASE category emission factor based on the description of the product, when this was unclear only based on the product category. | Data regarding purchased goods and services, converted from RON to EUR with the use of an average 4.98 conversion rate for 2023 from multiple central banks. |
| 3 | Purchased Goods and Services for Retail | Smartphones, TVs and Phone Accessories | Phones and TVs were assessed using simulated LCA data found on the Boavizta | Data regarding goods and services purchased by the reporting company from |

| Scope | Category | Details | Approach and Emission Factors | Type of Data |
|---|---|---|---|---|
| | | | platform, thus omitting them from Scope 3.11 and 3.12. Smartphone LCAs used European usage data: 7.2h/day, 2W energy, 5-year lifespan. TVs followed similar parameters: 5h/day, 300W energy, 5-year lifespan in Europe. | suppliers with the aim of subsequently selling these products to end consumers. |
| 3 | Capital Goods | IT Equipment (computers, laptops, network devices) | EXIOBASE emission factors corresponding to the country of the supplier and product category were used to assess the generated emissions. | Data regarding purchased IT equipment. |
| 3 | Fuel and energy-related activities | Gasoline, Diesel, LPG, hybrid Gasoline, natural gas, electricity consumption | Emissions under this category were assessed based on activity data provided for Stationary and Mobile combustion (Scope 1.1 and 1.2) and green electricity consumption (Scope 2.1). DEFRA 2023 WTT (well-to-tank) emission factors were used. | Data regarding activities related to fuel and energy (not included in Scope 1 or Scope 2 emissions calculations) refer to GHG emissions resulting from extraction, production, and transportation of purchased or acquired fuels and energy. |
| 3 | Upstream Transport and Distribution | Financial data | EXIOBASE emission factors corresponding to the country of the supplier and type of transport were used to assess the generated emissions. | Data regarding freight services that are paid by the organization (activities such as shipping, trucking, or other modes of transportation involved in bringing inputs to the organization's operations). |
| 3 | Waste Generated in Operations | WEEE, metal, batteries, plastic, wood, paper, commercial and industrial waste, paint waste, oils, waste from construction and demolitions, glass waste, rubber waste | For this category, an emission factor database has been created from diverse publicly-available and license-owned databases such as UNFCC GHG Calculator, ecoinvent 391, GHG Protocol waste emissions, DEFRA UK, Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) and BEIS 2023. | Data regarding the materials used and the type of treatment of each material. |
| 3 | Business Travel | Flights (international flights, domestic flights), accommodation | EXIOBASE emission factors corresponding to the country of the supplier, type of transport, hotel and restaurant services were used to assess the generated emissions. | Data regarding business travel, and country of accommodation. |
| 3 | Employee Commuting | Bus, subway, tramway, trolleybus, train, personal car, electric bicycle | DEFRA 2023 | Data gathered through a form sent to employees, requesting data on the daily kilometers traveled to and from work, and the mode(s) of transport. The questionnaire was conducted in 2022 and included replies from 1628 employees, the most used 3 |

| Scope | Category | Details | Approach and Emission Factors | Type of Data |
|---|---|---|---|---|
| | | | | types of transport, as well as the corresponding kilometers of each employee. As not all employees answered the form, the emissions for the rest of the employees of 2023 were estimated based on the available answers. |
| 3 | Downstream Transport and Distribution | Payments for the transport and distribution of purchased goods were accounted for in Scope 3.4 - Upstream Transportation and Distribution, as clients do not pay for the transport of leased or purchased goods. | Not applicable | Activity data from the transportation and distribution of goods to final clients. |
| 3 | Use of Sold Products | Goods sold (mainly smartphones) | As mainly smartphones were sold to the customers, the emissions were assessed as part of Scope 3.1.2, where the LCA of the sold products was used to assess generated emissions, accounting for Use and End of Life of the good. | Data regarding activities and operations carried out by customers or end-users after they have purchased and acquired the products from an organization. |
| 3 | End-of-life treatment of sold products | Processes and activities involved in managing and handling products at the end of their useful life. | The emissions generated by the use phase of the sold products were accounted for through the LCA approach used in Scope 3.1.2. | Data regarding the processes and activities involved in managing and handling products at the end of their useful life. |
| 3 | Downstream leased assets | Products leased (phones, modems, router, SIM cards) | For each leased product, an assessment was made of its energy consumption, which was then multiplied by the quantity of products billed, daily usage, annual usage, and Romania's electricity emission factor. For SIM cards, an LCA value for use phase was used, which was then multiplied by the quantity billed. | Data regarding assets, typically equipment or facilities, that a company leases from another party to support its production or operational activities. |

**Spain**

| Scope | Category | Details | Emission Factors | Type of Data |
|---|---|---|---|---|
| 1 | Stationary Combustion | No data available | N/a | N/a |
| 1 | Mobile Combustion | Gasoline, Diesel, LPG | DEFRA 2023 | Activity data regarding fuel consumption. |
| 1 | Fugitive Emissions | No data available | N/a | N/a |
| 2 | Purchased Electricity (market-based) | No data available | Information regarding the name of the electricity suppliers was not available, thus only the location-based calculation was conducted. | Activity data regarding purchased electricity. |
| 2 | Purchased Electricity (location-based) | Third party electricity | The location-based emission factor was sourced from the European Environmental Agency for 2022 as the 2023 emission factors were not yet available at the time of the assessment. | Activity data regarding purchased electricity. |
| 2 | Purchased Heat | Not applicable | N/a | N/a |
| 3 | Purchased Goods and Services | Milk, spendings on different services, tap water and paper consumption | EXIOBASE emission factors were used for monetary activity data, the emission factor for milk was taken from WRAP 2022 database, the Agribalyse v3.1 emission factor for bottled water and the DEFRA 2023 emission factor for paper consumption. | Data regarding purchased goods and services. |
| 3 | Purchased Goods and Services for Retail | Not applicable | N/a | N/a |
| 3 | Capital Goods | Cars | To determine the generated emissions, the number of purchased cars was multiplied by their corresponding LCA values. In the absence of a specified car brand, the model was based on the most purchased brand for Romania. | Data regarding the number of purchased cars. |
| 3 | Capital Goods | Furniture, Electrical machinery and apparatus, Radio, television and communication equipment and apparatus | EXIOBASE emission factors specific to Spain for purchased capital goods. | Data regarding purchased capital goods. |
| 3 | Fuel and energy-related activities | Gasoline, Diesel, LPG, electricity consumption | Emissions under this category were assessed based on activity data provided for Stationary and Mobile combustion (Scope 1.1 and 1.2) | Activities related to fuel and energy (not included in Scope 1 or Scope 2 emissions calculations) refer to GHG emissions |

| Scope | Category | Details | Emission Factors | Type of Data |
|---|---|---|---|---|
| | | | and green electricity consumption (Scope 2.1). DEFRA 2023 WTT (well-to-tank) emission factors were used. | resulting from extraction, production, and transportation of purchased or acquired fuels and energy. |
| 3 | Upstream Transport and Distribution | Non applicable | N/a | N/a |
| 3 | Waste Generated in Operations | Metal waste, wood waste, paper, wire waste, plastic, optic fiber, mixed waste, mixed packaging, scrap, batteries, toner, industrial waste | For this category, an emission factor database has been created from diverse publicly-available and license-owned databases such as UNFCC GHG Calculator, ecoinvent 391, GHG Protocol waste emissions, DEFRA UK, Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) and BEIS 2023. | Data regarding the materials used and the type of treatment of each material. |
| 3 | Business Travel | Air transport, accommodation | The ICAO calculator was used to estimate emissions from Plane journeys, and the km distance of the ferry and train journeys which were multiplied by the DEFRA 2023 emission factors of corresponding means of transport. The emissions resulting from Accommodation were also calculated using DEFRA 2023 emission factors. For accommodation booked in Austria and Romania, emission factors from BEIS 2021 were used, as this information was not available in DEFRA 2023. | Data regarding the total distances traveled with each mode of transport. The flights were assumed to be international economy flights. |
| 3 | Employee Commuting | Bus, subway, tramway, train, car | Estimated based on the number of employees and employee commuting for Romania, using DEFRA 2023 emission factors. | Data regarding the number of employees in 2023. |
| 3 | Downstream Transport and Distribution | No data available | N/a | N/a |
| 3 | Use of Sold Products | Not applicable | N/a | N/a |
| 3 | End-of-life treatment of sold products | Not applicable | N/a | N/a |
| 3 | Downstream leased assets | No data available | N/a | N/a |

**Italy**

| Scope | Category | Details | Emission Factors | Type of Data |
|---|---|---|---|---|
| 1 | Stationary Combustion | No data available | N/a | N/a |
| 1 | Mobile Combustion | Gasoline, Diesel, LPG | DEFRA 2023 | Activity data regarding fuel consumption. |
| 1 | Fugitive Emissions | No data available | N/a | N/a |
| 2 | Purchased Electricity (market-based) | Third party electricty - Renewable energy | The energy used is 100% renewable, hence the attributed emission factor was 0. | Activity data regarding purchased electricity. |
| 2 | Purchased Electricity (location-based) | Third party electricity | The electricity emission factor for Italy from EEA 2022 was used. | Activity data regarding purchased electricity. |
| 2 | Purchased Heat | Not applicable | N/a | N/a |
| 3 | Purchased Goods and Services | Food, beverages, advertising materials, stationery and office supplies, consulting services, banking and insurance services, cleaning and other services | Attribution of EXIOBASE category emission factor for Italy based on the keyword and the complete description of the product, when this was unclear only based on the product category. | Data regarding purchased goods and services. |
| 3 | Purchased Goods and Services for Retail | SIM cards, envelopes | For emissions generated from SIM, the cradle-to-grave LCA of a SIM card was used. The EXIOBASE category "Paper and paper products" was used for envelopes, with the emission factor for Romania, given that they were purchased from a Romanian supplier. | Data regarding goods and services purchased by the reporting company from suppliers with the aim of subsequently selling these products to end consumers. |
| 3 | Capital Goods | IT Equipment (computers, laptops, smartphones, network devices), cars, office furniture | Attribution of EXIOBASE category for Italy based on the keyword and the complete description of the product, when this was unclear only based on the product category. | Data regarding purchased capital goods. |
| 3 | Fuel and energy-related activities | Gasoline, Diesel, LPG, energy consumption | Emissions under this category were assessed based on activity data provided for Stationary and Mobile combustion (Scope 1.1 and 1.2) and green electricity consumption (Scope 2.1). DEFRA 2023 WTT (well-to-tank) emission factors were used. | Activities related to fuel and energy (not included in Scope 1 or Scope 2 emissions calculations) refer to GHG emissions resulting from extraction, production, and transportation of purchased or acquired fuels and energy. |
| 3 | Upstream Transport and Distribution | Transport and distribution of SIM cards | The total number of kilometers between locations was determined, and the emission factor was selected from DEFRA 2023 as belonging to an average van. | Data regarding freight services that are paid by the organization (activities such as shipping, trucking, or other modes of transportation involved in bringing inputs to |

| Scope | Category | Details | Emission Factors | Type of Data |
| --- | --- | --- | --- | --- |
| | | | | the organization's operations). |
| 3 | Waste Generated in Operations | Paper, plastic, wood waste | For this category, an emission factor database has been created from diverse publicly-available and license-owned databases such as UNFCC GHG Calculator, ecoinvent 391, GHG Protocol waste emissions, DEFRA UK, Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) and BEIS 2023. | Data regarding the materials used and the type of treatment of each material. |
| 3 | Business Travel | Air transport, land transport, accommodation | The type of transportation and the number of kilometers traveled cumulatively by each mean was multiplied with the corresponding DEFRA 2023 emission factors.<br>Corresponding EXIOBASE emission factors were used to assess remaining expenses for accommodation and train tickets. | Data regarding business travels. |
| 3 | Employee Commuting | Bus, subway, motorbike, car | Activity data was collected and multiplied by the corresponding emission factor sourced from DEFRA 2023. | Data regarding the total kilometers traveled per mode of transport. |
| 3 | Downstream Transport and Distribution | Payments for the transport and distribution of purchased goods were accounted for in Scope 3.4 - Upstream Transportation and Distribution, as clients do not pay for the transport of leased or purchased goods. | N/a | Activity data from the transportation and distribution of goods to final clients. |
| 3 | Use of Sold Products | SIM cards | The emissions generated by the use phase of the SIM cards sold were accounted for through the LCA approach used in Scope 3.1.2. | Data regarding the number of sold items. |
| 3 | End-of-life treatment of sold products | Processes and activities involved in managing and handling products at the end of their useful life. | For the sold SIM cards, emissions were included in the LCA of the product in the category S3.1.2. The End-of-life treatment of the paper envelopes was assumed as recycled, and assessed by taking into account the number of sold envelopes and their weight. | Data regarding activities involved in managing and handling products at the end of their useful life. |
| 3 | Downstream leased assets | Not applicable | N/a | N/a |

**Portugal**

| Scope | Category | Details | Emission Factors | Type of Data |
|---|---|---|---|---|
| 1 | Stationary Combustion | Not applicable | N/a | N/a |
| 1 | Mobile Combustion | Gasoline, Diesel | DEFRA 2023 | Activity data regarding fuel consumption. |
| 1 | Fugitive Emissions | R410A | A leakage percentage was applied to estimate the emissions generated from potential leaks that are assumed to occur in a year, as indicated by GHG Protocol HFC Tool. A 3% leakage was assumed for domestic Air Conditioning (AC) units and 3.6% for industrial-type ACs. Corresponding DEFRA 2023 emissions factors were used to assess the generated emissions. | Activity data regarding refrigerant consumption. |
| 2 | Purchased Electricity (market-based) | Third party electricity | The 2022 market-based emission factor for EDP Comercial supplier was used. | Activity data regarding purchased electricity. |
| 2 | Purchased Electricity (location-based) | Third party electricity | The electricity emission factor for Portugal from EEA 2022 was used. | Activity data regarding purchased electricity. |
| 2 | Purchased Heat | Not applicable | N/a | N/a |
| 3 | Purchased Goods and Services | Food, beverages, advertising materials, stationery, consulting services, banking and insurance services, cleaning services | Attribution of EXIOBASE category emission factor for Portugal based on the keyword and the complete description of the product, when this was unclear only based on the product category. | Data regarding purchased goods and services. |
| 3 | Purchased Goods and Services for Retail | Not applicable | N/a | N/a |
| 3 | Capital Goods | IT Equipment (computers, laptops, smartphones), furniture, cars etc. | For all IT equipment, the emissions generated were calculated based on the Life Cycle Assessment (LCA) of each product, with LCA values provided by the Boavizta database. For the remaining Capital Goods, EXIOBASE emission factors were used. | Data regarding capital goods. |
| 3 | Fuel and energy-related activities | Gasoline, Diesel, electricity consumption | Emissions under this category were assessed based on activity data provided for Stationary and Mobile combustion (Scope 1.1 and 1.2) and green electricity consumption (Scope 2.1). DEFRA 2023 WTT (well-to-tank) emission factors were used. | Activities related to fuel and energy (not included in Scope 1 or Scope 2 emissions calculations) refer to GHG emissions resulting from extraction, production, and transportation of purchased or acquired fuels and energy. |

| Scope | Category | Details | Emission Factors | Type of Data |
|---|---|---|---|---|
| 3 | Upstream Transport and Distribution | No data available | N/a | N/a |
| 3 | Waste Generated in Operations | Mixed electronics, plastic, wood waste, paper, household residual waste, construction waste, wire waste, paint waste | For this category, an emission factor database has been created from diverse publicly-available and license-owned databases such as UNFCC GHG Calculator, ecoinvent 391, GHG Protocol waste emissions, DEFRA UK, Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) and BEIS 2023. | Data regarding the materials used and the type of treatment of each material. |
| 3 | Business Travel | Air transport, land transport, water transport | The emissions from plane journeys were estimated using the ICAO calculator, and then multiplied by DEFRA 2023 specific emission factors. Similarly, emission factors related to accommodation were sourced from DEFRA 2023. | Data regarding business travels. |
| 3 | Employee Commuting | Bus, subway, motorbike, car | Estimated based on the number of employees and employee commuting for Romania, using DEFRA 2023 emission factors. | Data regarding the number of employees in 2023. |
| 3 | Downstream Transport and Distribution | No data available | N/a | N/a |
| 3 | Use of Sold Products | Not applicable | N/a | N/a |
| 3 | End-of-life treatment of sold products | Not applicable | N/a | N/a |
| 3 | Downstream leased assets | Not applicable | N/a | N/a |

# Consolidated Financial Statements for the year ended 31 December 2023

# DIGI COMMUNICATIONS N.V.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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# GENERAL INFORMATION

**Directors:**

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

**Registered Office:**

**Digi Communications N.V.**

75 Dr. Nicolae Staicovici Street, Forum 2000 Building, Phase1, 4th floor, 5th District, Bucharest, Romania

**Auditors:**

KPMG Accountants N.V.

# Contents

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 1,969,936 | 1,574,930 |
| Right of use assets | 6 | 395,674 | 307,101 |
| Intangible assets and goodwill | 8 | 362,679 | 356,456 |
| Subscriber acquisition costs | 9 | 60,684 | 58,012 |
| Investment property | 7 | 11,687 | 11,751 |
| Financial assets at fair value through OCI | 10 | 51,183 | 36,844 |
| Equity accounted investees | 11 | 1,617 | 7,980 |
| Long term receivables | 12 | 13,617 | 11,400 |
| Other non-current assets | | 4,466 | 5,243 |
| Derivative financial assets | 34 | 3,366 | - |
| Other long term assets | | 3,019 | 2,325 |
| Deferred tax assets | 30 | 16,035 | 2,840 |
| **Total non-current assets** | | **2,893,963** | **2,374,883** |
| **Current assets** | | | |
| Inventories | 14 | 12,918 | 16,196 |
| Programme assets | 15 | 19,148 | 18,380 |
| Trade and other receivables | 16 | 92,752 | 75,478 |
| Loans to related parties | 16, 25 | 18,455 | 4,565 |
| Contract assets | 16 | 94,292 | 78,575 |
| Income tax receivable | 30 | - | 165 |
| Other assets | 17 | 14,198 | 14,030 |
| Derivative financial assets | 34 | 2,768 | 5,052 |
| Cash and cash equivalents | 18 | 221,342 | 261,408 |
| **Total current assets** | | **475,873** | **473,849** |
| **Total assets** | | **3,369,836** | **2,848,731** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 19.1 | 6,810 | 6,810 |
| Share premium | | 3,406 | 3,406 |
| Treasury shares | | (14,135) | (14,768) |
| Reserves | 19.1 | (3,014) | (17,481) |
| Retained earnings | | 667,179 | 600,841 |
| **Equity attributable to owners of the Company** | | **660,246** | **578,808** |
| Non-controlling interest | 19.2 | 124,048 | 36,922 |
| **Total equity** | | **784,294** | **615,730** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 20 | 1,183,650 | 1,027,798 |
| Lease liabilities | 21 | 312,537 | 216,299 |
| Deferred tax liabilities | 30 | 82,209 | 76,131 |
| Decommissioning provision | 24 | 11,302 | 7,056 |
| Trade and other payables | 22.2 | 71,640 | 120,695 |
| Contract liabilities | 26 | 3,428 | 2,876 |
| **Total non-current liabilities** | | **1,664,766** | **1,450,855** |
| **Current liabilities** | | | |
| Trade and other payables | 22.1 | 563,193 | 540,080 |
| Employee benefits | 22.3 | 54,994 | 46,062 |
| Loans and borrowings | 20 | 199,814 | 94,856 |
| Lease liabilities | 21 | 77,039 | 79,301 |
| Income tax payable | 30 | 2,389 | 746 |
| Provisions | 23 | 614 | 1,054 |
| Contract liabilities | 26 | 22,733 | 20,047 |
| **Total current liabilities** | | **920,776** | **782,146** |
| **Total liabilities** | | **2,585,542** | **2,233,001** |
| **Total equity and liabilities** | | **3,369,836** | **2,848,731** |

*The notes on pages 11 to 105 are an integral part of these consolidated financial statements.*

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | 2023 | 2022 |
|---|---|---|---|
| | **Notes** | | |
| **Continuing operations** | | | |
| Revenues | 26 | 1,690,376 | 1,492,769 |
| Other income | 27 | 16,180 | 24,671 |
| Operating expenses | 28 | (1,242,830) | (1,131,461) |
| Employee benefits | 28 | (290,056) | (239,775) |
| Other expenses | 27 | (504) | (654) |
| **Operating profit** | | **173,166** | **145,550** |
| | | | |
| Finance income | 29 | 7,658 | 439 |
| Finance costs | 29 | (80,645) | (63,673) |
| **Net finance costs** | | **(72,987)** | **(63,234)** |
| | | | |
| **Share of loss of equity-accounted investees net of tax** | **11** | **(6,507)** | **(1,075)** |
| | | | |
| **Profit before taxation** | | **93,672** | **81,241** |
| Income tax expense | 30 | (1,428) | (6,453) |
| **Profit from continuing operations** | | **92,244** | **74,788** |
| **Discontinued operations** | | | |
| Profit from discontinued operations, net of tax | 31.2 | - | 318,690 |
| **Profit for the year** | | **92,244** | **393,478** |
| *Attributable to owners* | | *84,541* | *367,946* |
| *Attributable to non-controlling interests* | | *7,703* | *25,532* |
| | | | |
| **Other comprehensive income** | | | |
| ***Items that are or may be reclassified to profit or loss, net of income tax*** | | | |
| Foreign operations – foreign currency translation differences | | (3,164) | 2,171 |
| ***Items that will not be reclassified to profit or loss*** | | | |
| Derivative financial assets | | 3,366 | - |
| Revaluation of equity instruments measured at fair value through OCI | 10 | 14,541 | (11,112) |
| **Other comprehensive income/(expense) for the year, net of income tax** | | **14,743** | **(8,941)** |
| **Total comprehensive income for the year** | | **106,987** | **384,537** |
| *Attributable to owners* | | *99,270* | 358,873 |
| *Attributable to non-controlling interests* | | *7,717* | 25,664 |
| **Earnings per share** | | | |
| Basic earnings per share | 13 | 0.8889 | 3.8742 |
| Diluted earnings per share | 13 | 0.8872 | 3.8652 |
| **Earnings per share -Continuing operations** | | | |
| Basic earnings per share | 13 | 0.8889 | 0.7341 |
| Diluted earnings per share | 13 | 0.8872 | 0.7323 |

*The notes on pages 11 to 105 are an integral part of these consolidated financial statements.*

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before taxation from continuing operations** | **30** | **93,672** | **81,241** |
| **Profit before taxation from discontinued operations** | **31.2** | **-** | **318,690** |
| **Adjustments for:** | | | |
| Depreciation | 5, 6 | 256,930 | 219,561 |
| Amortisation | 8, 9 | 154,405 | 134,097 |
| Impairment | 5, 9 | 6,171 | 5,755 |
| Net movement in decommissioning provision | 24 | 754 | 462 |
| Interest expense | 29 | 64,810 | 46,936 |
| Impairment of trade and other receivables | 28 | 11,739 | 5,862 |
| Reversal of provisions | | (635) | (5,409) |
| Losses on derivative financial instruments | 29 | 2,269 | 3,805 |
| Share of loss of equity-accounted investees, net of tax | 11 | 6,507 | 1,075 |
| Equity settled share-based payments expense | 33 | 1,340 | 1,754 |
| Unrealised foreign exchange gain(loss) | | 1,087 | (1,528) |
| Loss on other non cash items | | - | (339) |
| Loss on sale of non-current assets | | 2,356 | 196 |
| Gain on sale of discontinued operations, net of tax | 31.2 | - | (318,690) |
| **Cash flows from operations before working capital changes** | | **601,405** | **493,468** |
| | | | |
| **Changes in:** | | | |
| Increase in trade receivables, other assets and contract assets | 16,17 | (61,978) | (50,632) |
| Decrease in inventories | 14 | 2,980 | 2,119 |
| Increase in programme assets | 15 | (25,595) | (26,465) |
| Increase in trade payables and other current liabilities | 22 | 8,301 | 49,156 |
| Increase in contract liabilities | | 3,250 | 7,254 |
| **Cash flows from operations** | | **528,363** | **474,900** |
| | | | |
| Interest paid | 20,21 | (60,619) | (41,813) |
| Income tax paid | | (6,402) | (5,617) |
| **Net cash flows from operating activities** | | **461,342** | **427,470** |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment | 5, 7 | (552,597) | (408,816) |
| Purchases of intangibles | 8 | (92,716) | (59,259) |
| Purchases of investment property | 7 | - | (2,531) |
| Payments for subscriber acquisition costs | 9 | (58,516) | (54,492) |
| Payments for acquisition of subsidiaries, net of cash | 11 | (258) | - |
| Acquisition of equity-accounted investees, net of cash | 11 | (31) | (8,535) |
| Proceeds from disposal of discontinued operations, net of cash disposed | 31.2 | - | 622,344 |
| Proceeds from sale of property, plant and equipment | | - | 877 |
| **Net cash flows (used in)/from investing activities** | | **(704,118)** | **89,588** |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | 19 | (21,577) | (10,863) |
| Proceeds from loans and borrowings | 20 | 330,338 | 115,838 |
| Loans to related parties | 25 | (13,240) | (4,393) |
| Repayment of loans and borrowings | 20 | (65,405) | (281,623) |
| Transaction costs paid | 20 | (8,206) | (2,952) |
| Payment of lease liabilities | 21 | (100,200) | (91,293) |
| Proceeds from issuance of share capital and share premium from minority shareholder | 19 | 81,000 | - |
| **Net cash flows (used in)/from financing activities** | | **202,710** | **(275,286)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(40,066)** | **241,772** |
| | | | |
| Cash and cash equivalents at the beginning of the year | 18 | **261,408** | **19,636** |
| Effect of exchange rate fluctuations of cash and cash equivalents held | | - | - |
| **Cash and cash equivalents at the end of the year** | 18 | **221,342** | **261,408** |

*The Consolidated statement of cash flows is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value.*
*The Consolidated statement of cash flows distinguishes between operating, investing and financing activities. Cash flow in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are separately shown.*

*Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities.*
*Payments of dividends are presented within the cash flows from financing activities*
*During 2024 the group paid interest in total amount of 63,703 EUR, of which 3,084 EUR is presented in investing activities in line Purchases of property, plant and equipment*

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Treasury shares | Translation reserve | Revaluation reserve | Fair value reserve | Retained earnings | Total equity attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | **6,810** | **3,406** | **(14,768)** | **(18,785)** | **9,308** | **(8,004)** | **600,841** | **578,808** | **36,922** | **615,730** |
| **Comprehensive income for the year** | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 84,541 | **84,541** | 7,703 | **92,244** |
| Foreign currency translation differences | - | - | - | (2,962) | - | - | - | **(2,962)** | (202) | **(3,164)** |
| Revaluation of equity instruments measured at fair value through OCI (Note 10) | - | - | - | - | - | 14,541 | - | **14,541** | - | **14,541** |
| Derivative Financial Assets | - | - | - | - | - | 3,150 | - | **3,150** | 216 | **3,366** |
| Transfer of revaluation reserve (depreciation) | - | - | - | - | (262) | - | 262 | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(2,962)** | **(262)** | **17,691** | **84,803** | **99,270** | **7,717** | **106,987** |
| **Transactions with owners, recognised directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Equity-settled share-based payment transactions (Note 33) | - | - | 633 | - | - | - | 675 | **1,308** | 32 | **1,340** |
| Dividends distributed (Note 19) | - | - | - | - | - | - | (19,140) | **(19,140)** | (1,623) | **(20,763)** |
| **Total contributions by and distributions to owners** | **-** | **-** | **633** | **-** | **-** | **-** | **(18,465)** | **(17,832)** | **(1,591)** | **(19,423)** |
| **Changes in ownership interests in subsidiaries** | | | | | | | | | | |
| Issuance of share capital and share premium from a minority shareholder | - | - | - | - | - | - | - | - | **81,000** | **81,000** |
| **Total changes in ownership interests in subsidiaries** | - | - | - | - | - | - | - | - | **81,000** | **81,000** |
| **Total transactions with owners** | - | - | 633 | - | - | - | (18,465) | **(17,832)** | 79,409 | 61,577 |
| **Balance at 31 December 2023** | **6,810** | **3,406** | **(14,135)** | **(21,747)** | **9,046** | **9,687** | **667,179** | **660,246** | **124,048** | **784,294** |

*The notes on pages 11 to 105 are an integral part of these consolidated financial statements.*

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Treasury shares | Translation reserve | Revaluation reserve | Fair value reserve | Retained earnings | Total equity attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **6,810** | **3,406** | **(14,880)** | **(39,243)** | **15,694** | **3,108** | **242,390** | **217,285** | **11,596** | **228,881** |
| **Comprehensive income for the year** | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 367,946 | **367,946** | 25,532 | **393,478** |
| Foreign currency translation differences | - | - | - | 2,039 | - | - | - | **2,039** | 132 | **2,171** |
| Revaluation of equity instruments measured at fair value through OCI (Note 10) | - | - | - | - | - | (11,112) | - | **(11,112)** | - | **(11,112)** |
| Transfer of revaluation reserve (depreciation) | - | - | - | - | (263) | - | 263 | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **2,039** | **(263)** | **(11,112)** | **368,209** | **358,873** | **25,664** | **384,537** |
| **Transactions with owners, recognised directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Equity-settled share-based payment transactions (Note 33) | - | - | 112 | - | - | - | 1,600 | **1,712** | 42 | **1,754** |
| Dividends distributed (Note 19) | - | - | - | - | - | - | (16,321) | **(16,321)** | (1,304) | **(17,625)** |
| **Total contributions by and distributions to owners** | **-** | **-** | **112** | **-** | **-** | **-** | **(14,721)** | **(14,609)** | **(1,262)** | **(15,871)** |
| | | | | | | | | | | |
| **Changes in ownership interests in subsidiaries** | | | | | | | | | | |
| | | | | | | | | | | |
| Reclassification of cumulative exchange differences relating to sale of foreign operations | - | - | - | 18,418 | - | - | - | **18,418** | 1,264 | 19,682 |
| Realisation of reserves from sale of subsidiaries | - | - | - | - | (6,123) | - | 4,963 | **(1,160)** | (340) | (1,500) |
| **Total changes in ownership interests in subsidiaries** | **-** | **-** | **-** | **18,418** | **(6,123)** | **-** | **4,963** | **17,258** | **924** | **18,182** |
| **Total transactions with owners** | - | - | 112 | 18,418 | (6,123) | - | (9,758) | **2,649** | (338) | 2,311 |
| **Balance at 31 December 2022** | **6,810** | **3,406** | **(14,768)** | **(18,786)** | **9,308** | **(8,004)** | **600,841** | **578,808** | **36,922** | **615,730** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

The parent company of the Group is Digi Communications N.V. ("DIGI", "the Company", or "the Parent"), a company incorporated in Netherlands, Chamber of Commerce registration number 34132532/29.03.2000 with place of business and registered office in Romania. The controlling shareholder of DIGI is RCS Management SA ("RCSM") a company incorporated in Romania. The ultimate controlling shareholder of RCSM is Mr. Zoltan Teszari. DIGI and RCSM have no operational activities, except for holding activities, and their primary asset is the ownership of RCS&RDS S.A. (Romania) ("RCS&RDS") and respectively DIGI.

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

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

The Group provides telecommunication services of cable TV (television), fixed internet and data, fixed-line telephony ("CBT"), mobile telephony and internet and direct to home television ("DTH") services in Romania and Spain and mobile telephony services in Italy. We expanded operations in Portugal and Belgium, where we were attributed mobile spectrum at the 5G auction from 2021 and, respectively, 2022. This will allow the Group to expand its business on the Portuguese and Belgian market, in order to provide high quality, affordable telecommunication services. The development of our presence in the 2 new territories continued over the course of 2023. In Portugal we continued building both a fixed and a mobile network while in Belgium we signed agreements that will allow us to start operations with a limited phisical footprint.

The largest operating company of the Group is RCS&RDS. At the end of 2023, DIGI Group had a total of 22,149 employees (2022: 21,313 employees), all the employees are outside Netherlands.

The consolidated financial statements were authorized by the Board of Directors of DIGI on 1 May 2024.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1. BASIS OF PREPARATION

**(a) Statement of compliance**

The consolidated financial statements of the Company are part of the statutory financial statements of the Company. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as endorsed by the European Union (EU-IFRS)and with Section 2:362(9) of the Dutch Civil Code. The consolidated financial statements of the Company were authorized on 1 May 2024.

**(b) Consolidated financial statements**

These financial statements (consolidated and stand-alone) are the statutory financial statements of DIGI prepared in accordance with the IFRS as adopted by the EU and Section 2:362(9) of the Dutch Civil Code, to be filed with the Dutch Authority for the Financial Markets ("AFM") and with the Bucharest Stock Exchange and to serve as a basis for determining distributions to shareholders.

**(c) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties measured at fair value, land and buildings measured at revalued amount, financial assets measured at fair value through OCI, derivative financial instruments measured at fair value and liabilities for equity share-based payments arrangements measured at fair value through profit or loss as described in the accounting policies under Note 2.2 below.

**(d) Going concern assumption**

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

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

As at 31 December 2023, the Group had net current liability position of EUR 444,903 (2022: EUR 308,297) (mainly due to trade payables including employee benefits amounting to EUR 618,187 (2022: EUR 586,142) and negative working capital (trade receivables plus inventories less trade payables including employee benefits) of EUR 512,517 (2022: EUR 494,468). The negative working capital position is structural and specific to integrated telecom operators and for companies this size. Customers generally pay subscription revenues before the end of the service month, with short days of sales outstanding and suppliers are paid under the Group's contractual commercial terms, thus generating negative working capital. Payables due the following month are covered by revenues and cash flows from operations, amounting to EUR 22,733K (2022: EUR 20,047)..

The above is evidenced by the difference in the level of receivables and payables: at 31 December 2023 trade and other receivables amounted to EUR 92,752 compared to trade and other payables and employee benefits amounting EUR 618,187 (out of which EUR 267,874 represents CAPEX suppliers); at 31 December 2022, trade and other receivables amounted EUR 75,478 compared to trade and other payables including employees benefits amounting EUR 586,142 (out of which EUR 255,280 represented CAPEX suppliers).

During the year ended 31 December 2023, the Group recorded a net profit of EUR 92,244 from continuing operations (31 December 2022: EUR 74,788) and generated net cash flows from operating activities of EUR 461,342 (31 December 2022: EUR 427,470).

As at 31 December 2023, the Group had an equity position of EUR 784,294 compared to EUR 615,730 as at 31 December 2022. The increase in equity position in 2023 is mainly attributable to the issuance of share capital and share premium to minority shareholder of EUR 81,000.

As at 31 December 2023, the Group's short-term borrowings comprised mainly loans from lenders of EUR 199,814(31 December 2022: EUR 94,856). The short-term and long-term obligations are expected to be covered by the operating cash flows of the operating subsidiaries (mainly RCS&RDS and DIGI Spain). In 2023, RCS & RDS signed new loan agreements for debt refinancing, capital expenditure purposes, investments, general corporate purposes and for working capital (for details, see note 20).

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

In the 12 months period after the date of the approval of the financial statements the Group has bond maturities amounting to EUR 450,000. The Group plans to use for this purpose its own cash and to draw existing committed facilities. Anticipated proceeds from the Macquarie transactions will replace/release internal funds that would otherwise have been used for CAPEX, allowing them to be used for debt service. For more information please see the subsequent events note. Alternatively, the group can raise additional financing from banks or at its sole discretion reduce the CAPEX amount, please refer to (Objectives and strategic directions and Management's discussion and analysis of financial condition and results of operations chapters from the annual report) to meet the repayment needs.

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

- Operating cash flows for the year ended 31 December 2023 were EUR 528,363 (2022: EUR 474,900);
- Current liabilities as at 31 December 2023 were EUR 920,776 (2022: EUR 782,146);
- Trade and other receivable and contract assets are in amount of EUR 187,044 as at 31 December 2023, compared to EUR 154,053 at 31 December 2022;
- Adjusted EBITDA for the year ended 31 December 2023 amounted to EUR 591,166 compared to an Adjusted EBITDA of EUR 505,593 for the year ended 31 December 2022;
- The Group has unrestricted cash of EUR 221,342 as at 31 December 2023, compared to EUR 261,408 as at 31 December 2022, which would allow the Group to cover any urgent cash needs.
- The Group has at 31 December 2023 capital commitments that need to be met in the following 12 months from the balance sheet date amounting to EUR 112,312 and the current portion of loans and borrowings amounting to EUR 199,814.
- The availability as of December 31st 2023 of the fully undrawn EUR 100,000 + EUR 150,000 SFA facility.
- In the 12 months period after the date of the approval of the financial statements the Group has EUR 450,000 in bond maturities. The Group plan to use cash reserves and existing credit facilities to cover this. Proceeds from Macquarie transaction will replenish funds allocated for CAPEX, allowing debt repayment. The Group may seek additional financing or reduce CAPEX as needed.

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

**(e) Functional and presentation currency**

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

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

management analysis and reporting are prepared in EUR;

EUR is used as a reference currency in telecommunication industry in the European Union;

The Group's Senior Secured Notes (the "Notes", "Bonds") (held by RCS & RDS) are denominated in EUR.

The translation into presentation currency of the financial information of each group entity with a functional currency other than EUR is described under Note 2.2 below.

**(f) Significant estimates and judgements**

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

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

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

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

| Note | Topic | Judgements | Estimates |
|---|---|---|---|
| 2.2 (a) and 11 | Equity-accounted investees | X | |
| 2.2 (a) and 31.1 | NCI | X | |
| 2.2 (c) and 5 | Property, plant and equipment and Investment property | X | X |
| 2.2 (d) and 8, 9 | Intangible assets and subscriber acquisition costs | | X |
| 2.2 (c) and 5 | Customer premises equipment | X | |
| 2.2 (h), 6 and 14 | Allowance for inventories and construction in progress | X | |
| 2.2 (k) | Leases | X | X |
| 2.2 (j) and 24 | Provision for dismantling and restoring sites | | X |
| 5,6,7,8,9 | Impairment test of non-current assets, including goodwill | | X |
| 2.2 (d) and 15 | Programme assets | X | |
| 16 and 32 (i) | Allowance for trade receivables and contract assets | | X |
| 30 | Current and deferred taxes | X | X |
| 31.2 | Discontinued operations | X | |
| 35 | Litigations | X | X |
| 3, 20, 32 (iv), 34, 2(e), 10 | Initial recognition and subsequent measurement of Put and Call options associated with the abrdn transaction | X | X |
| 3, 20, 32 (iv), 2(e), 10 | Fair value of financial instruments, including financial assets at fair value through OCI | X | X |
| 2.2 (e) (ii) | Reverse factoring | X | |

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

**Use of judgements**

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

| Notes | Topic | Nature of accounting judgement |
|---|---|---|
| 2.2 (a) and 11 | Equity-accounted investees | Assessment of (joint) control<br>Assessment of whether the Group has significant influence over an investee and whether there is joint operation or joint control |
| 2.2. (a), 19 and 31.1. | NCI | Assessment of (joint) control<br>Assessment of whether the risks and rewards of ownership transfer to the Group or remain with the NCI. Assessment of unanimous consent , veto rights and protective rights over the relevant activities. |
| 2.2 (c) and 5 | Property, plant and equipment | Determining the costs associated with tangible assets construction and installation activities |
| 2.2 (c) and 7 | Investment property | Determining whether a property qualifies as investment property or owner-occupied property |
| 5 | Customer premises equipment | Determining whether equipment is 'distinct' for the purpose of IFRS 15 and whether arrangements involving equipment contain a lease for the purpose of IFRS 16 |
| 2.2 (k) | Leases | Determining the non-cancellable lease term and assessment of the exercise or not of termination and extension. Separating the service and lease components of leases |
| 2.2 (d) | Acquired programme assets | Determining the timing for recognition and the appropriate presentation in the consolidated statement of financial position and consolidated statement of cash flows |
| 2.2 (h), 6 and 14 | Allowance for inventories and construction in progress | The judgment used in determining the allowance for inventories and fixed assets in progress aged by more than one year |
| 30 | Current and deferred taxes | Measurement of technical merits of the interpretations and legislative positions and qualification of the facts and circumstances applicable to current income tax and assessing the recovery timeline of deferred tax assets |
| 35 | Litigations | Measurement of technical merits of the interpretations and legislative positions and qualification of the facts and circumstances |
| 3, 20, 32 (iv), 34, 2.2 (e), 10 | Initial recognition and subsequent measurement of Put and Call options associated with the abrdn transaction | Initial recognition and measurement (if the case) of the NCI put option as a derivative financial liability at the present value of the redemption amount. Significant judgement in determination of whether it is in the control of the Company to avoid the contractual obligation for the issuer to deliver cash or other financial asset on the occurrence of a future event.<br>Measurement of the NCI call option as derivative financial asset at FVTPL with a |

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

| Notes | Topic | Nature of accounting judgement |
|---|---|---|
| | | coresponding reserve in equity. Judgement in respect fo fixed for fixed test as well as different probabilities for the call to be exercisable or not. |
| 3, 20, 32 (iv), 34, 2.2 (e), 10 | Subsequent recognition of NCI put and call options | Measurement of the NCI put and call option in accordance with IFRS 9 at FVTPL. Judgement in respect of different probabilities for the put/call being to be exercisable or not. |
| 3, 20, 32 (iv), 2.2 (e), 10 | Fair value of financial instruments, including financial assets at fair value through OCI | Determination if the host contracts contain or not an embedded derivative at inception Presentation for the investment in the parent company as either a financial asset or a deduction in equity |
| 2.2 (e) (ii) | Reverse factoring | Distinguishing operating debt and financial debt; presenting amounts related to supply chain financing arrangements in the consolidated statement of financial position and in the consolidated statement of cash flows |

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

**Use of estimates**

In preparing the Group's consolidated financial statements, management made estimates, insofar as many elements included in the consolidated financial statements cannot be measured precisely. Management revises these estimates if the underlying circumstances evolve or in light of new information or more experience. Consequently, the estimates made as at 31 December 2023 may subsequently be changed.

| Notes | Topic | Key sources of estimates on future income and/or cash flows |
|---|---|---|
| 2.2 (c) 5 and 7 | Property, plant and equipment Investment property | Assessing assets' useful life according to the change in the technological, regulatory or economic environment; assessing fair value of land and buildings and investment property |
| 2.2 (d) and 8 | Intangible assets and subscriber acquisition costs | Assessing the useful life and the recoverable value of customer-related intangibles and subscriber acquisitions costs depending on rate of customer churn |
| 2.2 (k) | Leases | Determination of whether changes in lease agreements represent a remeasurement or a new lease; Determination of the term of leases; Determination of the incremental borrowing rate of the lease when the implied interest rate is not identifiable in the lease |
| 2.2 (j) and 24 | Provision for dismantling and restoring sites | Determination of the dismantling timeframe, discount rate, expected cost |
| 5,6,7,8,9 | Impairment test of non-current assets, including goodwill - measurement of the recoverable values for the impairment tests (goodwill, property, plant and equipment and intangible assets, investments accounted for under the equity method) | Sensitivity of discount rates, perpetual growth rate and business plans assumptions which affect the expected cash flows; assessing the competitive, economic and financial environment of the countries where the Group operates |
| 2.2 (c), 5 | Evaluation of the recoverable value for customer premises equipment | The main assumptions used in determining the purchase price used to evaluate the value of the equipment recovered from the customers' location and the reusage rate of the recovered assets |
| 16 and 32 (i) | Allowance for trade receivables and contract assets | Key assumptions in determining the weighted-average loss rate |
| 30 | Measurement of the recoverable value of deferred tax assets | Assessing the deferred tax assets' recovery timeline when a tax entity reverts to profitability or when the tax legislation limits the use of tax loss carry forwards |
| 35 | Litigations - risk of resources outflow linked to claims and litigations | Underlying assumptions of the assessment of legal and fiscal positions; identifying and releasing of uncertain legal and tax positions |
| 3, 20, 32 (iv), 34, 2(e), 10 | Initial recognition and subsequent measurement of Put and Call options associated with the abrdn transaction | Determination of the initial and subsequent value of the liability associated with the transaction with abrdn is associated with significant estimation uncertainties on the occurrence of future events, not in the control of the entity. |
| 3, 20, 32 (iv), 2.2 (e), 10 | Fair value of financial instruments, including financial assets at fair value through OCI | Models, selection of parameters, fair value hierarchy, evaluation of non-performance risks. The call and put options fair value was determined considering the timing of the calls/puts during the length of the contract, and different agreed returns considered reasonable and market aligned for both parties, considering both the initially agreed global |

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

| Notes | Topic | Key sources of estimates on future income and/or cash flows |
|---|---|---|
| | | return of the project and the different moments and condition. Different fluctuation scenarios have been considered as well as different WACC levels, using Monte-Carlo simulations |

**(g) Changes in material accounting policies**

**A. Deferred Tax related to assets and liabilities arising from a single transaction**

The Group has adopted *Deferred Tax related to Assets and Liabilities from a single transaction (Amendments to IAS 12)* from 1 January 2023. The amendments narrow the scope of initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at the date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.
The Group had previously accounted for deferred tax on leases and decommissioning liabilities by applying the "integrally linked" principle approach, resulting in similar outcome as under the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right of use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022 as a result of this change. The main impact relates to disclosure of the deferred tax assets and liabilities recognized (see note 30).

**B. Global minimun top-up tax**

The Group has adopted the *International Tax reform – Pillar Two Model Rules (Amendments to IAS 12)* upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deffered tax accounting for the top-up tax, which is effective immediately, and require new disclosures about Pillar Two exposure (see note 30). The mandatory exception applies retrospectively.

However, because there was no legislation enacted to implement the top-up tax in any jurisdiction in which the Group operates and no related deferred tax was recognized to date, the retrospective application has no impact on the Group's consolidated financial statements.

**C. Material accounting policy information**

The Group adopted the Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments did not result in any changes to accounting policies, but they impacted the accounting policy information disclosed in the consolidated financial statements.
The amendments require the disclosure of "material" rather than "significant" accounting policies. The amendments also provide guidance on the application of materiality to disclosures of the accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the consolidated financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2.2 Material accounting policies (2022: Note 2.2 Significant accounting policies) in certain instances, if the case, in line with the amendments.

## 2.2. MATERIAL ACCOUNTING POLICIES

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

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

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

### a) Basis of consolidation

The consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in equity-accounted investees as at 31 December 2023 and as of 31 December 2022. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Business combinations

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

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

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

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

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

#### Subsidiaries

Subsidiaries are those investees, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has defacto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies

**Non-controlling interests ("NCI")**

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

at fair value; or

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

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

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

Joint control is the contractually-agreed sharing of control over an economic activity. An identified group of venturers must unanimously agree on all decisions over "relevant activities", activities which significantly affect an investee's returns. Each of the parties that share joint control has a veto right: they can block key decisions if they do not agree.

Joint control will only exist if decisions require the unanimous consent of the parties sharing control. If decisions are made by simple majority, the following factors are analysed:

the directors are not agents or employees of the shareholders

the shareholders have not retained veto rights

there are no side agreements requiring directors vote together

a quorum of Board members can be achieved without all members being in attendance

If control exist over the subsidiary, the arrangement is not a joint venture and is accounted under IFRS 10.

**Loss of control**

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

**Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

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

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The considerations made in determining significant influence, or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint ventures are accounted for using the equity method. Under the equity method, these are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture and the Group's other comprehensive income includes its share of the investee's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit/(loss) of equity-accounted investees net of tax' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Transactions eliminated on consolidation**

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

**b) Foreign currency**

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

**Foreign currency - Transactions and balances**

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

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

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

**Translation to presentation currency**

The assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on acquisition) are translated into EUR (presentation currency) at the rate of exchange ruling at the reporting date. The income and expenses of foreign operations are translated into EUR at average exchange rate updated quarterly.

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

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

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

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

| **Currency** | **2023** | | | **2022** | | |
|---|---|---|---|---|---|---|
| | **Jan – 1** | **Average for the year** | **Dec – 31** | **Jan – 1** | **Average for the year** | **Dec – 31** |
| RON per 1EUR | 4.9474 | 4.9465 | 4.9746 | 4.9481 | 4.9315 | 4.9474 |
| USD per 1EUR | 1.0666 | 1.0814 | 1.1065 | 1.1326 | 1.0539 | 1.0666 |

**c) Property, plant and equipment**

Property, plant and equipment is carried:

using the cost model, at purchase or construction cost less accumulated depreciation and accumulated impairment losses: network, customer premises equipment, vehicles, equipment and devices, furniture and office equipment; and

using the fair value model, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land and buildings.

*Property, plant and equipment using the cost model*

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

The costs of internally developed Property, plant and equipment include direct material and labour costs, as well as costs relating to subcontracting the development services.

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

Customer premises equipment consist of: routers and modems; handsets and other mobile devices; Set-top boxes and other decoders; satellite receivers; servers and other IT equipment; cables and other network equipment.

*Property, plant and equipment using the revaluation model*

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

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

In the subsequent years, including as of 31 December 2023, an independent evaluator has performed an assessment to verify that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of each reporting period. No significant differences were identified.

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

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

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

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

***Subsequent expenditure***

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

***Depreciation***

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

The estimated useful lives applied as at 31 December 2023 and 31 December 2022 are as follows:

| | **Useful life** |
|---|---|
| Buildings | 40-50 years |
| Fixed Network | up to 25 years |
| Mobile Radio Network (sites) | 20 years |
| Equipment and devices | 3-10 years |
| Customer premises equipment | 5-10 years |
| Vehicles | 6-10 years |
| Furniture and office equipment | 3-9 years |

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

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

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

**Decommissioning**

The present value of the expected cost for the decommissioning of the mobile radio network sites after their use, is included in the cost of the respective assets if the recognition criteria for a provision are met. See 2.2 j) for more information.

***Investment property***

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

**d) Intangible assets, goodwill, programming assets and subscriber acquisition costs**

***Recognition and measurement***

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

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

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

***Subsequent expenditure***

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

**Customer relationships**

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

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

**Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 2.2 (a). Goodwill is not amortised and is subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment. Where goodwill forms part of cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

**Programme assets**

The Group is concluding multi-annual contracts for the acquisition of broadcasting rights for national and international sports competitions ("sports rights"), as well as contracts for the acquisition of film and television broadcasting rights.

When entering into such contracts, the rights acquired are classified as contractual commitments. These rights are recognised in the Consolidated Statement of Financial Position and classified as current intangible assets (program assets) if all of the following conditions are met: a) there is no doubt that the content will be delivered as agreed in the contract b) the non-cancellable term of the contract is of maximum 12 months and c) the cost of the content rights can be reliably estimated.

They are recognised as follows:

Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period (in average the same number of competitions are broadcasted in a year) of the related sports season. Sports rights are amortized over the broadcasting period on a straight-line basis. Any rights not expected to be utilized are written off;

Film and television broadcasting rights are recognized at their acquisition cost, when the programme is available for screening, and are amortised over their broadcasting period.

Advance payments for sports rights related to film and television rights related to the following 3-6 months are also presented as current intangible assets (programme assets).

Acquisitions of programme assets are presented within working capital changes, within the consolidated statement of cash flows.

**Other intangible assets**

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

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

**Subscriber acquisition costs**

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

***Amortisation***

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

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

| **Main categories** | **Amortisation period (average)** |
|---|---|
| Customer relationships | 7 years |
| Subscriber acquisition costs | 2 years |
| Trademarks | up to 8 years |
| Mobile telecommunications equipment licenses and radio spectrum licenses | 10 years for fixed network licenses and software licenses, server licenses, CBU licenses |
| | 5 to 7 years for Cisco licenses, Fortinet licenses |
| | 1 year for television software licenses |
| | 10 to 15 years - radio spectrum licenses – the amortisation periods are the grant (contractual) periods, from the date when the networks are technically ready and the services can be marketed; in case of contract extensions, these are used to extend the amortisation period |

**e) Financial instruments**

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

**(1) Financial assets**

***Initial recognition and measurement***

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

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

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

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

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

***Classification***

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

***Cash and cash equivalents***

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

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

***Financial assets at amortised cost (debt instruments)***

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

the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

***Financial assets at fair value through profit or loss***

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

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

Over-the-counter derivatives in cash settled with a financial underlying (shares), including intrinsic and temporary value is classified as financial assets at fair value through profit or loss (FVPL) in accordance with IFRS 9.

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

***Derecognition***

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

**(2) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as interest-bearing loans and borrowings, payables, other financial liabilities, as derivatives designated as hedging instruments in an effective hedge, as appropriate or as derivative financial instruments.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, payables and other financial liabilities net of directly attributable transaction costs.

Derivatives on an interest in a subsidiary are accounted for as financial instruments unless the derivative meets the definition of an equity instrument of the entity. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, issued bonds and derivative financial instruments.

***Subsequent measurement***

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

After initial recognition, derivative financial liabilities are measured at FVPL.

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

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

The reverse factoring arrangements in place permit the supplier to obtain the amounts invoiced at agreed payment terms with the amounts paid by the financial institutions that participate in the reverse factoring structure. Generally, the Group will repay the financial institutions the full invoice amount, on the scheduled payment date as required by the reverse factoring agreement.

When the payment terms are extended beyond the contractual agreement with the supplier, interest is charged by the financial institutions and the amounts are reclassified under Loans and borrowings. In such case, in the consolidated statement of cash flows corresponding cash flows are presented under financing activities. If the payment terms are not extended beyond the contractual agreement with the supplier the related cash flows are presented under operating activities.

***Derecognition***

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

**(3) Derivative financial instruments**

***Initial recognition***

The Group applied the policy choice of continuing with hedge accounting requirements of IAS 39 and all the existing hedging relationships were eligible to be treated as continuing hedging relationships. On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

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

Within the Primafati transaction, the Group was granted with certain voluntary purchase call options. The derivatives, corresponding to these call options derivatives are valued initially at their fair value. The value of these call options was derived from the fair value of the shares of the underlying entity determined by independent valuation experts based on a discounted-cash-flow method.

***Subsequent measurement***

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

The derivatives, corresponding to the call options on Primafati, are subsequently measures as in the case of initial recognition at fair value. The value of these call options is subsequently measured applying both a Monte-Carlo simulation and a Forward valuation methodology

***Offsetting***

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

**f) Share capital**

***Ordinary shares***

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

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

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

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

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

***Earnings per share***

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

basic earnings per share is calculated by dividing net profit for the year attributable to the equity holders of the Parent, by the weighted average number of ordinary shares outstanding during the year;

diluted earnings per share is calculated based on the net profit. Average number of outstanding shares are adjusted by the dilutive effect of employee stock-options.

**g) Impairment**

*Non-financial assets*

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

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

**Impairment of Customer Premises Equipment ("CPE")**

At each reporting period, the Group recognizes an impairment charge equal with the carrying amount of the Customer premises equipment "CPE" held in custody by disconnected customers.

**Impairment on Subscriber acquisition costs**

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

**Impairment on installation costs related to fixed network**

At each reporting period, the Group recognizes an impairment charge based on the percentage of churn applied to the carrying amount of installation costs related to fixed network. The depreciation charge is adjusted in future periods in order to allocate the revised carrying amount of the fixed network, less any residual value, systematically, over the remaining useful life.

**Key assumptions in the performance of impairment test**

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

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

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

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

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

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

***Goodwill***

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lower level within the Group at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment.

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

Impairment losses recognized for goodwill cannot be subsequently reversed.

***Financial assets***

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets not held at fair value through profit or loss. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, from contract assets and other current financial assets.

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

Trade receivables overdue by more than 6 months are fully impaired. The Group considers a financial asset in default when contractual payments are 60 days past due. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 16 and Note 32. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

*Presentation of allowance for ECL in the statement of financial position*

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

*Write-off*

The gross carrying amount of a financial asset is written off when the Group exhausted all practical recovery efforts and has no reasonable expectations of recovering a financial asset. The Group has a policy of writing-off the gross carrying amount when the financial asset is 5 years past due, based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amounts written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for amounts due. The write-off represents a derecognition event. Financial assets write-offs are recognised in the Consolidated Statement of Profit or Loss on the line "operating expenses".

### h) Inventories

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

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

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

### i) Employee benefits

***Short-term employee benefits***

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

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

***Pensions and other post-employment benefits***

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

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

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

**Accumulated paid absences accrual ("Untaken Holiday")**

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

**j) Provisions**

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

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

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

***Decommissioning provision***

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

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

**k) Leases**

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

**The Group as a lessee**

***Right-of-use asset***

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

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

The right-of-use assets are adjusted for certain remeasurements of the corresponding lease liabilities and are also subject to impairment, following the same principle as the property, plant and equipment. Refer to the accounting policies in note 2.2 (c).

***Lease liabilities***

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

The ranges used as incremental borrowing rates take into account:

company specific rates that reflect the credit worthiness of the company; and

the term of the arrangement;

the amount of funds borrowed;

the nature and quality of the underlying asset;

the economic environment encompassing the jurisdiction, the currency and the date at which the lease is entered into.

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

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

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

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

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

**l) Contingencies**

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

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

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

**m) Revenue and other income**

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

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

*Revenue from services*

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

Subscription revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV;

Subscription revenue from the provision of internet and data communication services (fixed and mobile);

Subscription revenue from the provision of fixed-line and mobile telephony;

Voice traffic revenue from fixed-line and mobile telephony services;

Interconnection;

Advertising;

Supply of electricity.

- ***Subscription revenue***

Video services subscriptions, pay TV fees, internet and data subscriptions, telephony subscriptions and voice minutes consumption revenues are recognised over time, based on the period when the services are provided. These revenues are collected through subscription fees that arise from the monthly billing of subscribers for these services and monthly billing of voice traffic. Revenue is recognized in the month the service is rendered. Contracts contain cancelation clauses which require payment of penalties. Revenue from penalties is recognised when the cancelation occurs.

Next to the monthly subscription fees, the Group charges separately the voice traffic which exceeds the voice minutes included in the subscription. The revenue for any additional voice traffic is recognized in the profit or loss over time, based on minutes consumed and contracted fees at the time services are provided (when the call is made).

Revenue from interconnect fees is recognised over time, when the services are performed.

Service arrangements can involve both the delivery of services and the use of a customer premises equipment (“CPE"). The Group has considered whether the CPE is ‘distinct’ for the purposes of IFRS 15.

The Group has analysed the relevant criteria and concluded that the CPE is not a distinct performance obligation. The following criteria were considered:

- the customer does not direct how and for what purpose they are used;

- the customer does not control the equipment, nor does it make any significant decisions about its use;

- the equipment is an input that is being used to produce the output for which the customer actually contracted the services;

- the equipment and the service are required to continually interact in order to fulfil the promise to the customer, hence the goods and services are highly interdependent, because the Group would not be able to fulfil its promise by transferring each of these goods independently;

- the Group does not sell separately the CPE to the customers.

- ***Variable consideration***

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

- ***Sales of mobile, CPE, CATV and DTH devices***

The Group recognizes revenue when a customer takes possession of the device. This usually occurs when the customer signs the contract. For devices sold separately (not in a bundled package), customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments, over a period of 12 months or 24 months. Where a finance component is significant this is accounted for as a reduction in revenue from sales of handsets against interest income. The discount rate used in determining the financing component is the effective interest rate at which a client could obtain financing on the free financial market for the amount required for the purchase of mobile devices at the moment of the assesment (it is estimated as the average of the effective annual interest rates from public offers for individuals).

- ***Bundled services***

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

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

- ***Advertising***

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

- ***Supply of electricity***

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

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

- ***Government grants for supply of electricity***

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants are recognised in profit or loss on a systematic basis as the entity recognises as expenses the costs that the grants are intended to compensate. The Group presents the grants for electricity supply under "Other income", applying a gross presentation, with a corresponding entry in "Other receivables".

- ***Contract balances***

***Contract assets***

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

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

***Trade receivables***

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

***Contract liabilities***

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

***Costs of obtaining the contract***

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

**n) Finance income and finance expense**

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

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

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

**o) Related parties**

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

**p) Income tax**

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

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

The Group has determined that the global minimum top-up tax – which will be applicable under Pillar Two when the legislation will be enacted in the jurisdictions in which the Group operates – is an income tax in scope of IAS 12. The Group will account for it as a current tax when it is incurred, applying the temporary mandatory relief from deferred tax accounting for the impact of the top-up tax.

**Current tax**

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

**Deferred tax**

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

temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

**r) Dividends**

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

**q) Share-based payment transactions**

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

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

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

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

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

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

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

**s) Segment reporting**

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

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of profit or loss and other comprehensive income is disclosed in Note 37. All other information included in the disclosure per segment is prepared under IFRSs as adopted by EU applicable to the consolidated financial statements.

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

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

**t) Discontinued operations**

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss. Additional disclosures are provided in Note 31. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

## 2.3. NEW ACCOUNTING PRONOUNCEMENTS

a) **Standards Issued But Not Yet Effective And Not Early Adopted**

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted;however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments were originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024. These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group expects that the amendments will have no material impact on its consolidated financial statements.

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

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

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group is closely monitoring the developments and currently assessing the impact the amendments will have on current practice.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduce two new additional disclosure requirements for companies that enter into supplier finance arrangements – one in IAS 7 scope and another in IFRS 7 scope. The Group need to provide information about their supplier finance arangements that would enable users to assess the effects of these arrangements on the Group's liabilities and cash flows and its exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of finance arrangements. The amendments are applicable for periods beginning on 1 January 2024, with early application permitted.

The Group is currently assessing the impact of the amendments on its financial statements. The quantitative impact is not yet reasonably estimable.

As disclosed and in Note 29 and 32, the Group participates in a supply chain financing arrangements for which the new disclosures will apply. The Group is in the process of assessing the impact of the amendments, particularly with the respect to the collation of additional information needed to meet the new disclosure requirements.

**IASB Standards or interpretations effective from 1 January 2024 or later which are not yet endorsed by the EU:**

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Group expects that the amendments will have no material impact on its consolidated financial statement.

- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group expects that the amendments will have no material impact on its consolidated financial statement.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The Group expects that the amendments will have no material impact on its consolidated financial statement.

b) **New or amended standards and interpretations, as endorsed by the EU as at December 2023, that are effective for annual periods beginning on 1 January 2023**

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

- Lack of Exchangeability - Amendments to IAS 21

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- o requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- o clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- o clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements". Management has assessed the impact of the amendments and updated the information disclosed in Note 2.2 Material accounting policies (2022: Note 2.2 Significant accounting policies) in certain instances, in line with the amendments.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments had no material impact on the Group's consolidated financial statements' disclosures.

Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities needs to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all transactions, the amendment applies to transactions that occur after the beginning of the earliest period presented. The Group accounts for deferred tax on leases and decommissioning liabilities and the resulting deferred tax asset or liability is recognized on a net basis. Under these amendments, the Group will recognize a separate deferred tax asset and deferred tax liability. The amendments had no material impact neither on the Group's consolidated financial statements nor on its retained earnings on adoption of the amendments.

International Tax reform – Pillar Two Model Rules – Amendments to IAS 12 (see note 2.1 g), B)

## 3. DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

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

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

### a) Property, plant and equipment (Note 5) and Investment property (Note 7)

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

### b) Intangible assets (Note 8)

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

### c) Derivatives (Note 32 and 34)

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

### d) Non-derivative financial assets and liabilities (Note 19.2 and 32)

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

### e) Equity-settled share-based payment transactions (Note 33)

The fair value of the options granted to employees is measured using a generally accepted valuation technique, in which the main input is the market price of shares at the grant date (please refer to Note 33 for additional details). Given the short life of the options and the low volatility in the market value of the Group's shares, management estimates that the time value of the share options is not significant.

### f) Financial assets at fair value through OCI (Note 10)

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

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

## 4. SEGMENT REPORTING

| **31 December 2023** | **Romania** | **Spain** | **Other[1]** | **Eliminations** | **Reconciling item** | **Total** |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Segment revenue | 1,019,381 | 642,004 | 28,991 | - | - | **1,690,376** |
| Other income | 16,180 | - | - | - | - | **16,180** |
| Inter-segment revenues | 3,146 | 413 | 132 | (3,691) | - | - |
| Segment operating expenses | (574,184) | (510,282) | (34,615) | 3,691 | - | **(1,115,390)** |
| | | | | | | |
| **Adjusted EBITDA (Note 37)** | **464,523** | **132,135** | **(5,492)** | - | - | **591,166** |
| | | | | | | |
| Depreciation, amortisation and impairment of non-current assets | - | - | - | - | (417,496) | **(417,496)** |
| Other expenses (Note 27) | (504) | - | - | - | - | **(504)** |
| **Operating profit** | | | | | | **173,166** |
| Finance income | 7,180 | 475 | 3 | - | - | 7,658 |
| Inter-segment finance income | 15,093 | 0 | 764 | (15,857) | - | - |
| Finance costs | (58,091) | (24,015) | 1,461 | - | - | (80,645) |
| Inter-segment finance costs | (1,017) | (8,450) | (6,390) | 15,857 | - | - |
| Share of profit/(loss) of equity-accounted investees | (6,507) | - | - | - | - | (6,507) |
| Income tax expense | (13,147) | 3,401 | 8,318 | - | - | (1,428) |
| **Net profit / (loss)** | | | | | | **92,244** |
| | | | | | | |
| **Additions to non-current assets** | 302,252 | 328,548 | 252,790[2] | - | - | **883,590** |
| | | | | | | |
| *Carrying amount of:* | | | | | | |
| Non-current assets | 1,714,786 | 700,213 | 426,164 | - | - | **2,841,163** |
| Investments in associates and financial assets at fair value through OCI | 1,617 | - | 51,183 | - | - | **52,800** |

1) Other represents, operations in Italy for Segment revenue line, operation in Italy, Portugal and Netherlands for segment operating expenses line.
2) On Other line the additions on non-current assets reffering to Itlay are EUR 11,526.

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

| 31 December 2022 | Romania | Spain | Other[1] | Eliminations | Reconciling item | Total |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Segment revenue | 964,877 | 500,412 | 27,480 | - | - | **1,492,769** |
| Other income | 24,671 | - | - | - | - | **24,671** |
| Inter-segment revenues | 3,779 | 563 | 199 | (4,541) | - | - |
| Segment operating expenses | (561,452) | (421,033) | (33,903) | 4,541 | - | **(1,011,847)** |
| | | | | | | |
| **Adjusted EBITDA (Note 37)** | **431,875** | **79,942** | **(6,224)** | - | - | **505,593** |
| | | | | | | |
| Depreciation, amortisation and impairment of non-current assets | | | | | (359,389) | **(359,389)** |
| Other expenses (Note 27) | (654) | - | - | - | - | **(654)** |
| **Operating profit** | | | | | | **145,550** |
| Finance income | **426** | **13** | - | - | - | **439** |
| Inter-segment finance income | **4,800** | - | **295** | **(5,095)** | - | - |
| Finance costs | **(53,893)** | **(7,994)** | **(1,784)** | - | - | **(63,671)** |
| Inter-segment finance costs | **(488)** | **(3,155)** | **(1,452)** | **5,095** | - | - |
| Share of profit/(loss) of equity-accounted investees | **(1,075)** | - | - | - | - | **(1,075)** |
| Income tax expense | **(12,721)** | **4,009** | **2,259** | - | - | **(6,453)** |
| **Net profit / (loss)** | | | | | | **74,788** |
| | | | | | | |
| **Additions to non-current assets** | 390,623 | 287,799 | 124,854 | - | - | **803,276** |
| | | | | | | |
| *Carrying amount of:* | | | | | | |
| Non-current assets | 1,665,263 | 482,712 | 182,083 | - | - | **2,330,058** |
| Investments in associates and financial assets at fair value through OCI | 7,980 | - | 36,844 | - | - | **44,824** |

1) Other represents, operations in Italy for Segment revenue line, operation in Italy, Portugal and the Company for segment operating expenses line. The additions on non-current assets reffering to Itlay are EUR 2,924 .

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

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Network | Construction in progress | Customer premises equipment | Equipment and devices | Vehicles | Furniture and office equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 January 2023** | **18,598** | **95,415** | **1,257,337** | **213,010** | **296,123** | **253,846** | **63,453** | **34,037** | **2,231,819** |
| Additions | 23 | - | 73,298 [2)] | 471,488 | 3,126 | 3,609 | 9,418 | 2,608 | **563,570** |
| Transfer from construction in progress ("CIP")/reallocation (assets taken into use) | - | 1,114 | 245,826 | (385,624) | 69,944 | 66,262 | 515 | 1,963 | - |
| Other transfers | - | - | - | - | | - | - | - | |
| Transfers from/to Right of use assets | - | - | - | - | 4,161 | 1,931 | 5,899[1] | - | **11,991** |
| Disposals | (27) | (27) | (3,833)[3)] | (29) | (323) | (4,937) | (1,485) | (30) | **(10,691)** |
| Effect of movements in exchange rates | (103) | (546) | (5,982) | (504) | (1,493) | (1,741) | (326) | (147) | **(10,842)** |
| **At 31 December 2023** | **18,491** | **95,956** | **1,566,646** | **298,341** | **371,538** | **318,970** | **77,474** | **38,431** | **2,785,847** |
| **Depreciation and impairment** | | | | | | | | | |
| **At 1 January 2023** | **-** | **20,005** | **343,827** | **2,274** | **127,781** | **97,285** | **40,557** | **25,160** | **656,889** |
| Depreciation charge | - | 2,654 | 95,533 | - | 31,381 | 29,269 | 4,127 | 2,752 | **165,716** |
| Impairment set-up | - | - | 3,008 | - | 1,041 | - | - | - | **4,049** |
| Transfers from Right of use assets | - | - | - | - | - | 1,329 | 1,351 | - | **2,680** |
| Disposals | - | (2) | (3,834) | - | (324) | (4,108) | (1,459) | (2) | **(9,729)** |
| Effect of movements in exchange rates | - | (145) | (1,752) | (13) | (770) | (649) | (234) | (131) | **(3,694)** |
| **At 31 December 2023** | **-** | **22,512** | **436,782** | **2,261** | **159,109** | **123,126** | **44,342** | **27,779** | **815,911** |
| **Net book value** | | | | | | | | | |
| **At 1 January 2023** | **18,598** | **75,410** | **913,510** | **210,736** | **168,342** | **156,561** | **22,896** | **8,877** | **1,574,930** |
| **At 31 December 2023** | **18,491** | **73,444** | **1,129,864** | **296,080** | **212,429** | **195,844** | **33,132** | **10,652** | **1,969,936** |

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*1) During the year, we had leasing contracts for which we have fully paid all contractual liabilities and gained ownership of the respective assets. These assets were transferred from Right of use assets into Property plant and equipment, at the moment we have gained ownership over them.*
*2) Additions on the Network category include the amount EUR 3.498representing the reassessment of the decommissioning asset.*
*3) Disposals include the amount EUR 3.834 representing the gross value of writen-off assets, from the "Networks" category*

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

| | Land | Buildings | Network | Construction in progress | Customer premises equipment | Equipment and devices | Vehicles | Furniture and office equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 January 2022** | **18,126** | **87,090** | **1,041,625** | **118,670** | **247,460** | **211,467** | **47,302** | **30,813** | **1,802,554** |
| Additions | 500 | 632 | 43,427[3)] | 444,371 | 762 | 771 | 11,194 | 1,053 | **502,710** |
| Transfer from construction in progress ("CIP")/reallocation (assets taken into use) | - | 7,724 | 233,887 | (354,311) | 55,823 | 54,542 | 31 | 2,304 | - |
| Oher transfers | - | - | - | 5,931[1)] | (4,495) [1)] | - | - | - | **1,436** |
| Transfers from/to Right of use assets | - | - | - | (1,581) [2)] | 6,731[2)] | (4,645) | 6,568[2)] | - | **7,073** |
| Transfers to inventories | - | - | - | - | (8,937) [5)] | - | - | - | **(8,937)** |
| Disposals | (29) | (17) | (61,698) [4)] | (24) | (1,160) [4)] | (8,166) [4)] | (1,621) | (130) | **(72,845)** |
| Effect of movements in exchange rates | 1 | (14) | 96 | (47) | (61) | (123) | (21) | (3) | **(172)** |
| **At 31 December 2022** | **18,598** | **95,415** | **1,257,337** | **213,010** | **296,123** | **253,846** | **63,453** | **34,037** | **2,231,819** |
| **Depreciation and impairment** | | | | | | | | | |
| **At 1 January 2022** | - | **17,272** | **326,626** | **(108)** | **107,063** | **83,225** | **34,688** | **22,849** | **591,613** |
| Depreciation charge | - | 2,763 | 76,712 | - | 28,656 | 24,066 | 5,038 | 2,427 | **139,662** |
| Impairment set-up/(reversal) | - | - | 2,165 | 294 | 1,077 | - | - | - | **3,536** |
| Other transfers | - | (18) | - | 2,093[1)] | (951) [1)] | - | - | - | **1,124** |
| Transfers from Right of use assets | - | - | - | - | 2,063[2)] | (2,282) [2)] | 2,308[2)] | - | **2,089** |
| Transfers to inventories | - | - | - | - | (8,937) [5)] | - | - | - | **(8,937)** |
| Disposals | - | (6) | (61,698) [4)] | - | (1,160) [4)] | (7,680) [4)] | (1,458) | (113) | **(72,115)** |
| Effect of movements in exchange rates | - | (6) | 22 | (3) | (30) | (44) | (19) | (3) | **(83)** |
| **At 31 December 2022** | **-** | **20,005** | **343,827** | **2,274** | **127,781** | **97,285** | **40,557** | **25,160** | **656,889** |
| **Net book value** | | | | | | | | | |
| **At 1 January 2022** | **18,126** | **69,818** | **714,998** | **118,779** | **140,398** | **128,242** | **12,615** | **7,964** | **1,210,941** |
| **At 31 December 2022** | **18,598** | **75,410** | **913,510** | **210,736** | **168,342** | **156,561** | **22,896** | **8,877** | **1,574,930** |

*[1)] Other transfers comprise of the net value of CPEs returned from customers and transfers from inventories to tangible assets.*
*[2)]During the year, we had leasing contracts for which we have fully paid all contractual liabilities and gained ownership of the respective assets. These assets were transferred from Right of use assets into Property plant and equipment, at the moment we have gained ownership over them.*
*[3)] Additions on the Network category include the amount EUR 2,676  representing the reassessment of the decommissioning asset.*
*[4)] Disposals include the amount EUR 3,812 representing the gross value of writen-off assets of the "Network category.,*

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

**Property, plant and equipment additions**

Most of the additions in 2023 relate to the triple play network, as the Group has continued to invest in expanding to new areas; continued the upgrade of the existing networks and adding new customers. Another significant portion of additions relate to continued investment in the mobile radio network coverage in Romania and the development of fixed internet and data and fixed-line telephony services in Spain. Additions in Portugal are represented by fixed and mobile internet network equipment, telecommunications equipment and vehicles.

The Group hasconstructions in progress incurred up to 31 December 2023 totalled EUR 296,080 (2022: 210,736). Included in this amount are capitalized borrowing costs related to the construction of network in Portugal, of EUR 10,806, calculated using an average capitalization rate of 4.9 percent.

**Reconciliation to Cash flow statement**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Additions to PPE | 563,570 | 502,710 |
| Additions in CFS | 552,597 | 408,816 |
| Difference | 10,973 | 93,894 |
| *Out of which:* | | |
| Increase in payables in balance | 10,973 | 93,894 |

At 31 December 2023, the Group recognized an expense charge for written off obsolete networks of EUR 3,812 (2022: EUR 8,357) presented under the *Depreciation charge* line.

At 31 December 2023, the Group presented under the line *Impairment set-up/(reversal)* an impairment expense of EUR 1,041 (2022: EUR 1,839) for customer premises equipment, based on the quantities of recovered equipment presented in inventory warehouses with an aging of over one year and the acquisition price of each equipment at the level of the net book value of each equipment as at 31 December 2023.

At 31 December 2023, included in the *Equipment* category are assets with gross book value of EUR 18,001 (2022: EUR 7,495) still in use that reached the end of their useful lives. Their continued use is attributable to the fact that these are not technologically obsolete and also because weather conditions and specific location of the site did not lead to the wear and tear of these equipment.

**Revaluation of land and buildings**

At 31 December 2020, land and buildings were revalued using several methods:

The market approach, i.e., the Direct Comparison Method (DCM) was applied to some of the real estate assets (free land, properties). This method was considered appropriate due to the nature of the assets valued, which have an active market.

In estimating the value, it was taken into account the physical condition indicated by the company's representatives and found at the time of the field valuation of the assets, as well as the information available in relation to the analysed assets and data extracted from the market analysis. Assets were compared with other similar assets and adjustments were made accordingly to indicate the current value. Thus, the information on the offer prices of similar goods on the secondary market or the offers to which they are exposed on the market was analysed and some adjustments were made where necessary.

The income approach**,** i.e., the Revenue Capitalization Method (RCM) has been applied to most real estate assets, commercial real estate (office buildings, TV studio, cashiers, etc.). The value obtained by applying the income approach has been compared with the specific market information (global values for apartment properties and unit values for commercial real estate). Thus, the value of the real estate consisting of land and construction was estimated, and the value thus obtained was allocated on the component elements of the property (land and construction). The allocation was made, generally based on the net replacement cost of the buildings, and the value of the land resulting in residual value after deducting the value of the building from the value of the real estate.

The valuation is sensitive to its main inputs, being the sales value per sqm (which was in the range of 673 EUR/sqm to 3,030 EUR/sqm for real estates located in different cities in Romania and 35 EUR/sqm to 1,365

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

EUR/sqm for market values estimated for the main land plots), the estimated replacement cost per unit for buildings in Romania ranging from 497 EUR/sqm to 3,024 EUR/sqm.

As of December 31, 2023 (similar to December 31, 2022) the Company involved independent external appraisers who analyzed whether the values of the existing land and buildings fall within the market values range for comparable properties. For land, the location and type of land were analyzed, and for buildings their type and physical condition. In addition, specific market information has been analysed to verify that the accounting values are within market values range. Based on the analysis performed by the external appraisers, the Group concluded that the fair value of land and buildings does not differ significantly from their carrying amount.

**Measurement of fair values**

**Fair value hierarchy**

The fair value measurements of the real estate assets have been recognized as Level 2 fair values based on observable market sales data.

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

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| **Cost** | **14,514** | **14,598** |
| **Fair value** | **18,491** | **18,598** |

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

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Cost | 83,404 | 83,224 |
| Accumulated depreciation | (17,384) | (15,365) |
| **Net carrying amount** | **66,020** | **67,859** |
| **Fair value** | **73,444** | **75,410** |

**Collateral**

For details regarding the pledges placed on the Group assets refer to Note 20 (vi).

**Commitments for property, plant and equipment**

For details regarding commitments for property, plant and equipment please see Note 35.

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

## 6. RIGHT OF USE ASSETS

The Group has lease contracts for various items of land, commercial spaces, network, vehicles and equipment used in its operations.
The carrying amounts of right-of-use assets recognized and the movements during the period are presented below:

| | Land | Buildings | Network[1)] | Customer premises equipment | Equipment and devices | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2023** | **2,330** | **21,544** | **238,873** | **20,727** | **3,454** | **20,173** | **307,101** |
| Depreciation | - | (17,255) | (66,588) | (3,904) | (471) | (2,984) | **(91,202)** |
| Transfer to property, plant and equipment – Accumulated depreciation/ (Transfer from property, plant and equipment – Accumulated depreciation) | - | - | - | - | 1,329 | 1,351 | **2,680** |
| Additions | (4) | 18,083 | 133,948 | 36,918 | 1,093 | (110) | **189,928** |
| (Transfer to property, plant and equipment)/Transfer from property, plant and equipment | - | - | - | (4,161) | (1,931) | (5,899) | **(11,991)** |
| Effect of movement in exchange rates | (12) | (44) | (769) | (1) | (9) | (7) | **(842)** |
| **At 31 December 2023** | **2,314** | **22,328** | **305,464** | **49,579** | **3,465** | **12,524** | **395,674** |

*1) Under the "Network" category are included right of use assets for both pillars and lands on which the Group built fixed and mobile networks.*

| | Land | Buildings | Network[1)] | Customer premises equipment | Equipment and devices | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2022** | **2,326** | **20,698** | **155,481** | **3,037** | **1,088** | **20,624** | **203,254** |
| Depreciation | - | (20,500) | (51,370) | (1,968) | - | (5,959) | **(79,797)** |
| Transfer to property, plant and equipment – Accumulated depreciation/ (Transfer from property, plant and equipment – Accumulated depreciation) | - | - | - | 2,063 | (2,282) | 3,448 | **3,229** |
| Additions | - | 21,336 | 134,514 | 22,745 | - | 9,764 | **188,359** |
| Disposals | - | (2) | - | - | - | (7) | **(9)** |
| (Transfer to property, plant and equipment)/Transfer from property, plant and equipment | - | - | - | (5,150) | 4,646 | (7,705) | **(8,209)** |
| Effect of movement in exchange rates | 4 | 12 | 248 | - | 2 | 8 | **274** |
| **At 31 December 2022** | **2,330** | **21,544** | **238,873** | **20,727** | **3,454** | **20,173** | **307,101** |

*1) Under the "Network" category are included right of use assets for both pillars and lands on which the Group built fixed and mobile networks.*

During the year, the Group transferred from RouA in Non-current assets the net amount of EUR 9,311 (2022: EUR 4,980)

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

## 7. INVESTMENT PROPERTY

| | Land | Buildings | Total |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2023** | **4,721** | **7,149** | **11,870** |
| Effect of movements in exchange rates | *(26)* | *(39)* | (65) |
| **At 31 December 2023** | **4,695** | **7,110** | **11,805** |
| | | | |
| **Depreciation** | | | |
| **At 1 January 2023** | **-** | **119** | **119** |
| Other transfers | - | ***(1)*** | **(1)** |
| **At 31 December 2023** | **-** | **118** | **118** |
| | | | |
| **Net book value** | | | |
| **At 1 January 2023** | **4,721** | **7,030** | **11,751** |
| **At 31 December 2023** | **4,695** | **6,992** | **11,687** |

| | Land | Buildings | Total |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2022** | **4,348** | **4,979** | **9,327** |
| Acquisitions | 374 | 2,176 | **2,550** |
| Effect of movements in exchange rates | (1) | (6) | **(7)** |
| **At 31 December 2022** | **4,721** | **7,149** | **11,870** |
| | | | |
| **Depreciation** | | | |
| **At 1 January 2022** | | | |
| Depreciation charge for the year | - | 101 | **101** |
| Other transfers | - | 18 | **18** |
| **At 31 December 2022** | **-** | **119** | **119** |
| | | | |
| **Net book value** | | | |
| **At 1 January 2022** | **4,348** | **4,979** | **9,327** |
| **At 31 December 2022** | **4,721** | **7,030** | **11,751** |

Investment property comprises of real estate property located in Hungary (residential, commercial and industrial properties, as well as land).

In 2021, the fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and experience in the location and category of the property being valued. The fair value measurement for the investment property has been categorized as Level 2 of the fair value hierarchy based on the inputs to the valuation technique used, specifically observable market sales data.

For valuation purposes, the comparative approach method ("DCM") was used (market-comparison method) based on which similar properties sold or offered for sale on the market were analyzed and compared with the properties that were subject to the valuation. This method was considered appropriate due to the nature of the assets valued, which have an active market.

In estimating the value, it was taken into account the physical condition of the assets and found at the time of the field valuation of the assets, as well as the information available in relation to the analyzed assets and data extracted from the market analysis. Assets were compared with other similar assets and adjustments were made accordingly to indicate the current value.

The properties valuated using comparative approach are:

- residential properties and business premises located in Csango Budapest, Hungary;
- building located in Veszprem city, Hungary comprising of warehouses and related land plots;
- building located in Tengerszem Budapest, Hungary comprising of one building and two land plots;
- land plot located on Vaci ut. Street, Budapest Hungary.

The value was in the range of 218 EUR/sqm to 2,365 EUR/sqm for real estates located in different cities in Hungary and 1,899 EUR/sqm for market values estimated for the main land plot. The income approach, i.e., the Revenue Capitalization Method ("RCM") has been applied to one real estate property – building located in Miskolc city, Hungary. The income approach was applied as the building purpose is more suitable for commercial function than as a residential property. The property was valued considering the market rent for similar properties that can be offered on the rental market. When applying the income approach, the real-estate property was considered as an investment type-asset. The value was 672 EUR/sqm.

At 31 December 2023 (similar with 31 December 2022), based on the analysis performed by external, independent property valuers, the Group concluded that the carrying amount is situated within acceptable market ranges, therefore, no fair value gain nor fair value loss was recognized.

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

## 8. INTANGIBLE ASSETS

### NON-CURRENT INTANGIBLE ASSETS

| | Goodwill | Customer relationships | Trademarks | Licences and software | Total non-current intangible assets |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2023** | **51,741** | **144,840** | **2,760** | **381,528** | **580,869** |
| | | | | | |
| Additions | - | 3,412 | - | 62,543[1] | **65,955** |
| Disposals | - | - | - | (1,860) | **(1,860)** |
| Effect of movement in exchange rates | (282) | (893) | (13) | (1,802) | **(2,990)** |
| **At 31 December 2023** | **51,459** | **147,359** | **2,747** | **440,409** | **641,974** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| **At 1 January 2023** | **-** | **97,357** | **2,626** | **124,430** | **224,413** |
| Amortisation | - | 13,883 | - | 42,553 | **56,436** |
| Disposals | - | - | - | (154) | **(154)** |
| Effect of movement in exchange rates | - | (618) | (13) | (769) | **(1,400)** |
| **At 31 December 2023** | **-** | **110,622** | **2,613** | **166,060** | **279,295** |
| | | | | | |
| **Net Book Value** | | | | | |
| **At 1 January 2023** | **51,741** | **47,483** | **134** | **257,098** | **356,456** |
| **At 31 December 2023** | **51,459** | **36,737** | **134** | **274,349** | **362,679** |

[1] *Includes internally generated software of EUR 7,568(2022: EUR 7,115). Addition from Portugal contains acquisition for licenses related to tangible assets in progress.*

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

| | Goodwill | Customer relationships | Trademarks | Licences and software | Total non-current intangible assets |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2022** | **51,823** | **155,169** | **2,760** | **352,958** | **562,710** |
| | | | | | |
| Additions | - | 4,422 | - | 44,808(1) | **49,230** |
| Disposals | (113) | (14,759) | - | (16,166) (2) | **(31,038)** |
| Effect of movement in exchange rates | 31 | 8 | - | (72) | **(33)** |
| **At 31 December 2022** | **51,741** | **144,840** | **2,760** | **381,528** | **580,869** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| **At 1 January 2022** | **-** | **98,374** | **2,343** | **107,012** | **207,729** |
| Amortisation | - | 13,559 | 284 | 33,672 | **47,515** |
| Disposals | - | (14,759) | - | (16,118) (2) | **(30,877)** |
| Effect of movement in exchange rates | - | 183 | (1) | (136) | **46** |
| **At 31 December 2022** | **-** | **97,357** | **2,626** | **124,430** | **224,413** |
| | | | | | |
| **Net Book Value** | | | | | |
| **At 1 January 2022** | **51,823** | **56,795** | **417** | **245,946** | **354,981** |
| **At 31 December 2022** | **51,741** | **47,483** | **134** | **257,098** | **356,456** |

(1) *Includes internally generated software of EUR 7,115*

(2) *Includes fully amortised software and intangibles written off in amount of EUR 14,427.*

At 31 December 2023, Customer relationships category contains fully amortized assets with a gross book value of EUR 71,822 (2022: EUR 71,523).

The main additions of non current intangible assets relate to acquisitions of customer relationships and licences as detailed below.

*Customer relationships*

The additions of Customer relationships in the period ended 31 December 2023 relate to the acquisition of customer contracts in Romania from various smaller entities for EUR 3,412 (2022: EUR 4,422).

*Radio spectrum licences*

During 2023, RCS & RDS did not acquire additional spectrum. During 2022, RCS & RDS acquired additional spectrum in the 2600 MHz bandwidth for a consideration of EUR 13,000 and equipment software of EUR 26,511.

The total carrying amount of the 2600 MHz bandwidth as at 31 December 2023 is EUR 28,308 (2022: EUR 33,711). For commitments, please see note 35.

*Other Software licenses*

Approximately EUR 50,556 (2022: EUR 21,864) additions represent custom software licenses required for the functioning of various telecommunications hardware from vendors of the hardware (Ericsson, Nokia, Huawei etc).

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

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

*Reconciliation to Cash Flow statement:*

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Additions to Intangible assets (non-current) | 65,955 | 49,230 |
| Additions in CFS | 92,716 | 59,259 |
| Difference | (26,761) | (10,029) |
| *Out of which:* | | |
| Increase / (decrease) in payable balance | (26,761) | (10,029) |

*Impairment testing for cash-generating units containing goodwill*

The Group defines cash-generating units (CGUs) based on three criteria:

country;

infrastructure used in providing the services;

bundling of services affecting independence of cash flows.

The Group's cash-generating units ("CGUs") with allocated goodwill are:

CBT Romania;

Mobile Spain;

DTH Romania.

Goodwill allocated to Mobile Spain and DTH Romania is not material and is included in category "Other".

| **Goodwill** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| CBT Romania | 51,134 | 51,394 |
| Other | 325 | 347 |
| **Total** | **51,459** | **51,741** |

Recoverable amounts for the CGUs in Romania and Spain have been determined based on discounted cashflows using cash flow projections based on financial budgets approved by the board of directors covering a five-year period (identified as value in use).

**Measurement of fair values**

**Fair value hierarchy**

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

**Key assumptions used**

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

*Weighted Average Cost of Capital*

| **Country** | **Discount rate (post –tax)** | | **Discount rate (pre –tax)** | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Romania** | 8.3% | 9.2% | 9.9% | 11.0% |
| **Spain** | 6.6% | 6.4% | 8.8% | 8.5% |

The discount rate applied to the cash flows of each CGU is based on the Group’s Weighted Average Cost of Capital in the respective territory (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use in the market.

Key inputs to the WACC calculation are the risk-free rate, beta (reflecting the risk of the Group relative to the market as a whole) as well as assumptions regarding the spread for credit risk and the market risk premium for the cost of equity. Group WACC is adjusted for risk relative to the country in which the CGU operates.

**Terminal growth rates**

The terminal growth rate for all CGUs was considered to be 2% p.a (2022: 2% p.a.).

The growth rate in perpetuity has been determined based on the long-term compounded annual growth rate in EBITDA estimated by management considering market maturity and market share in Romania and Spain, being also in line with publicly available market expectations.

**EBITDA margins**

For the Romanian CBT CGU, budgeted EBITDA is based on past experience and incremental increase in future years generated from incremental increase in revenues from new subscribers to our cable Tv, internet and mobile telephony business; budgeted EBITDA for the Spanish Mobile CGU is based on past experience and growth expectation and additional revenue from new subscribers connected to the fixed network.

**Capital expenditure**

Budgeted capital expenditure (tangible and intangible assets including programme assets) is based on past experience, forecasted growth of subscribers (new subscribers connected to the network) and other business drivers.

**Revenues**

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

Management believes that as at 31 December 2023 no reasonable possible change in main assumptions would result in an impairment charge (31 December 2022: no reasonable change).

**Collateral**

For details on the pledges placed on the Group assets refer to Note 20 (vi).

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

## 9. SUBSCRIBER ACQUISITION COSTS

| | **Subscriber acquisition costs** |
|---|---|
| **Cost** | |
| **At 1 January 2023** | **282,622** |
| | |
| Additions | 64,136 |
| Disposals | (4,470) |
| Effect of movement in exchange rates | (812) |
| **At 31 December 2023** | **341,476** |
| | |
| **Accumulated amortisation** | |
| **At 1 January 2023** | **224,610** |
| Amortisation | 59,050 |
| Impairment | 2,123 |
| Disposals | (4,147) |
| Effect of movement in exchange rates | (844) |
| **At 31 December 2023** | **280,792** |
| | |
| **Net Book Value** | |
| **At 1 January 2023** | **58,012** |
| **At 31 December 2023** | **60,684** |

In 2023 SAC were recognized in relation with contracting customers in Romania (EUR 27,028), Spain (EUR 34,556) and Italy (EUR 2,552).

| | **Subscriber acquisition costs** |
|---|---|
| **Cost** | |
| **At 1 January 2022** | **229,122** |
| | |
| Additions | 60,427 |
| Disposals | (6,944) |
| Effect of movement in exchange rates | 17 |
| **At 31 December 2022** | **282,622** |
| | |
| **Accumulated amortisation** | |
| **At 1 January 2022** | **177,633** |
| Amortisation | 51,772 |
| Impairment | 2,220 |
| Disposals | (6,944) |
| Effect of movement in exchange rates | (71) |
| **At 31 December 2022** | **224,610** |
| | |
| **Net Book Value** | |
| **At 1 January 2022** | **51,489** |
| **At 31 December 2022** | **58,012** |

In 2022 SAC were recognized in relation with contracting customers in Romania (EUR 27,138), Spain (EUR 31,123) and Italy (EUR 2,166).
For accounting policy, please see Note 2.2 (d).

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

At 31 December 2023, Subscriber acquisition costs category contains fully amortized assets with a gross book value of EUR 198,128 (2022: EUR 164,264).

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **36,844** | **47,948** |
| Fair value adjustment – OCI | 14,541 | (11,112) |
| Effect of movements in exchange rates | (202) | 8 |
| **Balance at 31 December** | **51,183** | **36,844** |

The above financial assets at fair value through OCI comprise shares in RCSM (which is the parent of the Company). As at 31 December 2023 the percentage of ownership of DIGI in RCSM is 10%, similar to previous period. For additional disclosures on the fair values of financial assets at fair value through OCI refer to Note 32 (iv).

## 11. EQUITY ACCOUNTED INVESTEES

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Interest in joint ventures | (A) | 985 | 7,461 |
| Interests in associates | | 632 | 519 |
| **Balance at 31 December** | | **1,617** | **7,980** |

### A. <u>Joint Ventures</u>

In 2022, RCS&RDS S.A. and Citymesh NV entered into an agreement to jointly participate in the auction organized by the Belgian Institute for Postal Services and Telecommunication ("BIPT") for the multiband frequency. For this purpose, two special purpose vehicles were incorporated in Belgium, Citymesh Mobile NV and InSky NV. These are jont ventures in which the Group has joint control. In March 2022, following the auction organized by the BIPT, Citymesh Mobile NV was awarded Spectrum in the multiband frequency, pursuant to the Royal Decrees of 28 November 2021, regarding the 700 MHz, 900 MHz, 1800 MHz, 2100 Mhz and 3600 MHz frequency bands. The 2600MHz Spectrum was transferred from Citymesh NV to Citymesh Mobile NV, following the "Existing Spectrum Transfer Agreement" concluded in November 2022. Neither Citymesh Mobile NV nor InSky NV are publicly listed.

In 2023, RCS & RDS S.A. and Citymesh NV entered into an agreement for the set-up of DIGI Communications Belgium NV to act as an operator that provides electronic communication services over mobile network. This is a joint venture in which the Group has joint control. DIGI Communications Belgium NV is not a publicly listed entity.

The contractual arrangements signed in 2022 and 2023 between RCS&RDS S.A. and Citymesh NV give both parties the right to joint control, because they both act together to direct the relevant activities of the special purpose vehicles. The relevant activities are controlled through the agreement of both shareholders which collectively agree on the following:

- the funding structure and obtaining funding;
- selecting, acquiring or disposing of assets;
- selling services;
- purchasing of goods and services, as well as hiring of own employees.

In respect of control over relevant activities, there are rights specifically stipulated in the signed agreements and reserved maters to be decided by the Board of Directors and Shareholders. The relevant activities mentioned above are stipulated in the agreements and jointly agreed by both shareholders, and as such there is unanimous consent of both shareholders over those activities, indicator of joint control.

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

The Reserved Board matters must be decided by both shareholders, as these decisions need the agreement of one director from RCS&RDS S.A. and one from Citymesh NV. The relevant activities and substantive rights are mainly represented by the decisions related to the spectrum and the approval of budgets. Also, the distribution of dividends included in the reserved shareholder matters is also a relevant activity which gives substantive rights to both joint venture partners, because these require a vote in favor by RCS&RDS S.A. and a vote in favor by Citymesh NV.

The following table summarizes the financial information of Citymesh Mobile NV as included in its own financial statements, adjusted for differences in accounting policies. The table also reconciles the recognized financial information to the carrying amount of the Group's interest in Citymesh Mobile NV.

| | 2023 | 2022 |
|---|---|---|
| **Percentage ownership interest (49%)** | | |
| Non-current assets | 133,276 | 136,191 |
| Current assets | 8,735 | 853 |
| Non-current liabilities [1)] | (105,422) | (112,342) |
| Current liabilities [1)] | (44,345) | (19,360) |
| **Net assets (100%)** | **(7,756)** | **5,342** |
| Group's share of net assets (49%) | (3,800) | 2,618 |
| Goodwill | - | 2,550 |
| **Carrying amount of interest in joint venture** | **-** | **5,168** |
| Operating expenses | (5,835) | (347) |
| Depreciation and amortisation | (7,305) | (918) |
| Interest expenses | 43 | (405) |
| | | |
| **Loss and total comprehensive income (100%)** | **(13,097)** | **(1,670)** |
| Loss and total comprehensive income (49%) | (6,418) | (818) |
| **Group's share of total comprehensive income** | **(5,168)** | **(818)** |
| | | |
| **Unrecognised Group share of loss carried forward** | **(1,250)** | **-** |

[1)]Non-current liabilities of 105,422 EUR (2022: EUR 112,342) represent the present value of future payments in relation to the acquisition of Spectrum in the multiband frequency. Included in Current liabilities is the corresponding short-term liability, in amount of 6,920 EUR (2022: EUR 10,120).

The following table summarizes the financial information of InSKy NV as included in its own financial statements, adjusted for differences in accounting policies. The table also reconciles the recognized financial information to the carrying amount of the Group's interest in InSKy NV.

| | 2023 | 2022 |
|---|---|---|
| **Percentage ownership interest (51%)** | | |
| Non-current assets | 6,455 | 436 |
| Current assets | 1,882 | 5,041 |
| Non-current liabilities | (155) | - |
| Current liabilities | (6,250) | (980) |
| **Net assets (100%)** | **1,932** | **4,497** |
| Group's share of net assets (51%) | 985 | 2,293 |
| **Carrying amount of interest in joint venture** | **985** | **2,293** |
| Operating expenses | (2,514) | (503) |

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

| | | |
|---|---|---|
| Depreciation and amortisation | (51) | - |
| | | |
| **Loss total comprehensive income (100%)** | **(2,565)** | **(503)** |
| Loss and total comprehensive income (51%) | (1,308) | (257) |
| **Group's share of total comprehensive income** | **(1,308)** | **(257)** |

The following table summarizes the financial information of DIGI Communications Belgium NV as included in its own financial statements, adjusted for differences in accounting policies. The table also reconciles the recognized financial information to the carrying amount of the Group's interest in DIGI Communications Belgium NV.

| | 2023 | 2022 |
|---|---|---|
| **Percentage ownership interest (51%)** | | |
| Non-current assets | 63 | - |
| Current assets | 95 | - |
| Non-current liabilities | - | - |
| Current liabilities | (981) | - |
| **Net assets (100%)** | **(823)** | |
| Group's share of net assets (51%) | (420) | - |
| **Carrying amount of interest in joint venture** | **-** | **-** |
| Operating expenses | (885) | - |
| | | |
| **Loss total comprehensive income (100%)** | **(885)** | **-** |
| Loss and total comprehensive income (51%) | (451) | - |
| **Group's share of total comprehensive income** | **(31)** | **-** |
| | | |
| **Unrecognised Group share of loss carried forward** | **(420)** | **-** |

The movement in Group's interest in net assets of investees during the year is presented as follows:

| | **2023** | **2022** |
|---|---|---|
| **Group's interest in net assets of investees at the beginning of the year** | **7,980** | **644** |
| Increase in interest in joint venture | - | 8,536 |
| Share of total comprehensive income | (6,507) | (1,075) |
| Other movements | 144 | (125) |
| **Carrying amount of interest in investees at the end of the year** | **1,617** | **7,980** |

## 12. LONG TERM RECEIVABLES

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Long term receivables | 13,617 | 11,400 |
| **Total** | **13,617** | **11,400** |

In long term receivables as of 31 December 2023 an amount of EUR 11,274 represents the value related to instalments sales, with maturities of more then one year and also the value of discounts with maturities of more the one year (31 December 2022: EUR 9,267).

## 13. EARNINGS PER SHARE (EPS)

| | 31 December 2023 Continuing operations | 31 December 2023 Discontinued operations | 31 December 2023 Total |
|---|---|---|---|
| **Net profit for the year** | 92,244 | - | 92,244 |
| Non-controlling interests | (7,703) | - | (7,703) |
| **Net profit attributable to equity holders of the parent** | **84,541** | **-** | **84,541** |

| | 31 December 2022 Continuing operations | 31 December 2022 Discontinued operations | 31 December 2022 Total |
|---|---|---|---|
| **Net profit for the year** | 74,788 | 318,690 | 393,478 |
| Non-controlling interests | (5,072) | (20,460) | (25,532) |
| **Net profit attributable to equity holders of the parent** | **69,716** | **298,230** | **367,946** |

***Weighted-average number of ordinary shares (basic)***

| In thousands of shares | 2023 | 2022 |
|---|---|---|
| Issued ordinary shares at 1 January | 94,993 | 94,954 |
| Effect of share options exercised | 222 | 39 |
| Issued ordinary shares at 31 December | 95,215 | 94,993 |
| **Weighted-average number of ordinary shares at 31 December** | **95,104** | **94,974** |

***Weighted-average number of ordinary shares (diluted)***

| In thousands of shares | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Weighted-average number of ordinary shares (basic) | 95,104 | 94,974 |
| Effect of share options | 183 | 222 |
| Weighted-average number of ordinary shares (diluted) at 31 December | 95,287 | 95,196 |

In accordance with IAS 33 *Earnings per share*, DIGI uses a reasonable approximation method to calculate the weighted average number of shares outstanding, by calculating the average between closing and opening balance of outstanding shares, considering that there are no significant movements during the year and taking into account that dividend rights of class A and class B are equal.

Several share options plans have been implemented for management and key employees. These share options have a dilutive effect on earnings. For details, please see Note 33.

## 14. INVENTORIES

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Merchandise and equipment | 3,409 | 3,998 |
| Materials and consumables | 10,004 | 12,597 |
| Allowance for inventories | (495) | (399) |
| **Total inventories** | **12,918** | **16,196** |

In 2023, inventories of EUR 52,218 (2022: EUR 49,112) were recognized as an expense during the year and included in 'cost of goods sold'.

**Merchandise and equipment**

This category includes terminal equipment sold to customers. Such equipment includes mostly mobile phones.

**Materials and consumables**

This category mainly includes inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

**Collateral**

For details regarding the pledges placed on the Group's assets refer to Note 20 (vi).

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

## 15. PROGRAMME ASSETS

Program assets include broadcasting rights for national and international sports competitions, as well as contracts for the acquisition of film and television broadcasting rights. The balance as of 31 December 2023 is of EUR 19,148 (31 December 2022: EUR 18,380).

Contractual obligations related to future seasons are presented as commitments in Note 35.

## 16. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade receivables | 58,516 | 58,582 |
| Contract assets | 94,292 | 78,575 |
| Grants for electricity supply | 10,212 | 5,969 |
| Other taxes receivable | 7,613 | 734 |
| Other receivables | 12,372 | 10,193 |
| Other receivables from related parties | 4,039 | - |
| **Total trade and other receivables** | **187,044** | **154,054** |

Government grants have been recorded in accordance with the applicable Romanian laws and regulations in the energy sector which entitle RCS & RDS to the receipt of compensation for the cap on energy prices. The scheme is currently valid until 31 March 2025. At the date of these financial statements, there are no unfulfilled conditions or contingencies attached to these grants.

Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included in Note 32.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 31 December 2023 are as below. The remaining performance obligations arise from promotional campaigns. All remaining performance obligations are expected to be recognized within two years.

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Unsatisfied performance obligations | 25,296 | 23,690 |
| **Total** | **25,296** | **23,690** |

### Collateral

For details regarding the pledges placed on the Group's assets refer to Note 20 (vi).

## 17. OTHER ASSETS

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Advances to suppliers | 3,870 | 8,312 |
| Prepayments (rent, insurances and other) | 10,328 | 5,719 |
| **Total other assets** | **14,198** | **14,031** |

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

## 18. CASH AND CASH EQUIVALENTS

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Bank accounts | 221,303 | 261,359 |
| Petty cash | 39 | 49 |
| **Total cash and cash equivalents** | **221,342** | **261,408** |

**Collateral**

For details regarding the pledges placed on the Group's assets and restricted cash please refer to Note 20 (vi).

## 19. EQUITY

### 19.1 Share capital and reserves

The issued and paid-up capital as at 31 December 2023 was in amount of EUR 6,810 divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 35,443,972 class B shares, with a nominal value of one eurocent (EUR 0.01) each.

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Class A:** | | |
| Ordinary Shares – Issued and Paid (No.) | 64,556,028 | 64,556,028 |
| Ordinary Shares – Unissued (No.) | 35,443,972 | 35,443,972 |
| Nominal Value | 0.10 EUR per share | 0.10 EUR per share |
| | | |
| **Class B:** | | |
| Ordinary Shares – Issued and Paid (No.) | 35,443,972 | 35,443,972 |
| Ordinary Shares – Unissued (No.) | 64,556,028 | 64,556,028 |
| Nominal Value | 0.01 EUR per share | 0.01 EUR per share |
| | | |
| Share Capital Value (EUR) thousand | 6,810 | 6,810 |

The rights attaching to class B shares are uniform in all respects except for the voting rights attached to class A shares.

**Treasury shares buy-back**

In 2018, the Board of Directors of the Company decided upon the initiation of the class B to be used for the purpose of several stock option programs. During year ended 31 December 2023 and 31 December 2022 there were no shares repurchased through the buy-back program. As at 31 December 2023 there is a number of 4,784,887 outstanding treasury shares (2022: 5,006,587).

Please see Note 33 for Stock Option Plans vested in 2023 and 2022.

**Dividends**

The profit available for distribution is the profit for the year and retained earnings recorded in the IFRS stand-alone statutory financial statements, which will differ from the result in these consolidated financial statements.

At the AGM from 18 August 2023, the dividend of RON 1 per share (EUR 0.2 equivalent) in respect of 2022 was approved by the Shareholders, which resulted in a total dividend of EUR 19,1 million (using 31 December 2023 fx rate).

At the AGM from 28 December 2022, the dividend of RON 0.85 per share (EUR 0.17 equivalent) in respect of 2021, approved by the Company's Board of Directors on 01 September 2022 was also approved by the Shareholders, which resulted in a total dividend of EUR 16,3 million (using 31 December 2022 fx rate).

**Nature and purpose of reserves**

**Translation reserve**

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

**Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of financial assets designated at fair value through other comprehensive income.

**Revaluation reserve**

The revaluation reserve relates to the revaluation of land and buildings.

The transfer of the revaluation reserve through depreciation to the reported result represents the surplus realized from revaluation reserves, formed by transferring corresponding amounts from the revaluation reserve of assets as they are used by the Group. The surplus realized from these revaluation reserves is distributable, while the revaluation reserve is not distributable. In the event that the surplus realized from revaluation reserves is distributed, it will be taxed to the extent that, in accordance with the applicable tax legislation at the time of the revaluation, depreciation expenses related to revalued buildings have been considered deductible expenses in the calculation of income tax, and the surplus realized from revaluation reserves has not already been included in taxable income for the calculation of income tax. As of the date of these consolidated financial statements, there is no decision to distribute the surplus realized from revaluation reserves in the balance at 31 December 2023.

**Reinvested profit**

The reinvested profit reserve relates to the profit tax exemptions and, in particular, the non-taxation of the reinvested profit for purchasing of new equipment, in accordance with legislation in force. The amount of profit for which the reinvested profit tax exemption was granted is distributed to reserves at the end of each financial year. The reserve is distributable in accordance with the AGM decision. If the reserve is distributed, it is included in the tax result as an element similar to income. At the date of these consolidated financial statements, RCS & RDS, subsidiary of the Group, does not intend to distribute the reserve on reinvested profit in balance as at 31 December 2023 181 million EUR (31 December 2022: 114 million EUR).

**Appropriation of result**

The net result of 2022 of EUR 393,478 has been accounted for in shareholders equity.

At the AGM held on 18 August 2023, the dividend of RON 1 per share (EUR 0.2 equivalent) in respect of 2022 was approved by Shareholders.

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

### 19.2 Non-controlling interests

The following table summarizes the consolidated financial information of RCS & RDS before intra-group eliminations which has non-controlling interest.

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Non-current assets | 2,858,688 | 2,354,211 |
| Current assets | 1,079,565 | 746,528 |
| Non-current liabilities | (1,672,460) | (1,482,753) |
| Current liabilities | (1,532,551) | (1,043,276) |
| **Net assets** | **733,242** | **574,710** |
| **Net assets attributable to NCI** | **124,048** | **36,922** |

| | | |
|---|---|---|
| Revenues | 1,706,553 | 1,517,439 |
| Profit | 96,353 | 397,419 |
| OCI | 218 | 2,073 |
| **Total comprehensive income** | **96,571** | **399,492** |
| Profit allocated to NCI | 7,703 | 25,532 |
| Total comprehensive income allocated to NCI | 7,717 | 25,664 |
| | | |
| Cash flows from operating activities | **29,639** | **27,463** |
| Cash flows from investment activities | **(45,236)** | **5,756** |
| Cash flows from financing activities | **91,421** | **(17,686)** |
| **Net increase from cash flows** | **75,824** | **15,533** |

In 2022 non-controlling interest was computed based on percent of 6.42%, percent of non-controling In 2023 non-controling interest was computed based on 6.42%, percent of non-controling shareholders and also 50% non-controling of Primafati S.L.U (Primafati, S.L.U. is not a publicly listed entity).

| | | |
|---|---|---|
| Dividends distributed | 19,140 | 16,321 |
| Dividends allocated to NCI | 1,623 | 1,304 |

**NCI recognized in 2023 in respect Primafati, S.L.U. ("abrdn transaction")**

**Transaction background**

The Company announced in October 2023, the completion by Digi Spain Telecom S.L.U. ("Digi Spain"), the Company's subsidiary in Spain and abrdn plc, of the first investment within the transaction having as subject matter the financing of the roll out of a FTTH network with the aim of covering up to 2.5 million homes passed in Andalucia, Spain (the "Network"), pursuant to the fulfilment of the conditions under the investment agreement concluded on 21 March 2023. This first investment covers 1.35 million homes passed, while the deployment of the entire Network will cover an additional number of 1.15 million homes passed, implying a total investment amount of up to EUR 300,000. The total investment is committed in substantially equal parts by Digi Spain and abrdn plc, potentially also involving bank financing, at the discretion of the shareholders.

In order to structure this transaction, in September 2023 a new company with registered office in Spain was incorporated, called Primafati S.L.U., with Digi Spain contributing 100% of the initial share capital, amounting to EUR 3. Subsequently, on 2 October 2023, two capital increases were carried out, one for the amount of EUR 3 (3,000 shares of EUR 0,001 nominal value) subscribed and paid out by Nispero Bidco, S.A.R.L., a subsidiary of abrdn plc) and another for the amount of EUR 1,620 of share capital (809,970 shares of EUR 0,001 nominal value) subscribed and paid up by Digi Spain, and 809,970 shares of EUR 0,001 nominal value subscribed and paid up by Nispero Bidco, S.A.R.L., and EUR 160,374 of share premium, in this case with a contribution of EUR 80,187 by Digi Spain and EUR 80,187 by Nispero Bidco, S.A.R.L.

**Control assessment**

The contractual arrangements signed in 2023 between Digi Spain and Nispero Bidco, S.A.R.L. give Digi Spain the unconditional right to control Primafati S.L.U. Digi Spain has the majority of the voting rights and the power to appoint or remove the majority of the members of the Board of Directors of Primafati S.LU., and based on the analysis performed, Digi Spain has:

- significant power over the investee (existing rights that give it the current ability to direct the relevant activities based on substantive rights);
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its significant power over the investee to affect the amount of the investor's return.

Although there are certain reserved maters to be decided by the Board of Directors and Shareholders of Primafati S.L.U., these are considered protective rights. The relevant activities of the entity (day-to-day operational management of the company, funding, annual budget and business plan, dividends distribution, etc.) are controlled by the Board of Directors, controlled by Digi Spain, as well as by the CEO and the management team, all being appointed by Digi Spain.

As this is an entity over which the Group has control, it has been consolidated following the full consolidation method. As a result of the consolidation process, in 2023 an additional amount of EUR 82,617 representing the contribution and the profit attributable to NCI was recognized as Non-Controlling Interests (NCI).

**Accounting for call and put options**

Within the above transaction, Digi Spain was granted with certain voluntary purchase call options during the length of the contract. An amount of EUR 3,336 is recorded as financial derivative asset, corresponding to the fair value of the call options on the minority investor's stake in Primafati S.L.U. The value of these call options was derived from the fair value of the shares of the underlying entity Primafati S.L.U., determined by independent valuation experts based on a discounted cash flow method, and subsequently for the value of the call options applying both a Monte-Carlo simulation and a Forward valuation methodology.

In addition, Digi Spain and the guarantor of the transaction, parent company RCS&RDS S.A., have granted the minority shareholder an irrevocable and unconditional right to sell and transfer all the shares held by them in Primafati S.L.U., along with the associated debt, to DIGI Spain or the guarantor in the event of a material breach by Digi Spain (referred to as the 'Minority Shareholder Put Option'). This material breach event could result from various situations, including non-payment of ICO balances, change of control, transfer to a restricted person, or other special circumstances related to scenarios akin to liquidation, all of which are considered protective in nature. When an instrument includes contingent settlement provisions, the issuer does not possess an unconditional right to avoid making payments. Consequently, the instrument is classified as a financial liability, unless one of the following conditions applies:

1. The portion of the contingent settlement provision that might necessitate settlement in cash or another financial asset is not genuine.

2. The issuer can be compelled to settle in cash or another financial asset only in the event of its own liquidation (provided that liquidation is neither predetermined nor at the option of the holder).

It's important to recognize that scenarios other than liquidation, such as insolvency (which doesn't necessarily lead to liquidation), should also be acknowledged. Therefore, neither Digi Spain nor any other Digi entity consolidating Digi Spain can avoid this triggering event.

Consequently, based on the conclusion drawn earlier, the Group cannot entirely avoid a material breach, which would typically result in classifying the written put as a liability. However, in the event of a material breach and the investor's desire to exercise the written put option, the Shareholder Agreement with Abrdn provides the Group two alternatives:

(i) to acquire our shares under the Minority Shareholder Put Option; or

(ii) to accept the consequence defined in the so-called Failed Put mechanism.

Group management has concluded that activating this Failed Put mechanism is under its control and has determined that the financial liability arising from this alternative has a value which is not material and therefore has not recorded this failed put financial liability under IFRS 9 Financial Instruments.

**Summary of accounting impact**

The above mentioned transaction has impacted Net assets / NCI (EUR 82,617) and the Proceeds from issuance of share capital and share premium from minority shareholder line from the Cash flows from financing activities (EUR 81,000).

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

## 20. LOANS AND BORROWINGS

| **Long term portion** | | **Nominal interest rate** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|---|
| Senior Secured Bonds | (i) | 2.5% & 3.25% p.a. | 850,548 | 850,705 |
| 2021 Senior Facilities Agreement | (ii) | 3M EURIBOR + 2.225% p.a.<br>3M EURIBOR + 2.50% p.a.<br>3M EURIBOR + 2.75% p.a. | 268,836 | 177,093 |
| Export Credit Facilities | (iii) | 6M EURIBOR + 0.7% p.a | 64,266 | - |
| **Total long term** | | | **1,183,650** | **1,027,798** |

| **Current portion** | | **Nominal interest rate** | **31 December 2023** | **31 December 2022** |
|---|---|---|---|---|
| 2021 Senior Facilities Agreement | (ii) | 3M EURIBOR + 2.225% p.a.<br>3M EURIBOR + 2.50% p.a.<br>3M EURIBOR + 2.75% p.a. | 68,713 | 31,872 |
| Export Credit Facilities | (iii) | 6M EURIBOR + 0.7% p.a | 42,559 | - |
| Short term loans and working capital facilities | (iv) | Variable linked to EURIBOR/ROBOR/LIBOR+ respective margin | 88,542 | 62,984 |
| **Total current** | | | **199,814** | **94,856** |

For details regarding cash inflows and outflows for loans and borrowings please see the table below:

| | **Long term loans, including short term portion** | **Bonds** | **Short term loans** | **Interest payable** | **Total** |
|---|---|---|---|---|---|
| **Balance as at 1 January 2023** | **208,965** | **850,705** | **53,126** | **9,858** | **1,122,654** |
| | | | | | |
| Proceeds from borrowings | 270,516 | - | 59,822 | - | **330,338** |
| Repayment of borrowings | (30,257) | - | (35,148) | - | **(65,405)** |
| | | | | | |
| Interest expense | - | - | - | 47,746 | **47,746** |
| Capitalised borrowing costs (note 5) | - | - | - | 3,084 | **3,084** |
| Interest paid | - | - | - | (49,511) | **(49,511)** |
| Finance cost [(1)] | (8,084) | - | (149) | - | **(8,233)** |
| Amortisation of deferred finance costs [(2)] | 3,244 | (157) | 121 | - | **3,208** |
| | | | | | |
| Effects of movements in exchange rates | (9) | - | (408) | - | **(417)** |
| | | | | | |
| **Balance as at 31 December 2023** | **444,375** | **850,548** | **77,364** | **11,177** | **1,383,464** |
| *Out of which:* | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| *Short term* | **111,272** | **-** | **77,364** | **11,178** | **199,814** |
| *Long term* | **333,102** | **850,548** | **-** | **-** | **1,183,650** |

*[1)]In the Cashflow statement, the amount of EUR 8,206 represents finance costs paid in 2023 related to Groups' borrowings (presented in the table above).*

*[2)]The amortisation of deferred finance cost may be higher than finance costs due to previous capitalization of finance costs*

| | Long term loans, including short term portion | Bonds | Short term loans | Interest | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2022** | **337,232** | **850,859** | **88,336** | **9,917** | **1,286,343** |
| | | | | | |
| Proceeds from borrowings | 90,000 | - | 25,838 | - | **115,838** |
| Repayment of borrowings | (220,578) | - | (61,045) | - | **(281,623)** |
| | | | | | |
| Interest expense | - | - | - | 31,718 | **31,718** |
| Interest paid | - | - | - | (31,722) | **(31,722)** |
| Finance cost [(1)] | (2,952) | - | - | - | **(2,952)** |
| Amortisation of deferred finance costs [(2)] | 5,190 | (154) | - | - | **5,037** |
| | | | | | |
| Effects of movements in exchange rates | 73 | - | (3) | (55) | **15** |
| | | | | | |
| **Balance as at 31 December 2022** | **208,965** | **850,705** | **53,126** | **9,858** | **1,122,654** |
| *Out of which:* | | | | | |
| *Short term* | **31,872** | **-** | **53,126** | **9,858** | **94,856** |
| *Long term* | **177,093** | **850,705** | **-** | **-** | **1,027,798** |

*[1)]In the Cashflow statement, the amount of EUR 2,952 represents finance costs paid in 2022 related to Groups' borrowings (presented in the table above).*
*[2)]The amortisation of deferred finance cost may be higher than finance costs due to previous capitalization of finance costs.*

**i) Senior Secured Notes due 2025 & 2028 (2020 Bonds)**

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

The gross proceeds of the Offering were used:

(a) to redeem the entire aggregate principal amount outstanding of EUR 550,000 5.0% senior secured notes due 2023 issued by the Company (2016 Bonds) and pay redemption premium and accrued interest to holders thereof;

(b) to prepay or repay partially the outstanding amounts under 2016 Senior Facility Agreement;

(c) to prepay the entire aggregate principal amount 2018 Senior Facility Agreement;

(d) to repay (without cancelling) certain overdraft facilities;

(e) to pay costs, expenses and fees in connection with the Refinancing; and

(f) for general corporate purposes (which may include acquisitions).

***Arrangement fees***

The total cost of concluding the 2020 Bonds is amortised using the effective interest method over the life of the Bonds.

As at 31 December 2023, the unamortized balance of bond issuance related fees was EUR 6,012 (2022: EUR 8,830). During the year, there were net borrowing costs recognized as a decrease in expenses in amount of EUR 157, after netting off with the amortization of the embedded derivative. For details, please see table above.

***Drawings***

As at 31 December 2023, the nominal balance is EUR 850,000 (EUR 850,548 presented net of borrowing fees and including fair value of embedded derivative at inception date, i.e., February 2020).

***Pledges***

Details on pledges are presented further in section (vi) of the Note 20.

**ii) 2021 Senior Facilities Agreement Spain ("2021 SFA")**

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

As of 27 July 2022, Digi Spain, acting as a borrower together with the Company and RCS&RDS as original guarantors, ING Bank N.V. as sole bookrunner and mandated lead arranger and a syndicate of banks, acting as lenders, entered into an amendment agreement to the facility agreement dated 26 July 2021 under which was made available an additional term loan facility in a total aggregated amount of EUR 128,000 for a period equal to five years, until 30 June 2027. The borrowed amount of the new term loan facility will be used by the borrower for the financing of capital expenditure in Spain and associated personnel costs.

On 29 June 2023, Digi Spain Telecom S.L.U. ("Digi Spain"), the Company's Spanish subsidiary, acting as borrower, together with the Company and RCS & RDS S.A., as original guarantors, ING Bank N.V. and Banco Santander as bookrunners and mandated lead arrangers and a syndicate of banks acting as lenders, entered into an amendment agreement to the Facility Agreement dated 26 July 2021, under which it will be made available to Digi Spain, an additional term loan facility in amount of EUR 100,000, for a period equal to four years, until 30 June 2027. The borrowed amount of the new term loan facility will be used by the Borrower for the financing of capital expenditure on the fiber-optic network (and related equipment and infrastructure) in Spain and for associated personnel costs.

The interest rate under the SFA 2021 Facility A, Facility B and Facility C is composed of a margin of 2.225% per annum plus EURIBOR 3M, effective starting April 2022,for Facility D is 2.50% per annum plus EURIBOR 3M and for Facility E is 2.75 % per annum plus EURIBOR 3M.

As at 31 December 2023, the outstanding balances were in amount of EUR 341,863 (2022: EUR 212,000).

***Drawing***

Term loans under the 2021 Senior Facility Agreement were used for the purposes of refinancing long-term loans of Digi Spain and investments.

***Maturities***

There are quarterly equal repayments of interest for the term loans. There is an 18-month grace period for principal repayment.

***Arrangement fees***

The total cost of concluding the loan was amortised using the effective interest method over the remaining term of the 2021 Senior Facilities Agreement. As at 31 December 2023, the unamortized balance of borrowings related fees was EUR 4,313 (2022: EUR 3,035).

***Pledges***

The 2021 Senior Facilities Agreement was unconditionally guaranteed by the Company on a parri-passu basis, and shares the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

The obligations of the Group under the Bonds, as well as their obligations under the Senior Facilities Agreements and other bank facilities, on a pari-passu basis pursuant to the terms of the Intercreditor Agreement dated 4 November 2013 and amended on 26 October 2016, are secured by a first-ranking security interest as presented below v).

**iii) Export Credit Facilities**

On 24 April 2023, RCS & RDS S.A., as borrower, together with the Company and Digi Spain Telecom S.L.U. as original guarantors and ING Bank N.V., as original lender, arranger, facility agent and ECA agent, have concluded two export credit facilities agreements in total amount of EUR 132,683

***Drawing***

The two facilities are intended to be used with the purpose of financing the purchase of good and services for developing the Romanian and Portuguese telecommunications networks of the Company’s subsidiaries.
Finnvera – Covered Export Credit Facility Agreement (Finnvera – ECA) is in total amount of EUR 72,766 and EKN – Covered Export Credit Facility Agreement (EKN – ECA) in amount of EUR 59,917. By the end of the year a total amount of EUR 72,766 was withdrawn from Finnvera – ECA and EUR 59,742 from EKN – ECA.

***Maturities***

**Finnvera – ECA** shall be repaid in six (6) equal installments by repaying on each repayment date an amount which reduces the amount of outstanding loans by an amount equal to 1/6th of the loans borrowed. The first repayment date is the date falling six months after the starting point of credit, being 20 September 2023. Termination date is the date falling thirty (30) months after the first repayment date, being 20 March 2026. An interest of 6M Euribor plus a margin of 0.7% is payable at each repayment date.

**EKN – ECA** consist of two facilities A and B, that shall be repaid in six (6) equal installments by repaying on each repayment date an amount which reduces the amount of outstanding loans by an amount equal to 1/6th of the loans borrowed. The first repayment date is the date falling six months after the starting point of credit, being 28 August 2023 for Facility A and 30 October 2023 for Facility B. Termination date is the date falling thirty (30) months after the first repayment date, being 28 February 2026 for Facility A and 30 April 2026 for Facility B. An interest of 6M Euribor plus a margin of 0.7% is payable at each repayment date.

***Arrangement fees***

The total cost of concluding the loan is amortised using the effective interest method over the term of the facilities. As at 31 December 2023, the unamortized balance of borrowings related fees was EUR 3,571.

***Pledges***

The Export Credit Facilities are unconditionally guaranteed by the Company on a parri-passu basis, and shares the Collateral, together with other outstanding facilities, pursuant to the terms of the Intercreditor Agreement.

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

**iv) Short term and working capital facilities**

Besides the Senior Facilities and the Senior Secured Notes, the Group has several short-term loans and working capital facilities (overdrafts, facilities for issuing letters of guarantees, letters of credit, etc.) in Romania (31 December 2023: EUR 47,354; 31 December 2022: EUR 28,125), in Spain (31 December 2023: EUR 12,680; 31 December 2022: EUR 7,368). Other short-term facilities include EUR 17,331 reverse factoring arrangements (31 December 2022: EUR 17,632) and interest of EUR 11,177 (31 December 2022: EUR 9,860).

**v) Collateral**

The obligations of the Group under the Senior Secured Notes, as well as their obligations under the Senior Facilities Agreements and other bank facilities, on a pari-passu basis pursuant to the terms of the Intercreditor Agreement dated 4 November 2013 and amended on 26 October 2016, are secured by a first-ranking security interest in the following:

(a) Certain Capital Stock that DIGI holds in RCS& RDS, which as at 31 December 2023 accounted for 93.58% of the issued Capital Stock of RCS&RDS, as per Trade Register;

(b) All bank accounts of DIGI, including any new bank accounts;

(c) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(d) Subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account moneys, trade and other receivables, intragroup receivables, inventories, movable tangible property (including networks, machinery, equipment, vehicles, furniture and other similar assets), intangible assets, intellectual property rights, insurance and proceeds related to any of the foregoing as described in the General Movable Mortgage Agreement between RCS&RDS and Wilmington Trust (London) Limited.

**vi) Covenants**

All of the above facilities include certain financial ratios ("loan covenants"), which are calculated based on the consolidated figures of the Group.

The breach of these ratios may constitute an event of default that can lead, unless waived or cured under the terms of the applicable instruments, to early repayment of indebtedness.

The Group undertakes to ensure that, at each period end, the Group leverage, computated as the ratio of Consolidated Total Net Indebtedness to EBITDA is less than 3.5 and Interest cover, computed as the ratio of EBITDA to Net Total Interest, is more than 4.25.

As at 31 December 2023 the Group is in compliance with all loan covenants from all facilities presented above.

## 21. LEASE LIABILITIES

The Group leases mainly network pillars, land, commercial spaces, cars and equipment. Set out below are the carrying amounts of lease liabilities and the movements during the period ended 31 December:

| | **2023** | **2022** |
|---|---|---|
| **As at 1 January** | **295,600** | **196,761** |
| Additions | 186,036 | 191,210 |
| Interest expense | 10,790 | 7,677 |
| Capitalised borrowing costs (note 5) | 7,721 | - |
| Interest paid | (10,974) | (7,074) |
| Payments of principal portion of lease liabilities | (100,200) | (91,293) |
| Translation | 603 | (1,681) |
| **As at 31 December** | **389,576** | **295,600** |
| Current | **77,039** | **79,301** |
| Non-current | **312,537** | **216,299** |

The maturity analysis of lease liabilities is disclosed in Note 32.

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

The following are the amounts recognised in the Consolidated statement of profit or loss:

| | **2023** | **2022** |
|---|---|---|
| Depreciation expense of right-of-use assets | 91,202 | 79,797 |
| Interest expense on lease liabilities | 10,790 | 7,677 |

For the rent contracts which include a renewal clause, the lease liability computation was made based on the estimation that these clauses will be enforced up to a date which falls after the reporting date.

For details about the right of use asset, please see Note 6.

The ranges used as incremental borrowing rates are between 5.6% to 6.6% (2022: 1.7% to 6.8%).

## 22. TRADE AND OTHER PAYABLES

### 22.1 TRADE AND OTHER PAYABLES (current)

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Trade payables | 136,527 | 135,392 |
| Payables to non-current assets suppliers | 267,874 | 255,280 |
| Accruals | 97,412 | 90,849 |
| Value added tax ("VAT") | 20,103 | 8,836 |
| Other payable related to investments | - | 29 |
| Amounts payable to related parties (Note 25) | 9 | 9 |
| Dividends payable (Note 25) | 19,673 | 21,078 |
| Other | 21,595 | 28,607 |
| **Total trade and other payables** | **563,193** | **540,080** |

Included in payables to non-current suppliers, there is the short-term part of the deferred consideration payable for customer relationship acquired in amount of EUR 5,102 (31 December 2022: EUR EUR 11,383), please see Note 8.

*Other* include mainly payables related to taxes.

### 22.2 TRADE AND OTHER PAYABLES (non-current)

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Payables to Non-current assets suppliers | 71,640 | 120,695 |

Our vendors obtain factoring financing facilities from banks in order to be able to accommodate different commercial terms in relation with the Group. These do not represent financing liabilities for the Group, since liabilities arise as part of the commercial negotiations with the vendors. Therefore, they are classified as Payables to Non-current assets suppliers (current) and respectively Other long -term liabilities (depending on the payment terms negotiated with the vendors which are currently for maximum 3 years). If the payment terms are extended beyond the terms of the contractual agreement with the supplier, the financial institutions charge interest, and the amounts are reclassified as interest-bearing loans. In this case, in the consolidated statement of cash flows, the corresponding cash flows are presented under financing activities. If the payment terms are not extended beyond the terms of the contractual agreement with the supplier, the corresponding cash flows are presented within operating activities.

Non-current trade and other payables balance as at 31 December 2023 also comprise of the discounted future payments over 6 years for the 50% of the license price of spectrum awarded in Portugal in 2021, which was recognized as a long-term liability. For details, please see Note 8.

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

### 22.3 EMPLOYEE BENEFITS LIABILITIES

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Wages and salaries | 27,978 | 21,657 |
| Social security contributions | 27,016 | 24,405 |
| **Total** | **54,994** | **46,062** |

Employee benefits include all amounts regarding salaries and related taxes. For details on the related expenses, please see below:

### 22.4 EMPLOYEE BENEFITS EXPENSES

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Wages and salaries | 258,590 | 215,124 |
| Social security contributions | 30,626 | 23,547 |
| Share based payments -recurring | 840 | 1,107 |
| Share based payments -non recurring | 504 | 654 |
| **Total employee benefits expenses** | **290,560** | **240,432** |

## 23. PROVISIONS

As at 31 December 2023, the provision for litigations amounts to EUR 614 (31 December 2022: EUR 1,054).

## 24. DECOMMISSIONING PROVISIONS

Provision for decommissioning costs for the telecom sites was recognized as at 31 December 2023 in amount of EUR 11,302 (31 December 2022: EUR 7,056). Decommissioning costs are measured at the present value of internally estimated expected costs of dismantling using estimated future cash flows. The estimated cash flows were discounted using the S0225 Bloomberg RON zero curve swap, derived from observable sources for maturities between 1 and 30 years. The 6.2% rate reflects the interest rates for future periods reflected in the interest rates on the spot market for debts with different maturities, adjusted on yearly basis (2022: 7.1%).

Please see below the movement table of the decommissioning provision:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Opening balance** | **7,056** | **6,172** |
| Unwinding of discount and revision in estimates | 4,287 | 883 |
| Effect of movement in exchange rates | (41) | 1 |
| **Closing balance** | **11,302** | **7,056** |

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

## 25. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of DIGI and its subsidiaries (the main subsidiaries are included in Note 31); RCSM is the Group's ultimate holding company. Ultimate beneficial shareholder is Mr. Zoltan Teszari.

The following tables provide the total amount of balances with related parties:

**Loans and other receivable from related parties**

| | | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Party** | | | |
| Ager Imobiliare S.R.L. | (ii) | 165 | 163 |
| Joint Ventures in Belgium | (iv) | 22,003 | 4,393 |
| Other | | 326 | 9 |
| **Total** | | **22,494** | **4,565** |

**Payables to related parties**

| | | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Party** | | | |
| RCSM | (i) | 18,968 | 20,728 |
| Mr. Zoltan Teszari | (iii) | 585 | 338 |
| Other | | 129 | 21 |
| **Total** | | **19,682** | **21,087** |
| *Of which: dividends payable (Note 22.1)* | | *19,673* | 21,078 |

(i) *Shareholder of DIGI*
(ii) *Entities affiliated to a shareholder of the parent*
(iii) *Ultimate beneficial shareholder*
*(iv) Joint Venture*

Outstanding trade balances at year-end are interest free For details regarding the guarantees and pledges between Group's companies please refer to Note 20 (vi). For the year ended 31 December 2023, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2022: nil).

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

In 2023, RCS & RDS declared dividends in amount of RON 125 million (EUR 25,1 million equivalent), from 2022 profit. In 2022, RCS & RDS declared dividends in amount of RON 100 million (EUR 20 million equivalent), from 2021 profit. For dividends distributed by the Company, please refer to Note 19.

**Transactions with key management personnel**

**Key management personnel compensation**

Key management personnel compensation comprised the following:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 5,844 | 4,014 |
| Share-based payments | 1,343 | 1,513 |
| **Total** | **7,187** | **5,527** |

In 2023, the amount of remuneration of executive directors is EUR 5,242 in 2023 (2022: EUR 5,157) and non-executive directors is EUR 740 (2022: EUR 825)

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

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

In 2023 and 2022 several share option plans were implemented for certain members of management and employees. Several shares option plans vested in 2023 and 2022. For details, please refer to Note 33.

During 2023 and 2022, the Company distributed dividends to its shareholders. For details, please see Note 19.

| **Transactions with related parties** | | | |
|---|---|---|---|
| | | **31 December 2023** | **31 December 2022** |
| **Sale of services** | | | |
| Ager Imobiliare S.R.L. | (ii) | 4 | 4 |
| Fundatia Man | (ii) | 172 | 391 |
| Joint Ventures in Belgium | (iv) | 3,780 | 97 |
| **Total** | | **3,956** | **492** |
| | | | |
| **Others** | | | |
| *Sponsorships and donations* | | | |
| Fundatia Man | (ii) | 892 | 1,473 |
| | | | |
| **Total** | | **892** | **1,473** |
| | | | |
| **Transfer under finance agreements** | | | |
| *Loans and borrowings* | | | |
| Joint Ventures in Belgium | (iv) | 738 | - |
| **Total** | | **738** | **-** |

(i) *Shareholder of DIGI*
(ii) *Entities affiliated to a shareholder of the parent*
(iii) *Ultimate beneficial shareholder*
*(iv) Joint Venture*

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

## 26. REVENUES

### A. Revenues streams

The Group generates revenues mainly from revenue from fixed and mobile services invoiced mainly as, subscription, traffic and interconnection.

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

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

| | 2023 | 2022 |
|---|---|---|
| **Continuing operations** | | |
| **Country** | | |
| Romania | 1,019,381 | 964,877 |
| Spain | 642,004 | 500,412 |
| Other [(1)] | 28,991 | 27,480 |
| **Total Revenues from continued operations** | **1,690,376** | **1,492,769** |
| **Category** | | |
| Fixed services [(2)] | 841,173 | 725,268 |
| Mobile services | 714,213 | 615,884 |
| Other [(3)] | 134,990 | 151,617 |
| **Total Revenues from continued operations** | **1,690,376** | **1,492,769** |

*[1)]Includes revenue from operations in Italy.*
*[2)]Includes mainly revenues from subscriptions for CATV, fixed internet and fixed telephony and DTH services.*
*[3)]Includes mainly revenues from sale of handsets and other CPE, energy, green certificates, as well as advertising revenues.*

The tables below provide the split of revenues by activity:

| For the year ended 31 December 2023 | Romania | Spain | Other | Total |
|---|---|---|---|---|
| Fixed | 628,871 | 212,302 | - | **841,173** |
| Mobile | 259,141 | 429,669 | 29,076 | **717,886** |
| Other | 134,514 | 446 | 48 | **135,008** |
| **Total before intersegment elimination** | **1,022,526** | **642,417** | **29,124** | **1,694,067** |
| Intersegment elimination | (3,145) | (413) | (133) | **(3,691)** |
| **Total consolidated** | **1,019,381** | **642,004** | **28,991** | **1,690,376** |

| For the year ended 31 December 2022 | Romania | Spain | Other | Total |
|---|---|---|---|---|
| Fixed | 589,091 | 136,177 | - | **725,268** |
| Mobile | 233,467 | 359,270 | 27,675 | **620,411** |
| Other | 146,098 | 5,528 | 4 | **151,631** |
| **Total before intersegment elimination** | **968,656** | **500,975** | **27,679** | **1,497,310** |
| Intersegment elimination | (3,779) | (563) | (199) | **(4,541)** |
| **Total consolidated** | **964,877** | **500,412** | **27,480** | **1,492,769** |

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

**26. REVENUES (CONTINUED)**

The table below provides the standalone and consolidated revenues in accordance to *IFRS 15 Revenue from Contracts with Customers* for the years ended 31 December 2023 and 2022.

| **Revenues split IFRS 15** | **For the year ended 31 December 2023** | **For the year ended 31 December 2022** |
|---|---|---|
| Fixed | 841,173 | 725,268 |
| Mobile | 717,886 | 620,411 |
| **Total telecom** | **1,559,059** | **1,345,679** |
| Other | 135,008 | 151,631 |
| **Total before intersegment elimination** | **1,694,067** | **1,497,310** |
| Intersegment elimination | (3,691) | (4,541) |
| **Total consolidated** | **1,690,376** | **1,492,769** |

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

| **Timing of revenue recognition** | **2023** | **2022** |
|---|---|---|
| Goods transferred at a point in time | 54,815 | 50,912 |
| Services transferred over time | 1,635,561 | 1,441,857 |
| **Total revenues** | **1,690,376** | **1,492,769** |

The transfer of goods to the customer at a point in time are presented in the first table above as part of *Other revenues*.

Revenues recognised in the year ended 31 December 2023, which were included in contract liability at the beginning of the year (of EUR 22,923) amounted to EUR 20,422. The amounts in balance as at 31 December 2023 are to be recognised gradually as revenues until 31 December 2024.

Revenues recognised in the year ended 31 December 2022, which were included in contract liability at the beginning of the year (of EUR 15,732) amounted to EUR 15,078. The amounts in balance as at 31 December 2022 are to be recognised gradually as revenues until 31 December 2023.

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

| | **Note** | **2023** | **2022** |
|---|---|---|---|
| | | | |
| Receivables, which are included in 'trade and other receivables' | | 58,516 | 58,582 |
| Contract assets | | 94,292 | 78,575 |
| Contract liabilities (long and short-term part) | | (26,161) | (22,923) |

The contract assets primarily relate to the Group's services rendered and right to consideration for handsets sold in installments that are not yet billed at the reporting date. The contract assets are transferred to receivables when the right becomes unconditional. This occurs when the Group issues an invoice to the clients.

Contract liabilities primarily relate to the advance consideration received from clients for subscriptions, advance consideration for right of use contracts, as well as advance consideration for future sports competitions, for which revenue is recognized over time.

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

## 27. OTHER INCOME AND EXPENSES

| | 2023 | 2022 |
|---|---|---|
| Other income | 16,180 | 24,671 |
| Other expenses | (504) | (654) |

### A. Other income

For the period ended 31 December 2023 (similar with 2022), other income represents the subvention for electricity supply.

Government grants have been recorded in accordance with the applicable Romanian laws and regulations in the energy sector which entitle RCS & RDS to the receipt of compensation for the cap on energy prices. The scheme is currently valid until 31 March 2025. At the date of these financial statements, there are no unfulfilled conditions or contingencies attached to these grants.

### B. Other expenses

For the period ended 31 December 2023, similar to prior period, other expenses include expenses related to share option plans vested, which are expected to be one-time events.

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

## 28. OPERATING EXPENSES

| | **2023** | **2022*** |
|---|---|---|
| Depreciation of property, plant and equipment ( Note 5) | 165,716 | 139,662 |
| Depreciation of investement property ( Note 7) | - | 101 |
| Amortisation of right of use asset ( Note 6) | 91,202 | 79,797 |
| Amortisation of non-current intangible assets and programme assets(Note 8-15 | 95,355 | 82,297 |
| Amortisation of subscriber acquisition costs ( Note 9) | 59,051 | 51,772 |
| Impairment of property, plant and equipment ( Note 5) | 4,049 | 3,539 |
| Impairment of subscriber acquisition costs ( Note 9) | 2,123 | 2,219 |
| Employee benefits | 290,056 | 239,775 |
| Costs related to fixed services | 167,986 | 154,818 |
| Telephony expenses | 372,800 | 332,108 |
| Cost of materials sold | 52,218 | 49,112 |
| Invoicing and collection expenses | 20,423 | 19,272 |
| Taxes and penalties | 10,679 | 11,259 |
| Electricity cost and other utilities | 91,332 | 97,831 |
| Impairment of receivables and other assets, net of reversals | 11,739 | 5,862 |
| Taxes to authorities | 16,088 | 18,135 |
| Other materials and subcontractors | 10,632 | 11,318 |
| Other services | 31,647 | 35,140 |
| Other operating expenses | 39,790 | 37,219 |
| **Total** | **1,532,886** | **1,371,236** |

**The comparative information has been adjusted due to changes made for comparison purposes.*

The 2022 and 2023 share option plans expenses accrued in the year are included under the caption "Salaries and related taxes". For details, please see Note 33.

Employee benefits capitalized by the Group from continuing operations during the year ended 31 December 2023 amount to EUR 239,467 (2022: EUR 187,692). *Other services*, *Other operating expenses* and *Other materials and subcontractors' expenses* mainly include expenses related to advertisings costs, expenses related to own TV channels, settlements of contracts, network maintenance expenses and various other fees and commissions to third parties.

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

## 29. NET FINANCE COSTS

| | **2023** | **2022** |
|---|---|---|
| ***Finance income*** | | |
| Interest from banks | 4,259 | 110 |
| Other financial revenues | 3,399 | 329 |
| | **7,658** | **439** |
| ***Finance costs*** | | |
| Interest expense | (54,020) | (39,258) |
| Interest for lease liability | (10,790) | (7,677) |
| Loss on derivative financial instruments (net) | (2,269) | (3,817) |
| Other financial expenses | (8,821) | (12,379) |
| Foreign exchange differences (net) | (4,745) | (542) |
| | **(80,645)** | **(63,673)** |
| **Net Finance Costs** | **(72,987)** | **(63,234)** |

As at 31 December 2023, the fair value of the embedded derivative assets attached to our EUR 850,000 Senior Secured Notes is EUR 2,768 (December 2022: EUR 5,052). The fair value movement of EUR 2,269 (2022: EUR 3,817) was recognised as a loss on derivative financial instruments. For details, please see Note 34.

## 30. INCOME TAX

The Company was incorporated under Dutch law but is a Romanian tax resident as it is having its place of effective management in Bucharest, Romania, where all the strategic and commercial decisions are made, as well as the day-to-day management is carried out.

The statutory tax rate applied in Romania during 2023 and 2022 was 16%, in Spain during 2023 and 2022 was 25%, in Italy during 2023 and 2022 was 24% and in Portugal during 2023 and 2022 was 21%.

Components of income tax expense for the year ended 31 December 2023 and 2022 respectively were:

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Current tax expense | 8,208 | 5,769 |
| Deferred tax expense/ (income) | (6,780) | 684 |
| **Tax expense on continuing operations** | **1,428** | **6,453** |

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

**Reconciliation of effective tax rate**

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Group's effective income tax rate for the financial years 2023 and 2022 is as follows:

| | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| **Profit before tax from continuing operations** | | **93,668** | | **399,931** |
| At statutory income tax rate of the Company | 16.00% | 14,987 | 16.00% | 63,989 |
| Effect of tax rates in foreign jurisdictions | -2.4% | (2,252) | -0.56% | (2,239) |
| **Tax effect of:** | | | | |
| Share of profit of equity-accounted investees reported, net of tax | -6.95% | (6,507) | -0.04% | (172) |
| Non-deductible expenses/(Tax-exempt income) | 5.79% | 5,424 | -13.49% | (47,301)[1), 2)] |
| Tax incentives (tax credit for reinvested profit and sponsorship) | -14.26% | (13,360) | -2.61% | (10,452) |
| Losses for which no deferred tax asset is recognized | 3.35% | 3,136 | 2% | 2,628[2)] |
| **Effective tax expense** | 1.52% | **1,428** | **1.61%** | **6,453** |

1) Tax-exempt income in 2022 is due to the recognition of the gain on sales of Hugarian operations, which, according to Romanian Tax Code, is non-taxable income.

2) For the 2022 an amount of EUR 6,653 was represented from line Non-deductible expenses/(Tax-exempt income) to Losses for which no deferred tax asset is recognized

Deferred taxes in the consolidated statement of financial position are**:**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Deferred tax assets | 16,035 | 2,840 |
| Deferred tax liabilities | (82,209) | (76,131) |

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

The movement in deferred tax liability for the financial year 2023 comprises the tax effect of temporary differences related to:

| | | | | | | | **31 December 2023** |
|---|---|---|---|---|---|---|---|
| | **Net balance at 1 January** | **Recognised in profit and loss** | **Recognised directly in equity** | **Effect of movement in exchange rates** | **Net** | **Deferred tax assets** | **Deferred tax liabilities** |
| Property, plant and equipment[1)] | **(68,480)** | (7,620) | 50 | 409 | **(75,641)** | **-** | **(75,641)** |
| Intangibles | **(8,736)** | 182 | - | 52 | **(8,502)** | **1,925** | **(10,427)** |
| Accounts receivable | **(378)** | 692 | - | 3 | **317** | **1,032** | **(715)** |
| Inventory | **34** | 178 | - | - | **212** | 212 | **-** |
| Accounts payable | **7** | 682 | - | (2) | **687** | 2,009 | **(1,322)** |
| Leases assets [1)] | **(16,664)** | (31,907) | - | 33 | **(48,538)** | - | **(48,538)** |
| Leases liabilities | **16,149** | 35,968 | - | (135) | **51,982** | 51,982 | **-** |
| Decommissioning | **1,090** | 844 | - | (70) | **1,864** | 1,864 | **-** |
| Untaken holiday | **494** | 62 | - | (2) | **554** | 554 | **-** |
| ICO share | **-** | 384 | - | - | **384** | 384 | **-** |
| Tax losses carried forward | **3,192** | 7,315 | - | - | **10,507** | 10,507 | **-** |
| **Tax assets (liabilities) before set-off** | **(73,292)** | **6,780** | **50** | **288** | **(66,174)** | **70,469** | **(136,643)** |
| **Set-off of tax** | **-** | **-** | **-** | **-** | **-** | **(54,434)** | **54,434** |
| **Net tax assets (liabilities)** | **-** | **-** | **-** | **-** | **(66,174)** | **16,035** | **(82,209)** |

1) The Group applied *Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)* from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. For further discussion about the impact, please refer to Note 2.1; for the accounting policy, please refer to Note 2.2.

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

The movement in deferred tax liability for the financial year 2022 comprises the tax effect of temporary differences related to:

| | | | | | | | **31 December 2022** |
|---|---|---|---|---|---|---|---|
| | **Net balance at 1 January** | **Recognised in profit and loss** | **Recognised directly in equity** | **Effect of movement in exchange rates** | **Net** | **Deferred tax assets** | **Deferred tax liabilities** |
| Property, plant and equipment[1] | **(57,513)** | (11,033) | 50 | 16 | **(68,480)** | **-** | **(68,480)** |
| Intangibles | **(16,597)** | 7,862 | - | (1) | **(8,736)** | **-** | **(8,736)** |
| Accounts receivable | **(933)** | 556 | - | (1) | **(378)** | **-** | **(378)** |
| Inventory | **-** | 34 | - | - | **34** | 34 | **-** |
| Accounts payable | **(11)** | 22 | - | (3) | **8** | 8 | **-** |
| Leases assets [1] [2] | **(13,692)** | (2,970) | - | (3) | **(16,664)** | - | **(16,664)** |
| Lease liabilities[2] | **13,600** | 2,544 | - | 5 | **16,149** | 16,149 | **-** |
| Decommissioning | **987** | 150 | - | (47) | **1,090** | 1,090 | **-** |
| Untaken holiday | **418** | 76 | - | - | **494** | 494 | **-** |
| Tax losses carried forward | **1,118** | 2,074 | - | - | **3,192** | 3,192 | **-** |
| **Tax assets (liabilities) before set-off** | **(72,622)** | **(684)** | **50** | **(35)** | **(73,291)** | **20,967** | **-94,258** |
| **Set-off of tax** | | | | | **-** | **-18,127** | **18,127** |
| **Net tax assets (liabilities)** | | | | | **(73,291)** | **2,840** | **(76,131)** |

[1] The Group applied *Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)* from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. For further discussion about the impact, please refer to Note 2.1; for the accounting policy, please refer to Note 2.2.

[2] The 2022 amount was represented to show the split between lease assets and liabilities.

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

**Global minimum top-up tax**

The Digi Group operates in Romania, Italy, Spain, and Portugal. While Romania and Italy enacted new legislation to implement the global minimum top-up tax by the end of the fiscal year 2023, Portugal and Spain did not virtually enact the Pillar Two legislation until 31 December 2023.

The Group expects to be subject to the top-up tax in relation to its operations in Romania where the statutory tax rate is 16 percent, but the additional tax deductions (i.e. mainly reinvested profit incentive) reduce its effective tax rate below 15 percent. The Group also estimated impact of the global minimum top-up tax triggered in Italy which is not significant for the consolidated financial statements.

However, since the newly enacted tax legislation in Romania and Italy is only effective from 1 January 2024, there is no current tax impact for the year ended 31 December 2023.

If the top-up tax had applied in 2023, then the profits relating to the Group's operations in Romania for the year ended 31 December 2023 that would be subject to it amount to approx. EUR 8 million, with the effective tax rate applicable to those profits during 2023 being 9 percent and the global minimum tax would be amount to approx. EUR 466 thousand. Also, regarding the jurisdiction of Italy, no material top-up tax would arise in Italy if the top-up tax had applied in 2023.

Regarding the companies from Spain and Portugal, if the top-up tax had applied in 2023, then the ultimate parent-entity of the Group, RCS Management, will be liable to calculate and pay for the companies from Spain and Portugal the top-up tax under the Income Inclusion Rule.

**Unrecognised deferred tax assets**

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

| | **2023** | | **2022** | |
|---|---|---|---|---|
| | **Gross amount** | Tax effect | **Gross amount** | Tax effect |
| Tax losses | 36,118 | 8,236 | 41,006 | 9,281 |
| | **36,118** | **8,236** | **41,006** | **9,281** |

**Tax losses carried forward**

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

| | **2023** | **Expiry date** | **2022** | **Expiry date** |
|---|---|---|---|---|
| Never expire | 30,715 | - | 28,720 | - |
| Expire | 1,576 | 2023-30 | 1,412 [1)] | 2022-29 |
| Expire | 1,412 | 2022-29 | 1,109 [2)] | 2021-28 |
| Expire | 1,109 | 2021-28 | 1,306 [3)] | 2020-27 |
| Expire | 1,306 | 2020-27 | 8,458 | 2022-27 |
| **Total** | **36,118** | | **41,006** | |

1) 2) 3) The 2022 comparative information was represented to match the 2023 split by expiry date.

Deferred tax asset in respect of the fiscal loss from Portugal was recognised in amount of EUR 5,625 (2022: EUR 0) which is subject to indefinitely expired period and for Spain in amount of EUR 422 (2022: EUR 498).

For statutory purposes, RCS&RDS has performed several revaluations of its land and buildings. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders it would become taxable. No deferred tax liability was recognised in this respect.

The Company did not recognise deferred tax liabilities on taxable temporary differences arising from investments in direct subsidiaries (mainly RCS&RDS) due to the fact that it enjoys a participation exemption status. Uncertainties associated with the fiscal and legal system are disclosed in Note 35.

The Romanian Tax Code currently in force, defines the categories of assets for which companies may apply the tax exemption on reinvested profit as follows: technological equipment, electronic computers and peripheral equipment, cash machines, control and billing machines, software programs, and the right to use software, products and / or purchased software, including on the basis of financial leasing contracts, and commissioned, used for the purpose of development of economic activity.

The amount of the profit for which the reinvested corporate tax exemption was granted shall be distributed at the end of the financial year to reserves.

In line with IAS 12, no deferred tax was recognized in this respect as there is no intention to distribute the reinvested profits in the foreseeable future (Note 19).

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

## 31. SUBSIDIARIES AND DISCONTINUED OPERATION

### 31.1 SUBSIDIARIES

Below are presented the subsidiaries of the Group, excluding dormant subsidiaries and subsidiaries with only intra-group transactions:

| Subsidiary | Country of Incorporation | Field of activity | Legal Ownership | |
|---|---|---|---|---|
| | | | **2023** | **2022** |
| RCS&RDS | Romania | CATV, Internet, DTH, Telephony | 93.58% | 93.58% |
| Digi Spain Telecom S.L.U. | Spain | Telephony | 93.58% | 93.58% |
| Primafati S.L.U. | Spain | Telecom | 46.78% | - |
| Digi Portugal Sociedade Unipessoal LDA. | Portugal | Telecom | 93.58% | 93.58% |
| Digi Italy SL | Italy | Telephony | 93.58% | 93.58% |
| Campus Radio SRL | Romania | Advertising | 93.58% | 93.58% |
| CFO Integrator SRL | Romania | Duct Rent | 93.58% | 93.58% |
| Energia Foto SRL | Romania | Solar energy | 93.58% | 93.58% |
| Novitas SRL | Romania | Solar energy | 93.58% | 93.58% |
| Delalina SRL | Romania | Solar energy | 93.58% | 93.58% |

Digi Communications N.V holds 93.58% (2022: 93.58%) from RCS&RDS. RCS&RDS holds 100% (2022: 100%) from Digi Spain Telecom S.L.U., Digi Portugal Sociedade Unipessoal LDA, Digi Italy SL, Campus Radio SRL, CFO Integrator SRL, Energia Foto SRL, Energia Foto SRL, Novitas SRL, Delalina SRL and 50%+1share (2022: 100%) from Primafati S.L.U.

The entity was consolidated because the Group has power to direct the relevant activities of the entity that significantly affect their returns, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power over the investees to affect the amount of the investor's returns.

### 31.2 DISCONTINUED OPERATION

**Disposal group held for sale**

On November 29, 2021 the Company's Romanian subsidiary (**RCS&RDS**) and 4iG Plc. (**4 iG Plc**.), concluded the sale and purchase agreement ("SPA") regarding the acquisition of DIGI Tavkozlesi Szolgaltato Ltd. (**Digi Hungary**) and of its subsidiaries, Invitel Ltd., Digi Infrastruktura Korlatolt Felelossegu Tarsasag and I TV Ltd by 4iG Plc (representing the whole Hungary reportable segment of the Group). Following completion of the conditions set by the parties in the sale and purchase agreement, on 3 January 2022 (the "Closing date"), EUR 624.98 million, representing the value of the transaction, was transferred by 4iG to RCS & RDS. The result of operations of the Hungarian subsidiaries for the 3 days in January 2022 are not material for the financial statements as a whole and amounts have not been included in the 2022 results. On disposal of these subsidiaries, the cumulative amount of the exchange differences relating to the foreign operations (previously recognised in other comprehensive income and accumulated in the separate component of equity) of EUR 19,682 was reclassified from equity to profit or loss.

Analyzig the criteria of IFRS 10 regarding deconsolidation of accounts, we concluded that loss of control occurred at the closing of the sale, on 3 January 2022.

Details of income and other comprehensive income of the discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income.

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

### A. Effect of disposal on the financial position of the Group

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Consideration received, satisfied in cash | - | **624,977** |
| Cash and cash equivalents disposed of | - | **(2,633)** |
| **Net cash inflow** | - | **622,344** |

### B. Results of discontinued operation

| | 2023 | 2022 |
|---|---|---|
| **Discontinued operations** | - | |
| **Profit/(Loss) from discontinued operations, net of tax** | - | - |
| Gain from sales of discontinued operations | - | 318,690 |
| **Profit/(Loss) from discontinued operations, net of tax** | - | **318,690** |
| **Other comprehensive income - discontinued operations** | - | - |
| ***Items that are or may be reclassified to profit or loss, net of income tax*** | - | - |
| **Other comprehensive income for the year, net of income tax** | - | - |
| **Total comprehensive income/loss for the period** | - | **318,690** |
| *Attributable to owners* | - | *298,230* |
| *Attributable to non-controlling interests* | - | *20,460* |
| **Earnings per share - Discontinued operations** | | |
| Basic earnings per share | - | 3.1401 |
| **Diluted earnings per share** | - | 3.1328 |

The Gain from discontinued operations of EUR 318,690 shown in the Consolidated statement of profit or loss and other comprehensive income includes the loss from dormant entities disposed in 2022, of EUR 519.

Given that the result of operations of the Hungarian subsidiaries for the 3 days in January 2022 are not material for the financial statements as a whole, the amounts have not been included in the 2022 results.

### C. Cumulative income or expense included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

## 32. FINANCIAL RISK MANAGEMENT

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

credit risk

liquidity risk

market risk (including currency risk, interest rate risk and price risk).

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

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

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

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

**i) Credit risk**

***Credit risk exposure***

The Group regularly monitors its customers' debts and expected credit losses are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

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

Management mitigates customer credit risk mainly by monitoring the subscribers to continuous services (telecommunications and energy) and identifying potential bad debt cases, which are suspended, in general between 10 and 30 days after the invoice due.

The maximum exposure to credit risk at the reporting date was:

**Derivative and non-derivative financial assets by category – exposure to credit risk**

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Trade and other receivables | | 78,501 | 69,509 |
| Loans receivable from related parties | | 18,455 | 4,565 |
| Other receivables from related parties | | 4,039 | - |
| Contract assets | | 94,292 | 78,575 |
| Other non-current assets | | 4,466 | 5,243 |
| Grants for electricity supply | | 10,212 | 5,969 |
| Cash and cash equivalents | | 221,342 | 261,408 |
| Long term receivables | | 13,617 | 11,400 |
| Financial assets at fair value through OCI | | 51,183 | 36,844 |
| **Total** | | **496,107** | **473,513** |

The carrying amount of the non-derivative financial assets, net of the recorded allowances for expected credit losses, represents the maximum amount exposed to credit risk. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low. Although collection of receivables could be influenced by macro-economic factors, management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

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

- ***Cash & cash equivalents***

The maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Citibank | 50,055 | 100,277 |
| ING Bank | 81,712 | 1,218 |
| Banca Comerciala Romana | 109 | 70 |
| BRD Groupe Societe Generale | 885 | 347 |
| Unicredit Tiriac Bank | 21,244 | 131,128 |
| Banco Santander | 36,781 | 1,938 |
| Banco La Caixa | 27,669 | 21,529 |
| Banco BBVA | 702 | 400 |
| Banco Sadabell | 48 | 1,947 |
| Petty Cash | 39 | 49 |
| Other | 2,098 | 2,505 |
| **Total** | **221,342** | **261,408** |

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

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

- ***The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks in different countries with external ratings above BBB+, according to Standard & Poor'sTrade and other receivables and contract assets***

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customers with similar loss patterns. The calculation reflects the reasonable and supportable information that is available at the reporting date about past events. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component is considered immaterial.

The following tables provide information about the exposure to credit risk and ECLs for trade and other receivables and contract assets for business, residential, advertising and energy customers as at 31 December 2023 and 2022.

| 31-Dec-23 | Weighted average loss rate | Gross carrying amount | Impairment loss allowance | Net |
|---|---|---|---|---|
| Current (not past due) | 1% | 128,328 | (1,212) | 127,116 |
| Below 30 days | 4% | 30,144 | (1,215) | 28,929 |
| 31–90 days past due | 27% | 13,435 | (3,658) | 9,777 |
| 91–180 days past due | 22% | 12,771 | (2,767) | 10,004 |
| 181–360 days past due | 70% | 8,094 | (5,704) | 2,390 |
| More than 360 days past due | 59% | 11,602 | (6,812) | 4,790 |
| **Total** | | **204,374** | **(21,368)** | **183,006** |

| 31-Dec-22 | Weighted average loss rate | Gross carrying amount | Impairment loss allowance | Net |
|---|---|---|---|---|
| Current (not past due) | 2% | 106,752 | (1,906) | 104,846 |
| Below 30 days | 7% | 32,082 | (2,207) | 29,876 |
| 31–90 days past due | 27% | 14,203 | (3,771) | 10,432 |
| 91–180 days past due | 47% | 10,681 | (5,046) | 5,635 |
| 181–360 days past due | 51% | 3,264 | (1,672) | 1,592 |
| More than 360 days past due | 74% | 6,561 | (4,886) | 1,674 |
| **Total** | | **173,542** | **(19,488)** | **154,054** |

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

| | **2023** | **2022** |
|---|---|---|
| **Balance at 1 January** | **19,488** | **20,443** |
| Amounts written off | (9,647) | (5,384) |
| Reclassification | 653 | (1,222) |
| Net remeasurement of loss allowance | 11,440 | 5,797 |
| Translation reserve | (566) | (146) |
| **Balance at 31 December** | **21,368** | **19,488** |

**ii) Liquidity risk**

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

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

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

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2023:

| | 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 to 12 months** | **1 to 2 years** | **2 to 5 years** | **More than 5 years** |
| **Non derivative financial liabilities** | | | | | | | |
| Loans and borrowings | **1,383,464** | **1,496,133** | 119,037 | 129,268 | 636,858 | 610,970 | - |
| Lease liabilities | **389,576** | **528,251** | 51,057 | 46,151 | 69,997 | 115,634 | 245,412 |
| Trade and other payables and other liabilities | **634,833** | **637,217** | 524,924 | 39,355 | 44,642 | 28,296 | 0 |
| **Total** | **2,407,873** | **2,661,601** | **695,018** | **214,774** | **751,497** | **754,900** | **245,412** |

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2022:

| | 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 to 12 months** | **1 to 2 years** | **2 to 5 years** | **More than 5 years** |
| **Non derivative financial liabilities** | | | | | | | |
| Loans and borrowings | **1,122,654** | **1,227,381** | 94,550 | 31,632 | 149,660 | 550,420 | 401,119 |
| Lease liabilities | **295,600** | **350,969** | 42,406 | 42,790 | 61,654 | 83,740 | 120,379 |
| Trade and other payables and other liabilities | **660,775** | **661,083** | 496,700 | 43,379 | 65,172 | 55,832 | - |
| **Total** | **2,079,029** | **2,239,433** | **633,656** | **117,801** | **276,485** | **689,992** | **521,498** |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. Management believes that there is no significant risk that the Group will encounter liquidity problems in the foreseeable future.

**iii) Market risk**

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

***Exposure to currency risk***

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

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

The Board of Directors actively manages the exposure to EUR and USD currency only for borrowings.

The Group's exposure to foreign currency risk was:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | **USD** | **EUR** | **USD** | **EUR** |
| Trade and other receivables | 1,902 | 4,140 | 3,055 | 8,842 |
| Cash and cash equivalents | 33 | 150,090 | 31 | 230,508 |
| Loans and Borrowings | - | (916,238) | - | (850,000) |
| Bank overdraft | (21,384) | (51,708) | (13,912) | (14,162) |
| Lease liabilities | (11,539) | (108,171) | (16,832) | (112,073) |
| Trade and other payables | (30,824) | (162,210) | (47,909) | (145,418) |
| **Gross exposure** | **(61,812)** | **(1,084,097)** | **(75,568)** | **(882,303)** |

The amounts presented in the table above are expressed in EUR thousands, the denomination of the basis amounts is in the currencies mentioned in the header of the table. The same presentation was applied also to comparatives which were previously presented in the originating currencies.

The following significant exchange rates applied for the year ended 31 December 2023 and 31 December 2022:

| | **2023** | **2022** |
|---|---|---|
| **Romania (RON)** | | |
| USD | 4.4958 | 4.6346 |
| EUR | 4.9746 | 4.9474 |

***Sensitivity analysis for currency risk***

A 10 percent strengthening of the currencies listed above against the functional currencies of the Parent and of the subsidiaries at 31 December would have decreased profit before tax/increased the loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **Effect on profit before tax** | **Effect on profit before tax** |
|---|---|---|
| | **2023** | **2022** |
| | | |
| EUR | 108,410 | 88,230 |
| USD | 6,181 | 7,557 |
| **Total** | **114,591** | **95,787** |

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

A 10 percent weakening of the above-mentioned currencies against the functional currencies of the Parent and of the subsidiaries at 31 December would have had the equal but opposite effect on profit or loss, on the basis that all other variables remain constant.

The effect in equity is the effect in profit or loss before tax, net of tax (16%) (excluding translation effect into presentation currency).

***Exposure to interest rate risk***

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (USD and EUR) through market fluctuations of interest rates. The interest rates of borrowings are disclosed in Note 20 and for lease liabilities see Note 21.

The Board of Directors performs from time-to-time ad-hoc analysis of exposure to variable rate borrowings and decides if it should change the structure of variable / fixed rate borrowings or whether to hedge through Interest Rate Swap.

At the reporting date the interest rate repricing profile of the variable rate interest-bearing financial instruments was:

| | **All repriced at 6 months or less** | |
|---|---|---|
| | **31 December 2023** | **31 December 2022** |
| | | |
| Interest bearing payables | - | 9,321 |
| Senior Facility Agreement (2021) | 341,863 | 212,000 |
| Export Credit Facilities | 110,396 | - |
| **Total** | **452,259** | **221,321** |

The Senior Facility Agreement (2020&2021) are interest bearing. Except for the ones presented in the table above there are no other major interest-bearing financial instruments.

***Sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates, after taking into consideration the effect of the Interest Rate Swap "IRS", at the reporting date would have increased (decreased) profit or loss before tax by:

| | **Profit or loss** | |
|---|---|---|
| | 100 basis points increase | 100 basis points decrease |
| **31 December 2023** | | |
| Variable rate instruments | (4,523) | 4,523 |
| | **Profit or loss** | |
| | 100 basis points increase | 100 basis points decrease |
| **31 December 2022** | | |
| Variable rate instruments | (2,213) | 2,213 |

The effect in equity is the effect in profit or loss before tax, net of tax (16%).

**iv) Fair values**

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

***Fair value hierarchy***

Fair value measurements are analysed by level in the fair value hierarchy as follows:

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

Level 2: valuation techniques with all significant inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: valuation techniques using significant inputs that are not observable or based on observable market data (i.e., unobservable inputs).

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

The significance of a valuation input is assessed against the fair value measurement in its entirety.

***Recurring fair value measurements***

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements of financial instruments are categorised are as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| **31 December 2023** | | | |
| Financial assets at fair value through OCI | 51,183 | - | **51,183** |
| Financial derivative assets | 3,366 | - | **3,366** |
| Embedded derivatives | - | 2,768 | **2,768** |
| **Total** | **54,549** | **2,768** | **57,317** |

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| **31 December 2022** | | | |
| Financial assets at fair value through OCI | 36,844 | - | **36,844** |
| Embedded derivatives | - | 5,052 | **5,052** |
| **Total** | **36,844** | **5,052** | **41,896** |

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

As at 31 December 2023, the fair value assessment of the financial assets at fair value through other comprehensive income shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as at the valuation date of RON/share44 (daily closing) (31 December 2022: RON/share 31.5), 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.

***Sensitivity analysis for financial assets at fair value through OCI***

A change in share price at the reporting date would have an impact as follows:

| | Share price | |
|---|---|---|
| | 10% increase | 10% decrease |
| **31 December 2023** | | |
| Financial assets at fair value through OCI | 5,118 | (5,118) |
| **31 December 2022** | | |
| Financial assets at fair value through OCI | 3,684 | (3,684) |

***Embedded derivatives***

*Redemption Options Bonds*

As at 31 December 2022 and 31 December 2023, a discounted cash flow valuation technique was used in order to estimate the option-free value of the bond at this date. Main inputs were the callable bond market value, coupon, payment terms and maturity date. The fair value of the redemption option is the difference between market price of the bond and the estimated option free value. The fair value was obtained from an independent valuation specialist. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

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

| | **Discount rate** | |
|---|---|---|
| | 10 bps increase | 10 bps decrease |
| **31 December 2023** | | |
| Embedded derivative asset | (1,798) | 1,805 |

| | **Discount rate** | |
|---|---|---|
| | 10 bps increase | 10 bps decrease |
| **31 December 2022** | | |
| Embedded derivative asset | (2,230) | 2,241 |

***Financial derivative assets***

In order to perform the valuation of several call options and one put option regarding the transaction between Digi Spain and abrdn, a valuation model based on Monte-Carlo simulations was carried on by an independent evaluator. A wacc rate of 9% was used. A change of wacc rate with 10 bps would result in the following change of the financial derivative asset:

| | **Discount rate** | |
|---|---|---|
| | 10 bps increase | 10 bps decrease |
| **31 December 2023** | | |
| Financial derivative assets | 566 | (566) |

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2023 is as follows:

| | **Financial assets at fair value through OCI (Notes 10, 19)** | **Financial Derivative Assets** | **Embedded Derivatives** |
|---|---|---|---|
| **1 January 2023** | **36,844** | **-** | **5,052** |
| Gains or (losses) recognised in profit or loss for the year (derecognition) | - | - | (2,269) |
| Gains or (losses) recognised in other comprehensive income | 14,541 | 3,366 | - |
| Effect of movements in exchange rates | (202) | 0 | (15) |
| **31 December 2023** | **51,183** | **3,366** | **2,768** |

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2022 is as follows:

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

| | **Financial assets at fair value through OCI (Notes 10, 19)** | **Embedded Derivatives** |
|---|---|---|
| | | |
| **1 January 2022** | **47,948** | **8,857** |
| Gains or (losses) recognised in profit or loss for the year (derecognition) | - | (3,817) |
| Gains or (losses) recognised in other comprehensive income | (11,112) | - |
| Effect of movements in exchange rates | 8 | 12 |
| **31 December 2022** | **36,844** | **5,052** |

The asset at FV through OCI and the embedded derivative are fully unrealized.

***Assets and liabilities not measured at fair value but for which the fair value is disclosed***

The fair value of long-term loans and their corresponding carrying amount (excluding the interest accrued at 31 December 2023 and 2022) and fair value measurement hierarchy are presented in the table below:

| | | | **31 December 2023** |
|---|---|---|---|
| | **Carrying amount** | **Fair Value** | **Hierarchy** |
| | | | |
| **Loans (Note 20)** | **1,294,922** | **1,262,912** | |
| Bonds* | 850,548 | 812,142 | Level 1 |
| Senior Facilities 2021 | 337,549 | 340,750 | Level 3 |
| Export Credit Facilities | 106,825 | 110,020 | Level 3 |
| | | | **31 December 2022** |
| | **Carrying amount** | **Fair Value** | **Hierarchy** |
| | | | |
| **Loans (Note 20)** | **1,059,670** | **958,524** | |
| Bonds* | 850,705 | 746,379 | Level 1 |
| Senior Facilities 2021 | 208,965 | 212,145 | Level 3 |

** Fair value of bonds is disclosed at mid-market price, which includes the embedded derivative asset*

The fair value of bonds is calculated on the basis of the market price while the fair value of the loans is based on contractual cash flows discounted using a market rate prevailing at the reporting date (latest EURIBOR/ROBOR reset rate, after giving effect to interest rate swaps, plus the market credit spread received by the Group for financial liabilities with similar features).

Financial instruments which are not carried at fair value on the statement of financial position also include trade and other receivables, cash and cash equivalents, other interest-bearing loans and borrowings, other long-term liabilities and trade and other payables.

The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short-term nature (or recognized recently carrying values for other long-term liabilities) and low transaction costs of these instruments.

**v) Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, the value of capital investments, the commercial offerings or the level of assets under property.

Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreements' requirements and in accordance with the Senior Notes.

The Group considers total capital under management to be equity as shown in the consolidated statement of financial position. During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the net leverage ratios under 3.25

The Group has complied with all externally imposed capital requirements throughout 2023 and 2022. These are set out in the Group's notes and syndicated loan agreements, as mentioned in the Note 20, above.

**vi) Climate risks**

In the 2023 financial year, the Group analysed potential sustainability risks in the areas at climate change and scarcity of resources. The Group did not identify any key risks to its business model in either area and, as such, also does not currently anticipate any significant impacts from such risks on its business model or on the presentation of its results of operations or financial position.

**vii) Situation in Ukraine**

The evolution of the situation in Ukraine is uncertain and is closely followed by the Group with respect to potential indirect consequences on the financial markets that could impact refinancing conditions in the future. The Group has no direct interests in Ukraine and the areas at conflict and as a result the Group estimates that the situation in Ukraine will have limited effect on its operations and financial performance for future periods.

## 33. SHARE- BASED PAYMENTS

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

**Measurement of fair values**

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

Currently, the following share option plans are in place or impacted the period ended 31 December 2023:

**33.1** On 19 May 2022, 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 18 May 2022. The total number of options shares granted as part of this stock option plan (applicable for the year 2022) amounts to 130,000. The further vesting of all option shares granted will be conditional upon several performance criteria (EBITDA, RGUs and leverage ratio levels) and the passage of a minimum duration of 1 year. The fair value at grant date was EUR 1,054.

**33.2** On 19 May 2022, the Company's Board of Directors has approved the grant of a number of 91,700 stock options within the stock option program granted to the benefit of employees of the Company's Romanian subsidiary, RCS&RDS S.A, pursuant to the Company's Stock Option Plan. The fair value at grant date was EUR 742.

**33.3** On 11 January 2023, the Company's Board of Directors has approved the grant of a number of 32,500 stock options within the stock option program granted to the benefit of employees of the Company's Romanian subsidiary, RCS&RDS S.A, pursuant to the Company's Stock Option Plan. The fair value at grant date was EUR 228.

**33.4** On 2 March, Mr. Valentin Popoviciu (Executive Director of the Company) have been granted a number of 20,000 stock options by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 28 December 2023. The further vesting of all option shares granted will be conditional upon several performance criteria (EBITDA, RGUs and leverage ratio levels) and the passage of a minimum duration of 1 year. The fair value at grant date was EUR 134.

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

**33.5** On 19 May 2023, 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 18 May 2021. The total number of options shares granted as part of this stock option plan (applicable for the year 2023) amounts to 130,000. The further vesting of all option shares granted will be conditional upon several performance criteria (EBITDA, RGUs and leverage ratio levels) and the passage of a minimum duration of 1 year. The fair value at grant date was EUR 943.

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Class B treasury shares** | **Number** | **WAEP*** | **Number** | **WAEP*** |
| Outstanding as at 1 January | **381,700** | **-** | **199,000** | **-** |
| Exercised during the year | (221,700) | 7.13 | (39,000) | 8.11 |

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

| | | | | |
|---|---|---|---|---|
| Granted during the year | 182,500 | | 221,700 | - |
| Outstanding as at 31 December | **182,500** | | **381,700** | - |
| *Expired* | *160,000* | | - | - |

As at 31 December 2023 the related share option expense of EUR 1,344 (31 December 2022: EUR 1,760) is presented within *Operating expenses* in the Consolidated statement of profit or loss and other comprehensive income.

## 34. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2023 the Group had derivative financial assets.

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | **Fair value** | **Notional** | **Fair value** | **Notional** |
| **Derivative financial asset (see also Note 32)** | | | | |
| Financial derivative assets | 3,366 | n/a | - | n/a |
| Embedded derivatives | 2,768 | n/a | 5,052 | n/a |

Embedded derivatives of EUR 2,768 related to the bond (31 December 2022: EUR 5,052) (the 2020 Bond include several call options as well as one put option, for which the combined fair value of these embedded options was assessed and recognized a separate embedded derivative asset).

As at 31 December 2023 and 31 December 2022, a discounted cash flow valuation technique was used in order to estimate the option-free value at this date. The fair value was obtained from an independent valuation specialist.

As at 31 December 2023 the Group had no derivative financial liabilities (31 December 2022: nil).

In relation with the transaction completed during October 2023 between Digi Spain and abrdn for the roll out of a FTTH Network, several call options and one put option embedded in the signed Shareholders Agreement, were analysed. Their features allow us to consider all of the options (both the call options and one put option) as

American options. Therefore, in order to perform their valuation we have implemented a valuation model based on Monte-Carlo simulations. The fair value was obtained from an independent valuation specialist.

At inception date, 1 October 2023, the derivative was recognised in other comprehensive income, in amount of EUR 3,366.We will perform a fair value evaluation each year and the difference will be booked through profit and loss account. In 2023, the gain or loss from valuation is nill.

## 35. CONTINGENCIES AND COMMITMENTS

### Uncertainties associated with the fiscal and legal system

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

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

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

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

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

The Group is currently involved in a number of legal proceedings, including inquiries from, or discussions with, government authorities that are incidental to their operations. In the opinion of the management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements. For the litigation described below, the Group did not recognize provisions. In all cases, the determination of the probability of successfully defending a claim against the Group involves always the subjective evaluation, therefore the outcome is inherently uncertain. The determination of the value of any future outflows of cash or other resources, and the timing of such outflows, involves the use of estimates.

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

During June – July 2017, RCS&RDS and part of its directors were indicted by the Romanian National Anti-Corruption Agency (DNA) for the offences of bribery and accessory to bribery, money laundering and accessory to money laundering.

The presumed offences of bribery and accessory to bribery are alleged to have been committed through the 2009[12] joint-venture agreement between RCS&RDS and Bodu S.R.L. with respect to the events hall in Bucharest and the broadcasting rights for Liga 1 football matches, while the presumed offences of money laundering and accessory to money laundering are alleged to have been perpetrated through RCS&RDS's acquisition of the Bodu S.R.L. events hall in 2016[13].

[12] In 2009 RCS&RDS and Bodu S.R.L. entered into a joint venture with Bodu S.R.L. (the "JV") with respect to an events hall in Bucharest. At the time when RCS&RDS entered into the JV, Bodu S.R.L. was owned by Mr. Bogdan Dragomir, a son of Mr Dumitru Dragomir, who served as the President of the Romanian Professional Football League (the "**PFL**").

[13] 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

On 15 January 2019, the Bucharest Tribunal, convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of money and maintained the seizure over the two real estate assets first instituted by the DNA. Through the same judgement, Mr. Bendei Ioan (at that time member of the Board of directors of RCS&RDS and director of Integrasoft S.R.L.) was convicted, while the rest of the directors were acquitted in connection with all the accusations brought against them by the DNA. The decision also cancels the joint-venture agreement from 2009 concluded between RCS&RDS and Bodu S.R.L., as well as all the agreements concluded between RCS&RDS, Bodu S.R.L. and Integrasoft S.R.L. in 2015 and 2016.

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

The appeal against this solution was partially granted by the High Court of Cassation and Justice on 20 June 2023. The court decided that some of the evidences used by the Romanian National Anti-Corruption Agency must be removed from the court file and that the Romanian National Anti-Corruption Agency has to decide whether it requests the continuation of the trial under these circumstances. On 10 October 2023, the High Court of Cassation and Justice ruled definitively on the applications submitted in the preliminary chamber and ordered the file to be sent to the Court of Appeal and the start of the trial on the merits. The evidence indicated in the conclusion from 20 June 2023 remained excluded from the file. The Bucharest Court of Appeal will retrial the case with the next hearing term set for 4 June 2024.

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

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contributed to, the JV). Thereafter, RCS&RDS set-off its acquired receivables against Bodu S.R.L. in exchange for the real estate and business of the events hall. Bodu S.R.L. was replaced as RCS&RDS's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries. Following this acquisition, in addition to its investigation of Antena Group's bribery allegations in relation to our investment into the JV, the DNA opened an enquiry as to whether the transactions that followed (including the 2015 settlement and the 2016 acquisition) represented unlawful money-laundering activities.

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

**Material commitments**

Capital commitments are presented both on a discounted and an undiscounted basis, using the weighted average cost of capital for each geographical segment.

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **Contractual cash flows** | **6 months or less** | **6 to 12 months** | **1 to 2 years** | **2 to 5 years** | **More than 5 years** |
| **Continuing operations – Undiscounted amounts** | | | | | | |
| Annual fee for spectrum license | 280,353 | 10,474 | 10,473 | 23,589 | 74,426 | 161,391 |
| Capital expenditure | 238,360 | 67,474 | 33,379 | 105,216 | 32,290 | - |
| Contractual obligations for programme assets | 15,075 | 2,592 | 8,867 | 2,337 | 1,279 | - |
| Contractual obligations for energy contracts | 2,347 | 2,347 | - | - | - | - |
| | **536,135** | **82,887** | **52,719** | **131,142** | **107,995** | **161,391** |
| **Continuing operations – Discounted amounts** | | | | | | |
| Annual fee for spectrum license | 144,326 | 9,449 | 9,450 | 19,244 | 49,459 | 56,724 |
| Capital expenditure | 205,622 | 61,862 | 31,193 | 91,026 | 21,541 | - |
| Contractual obligations for programme assets | 12,881 | 2,292 | 7,884 | 1,841 | 864 | - |
| Contractual obligations for energy contracts | 2,050 | 2,050 | - | - | - | - |
| | **364,879** | **75,653** | **48,527** | **112,111** | **71,864** | **56,724** |
| **Total** | | | | | | |
| **-undiscounted** | **536,135** | **82,887** | **52,719** | **131,142** | **107,995** | **161,391** |
| **-discounted** | **364,879** | **75,653** | **48,527** | **112,111** | **71,864** | **56,724** |

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

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **Contractual cash flows** | **6 months or less** | **6 to 12 months** | **1 to 2 years** | **2 to 5 years** | **More than 5 years** |
| **Continuing operations – Undiscounted amounts** | | | | | | |
| Annual fee for spectrum license | 293,677 | 9,682 | 9,682 | 19,632 | 71,437 | 183,245 |
| Capital expenditure | 200,286 | 38,491 | 33,089 | 77,325 | 51,380 | - |
| Contractual obligations for programme assets | 47,125 | 12,567 | 12,567 | 20,256 | 1,735 | - |
| Contractual obligations for energy contracts | 34,523 | 17,262 | 17,262 | - | - | - |
| | **575,611** | **78,001** | **72,599** | **117,213** | **124,552** | **183,245** |
| **Continuing operations – Discounted amounts** | | | | | | |
| Annual fee for spectrum license | 154,051 | 8,792 | 8,792 | 16,201 | 48,900 | 71,366 |
| Capital expenditure | 173,167 | 34,937 | 29,971 | 66,782 | 41,461 | - |
| Contractual obligations for programme assets | 39,950 | 11,240 | 11,240 | 16,278 | 1,191 | - |
| Contractual obligations for energy contracts | 29,565 | 14,783 | 14,783 | - | - | - |
| | **396,733** | **69,752** | **64,785** | **99,261** | **91,552** | **71,366** |
| **Total** | | | | | | |
| **-undiscounted** | **575,611** | **78,001** | **72,599** | **117,213** | **124,552** | **183,245** |
| **-discounted** | **396,733** | **69,752** | **64,785** | **99,261** | **91,552** | **71,366** |

In addition to these commitments, which are expressed in monetary terms, the Group made certain commitments to the national regulatory authorities such as ensuring certain coverage of the population regarding fixed or mobile networks, particularly in the context of assignment of licenses and quality of service. These commitments (the part which pertains to 2021 as well as 2022 awarded licences, as all the others are already fulfilled) will require investment expenditure in future years to roll out and enhance the networks. They are not shown in the note above if they have not been expressed in monetary terms, which is usually the case. The Group has accordingly agreed to meet the following conditions:

**2100 MHz, 2600 MHz bands license (Romania)**

The obligations included in the authorization to use the additional spectrum are as follows:

to provide coverage with mobile data services with at least 2 Mbps speed for inhabited zones of at least 30% of the population in Romania by the 5 April 2023 (obligation fulfilled);

obligations to provide national roaming services;

obligations regarding network access to mobile virtual network operators;

fulfilment of technical indicators of service quality.

**800 MHz license (Romania)**

The obligations included in the authorization to use the additional spectrum are as follows:

to provide coverage with mobile data services with at least 2 Mbps speed for 56 specific settlements by the 31 December 2023 (obligation fulfilled);

obligations to provide national roaming services;

obligations regarding network access to mobile virtual network operators;

fulfilment of technical indicators of service quality.

**3400 MHz license (Romania)**

The obligations included in the authorization to use the additional spectrum are as follows:

network development obligations to install and maintain proper operation of 2000 base transmission stations with a capacity to ensure a speed of at least 100 Mbit/s / 20 Mhz in Romania in specific areas;

network coverage obligations of international airports in Romania with a download speed of at least 100 Mbit/s with a probability of 85% indoor reception and on demand providing car telecommunication services for airport vehicles.

**900 MHz, 1800 MHz, 2.6 GHz, 3.6 GHz bands license (Portugal)**

The obligations included in the authorization to use the acquired spectrum are as follows:

to ensure within 3 years (from the moment of entering into a national roaming agreement) that DIGI Portugal will provide a mobile coverage of 25% of the Portugal population and within a total of 6 years to reach a mobile coverage of 50% of the Portugal population. These coverages will be considered fulfilled with the provision of a broadband service with a minimum speed of 30 Mbps;

within 3 years of the issue of the license DIGI Portugal must offer commercial services to the public.

**700 MHz, 3600 MHz, 2600 MHz, 900 MHz, 1800 MHz and 2100 MHz bands license (Belgium)**

Capital commitments in respect of the Group's share of the annual fee for spectrum licenses, representing 49% of total commitment, are included above, both on a discounted and an undiscounted basis, using an interest rate of 5.25%, which is the interest rate applied by the Belgian Institute for Postal Services and Telecommunication ("BIPT") for the spectrum licences auctioned in 2022.

**Letters of guarantee and letters of credit**

As at 31 December 2023, there were bank letters of guarantee and letters of credit issued in amount of EUR 56,979 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2022: EUR 63,625).

## 36. SUBSEQUENT EVENTS

On February, 20th, 2024 The European Commission has approved, under the EU Merger Regulation, the proposed creation of a joint venture by Orange and MásMóvil. The approval is conditional upon full compliance with a commitments package, offered by Orange and MásMóvil.

As part of its proposed package of commitments, the joint-venture has agreed to divest to Digi Spain as remedy taker certain sets of blocks of frequencies (2 x 10 MHz in the 1,800 MHz band, 2 x 10 MHz in the 2,100 MHz band and 20 MHz in the 3,500 MHz band) for a consideration of EUR 120,000, which includes a conditional component of EUR 20,000 and to enter into an optional national roaming agreement at market conditions, which Digi Spain can decide to use or not. The package is pending approval from the Spanish Authorities.

Digi Spain concluded an asset sale and purchase agreement with Sota Investments Spain OpCo, S.L.U., a company controlled by aconsortium comprising Macquarie Capital, abrdn and Arjun Infrastructure Partners, leading international infrastructure investors, for the sale by DIGI Spain of a FTTH network in 12 provinces across the regions of Madrid, Segovia, Avila, Castilla-La Mancha, Comunidad Valenciana and Murcia, Spain (the "Network"), for a consideration of up to EUR 750,000. The Network currently comprises approximately 4,250,000 homes passed, with the aim of comprising a total of 6,000,000 homes passed. The deployment of the rest of the Network will be carried out gradually over an estimated period of three years. The transaction is subject to closing conditions, such as foreign direct investment clearance and economic concentration merger control.

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

## 37. EBITDA

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

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

| | **2023** | **2022** |
|---|---|---|
| **Continuing operations** | | |
| **Revenues** | **1,690,376** | **1,492,769** |
| **Other income** | **16,180** | **24,671** |
| | | |
| Operating profit | 173,166 | 145,550 |
| Depreciation, amortisation, impairment and revaluation impact (Note 5 – 9, 15) | 417,496 | 359,389 |
| **EBITDA** | **590,662** | **504,939** |
| | | |
| Other income | - | - |
| Other expenses | 504 | 654 |
| **Adjusted EBITDA total** | **591,166** | **505,593** |
| Adjusted EBITDA total (%) | *34.64%* | *33.32%* |

Given that the result of operations of the Hungarian subsidiaries for the 3 days in January 2022 are not material for the financial statements as a whole, the amounts have not been included in the 2022 results.

For the year ended 31 December 2023 and 31 December 2022, EBITDA was adjusted to exclude non-recurring *Other income* and *Other expense, as presented in the table above*.

For the period ended 31 December 2023 and 31 December 2022, other expenses include expenses related to share option plans vested and are expected to be one-time events.

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

# Stand-alone Financial Statements for the year ended 31 December 2023

# DIGI COMMUNICATIONS N.V.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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## GENERAL INFORMATION

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

**Registered Office:**

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

**Auditors:**

KPMG Accountants N.V.

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

## STAND-ALONE STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets | 3 | 59,397 | 58,897 |
| Financial assets at fair value through OCI | 3 | 51,183 | 36,844 |
| **Total non-current assets** | | **110,580** | **95,741** |
| **Current assets** | | | |
| Trade and other receivables | 4 | 20,340 | 20,558 |
| Cash and cash equivalents | 6 | 83 | 75 |
| **Total current assets** | | **20,423** | **20,633** |
| **Total assets** | | **131,003** | **116,374** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 7 | | |
| Share capital | | 6,810 | 6,810 |
| Share premium | | 3,406 | 3,406 |
| Fair value reserve | | 7,015 | (7,525) |
| Other legal reserve | | (3,063) | (2,757) |
| Retained earnings | | 76,523 | 79,254 |
| Undistributed result | | 19,523 | 15,068 |
| **Total equity** | | **110,214** | **94,256** |
| **Current liabilities** | | | |
| Trade and other payables | | 20,789 | 22,118 |
| **Total current liabilities** | | **20,789** | **22,118** |
| **Total liabilities** | | **20,789** | **22,118** |
| **Total equity and liabilities** | | **131,003** | **116,374** |

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

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

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | | |
| Dividend income | 9 | 23,639 | 19,115 |
| Employee benefits | 10 | (2,544) | (2,578) |
| Operating expenses | 10 | (1,580) | (1,446) |
| **Operating profit** | | **19,515** | **15,091** |
| | | | |
| Finance income | 11 | 46 | 22 |
| Finance costs | 11 | (38) | (45) |
| **Net finance income/(Costs)** | | **8** | **(23)** |
| | | | |
| **Profit before tax** | | **19,523** | **15,068** |
| Income tax expenses | 12 | - | - |
| **Profit for the year** | | **19,523** | **15,068** |
| | | | |
| **Other comprehensive income** | | | |
| ***Items that are or may be reclassified to profit or loss, net of tax*** | | | |
| Foreign operations – foreign currency translation differences | | (306) | (222) |
| ***Items that will never be reclassified to profit or loss*** | | | |
| Revaluation of equity instruments measured at fair value through OCI | 3 | 14,540 | (11,111) |
| **Other comprehensive income for the year, net of tax** | | **14,234** | **(11,333)** |
| **Total comprehensive income for the year** | | **33,757** | **3,735** |

(all amounts are in EUR ’000, unless specified otherwise)

## STAND-ALONE STATEMENT OF CASH FLOWS

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | **19,523** | **15,068** |
| **Adjustments for:** | | | |
| Equity-settled share-based payment transactions | 10 | 840 | 1,107 |
| Unrealised foreign exchange (gain)/ loss | | (59) | (35) |
| Dividend income | 9 | (23,639) | (19,115) |
| **Cash flows used in operations before working capital changes** | | **(3,335)** | **(2,975)** |
| **Changes in:** | | | |
| Decrease in trade receivables and other assets | | 6 | 214 |
| Decrease in trade and other payables | | (301) | 401 |
| **Cash flows used in operations** | | **(3,630)** | **(2,360)** |
| Dividends received from investments | | 23,804 | 11,963 |
| **Net cash flows from operating activities** | | **20,174** | **9,603** |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | (20,166) | (9,618) |
| **Net cash flows used in financing activities** | | **(20,166)** | **(9,618)** |
| **Net increase/(Decrease) in cash and cash equivalents** | | **8** | **(15)** |
| Cash and cash equivalents at the beginning of the year | 6 | 75 | 90 |
| **Cash and cash equivalents at the end of the year** | | **83** | **75** |

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

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

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

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

## STAND-ALONE STATEMENT OF CHANGES IN EQUITY

| | Share capital | Share premium | Fair value reserve* | Translation reserve* | Retained earnings | Undistributed result | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | **6,810** | **3,406** | **(7,525)** | **(2,757)** | **79,254** | **15,068** | **94,256** |
| **Comprehensive income for the period** | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | 19,523 | **19,523** |
| Revaluation of equity instruments measured at fair value through OCI | - | - | 14,540 | - | - | **-** | **14,540** |
| Appropriation of result | | | | | 15,068 | (15,068) | **-** |
| Foreign currency translation differences | - | - | - | (306) | - | - | **(306)** |
| **Total comprehensive income for the period** | **-** | **-** | **14,540** | **(306)** | **15,068** | **4,455** | **33,757** |
| | | | | | | | |
| | | | | | | | |
| **Transactions with owners of the Company, recognized directly in equity** | | | | | | | |
| Contributions by and distributions to owners (Note7) | **-** | **-** | - | - | (19,139) | **-** | **(19,139)** |
| Treasury shares granted as part of share-based payment transactions (Note 14) | - | - | - | - | 1,340 | **-** | **1,340** |
| **Total transactions with owners of the Company** | **-** | **-** | **-** | **-** | **(17,799)** | **-** | **(17,799)** |
| **Balance at 31 December 2023** | **6,810** | **3,406** | **7,015** | **(3,063)** | **76,523** | **19,523** | **110,214** |

* Fair value and Translation reserves represent Legal reserves

**STAND-ALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

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

| | Share capital | Share premium | Fair value reserve* | Translation reserve* | Retained earnings | Undistributed result | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **6,810** | **3,406** | **3,586** | **(2,535)** | **81,606** | **12,215** | **105,088** |
| **Comprehensive income for the period** | | | | | | | |
| Net profit for the period | - | - | - | - | - | 15,068 | **15,068** |
| Revaluation of equity instruments measured at fair value through OCI | - | - | (11,111) | - | - | **-** | **(11,111)** |
| Appropriation of result | - | - | - | - | 12,215 | (12,215) | **-** |
| Foreign currency translation differences | - | - | - | (222) | - | - | **(222)** |
| **Total comprehensive income for the period** | **-** | **-** | **(11,111)** | **(222)** | **12,215** | **2,853** | **3,735** |
| | | | | | | | |
| | | | | | | | |
| **Transactions with owners of the Company, recognized directly in equity** | | | | | | | |
| Contributions by and distributions to owners (Note7) | **-** | **-** | - | - | (16,321) | **-** | **(16,321)** |
| Treasury shares granted as part of share-based payment transactions (Note 14) | - | - | - | - | 1,753 | **-** | **1,753** |
| **Total transactions with owners of the Company** | - | - | - | - | **(14,567)** | - | **(14,567)** |
| **Balance at 31 December 2022** | **6,810** | **3,406** | **(7,525)** | **(2,757)** | **79,254** | **15,068** | **94,256** |

* Fair value and Translation reserves represent Legal reserves

(all amounts are in EUR ’000, unless specified otherwise)

# NOTES TO THE STAND-ALONE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

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

In addition to these stand-alone financial statements the Company prepares consolidated financial statements. The Company’s results are also included in RCS Management S.A., Bucharest, Romania consolidated accounts. The stand-alone financial statements were authorized by the Board of Directors of DIGI on 1 of May 2024.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

**(a) Statement of compliance**

These stand-alone financial statements for the year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (under Article 362.8 NCC from Part 9 of Book 2 of the Dutch Civil Code) and in accordance with Section 2:362(9)of the Dutch Civil Code.

**(b) Basis of measurement**

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

**(c) Going concern assumption**

Management believes that the Company will continue as a going concern for the foreseeable future. For more details, please see Consolidated Financial Statements of the Group as at 31 December 2023.

**(d) Significant estimates and judgements**

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

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

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

| Note | Topic | Key sources of estimates on future income and/or cash flows |
|---|---|---|
| 3 | Fair value of financial instruments, including financial assets at fair value through OCI | Models, selection of parameters, fair value hierarchy, evaluation of non-performance risks. Nature of accounting judgement: Presentation for the investment in the parent company as either a financial asset or a deduction in equity. |

**(e) Functional and presentation currency]**

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

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

**(e) Functional and presentation currency (continued)**

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

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

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

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

| Currency | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Jan – 1 | Average for the year | Dec – 31 | Jan – 1 | Average for the year | Dec – 31 |
| RON per 1EUR | 4.9474 | 4.9465 | 4.9746 | 4.9481 | 4.9315 | 4.9474 |
| USD per 1EUR | 1.0666 | 1.0814 | 1.1065 | 1.1326 | 1.052 | 1.067 |

## 2.2 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company are consistent with accounting policies applied for the Consolidated Financial Statements of the Group, in addition with the following:

**Financial instruments**

***(i) Non-derivative financial assets***

***Financial assets (Investments in subsidiaries)***

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

***(ii) Share capital***

**Ordinary shares**

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

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

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

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

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

**Dividend income**

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

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

## 3. FINANCIAL ASSETS

### 3.1 Investments in subsidiaries

Changes in investments in subsidiaries are presented below:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Opening balance 1 January** | **58,897** | **58,246** |
| | | |
| Share based payments (Note 14) | 500 | 646 |
| Impact of foreign exchange differences | - | 5 |
| **Closing balance 31 December** | **59,397** | **58,897** |

**Investments in Group companies**

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

| Name | Registered office | Ownership 31 December 2023 | Ownership 31 December 2022 | Acquisition cost 31 December 2023 |
|---|---|---|---|---|
| RCS&RDS S.A. | Bucharest, Romania | 93.58% | 93.58% | 59,397 |
| **Total** | | | | |

### 3.2 Financial assets at Fair value through OCI

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| | | |
| **Balance at 1 January** | **36,844** | **47,948** |
| Revaluation of equity instruments measured at fair value through OCI | 14,540 | (11,111) |
| Impact of foreign exchange differences | (201) | 8 |
| **Balance at 31 December** | **51,183** | **36,844** |

The above financial assets at fair value through OCI comprise shares in RCS Management S.A. that the Company owns. As at 31 December 2023 the percentage of ownership of Digi in RCSM is 10%.

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

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of the financial assets at fair value through OCI shares held in RCSM at year end 2022 and 2023 was performed based on the quoted price/share of the shares of the Company as of the valuation date, adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company.

## 4. TRADE AND OTHER RECEIVABLES

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Amounts due from Group companies (Note 5) | 20,262 | 20,535 |
| Other receivables | 282 | 271 |
| Provision for other receivables | (269) | (271) |
| Prepaid expenses | 65 | 23 |
| **Total** | **20,340** | **20,558** |

All receivables fall due in less than one year.

Amounts due from group companies represent mainly dividends receivable.

(all amounts are in EUR ’000, unless specified otherwise)

## 5. RELATED PARTY DISCLOSURES

| Receivables from Group companies | Object | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| RCS & RDS | Dividend receivable | 20,262 | 20,535 |
| **Total** | | **20,262** | **20,535** |

| Payables to Group companies | Object | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| RCS & RDS | Other | (12) | (6) |
| **Total** | | **(12)** | **(6)** |

| Payables to Related parties | Object | 31 December 2023 | 31 December 20212 |
|---|---|---|---|
| RCS Management S.A. | Dividends | (18,968) | (20,728) |
| Zoltan Teszari | Dividends | (570) | (341) |
| **Total** | | **(19,538)** | **(21,069)** |

| Transactions with Group companies Income | Object | 2023 | 2022 |
|---|---|---|---|
| RCS & RDS | Dividend | 23,639 | 19,115 |
| RCS & RDS | Interest | - | - |
| RCS & RDS | Services | 3 | - |
| **Total** | | **23,642** | **19,115** |

| Transactions with Group companies Expenses | Object | 2023 | 2022 |
|---|---|---|---|
| RCS & RDS | Services | 10 | 9 |
| **Total** | | **10** | **9** |

The remuneration of the key management personnel includes share options granted (Note 14) amounting to EUR 840(2022: EUR 1,107), and short-term employee benefits amounting to EUR 1,318 (2022: EUR 1,297).

## 6. CASH AND CASH EQUIVALENTS

As at 31 December 2023 Cash and cash equivalents balance was of EUR 83 (31 December 2022: EUR 75). All cash is freely disposable.

## 7. SHAREHOLDER'S EQUITY

### 7.1 SHARE CAPITAL

As at 31 December 2023, the authorized capital of the company amounts to EUR 11,000. The authorized capital is divided into shares as follows:

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

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

The issued and paid-up capital as at 31 December 2023 and 31 December 2022 in amount of EUR 6,810 is divided into 100,000,000 shares (out of which (i) 64,556,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 35,443,972 class B shares, with a nominal value of one eurocent (EUR 0.01) each).

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

**Unappropriated result**

***Appropriation of profit of 2022*** The financial statements for the reporting year 2022 have been adopted by the General Meeting on 18 August 2023. The General Meeting has adopted the appropriation of profit after tax for the reporting year 2022 as proposed by the Board of Directors.

***Proposal for profit appropriation 2023***

The result after tax for 2023 is included in the item unappropriated result within the equity. At the annual general meeting to be held in June, 2024, the board of directors will propose to pay-out from retained earnings a dividend per share of RON 1.25. This proposed dividend payment shall only be reflected in the statement of financial position when it is approved by the annual general meeting.

### 7.2 DIVIDENDS

The AGM from 18 August 2023, the dividend of RON 1 per share (EUR 0.2 equivalent) in respect of 2022, approved by the Shareholders, which resulted in a total dividend of EUR 19.1 million (using 31 December 2022 fx rate) 2022: EUR 16.3 million.

### 7.3 NATURE AND PURPOSE OF RESERVES

*Legal Reserves*

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

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

*Retained earnings*

Contains cumulative retained earnings of past periods.

Treasury shares are a part of retained earnings and contains cost of treasury shares. As at 31 December 2023 there is a number of outstanding treasury shares 4,784,887 (4,409,361 class A shares and 375,526 class B shares) (2022: 5,006,587 (4,409,361 class A shares and 597,226 class B shares).

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

**7.4 Equity reconciliation in the Stand-alone financial statements to the consolidated financial statements**

| 31-Dec-23 | Share capital | Share premium | Treasury shares | Retained earnings | Fair value reserve | Translation reserve | Revaluation reserve | Undistributed result | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Stand-alone** | **6,810** | **3,406** | **-** | **76,523** | **7,015** | **(3,063)** | **-** | **19,523** | **110,214** |
| Difference in result for the period (result of the subsidiaries) | - | - | - | 65,018 | - | - | - | - | **65,018** |
| Difference in accumulated results | - | - | - | 491,753 | - | - | - | - | **491,753** |
| Appropriation of result | - | - | - | 19,523 | - | - | - | (19,523) | **-** |
| Difference in accumulated results during the period | - | - | - | 227 | - | - | - | - | **227** |
| Accumulated revaluation of PP&E | - | - | - | - | - | - | 9,046 | - | **9,046** |
| Derivative Financial Assets | - | - | - | - | 3,150 | - | - | - | **3,150** |
| Translation differences for the period | - | - | - | - | - | (2,658) | - | - | **(2,658)** |
| Translation differences in accumulated results | - | - | - | - | (477) | (16,026) | - | - | **(16,503)** |
| Difference in treasury shares presentation | - | - | (14,135) | 14,135 | - | - | - | - | **-** |
| **Consolidated** | **6,810** | **3,406** | **(14,135)** | **667,179** | **9,687** | **(21,747)** | **9,046** | **-** | **660,246** |

| 31-Dec-22 | Share capital | Share premium | Treasury shares | Retained earnings | Fair value reserve | Translation reserve | Revaluation reserve | Undistributed result | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Stand-alone** | **6,810** | **3,406** | **-** | **79,254** | **(7,525)** | **(2,757)** | **-** | **15,068** | **94,256** |
| Difference in result for the period (result of the subsidiaries) | - | - | - | 352,878 | - | - | - | - | **352,878** |
| Difference in accumulated results | - | - | - | 133,689 | - | - | - | - | **133,689** |
| Appropriation of result | - | - | - | 15,068 | - | - | - | (15,068) | **-** |
| Difference in accumulated results during the period | - | - | - | 5,184 | - | - | - | - | **5,184** |
| Accumulated revaluation of PP&E | - | - | - | - | - | - | 9,308 | - | **9,308** |
| Translation differences for the period | - | - | - | - | - | 20,679 | - | - | **20,679** |
| Translation differences in accumulated results | - | - | - | - | (479) | (36,708) | - | - | **(37,187)** |
| Difference in treasury shares presentation | - | - | (14,768) | 14,768 | - | - | - | - | **-** |
| **Consolidated** | **6,810** | **3,406** | **(14,768)** | **600,841** | **(8,004)** | **(18,786)** | **9,308** | | **578,808** |

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

### 7.5 NET RESULT RECONCILIATION

| | 2023 | 2022 |
|---|---|---|
| **Stand-alone net result** | **19,523** | **15,068** |
| Result subsidiaries in stand-alone profit or loss statement (dividends) | (23,639) | (19,115) |
| Result subsidiaries on a consolidated basis | 96,360 | 397,525 |
| Result subsidiary attributable to non-controlling interest | (7,703) | (25,532) |
| **Consolidated net result** | **84,541** | **367,946** |

## 8. REMUNERATION OF BOARD OF DIRECTORS

Board member compensation comprised the following:

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | 1,188 | 1,188 |
| Share-based payments | 840 | 1,107 |
| **Total** | **2,028** | **2,295** |

In 2023, the amount of remuneration of executive directors is EUR 1,356 in 2023 (2022: EUR 1,537) and non-executive directors is EUR 672 (2022: EUR 757)

## 9. DIVIDEND INCOME

| | 2023 | 2022 |
|---|---|---|
| Dividend income | 23,639 | 19,115 |
| **Total income** | **23,639** | **19,115** |

In 2023, RCS & RDS declared dividends in amount of RON 125 million (equivalent of EUR 25.1 million), out of which EUR 23.5 million represents the share distributed to the Company.

In August 2022, RCS & RDS declared dividends in amount of RON 100 million (equivalent of EUR 20.2 million), out of which EUR 19.1 million represents the share distributed to the Company.

## 10. OPERATING EXPENSES AND EMPLOYEE BENEFITS

| | 2023 | 2022 |
|---|---|---|
| Salaries and related taxes | 1,704 | 1,471 |
| Share-based payment expense | 840 | 1,107 |
| Other operating expenses | 1,580 | 1,446 |
| **Total operating expenses and employee benefits** | **4,124** | **4,024** |

For details about the share option plan implemented in 2023 and 2022, please see Note 14.

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

## 11. NET FINANCE INCOME

| | 2023 | 2022 |
|---|---|---|
| **Finance income** | | |
| Other finance income | 3 | - |
| Foreign exchange differences (net) | 43 | 22 |
| **Total finance income** | **46** | **22** |
| | | |
| **Finance expenses** | | |
| Other financial expenses | (38) | (45) |
| **Total finance expenses** | **(38)** | **(45)** |
| | | |
| **Net finance income/(costs)** | **8** | **(23)** |

## 12. INCOME TAX

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

The statutory tax rate applied in Romania during 2023 and 2022 was 16%.

*Reconciliation of income tax expense*

Reconciliation of income tax expense at the statutory income tax rate applicable to the net result before tax to the income tax expense at the Company's effective income tax rate for the financial years 2023 and 2022 is as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| | | | | |
| **Profit before tax** | | **19,523** | | **15,068** |
| At statutory income tax rate of the Company | 16.00% | 3,124 | 16.00% | 2,411 |
| Non-deductible expenses | 2.07% | 405 | 2.79% | 421 |
| Tax-exempt income | (19.37)% | (3,782) | (20.29%) | (3,058) |
| Losses for which no deferred tax asset is recognized | 1.29% | 252 | 1.50% | 226 |
| **Effective tax expense** | **0.00%** | **-** | **0.00%** | **-** |

| | 2023 | 2022 |
|---|---|---|
| Current year losses for which no DTA was reconized | 1,576 | 1,412 |

*Unrecognised deferred tax assets*

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| | **Gross amount** | **Tax effect** | **Gross amount** | **Tax effect** |
| Tax losses | 5,404 | 865 | 3,827 | 612 |
| | **5,404** | **865** | **3,828** | **612** |

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

*Tax losses carried forward*

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

| | 2023 | Expiry date | 2022 | Expiry date |
|---|---|---|---|---|
| Expire | 1,576 | 2023-30 | - | - |
| Expire | 1,412 | 2022-29 | 1,412 | 2022-29 |
| Expire | 1,109 | 2021-28 | 1,109 | 2021-28 |
| Expire | 1,306 | 2020-27 | 1,306 | 2020-27 |
| **Total** | **5,404** | | **3,828** | |

## 13. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

### (i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is not exposed to credit risk as the balance of receivables relates to receivable on Company's subsidiary.

### (ii) Liquidity risk

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

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

### (iii) Market risk

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

For more details, please see Consolidated Financial Statements of the Group as at 31 December 2023.

## 14. SHARE-BASED PAYMENT

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

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

Please see Remuneration report in the 2023 Annual Report.

As at 31 December 2023 the related share option expense of EUR 840 (2022: EUR 1,107 ) was recorded in the Statement of profit or loss and Other comprehensive income in the line-item Operating expenses, within salaries and related taxes (Note 10).

## 15. AUDIT FEES

The below table specifies the fees charged by KPMG Accountants N.V. (KPMG NL) and the remainder of the global KPMG Network ("KPMG Other") for 2023 and 2022.

| | **31 December 2023** | | **31 December 2022** | |
|---|---|---|---|---|
| | **KPMG NL** | **KPMG Other** | **KPMG NL** | **KPMG Other** |
| Statutory audit | 547 | 1,137 | 495 | 1,177 |
| Other assurance services | - | 4 | - | - |
| Tax-related advisory services | - | - | - | 19 |
| **Total** | **547** | **1,141** | **495** | **1,196** |

The method of disclosing the auditors fees is disclosing all fees relating to 2023.

## 16. NUMBER OF EMPLOYEES AND EMPLOYEES COSTS

The average number of persons employed by the Company during the period ended 31 December 2023 was 11 (31 December 2022: 10). All employees are stationed outside the Netherlands.

For employees' cost, please see Note 10.

## 17. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

### (a) Contractual commitments

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

For details about Collateral please see the Group's Consolidated Financial Statements, Note 35.

### (b) Legal proceedings

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

## 18. SUBSEQUENT EVENTS

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

These stand-alone financial statements were authorized by the Board of Directors on 1 May 2024 represented by:

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

# Other information

## PROFITS, DISTRIBUTION AND LOSSES

As per the Company's Articles of Association (Article 28), from the profits, shown in the annual accounts, as adopted, the board of directors shall determine which part shall be reserved. Any profits remaining thereafter shall be at the disposal of the general meeting. The board of directors shall make a proposal for that purpose.

Distributions on the shares shall be made to each share equally, irrespective of the class and nominal value of such share. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.

If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.

The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted. The board of directors may, with due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution in certain circumstances.

At the proposal of the board of directors or the class A meeting, the general meeting may resolve to make a distribution on shares, which can be either (wholly or partly) in cash or in shares. At the proposal of the board of directors or the class A meeting, the general meeting may resolve that distributions are made in another currency than Euro.

The board of directors may, subject to due observance of the policy of the company on reserves and dividends and with the prior approval of the class A meeting, resolve that distributions to holders of shares shall be made out of one or more reserves.

Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the board of directors shall determine. The board of directors may determine that entitled to dividends and other distributions of profits shall be, the shareholders, usufructuaries and pledgees, as the case may be, at a record date within four (4) weeks after notification thereof. A claim of a shareholder for payment of a distribution shall be barred after five years have elapsed.

For details regarding the Company's dividend polcy, please see chapter Dividend Policy from this Annual report.

## AUDIT REPORT

The consolidated financial statements of the Group presented have been prepared in accordance with IFRS Accounting Standards as endorsed by the European Union (EU-IFRS) and Section 2:362(9) of the Dutch Civil Code, and were audited by KPMG Accountants N.V.. The independent auditor's report is included below.

KPMG

# Independent auditor's report

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

## Report on the audit of the financial statements 2023 included in the annual report

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

In our opinion,

- except for the possible effects of the matter described in the "Basis for our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements" section, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Digi Communications N.V. and its subsidiaries (the "Group") as at 31 December 2023 and of its consolidated result and cash flows for the year then ended, in accordance with IFRS Accounting Standards as endorsed by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying stand-alone financial statements give a true and fair view of the stand-alone financial position of Digi Communications N.V. (the "Company") as at 31 December 2023 and of its stand-alone result and cash flows for the year then ended, in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2023 of Digi communications N.V. based in Amsterdam.

The financial statements comprise:

1 the consolidated and stand-alone statement of financial position as at 31 December 2023;

2 the following consolidated and stand-alone statements for the year ended 31 December 2023: the statement of profit or loss and other comprehensive income, cash flows and changes in equity; and

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

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

As stated in note 31.2 Discontinued operation to the financial statements, the Group, in the comparative information included in the 2023 consolidated financial statements, recognised a profit from discontinued operations of EUR 318,690 thousand as a result of the sale of Digi Hungary. Management was unable to provide appropriate supporting documentation for Digi Hungary's lease balances as at 31 December 2021, such as lease contracts or addendums to lease contracts reconciling to the lease database, due to the sale of Digi Hungary on 3 January 2022. Following the sale, the new shareholder was not responsive to any further requests for supporting evidence. Therefore, consistent with previous year, we express a qualified opinion, since that it may impact the 2022 recognised profit from discontinued operations as this amount is the result of the sales price minus net assets sold, whereby the net assets sold are uncertain due to the aforementioned uncertainty over Digi Hungary's lease balances.

As a result, we were unable to determine whether any adjustment to the above-mentioned amount in the comparative information included in the 2023 consolidated statement of profit or loss and other comprehensive income and note 31.2 Discontinued operation was necessary.

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

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

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

## Information in support of our opinion

### *Summary*

| Materiality |
|---|
| ***Consolidated financial statements***<br>• Materiality of EUR 13.7 million.<br>• 2.3% of EBITDA. |

| *Stand-alone financial statements* |
|---|
| • Materiality of EUR 1.2 million.<br>• 0.9% of total assets. |

| **Group audit** |
|---|
| • Audit coverage of 97% of total assets.<br>• Audit coverage of 97% of revenue. |

| **Risks of material misstatement related to Fraud, NOCLAR and Going concern** |
|---|
| • Fraud risks: risk of management override of controls (presumed), risk of revenue recognition (presumed), risk related to the significant judgement with regards to the capitalisation of expenditures (eligibility of costs), risk of bribery and corruption and risk of conflicts of interest arising from attention areas within the Corporate Governance of the Company, as further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'.<br>• Non-compliance with laws and regulations (NOCLAR) risk: risk related to non-compliance with anti-bribery and corruption laws and regulations, as further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'.<br>• Going concern risk: no significant going concern risk identified. |

| **Key audit matters** |
|---|
| • Corporate Governance.<br>• Cost capitalisation.<br>• Compliance with laws and regulations.<br>• Accounting for the transaction between Digi Spain and Abrdn. |

| **Opinion** |
|---|
| • Qualified on the consolidated financial statements.<br>• Unqualified on the stand-alone financial statements. |

### *Materiality*

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at EUR 13.7 million (2022: EUR 12.6 million) and for the stand-alone financial statements as a whole at EUR 1.2 million (2022: EUR 1.2 million).

The materiality for the consolidated financial statements is determined with reference to earnings before interest, tax, depreciation and amortisation (EBITDA) as defined by the Group in note 37

EBITDA as the benchmark. We consider EBITDA as the most appropriate benchmark based on the nature of the business, the level of activities and focus of the users of the consolidated financial statements on EBITDA for the purpose of evaluation the Group's financial performance in the telecom sector. We consider EBITDA as the key metric for stakeholders and it reflects the Group's size, growth and performance.

The materiality for the stand-alone financial statements is determined with reference to total assets as the benchmark. We consider total assets as the most appropriate benchmark because Digi Communications N.V. is a holding company and there are no other activities other than the holding investment in its subsidiary.

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

We agreed with the Audit Committee that misstatements identified during our audit in excess of EUR 548 thousand and EUR 48 thousand of the consolidated and stand-alone financial statements respectively, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### *Scope of the group audit*

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

Our group audit mainly focused on significant components. We have made use of the work of component auditors in Romania for the audit of RCS&RDS S.A. and Digi Portugal Sociedade Unipessoal LDA, and component auditors in Spain for the audit of Digi Spain Telecom S.L.U. and Primafati S.L.U. We have performed specific audit procedures at Digi Infrastructura S.R.L. for payroll expenses and related liabilities.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements, except for the qualification as described in our Basis for our qualified opinion on the consolidated financial statements and our opinion on the stand-alone financial statements.

Our procedures as described above can be summarised as follows:

**Total assets**

| 98% | 2% |
|---|---|
| Audit of the complete reporting package | Covered by additional procedures performed at group level |

**Total revenues**

| 97% | 3% |
|---|---|
| Audit of the complete reporting package | Covered by additional procedures performed at group level |

### *Audit response to the risk of fraud and non-compliance with laws and regulations*

In chapter “Risk management, risks and internal control systems” of the annual report, the Board of Directors describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Group and its business environment and the Group’s risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group’s code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance with applicable laws and regulations. Furthermore, we performed relevant inquiries with management, the Board of Directors, the Audit Committee and other relevant functions, such as Internal Audit and the compliance officer. We have also incorporated elements of unpredictability in our audit, such as: modifying the timing and extent of audit procedures which address identified significant areas, and involved forensic specialists in our audit procedures.

As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the financial statements in case of non-compliance:

- Anti-bribery and corruption laws and regulations;
- Telecom regulations;
- Data privacy legislation;
- Environmental regulations;
- Trade sanctions and export controls laws and regulations;

- Anti-competition laws and regulations;
- Health and safety regulations.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

- **Management override of controls (a presumed risk)**

**Risk:**
- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

**Response:**
- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as processes related to journal entries and financial reporting.
- We performed a data analysis of high-risk journal entries such as those related to reclassification entries within the statement of profit or loss which increase EBITDA, or journals entries which increase assets and decrease operating expenses. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We evaluated key estimates and judgments for bias by the Group's management including retrospective reviews of prior years' estimates with respect to useful lives of PPE and intangible assets.

- **Revenue recognition (a presumed risk)**

**Risk:**
- In accordance with Dutch Standards on Auditing 240 'The responsibilities of the auditor with regard to fraud in financial statement audits', there is a presumed fraud risk related to revenue recognition. It is presumed there are generally pressures or incentives to commit fraudulent financial reporting through inappropriate revenue recognition. As a result of pressures and incentives and limited opportunity, we assessed the fraud risk on revenue recognition to be specifically related to journal entries outside the normal course of business, where revenue increases with an unusual counter entry as would be expected based on our sales process understanding (i.e. non-routine transactions).

**Response:**
- We evaluated the design and the implementation of internal controls that mitigate the identified fraud risks related to the revenue process.
- We investigated whether non-routine revenue journal entries outside of the normal course of business were present, where revenue increase with an unusual counter entry in order to verify the appropriateness of the journal entry by performing additional audit procedures, including testing of transactions back to source information.

Our procedures to address these identified risks of fraud did not result in a key audit matter.

- **Risk of conflict of interest arising from the attention areas within the Corporate Governance of the Group**

  Refer to the Key Audit Matter titled: “Corporate Governance”.

- **Risk related to the significant judgement with regards to capitalisation of expenditures (eligibility of costs)**

  Refer to the Key Audit Matter titled: “Cost capitalisation”.

- **Risk of bribery and corruption, including risk of non-compliance with anti-bribery and corruption laws and regulations**

  Refer to the Key Audit Matter titled: “Fraud risk of bribery and corruption, including risk of non-compliance with anti-bribery and corruption laws and regulations ”.

As mentioned above our evaluation of procedures performed related to fraud and non-compliance with laws and regulations did result in key audit matters.

We communicated our risk assessment, audit responses and results to the Audit Committee.

Other than already disclosed in the annual report, our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

### *Audit response to going concern*

As explained in note 2.1(d) going concern assumption, the Board of Directors has performed its going concern assessment and has identified going concern risks related to the Group’s financial position, including significant borrowings maturing within 12 months after the date of the approval of the financial statements of the Group. To assess the Board of Director’s assessment, we have performed, inter alia, the following procedures:

- we considered whether the Board of Director’s assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit.
- we inspected the financing agreements in terms of conditions that could lead to going concern risks, including the term of the agreements and any covenants.
- we analysed the Group’s financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.
- we evaluated the operating results forecast and the related cash flows compared to the previous financial year.
- we compared the Board of Director’s liquidity forecasts and worst-case scenario with our own independent scenario based on supporting information such as 2023 and Q1 2024 actuals, analysis of peer companies, agreements and correspondence with third parties.
- we inspected supporting documentation of upsides not considered in the worst-case scenario, such as agreements, publicly available information and correspondence and inquiry with third parties.

- we determined whether the going concern risks and the related mitigating measures are adequately disclosed in note 2.1(d) going concern assumption.

The outcome of our procedures support the Board of Director's conclusion on the application of the going concern basis of accounting. We also find the disclosure in note 2.1 (d) going concern assumption to be adequate.

### *Our key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our qualified opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for our qualified opinion on consolidated financial statements and our opinion on stand-alone financial statements section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Corporate Governance

**Description**

In accordance with Dutch Standards on Auditing 315 "Identifying and assessing the risks of material misstatements through understanding the entity and its environment" we have obtained an understanding of the Company's control environment. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. This has resulted in the identification of attention areas within the Corporate Governance of the Company further detailed below.

The Company is required to comply with the Dutch Corporate Governance Code. As disclosed by the Company in the section "Management Structure. Corporate Governance" of the Annual Report, the Company complies with the majority of the articles of the Dutch Corporate Governance Code. Reasons for non-compliance with the remaining articles have been explained by the Board of Directors in Annex 3 of the Annual Report.

The president of the Board of Directors, a function held by the controlling shareholder since inception, has power to control the decision making within the Board of Directors through:

- being entitled to cast as many votes as can be cast by all other Directors present or represented at that meeting in respect of whom no conflict of interest exists. This will impact the outcome of the vote if the President votes in favour of the resolution;
- as the class A shareholder having the possibility to impact the composition of the Board of Directors;
- continuing in its role as President of the Board of Directors indefinitely.

Furthermore, we noted that the Company has five Non-executive Directors. Three of the five Non-executive Directors are not independent in appearance. The deviations from the Dutch Corporate Governance Code and the imbalance in the voting rights of the President as described above, may impact the proportional representation of the interests of all of the Company's shareholders and/or other applicable parties. This imbalance results in an increased risk for potential conflicts of interest.

**Our response**

Our procedures or actions taken to address the attention areas within the Corporate Governance of the Company included amongst others:

- we performed procedures on the completeness and appropriateness of related party transactions, with specific attention to potential conflicts of interest;
- we increased the number of experienced team members, which resulted in a more experience team compared to an average audit engagement;
- we increased the scoping coverage to 97% of total revenues and 97% of total assets compared to an average audit engagement, thereby performing audit procedures over smaller entities in the group as well;
- we used internal specialists in a number of areas, including IT, forensic, valuation, tax and corporate governance both at components (subsidiaries) and group level;
- we appointed experienced quality reviewers with specific industry knowledge both at components (subsidiaries) and at group level;
- we performed procedures on the appropriateness of the disclosures on Corporate Governance and the deviations compared to the Dutch Corporate Governance Code.

**Our observation**

As explained by the Board of Directors in Annex 3 of the Annual Report, the Company does not comply with a number of best practice provisions for Corporate Governance which results in an ineffective Corporate Governance environment. Our procedures did not result in the identification of transactions where the proportional representation of the interests of all of the Company's shareholders and/or other applicable parties were materially impacted.

## Cost capitalisation

**Description**

The Group incurs significant capital expenditure, mainly for network, construction in progress, equipment and devices, subscriber acquisition costs and intangible assets as a result of the expansion of its business across all territories. Such additions to property, plant and equipment (PPE), subscriber acquisition costs and intangible assets amounted to EUR 563,570 thousand, EUR 64,136 thousand, and EUR 65,955 thousand respectively for the year ended 31 December 2023. Significant judgement is required in measuring the cost of these assets (both in respect of the initial and subsequent expenditure), primarily with regards to the capitalisation eligibility of the related expenditure, pursuant to the relevant requirements of IAS 16, Property, plant and equipment, IFRS 15, Revenue from Contracts with Customers and IAS 38, Intangible assets.

Under those Standards, the Property, plant and equipment and Intangible assets cost includes all expenditure directly attributable to bringing them to the location and condition necessary for their intended use, including, among other things, the cost of any eligible employee benefits. In respect of subscriber acquisition costs, the costs of obtaining a contract to be capitalised are limited, among others, to those that would not have been incurred by the Group if the contract had not been successfully obtained.

We identified this matter as a key audit matter due to the magnitude of the amounts involved and the risk of fraud and error related to the significant judgement applied by management to evaluate the criteria for cost capitalisation.

**Our response**

Our audit procedures in this area, performed where relevant with the support from our own information technology (IT) audit specialists, included, among other things, the following:

- we evaluated the accounting policies used in the determination of the cost of network, construction in progress, equipment and devices, subscriber acquisition costs and intangible assets against the relevant requirements of the financial reporting standards;
- we tested the design and implementation of selected controls relied upon by the Group in the process of measuring the costs capitalized, including those in respect of review and approval of the capitalisation eligibility and of the amounts capitalised, as well as the general IT controls that support the effective operations of those controls;
- for a sample of asset additions, separately for network, construction in progress, equipment and devices, subscriber acquisition costs and intangible assets during the year, we evaluated the capitalisation eligibility and the amounts of the capital expenditure incurred, by, among other things:

  *For network, construction in progress, equipment and devices, and intangible assets:*

  — assessing the appropriateness of the capitalised cost categories against the requirements of the financial reporting standards. As part of the procedure, we, among other things, challenged whether the nature of the costs capitalised reflected the nature of the underlying capital project;

  — tracing the purchase price, directly attributable expenditure (including material costs, personnel cost incurred and others) to external invoices, internal delivery notes and internal timesheets and payroll records;

  — evaluating whether any expenditure incurred subsequent to initial recognition of an item of property, plant and equipment and intangible assets is capitalised as part of its cost only if it is probable that future economic benefits associated with the item will flow to the Group;

  *For subscriber acquisition costs:*

  — tracing the incremental expenditure for subscriber acquisition costs to contracts signed, internal sales bonus approval memoranda and payroll records;

  — we assessed the accuracy and completeness of the financial statements disclosures in respect of the recognition and measurement of property, plant and equipment, subscriber acquisition costs and intangible assets against the relevant requirements of the financial reporting standards.

**Our observation**

The results of our procedures are that the capitalised costs in 2023 that have been recognised and disclosed in the financial statements in accordance with the relevant requirements of IAS 16, Property, plant and equipment, IFRS 15, Revenue from Contracts with Customers and IAS 38, Intangible assets, are considered adequate.

**Fraud risk of bribery and corruption, including risk of non-compliance with the anti bribery and corruption laws and regulations**

**Description**

In the normal course of the Group's business, potential exposures arise from various court and regulatory proceedings, including those resulting from alleged non-compliance with laws and regulations. Among other things, as described in Note 35 of the 2023 consolidated financial statements, an ongoing criminal court case was brought to court by the Romanian National Anti-Corruption Agency (DNA) for the offences of bribery and accessory to bribery, money laundering and accessory to money laundering.

**Our response**

Our procedures, in response to the fraud risk (including risk of non-compliance with anti-bribery and corruption laws and regulations), consist of a combination of inquiry, test of details and inspection of supporting documentation. We performed among other things the following procedures:

- we evaluated the design and the implementation of internal controls related to compliance with anti-bribery and corruption laws and regulations.
- on a sample basis, we challenged the rationale for and/or the amounts of:
    - transactions with governments and government-controlled entities and local authorities;
    - sponsorships, donations and transactions with related parties;
    - transactions with suppliers based in higher-risk jurisdictions; and
    - telecommunications licenses and programme asset acquisitions.

  As part of the procedure, we analysed the counterparties' digital footprint and line of business and, where potential risks were identified, performed a detailed assessment of the legitimacy of supplier and related acquisitions;
- we inspected relevant legal documentation, decisions of the Board of Directors meetings and communications between the Group and its lawyers, including legal analyses of the matters and any developments through the date of our audit report;
- we inspected the registry of open legal cases and minutes of the Board of Directors' meetings to corroborate our understanding of the status of material litigations and claims and to satisfy ourselves regarding the completeness of current and potential litigations identified by the Group;

- We evaluated the Group's in-house and external lawyers' responses to our audit inquiry letters, and inquired with selected members of the Board of Directors, accounting personnel and the Group's lawyers as to the nature and status of the proceedings and potential related exposures, with particular attention paid to the above –mentioned DNA criminal court case;
- we performed procedures on the appropriateness of the disclosures on compliance with laws and regulations.

### Our observation

Our procedures did not result in material findings in respect of non-compliance with anti-bribery and corruption laws and regulations. The disclosures in the financial statements in relation to the criminal court case mentioned earlier are considered adequate.

## Accounting for the transaction between Digi Spain and Abrdn

### Description

As part of the Group's expansion strategy, Digi Spain is in the process of deploying a Fibre-To-The-Home ("FTTH") network with the aim of covering 2.5 million homes passed in Andalucia, Spain. As part of the financing of this roll out of this FTTH network, Digi Spain and investment company Abrdn plc ("Abrdn") completed a transaction in October 2023 (the "transaction"). As disclosed in note 19.2 Non-controlling interests, Digi Spain and Abrdn have jointly acquired the existing FTTH network from Digi Spain, through the newly incorporated entity Primafati S.L.U. ("Primafati") and, subsequently, leased it back to Digi Spain, on a mutually reciprocal exclusive and long-term basis. This first investment covers 1.35 million homes passed (investment amount of EUR 162 million), while the deployment of the entire FTTH network will cover an additional number of 1.15 million homes passed, implying a total investment amount of up to EUR 300 million. The investment will be committed in substantially equal parts by Digi Spain and Abrdn.

As disclosed in note 19.2 Non-controlling interests, the Group has control over the newly incorporated entity Primafati and therefore is consolidated by the Group. The underlying shareholder agreement contains a number of call and put options which allow Digi Spain and Abrdn to respectively buy or sell part of the Abrdn's shares in Primafati, depending on certain requirements which need to be met to allow these options to be exercised. The recognition of the fair value of the call options resulted in a non-current derivative financial asset in amount of EUR 3.4 million. The put option for Abrdn to sell its share in Primafati may be exercised by Abrdn should certain conditions be met. These conditions are not all in control of the Group and therefore required a detailed assessment whether it results in an unavoidable liability for the Group in accordance with IFRS guidance (IAS 32). As disclosed in note 19.2 Non-controlling interests, the Group has concluded that the underlying shareholder agreement details, including the mechanism of the so-called "failed put" clause, results in a financial liability under IFRS 9 Financial Instruments with a value which is immaterial and therefore not recorded.

We identified this matter as a key audit matter due to the significance to the current year audit, including the nature and extent of audit effort needed to address the matter. This includes the extent of specialised skill and knowledge needed to apply audit procedures to address the accounting for the transaction and assess the significant judgement applied by management.

**Our response**

Our audit procedures included, among other things, the following:

- we inspected the relevant shareholder agreements to understand the terms and structure of the transaction and evaluated whether the terms and other information about the transaction are consistent with explanations from inquiries and other audit evidence about the business purpose (or lack thereof) of the transaction.
- we determined whether the transaction has been authorised and approved in accordance with the entity's established policies and procedures.
- we involved accounting specialists to verify the accounting treatment over the control assessment over the newly incorporated entity Primafati by Digi Spain.
- we involved financial instrument specialists to assist with the analysis of the accounting treatment of the conditional commitment to acquire the non-controlling interest's share in Primafati S.L.U., as a result of the put option included in the shareholder agreement with Abrdn, and performed among other things, the following:
  - we tested the design and implementation of the relevant controls over the accounting of the put liability.
  - we inspected management's accounting analysis and challenged the assumptions and conclusions reached based on the relevant supporting documentation.
- we involved valuation specialists to assess the valuation put and call options included in the shareholders agreement mentioned above, and our procedures included, among other things, the following:
  - we inspected management's valuation report, and inquired management and the external valuation specialist to understand the models, assumptions and data used.
  - we assessed the appropriateness of the methodology used in calculating the valuation of options.
  - we performed our own sensitivity analysis to assess management's assumptions, which includes assessing the effect of reasonably possible increases or decreases in the key assumptions and the impact of changes to the valuation outcomes.
- we evaluated the adequacy of the disclosures relating to this transaction in the financial statements in accordance with EU-IFRS.

**Our observation**

Based on our procedures relating to the accounting of the transaction, we consider the accounting treatment appropriate and management's key assumptions and estimates to be reasonable. We determined that the related disclosures included in note 19.2 Non-controlling interests, note 34 Derivative financial instruments and note 31.1 Subsidiaries are adequate and in accordance with the requirements of EU-IFRS.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Except for the possible effects of the matter described in the *Basis for our qualified opinion on consolidated financial statements and our opinion on the stand-alone financial* statements section of our report, based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors of Digi Communications N.V. is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements and ESEF

### *Engagement*

We were initially appointed by the General Meeting of Shareholders as auditor of Digi Communications N.V. on 4 November 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that financial year.

### *No prohibited non-audit services*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

## *European Single Electronic Format (ESEF)*

Digi Communications N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in XHTML format, including the (partly) marked-up consolidated financial statements as included in the reporting package by Digi Communications N.V., complies in all material respects with the RTS on ESEF.

The Board of Directors is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the Board of Directors combines the various components into one single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF. We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included among others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

## Description of responsibilities regarding the financial statements

## *Responsibilities of the Board of Directors and the Audit Committee of Digi Communications N.V. for the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Directors, under supervision of the Audit Committee, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Group’s ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

### *Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

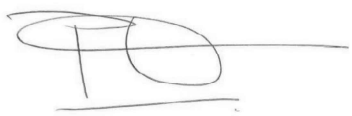
Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor’s report.

Amstelveen, 1 May 2024

KPMG Accountants N.V.



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Appendix:
Description of our responsibilities for the audit of the financial statements

## Appendix

### Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the Board of Directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interests

## SUBSIDIARIES

The Company operates in different jurisdictions through various subsidiaries.

| Legal entity | Country of Incorporation |
|---|---|
| RCS&RDS S.A. | Romania |
| Campus Media TV SRL (former Campus Radio SRL) | Romania |
| CFO Integrator SRL | Romania |
| Delalina SRL | Romania |
| Digisoft IT SRL | Romania |
| Energia Foto SRL | Romania |
| Foto Distributie SRL | Romania |
| Novitas Electro SRL | Romania |
| Profimusic SRL | Romania |
| Digi Infrastructura SRL | Romania |
| Topo Network and Design SRL | Romania |
| UCR SRL | Romania |
| Integrasoft SRL | Romania |
| Digi Spain Telecom S.L.U. | Spain |
| Digi Spain Call Center S.L.U. | Spain |
| Digi Spain Sale Force S.L.U. | Spain |
| Primafaty SLU | Spain |
| Douafaty SLU | Spain |
| Tresfaty SLU | Spain |
| Patrafaty SLU | Spain |
| Cinceafaty SLU | Spain |
| Saseafaty SLU | Spain |
| Digi Portugal LDA | Portugal |
| Digi Italy SRL | Italy |