IMPORTANT NOTICE

THE OFFERING OF THE ADDITIONAL NOTES DESCRIBED HEREIN (THE "**ADDITIONAL NOTES**") IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR (2) NON-U.S. PERSONS PURCHASING THE ADDITIONAL NOTES OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The below applies to the prospectus following this notice (the "**prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. The prospectus has been prepared in connection with the proposed offer and sale of the Additional Notes. By accessing the prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF ADDITIONAL NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE ADDITIONAL NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE ADDITIONAL NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE ADDITIONAL NOTES.

Confirmation of your Representation: In order to be eligible to view the prospectus or make an investment decision with respect to the Additional Notes, you must be either (1) a QIB; or (2) (x) a non-U.S. person purchasing the Additional Notes outside the United States in reliance on Regulation S, and (y) to the extent you are resident in a Member State of the European Economic Area, you must not be a "retail investor." For the purposes of the preceding sentence, "retail investor" means a person who is one (or more) of the following: (a) "retail client" as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (b) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a "qualified investor" as defined in Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**").

The prospectus is being sent at your request. By accepting this electronic transmission and accessing the prospectus, you shall be deemed to have represented to us that:

(1) you consent to delivery of such prospectus by electronic transmission, and

(2) either:

(a) you and any customers you represent are QIBs, or

(b) (x) the e-mail address that you gave us and to which this electronic transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia, and (y) to the extent you are resident in a Member State of the European Economic Area, you are not a "retail investor" and, in either case, that you consent to delivery by electronic transmission. For the purposes of the preceding sentence, "retail investor" means a person who is one (or more) of the following: (a) "retail client" as defined in point (11) of Article 4(1) of MiFID II; (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (c) not a "qualified investor" as defined in the Prospectus Directive.

Prospective purchasers of the Additional Notes that are QIBs are hereby notified that the seller of the Additional Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

The materials relating to the offering of the Additional Notes do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of the Additional Notes be made by a licensed broker or dealer and the Initial Purchaser (as defined in the prospectus) or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering of the

Additional Notes shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the Issuer (as defined in the prospectus) in such jurisdiction.

Under no circumstances shall the prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any Additional Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The prospectus has not been approved by any authorized person in the United Kingdom and is for distribution only to persons who are: (i) outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); (iii) high net worth companies, and other persons to whom it may be lawfully communicated, falling within Article 49(2)(a) to (d) of the Financial Promotion Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Additional Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity, to which the prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. The Additional Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**").

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Additional Notes other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Additional Notes has led the manufacturers to the conclusion that: (i) the target market for the Additional Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Additional Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Additional Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however and without prejudice to the obligations of the Issuer in accordance with MiFID II, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Additional Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Additional Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Additional Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Additional Notes are not intended to be, and should not be, advertised, offered, sold or resold, transferred, delivered or otherwise made available to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit economique*) dated February 28, 2013, as amended from time to time.

The prospectus has not been approved by the Romanian Financial Supervisory Authority or any other competent Romanian authority and is for distribution only to persons who are "qualified investors" as defined under Law no. 24/2017 on securities issuers and market operations. The prospectus is directed only at qualified investors and must not be acted on or relied on by persons who are not qualified investors.

The prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the Initial Purchaser, nor any person who controls the Initial Purchaser, nor any of their or its directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

PROSPECTUS | **NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES**

Digi Communications N.V.
€200,000,000 5.0% Senior Secured Notes due 2023
to be consolidated and treated as a single class with
€350,000,000 5.0% Senior Secured Notes due 2023

Digi Communications N.V. (the "**Issuer**"), a public company (*naamloze vennootschap*) organized under the laws of The Netherlands and tax resident in Romania, has offered (the "**Offering**") €200,000,000 aggregate principal amount of its 5.0% Senior Secured Notes due 2023 (the "**Additional Notes**"). The Additional Notes are consolidated and treated as a single class with €350,000,000 5.0% Senior Secured Notes due 2023 (the "**Original Notes**" and, together with the Additional Notes, the "**Notes**") issued by the Issuer on October 26, 2016 and are governed by the indenture relating to the Original Notes dated as of October 26, 2016, as supplemented on June 8, 2017 and June 28, 2018 (the "**Indenture**"). The Additional Notes have identical terms and conditions in all respects as the Original Notes for all purposes of the Indenture, including, without limitation, with respect to payments of interest, waivers, amendments, redemptions and offers to purchase.

The Additional Notes share the same ISINs and Common Codes as the Original Notes and are fully fungible therewith, except that the Additional Notes sold in reliance on Regulation S (as defined below) will temporarily have a different ISIN and Common Code from, and will not trade fungibly with, the Original Notes sold in reliance on Regulation S during the period from the Additional Notes Issue Date (as defined below) through (and including) the 40th day following the Additional Notes Issue Date. After the 40th day following the Additional Notes Issue Date, certain selling restrictions with respect to the Additional Notes sold in reliance on Regulation S will terminate and the Additional Notes sold in reliance on Regulation S will become fully fungible with, and share the same ISIN and Common Code as, the Original Notes sold in reliance on Regulation S. See "*Plan of Distribution*," "*Description of Additional Notes—Form of Notes*" and "*Book-Entry; Delivery and Form*."

Interest on the Notes is payable semi-annually in arrears on each April 15 and October 15. Interest on the Additional Notes will be deemed to accrue from (and including) October 15, 2018 (the most recent date on which interest on the Original Notes was paid). The Notes will mature on October 15, 2023. The Issuer may redeem some or all of the Notes at any time on or after October 15, 2019, at the redemption prices set forth herein. Prior to October 15, 2019, the Issuer may redeem, at its option, some or all of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable "make-whole" premium, as described in this prospectus. Prior to October 15, 2019, the Issuer may also redeem up to 40% of the Notes using the proceeds from certain equity offerings at the redemption price of 105% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. Additionally, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

The Original Notes and the Additional Notes are the Issuer's senior obligations and guaranteed on a senior secured basis by RCS & RDS S.A., a joint stock company organized under the laws of Romania ("**RCS & RDS**" or the "**Company**"), DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság, a limited liability company organized under the laws of Hungary ("**DIGI Hungary**") and Invitel Távközlési Zrt, a private company limited by shares organized under the laws of Hungary ("**Invitel**," and together with the Company and DIGI Hungary, the "**Guarantors**," and any of their guarantees of the Notes, a "**Guarantee**"). The Issuer is the controlling shareholder of the Company. The Company is the sole shareholder of DIGI Hungary, which, in turn, is the controlling shareholder of Invitel. The Issuer's obligations under the Notes and the Guarantors' obligations under the Guarantees are effectively senior to any of the Issuer's and the Guarantors' respective existing and future unsecured indebtedness to the extent of the value of the Collateral (as defined below) securing the Notes and the Guarantees. With respect to any amounts due and unpaid by any Guarantor under its Guarantee that exceed the value of the Collateral securing such Guarantee, in the event of competing enforcement claims or a sale of assets in bankruptcy under Romanian or Hungarian, as applicable law, any such amounts will rank junior to certain specified categories of existing and future indebtedness of such Guarantor. The Issuer's obligations under the Notes and the Guarantors' obligations under their Guarantees will rank *pari passu* in right of payment with all of the Issuer's and the Guarantors' respective existing and future indebtedness that is not subordinated in right of payment to the Issuer's obligations under the Notes and the Guarantors' obligations under their Guarantees, respectively. The Original Notes and the Guarantees thereof are, and the Additional Notes and the Guarantees thereof are, structurally subordinated to any existing and future indebtedness of the Issuer's and the Guarantors' respective subsidiaries that do not guarantee the Notes.

The obligations of the Issuer and the Guarantors under the Notes and the Guarantees are secured by first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens (as defined herein)) security interests over (i) subject to certain exclusions, all present and future movable assets of the Company, including bank accounts, trade receivables, intragroup receivables, insurance receivables, inventories, movable tangible property (including installation, networks, machinery, equipment, vehicles, furniture, and other similar assets), intellectual property rights, insurance and proceeds related to any of the foregoing; (ii) all shares of certain of the Company's material subsidiaries held by the Company; (iii) certain assets of the Issuer, including all shares it holds in the Company, certain bank accounts and rights under the Proceeds Loan; and (iv) all shares held by DIGI Hungary in Invitel (collectively, the "**Collateral**"). The Collateral and the Guarantees are subject to limitations under the laws of the relevant jurisdictions and will be released in certain circumstances, in each case as described in this prospectus.

The Collateral also secures, on a *pari passu* basis, our obligations under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement and the BRD Agreements (each as defined herein) and certain hedging obligations.

There is no current market for the Additional Notes. Application has been made to the Irish Stock Exchange plc (trading as Euronext Dublin) for the Additional Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market. This prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC (as amended or superseded) (the "**Prospectus Directive**"). The Central Bank only approves this prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer and the Guarantors accept responsibility for the information contained in this prospectus. To the best of the knowledge of the Issuer and the Guarantors, having taken all reasonable care to ensure such is the case, the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import.

Investing in the Additional Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 32.

Issue Price: 101.75%, plus interest deemed to have accrued from (and including) October 15, 2018 to (but excluding) the Additional Notes Issue Date.

The Additional Notes and the Guarantees thereof have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offering is being made only to qualified institutional buyers ("**QIBs**") in compliance with Rule 144A under the U.S. Securities Act ("**Rule 144A**"). You are hereby notified that the Initial Purchaser may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, the Offering is being made to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). For a description of eligible transferees and certain restrictions on transfer of the Additional Notes, see "*Plan of Distribution*" and "*Notice to Investors*."

The Additional Notes were issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. On the closing date of the Offering, global notes representing the Additional Notes were deposited and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). The Additional Notes have been delivered to the Initial Purchaser on February 12, 2019. See "*Book-Entry; Delivery and Form*."

The Additional Notes were assigned a rating of BB1 (positive) by Moody's Investors Service, Inc. ("**Moody's**") and BB- (stable) by Standard & Poor's ("**S&P**"). A rating is not a recommendation to buy, sell or hold the Additional Notes and may be subject to suspension, reduction, or withdrawal at any time by Moody's or S&P, as applicable. A suspension or withdrawal of the rating assigned to the Additional Notes may adversely affect the market price of the Additional Notes.

Sole Global Coordinator and
Physical Bookrunner

Citigroup

The date of this prospectus is March 11, 2019

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OVERVIEW

The following overview information should be read as an introduction to the more detailed information appearing elsewhere in this prospectus, including the Financial Statements (as defined below) and the accompanying notes beginning on page F-1. Any decision by a prospective investor to invest in the Additional Notes should be based on consideration of the prospectus as a whole, including the information discussed under "—Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" and not solely on this summarized information.

BUSINESS OVERVIEW

Introduction

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Sources: Group and peer reporting*). We are a leading provider of telecommunication services in our core Romanian and Hungarian markets and are also active in Spain and, to a lesser extent, Italy.

- Romania. Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. Our technologically-advanced fixed fiber-optic network covered 73.2% of households as at September 30, 2018, according to our estimates. 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.
- Hungary. We provide cable TV, fixed internet and data, fixed-line telephony and DTH services in Hungary. Our fixed telecommunication and entertainment products are offered through a technologically-advanced fixed fiber-optic network (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber), which covered 46.8% of households as at September 30, 2018 (*Source: Hungarian Central Statistical Office*). In addition, we are in the advanced stage of our own mobile network's development and currently expect to launch our services in 2019. The country is entirely within the footprint of our DTH signal.
- Spain. We provide mobile telecommunication services as an MVNO through the mobile network of Telefonica Móviles España, S.A. and Telefónica de España, S.A.U., as applicable ("**Telefónica**"), primarily to the large local Romanian community. Following its launch in September 2018, we now also offer fixed internet and data and fixed-line telephony services as a reseller through Telefónica's fixed line network.
- Italy. We provide mobile telecommunication services as an MVNO through the mobile network of Telecom Italia Mobile ("**TIM**"), primarily to the large local Romanian community.

For the year ended December 31, 2017, our four geographies accounted for the following portions of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations): Romania for €655.2 million, or 71.5%; Hungary for €150.4 million, or 16.4%; Spain for €92.7 million, or 10.1%; and Italy for €18.3 million, or 2.0%. For the nine months ended September 30, 2018, our four geographies accounted for the following portions of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations): Romania for €514.2 million, or 68.0%; Hungary for €135.0 million, or 17.8%; Spain for €90.0 million, or 11.9%; and Italy for €17.2 million, or 2.3%. Although in the past we had operations in other Eastern European countries, all such operations were disposed of in 2013 and 2015.

We have grown mainly organically from approximately 0.7 million RGUs as at December 31, 2002 to approximately 14.7 million RGUs as at September 30, 2018. As at September 30, 2018, we had approximately 3.9 million cable TV RGUs, approximately 3.2 million fixed internet and data RGUs, approximately 4.8 million mobile telecommunication services RGUs, approximately 1.9 million fixed-line telephony RGUs and approximately 0.8 million DTH RGUs. Our acquisition of Invitel in May 2018 contributed approximately 733,000 RGUs to those numbers (see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Trends and Other Key Factors Impacting our Results of Operations—Acquisitions and disposals*").

We have historically generated strong revenue streams. Our revenue of continuing operations (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) amounted to €746.3 million, €842.8 million, €916.6 million and €756.4 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. Our Adjusted EBITDA of continuing operations has grown from €237.5 million for the year ended December 31, 2015 to €263.3 million, €287.5 million and €240.9 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively. In addition, our Adjusted EBITDA margin of continuing operations has remained at the same level at 31.8% for the year ended December 31, 2015 and the nine months ended September 30, 2018.

We offer five principal types of services:

- **Cable TV** is our original line of business. As at September 30, 2018, we had approximately 3.2 million Romanian and approximately 685,000 Hungarian RGUs for cable TV services. Cable TV services accounted for 25.1% and 24.4% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.
- We offer **fixed internet and data** services through our fixed fiber networks in Romania and Hungary (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) and, since September 2018, as a reseller through Telefónica's fixed line network in Spain. As at September 30, 2018, we had approximately 2.5 million and approximately 741,000 fixed internet and data RGUs in Romania and Hungary, respectively (we did not yet have any fixed internet and data RGUs in Spain, as the necessary installation works were still in progress). Fixed internet and data services accounted for 23.2% and 23.0% of our revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.
- We provide **mobile telecommunication services** using our own 3G and 4G networks in Romania, as a reseller using a third-party network in Hungary and as an MVNO in Spain and Italy primarily targeting local Romanian communities. As at September 30, 2018, we had approximately 3.4 million mobile telecommunication services RGUs in Romania, approximately 16,000 RGUs in Hungary (which related to the resale of mobile voice and data of Telenor's local network), approximately 1.2 million RGUs in Spain and approximately 202,000 RGUs in Italy. In addition, we are in advanced stages our own mobile network's development in Hungary and currently expect to launch our services in 2019. Mobile telecommunication services accounted for 30.1% and 31.8% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.
- We offer **fixed-line telephony** services through our fixed fiber networks in Romania and Hungary (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) and, since September 2018, as a reseller through Telefónica's fixed line network in Spain. As at September 30, 2018, we had approximately 1.2 million Romanian fixed-line telephony RGUs and approximately 697,000 Hungarian fixed-line telephony RGUs (we did not yet have any fixed-line telephony RGUs in Spain, as the necessary installation works were still in progress). Fixed-line telephony services accounted for 3.2% and 3.6% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.
- **Our DTH satellite television** services are offered in Romania and Hungary. As at September 30, 2018, we had approximately 544,000 DTH RGUs in Romania and approximately 288,000 DTH RGUs in Hungary. DTH services accounted for 7.6% and 6.5% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) in the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

Key Strengths

We consider our key strengths to include the following:

- ***Attractive local markets with stable structural growth.*** We focus our telecommunication offerings primarily on two core geographic segments, Romania and Hungary. Both 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 home jurisdiction, Romania, has a large and dynamic economy, the real GDP of which grew at the rate of 3.9%, 4.8% and 7.0% in 2015, 2016 and 2017, respectively, outperforming the EU's real GDP growth rate of 2.3%, 2.0% and 2.4%, respectively, for the same periods (*Source: Eurostat*). Final aggregate consumption expenditure of households in Romania in the period between January 1, 2015 and January 1, 2018 increased at a CAGR of 8.6%, from approximately €92.5 billion to approximately €118.3 billion (*Source: Eurostat*), and the country's telecommunication and entertainment industries have benefited from this growth. There is limited free TV in Romania, while pay TV offers a variety of popular programming, including exclusive live content. In addition, only 48.0% of the country's cable TV subscribers used digital technology as at June 30, 2018 (*Source: ANCOM*), which provides an opportunity to transfer existing subscribers from the analog platforms that they are currently using to our advanced digital platform. As regards fixed internet and data, it had a 59.8% household penetration rate in Romania as at June 30, 2018 (compared to an average of approximately 79.6% in the EU) (*Sources: ANCOM, Eurostat*). Given our technologically advanced fixed fiber network, we are well positioned to take advantage of remaining penetration opportunities and increase our number of fixed internet and data subscribers. Finally, the Romanian mobile telecommunication services market is currently generating approximately as much revenue as the country's internet and pay TV markets combined and is experiencing rapid data consumption growth (*Source: ANCOM*). However, it is still experiencing low convergence with fixed pay TV and internet and data offerings. Given our established and leading positions in the country's pay TV and fixed internet and data markets, based on number of RGUs, as well as our advanced and extensive mobile network, we are well placed to capitalize on these conditions in order to grow our share of the mobile telecommunication services market.

- ***Market leadership in core business lines and robust RGU growth.*** We are the leading provider of pay TV services in Romania and Hungary, by number of RGUs. As at June 30, 2018, we had a share of 49.8% of the Romanian pay TV services market (*Sources: Group and peer reporting; ANCOM*). As at September 30, 2018, we had a share of 30.0% of the Hungarian cable TV services market (*Sources: Group and peer reporting, NMIAH*). We also lead Romania's fixed internet and data market with a 49.6% market share as at June 30, 2018, while being second in Hungary with a 24.7% market share as at September 30, 2018 (*Sources: Group and peer reporting, ANCOM, NMIAH*). In addition, we are the second-largest provider of fixed-line telephony services in Romania with a 35.0% market share as at June 30, 2018 and are second in Hungary with a 22.9% market share as at September 30, 2018 (*Sources: Group and peer reporting, ANCOM, NMIAH*). Finally, we are the fourth-largest provider of mobile telecommunication services in Romania as at June 30, 2018 with an 27.3% share of the post-paid market (*Sources: Group and peer reporting, ANCOM*). We are focused on increasing market penetration in our existing 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; increasing our total RGUs across all business lines from approximately 0.7 million as at December 31, 2002 to approximately 14.7 million as at September 30, 2018.

- **Advanced *infrastructure, including nationwide fiber networks in Romania and Hungary and fast growing, in terms of RGUs, mobile network in Romania.*** Our fixed fiber-optic networks in Romania and Hungary are technologically advanced and cover 73.2% and 46.8%, respectively, of households in those countries as at September 30, 2018 (*Sources: Group reporting; Hungarian Central Statistical Office*). We have upgraded more than 90% of our Romanian and Hungarian (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) fixed fiber-optic networks to GPON or comparable technology and are currently able to offer transmission speeds of up to 1,000 Mbps for internet and data services, the fastest available to residential users in those markets. As at September 30, 2018, our 3G and 4G mobile telecommunication services in Romania covered approximately 99.5% (outdoor voice coverage) and 61.0% of the population, respectively, and were provided via approximately 4,400 base stations (approximately 2,700 of which were used to provide 4G connectivity). Since we refocused on our Romanian mobile telecommunication services in 2014, our extensive coverage and attractive mobile offerings have allowed us to grow RGUs in this business line from approximately 1.7 million as at December 31, 2013 to approximately 4.8 million as at September 30, 2018.

- ***Leading commercial proposition for customers.*** Our technical capabilities, wide network coverage and multiple service offerings, including mobile services, enable us to provide our 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 offer flexible packages in Romania, which include a comprehensive cable TV offering (including analog and digital packages with optional add-ons for HBO, MAXPAK, Adult, Film NOW and DIGI 4K), our superfast fixed internet and data (at speeds of 300 Mbps, 500 Mbps or 1,000 Mbps), fixed-line telephony and mobile packages (with solutions offering various call minutes allowances and generous mobile traffic of up to 50 GB per month at 4G speeds). Customers have recognized the value of our commercial proposition as we experienced approximately 139,000 and 158,000 net organic add-ins in the cable TV and fixed internet and data business lines, respectively, in the year ended December 31, 2017 and 183,000 and 164,000 in the nine months ended September 30, 2018, respectively.

- ***Robust financial performance.*** Our business has consistently generated strong revenue streams. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, our revenue of continuing operations (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) was €746.3 million, €842.8 million, €916.6 million and €756.4 million respectively. We have historically had robust Adjusted EBITDA and a disciplined approach to capital expenditure. Our Adjusted EBITDA of continuing operations was €237.5 million, €263.3 million,

€287.5 million and €240.9 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. Our total capital expenditure was €197.6 million, €216.5 million, €243.2 million and €199.9 million (excluding the cost of Invitel acquisition) for the same periods, respectively. This represented 26.5%, 25.7%, and 26.5%, respectively, of our revenue of continuing operations, for the years ended December 31, 2015, 2016, and 2017. In addition, we have historically maintained prudent capital and liquidity structures with a leverage ratio of 2.7x, 2.9x, and 2.6x for the years ended December 31, 2015, 2016, and 2017 respectively, and an interest coverage ratio of 4.8x, 5.8x, and 7.9x, respectively, for the same periods.

- ***Highly experienced management team***. Our senior management team is made up of professionals who have, on average, more than 19 years of experience in the telecommunication industry and the Group. Our controlling shareholder, Mr. Zoltán Teszári, has been, and continues to be, involved in all key management decisions in relation to the Group since its foundation in 1992. Our Chief Executive Officer, Mr. Serghei Bulgac, joined the Group in 2003 as its Chief Financial Officer and became the Chief Executive Officer in 2015. The majority of our experienced management team members have been with us for more than 10 years and made significant contributions to our transformation from a small cable TV business to a leading provider of telecommunication services in our core markets. We believe that the collective industry knowledge and leadership capabilities of our senior management team will enable them to continue a successful execution of our strategy.

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 fiber network, offering high-quality service, while maintaining competitive prices.*** The current technological state of our Romanian and Hungarian fixed fiber networks allows us to offer a wide range of high-quality services to our customers at competitive prices, while maintaining low infrastructure operating expenses. We plan on leveraging our existing high speed networks to increase our cable TV and fixed internet and data subscribers, as our fiber network throughout Romania and Hungary (excluding the recently acquired Invitel's network) is faster and more cost-effective than traditional networks operated by our competitors. We also plan to continue expanding our fixed fiber networks in both countries (particularly, in rural areas) and to upgrade Invitel's Hungarian network to fiber, along with further upgrades to FTTH elsewhere.

- ***Expand our mobile network in our core geographic segments and grow our mobile communication services business line.*** As at September 30, 2018, our 3G and 4G mobile telecommunication services covered approximately 99.5% (outdoor voice coverage) and 61.0% of the Romanian population, respectively. In Hungary, we hold certain licenses entitling us to develop our own 4G mobile proposition and are currently developing the network that will support our service, with a view to launch in 2019. In both countries, we plan on expanding our coverage while growing our mobile RGUs through competitive pricing and convergence offerings. We believe that our dense fiber network and existing licenses provide a solid foundation for future technological developments in the mobile telecommunication industry.

- ***Focus on current market and expanding market shares.*** We intend to focus on Romania and Hungary, our core markets, while remaining open to opportunities in Spain and Italy. In the core jurisdictions, our advanced networks allow us to efficiently deliver multiple services in the areas they cover and we believe there is scope for increase in uptake of our services in these areas with relatively low additional investment. Our large and growing customer base creates significant economies of scale. For example, it allows us to make use of common infrastructure design and centralized facilities, as well as exploit centralized purchasing opportunities with respect to programming, equipment, TV broadcast rights and other assets and services. We also see potential for growth of our mobile telecommunication and internet and data services, as we believe that the core Romanian and Hungarian mobile markets still offer opportunities for us to expand. In addition, we remain open to attractive opportunities in Spain and Italy, such as our expansion into Spain's fixed telecommunications market with a resale offering through Telefónica's local network, which we launched in the Community of Madrid in September 2018. We expect to develop this offering in further parts of the country.

- **Continue** ***to grow our RGU base through product cross-selling, increased penetration of our services and opportunistic acquisitions.*** Our goal is to achieve continued organic RGU growth by cross-selling our services to existing and prospective customers and increasing the penetration of our cable TV, fixed internet and data, mobile telecommunication, fixed-line telephony and DTH services in Romania and Hungary through multiple service offers. We have seen strong growth in RGUs, from approximately 0.7 million as at December 31, 2002 to approximately 14.7 million RGUs as at September 30, 2018, which was mainly due to the expansion of our fixed fiber-optic networks and cross-selling of additional services to our existing customers, as well as to the refocusing on our mobile telecommunication business in Romania. In addition to organic growth, we seek to explore acquisition opportunities in our core Romanian and Hungarian markets on an opportunistic basis in line with, or complementary, to our current businesses. Our acquisition of Invitel was a recent example of such opportunistic growth.

- ***Offer premium and/or exclusive content to increase the attractiveness of our product offerings.*** We intend to maintain and increase the attractiveness of our cable TV and DTH services by continuing to offer sports, film and other premium and exclusive content through our existing own channel line-up, which may be further developed or expanded in the future. Our large number of pay TV RGUs results in economies of scale enabling an attractive cost structure.

THE REFINANCING

On October 7, 2016, the Issuer, as original guarantor, and the Company, as borrower, entered into a senior facilities agreement with, among others, BRD, Citibank, N.A., London Branch, ING Bank, and UniCredit Bank S.A., as lead arrangers (the "**2016 Senior Facilities Agreement**"). The 2016 Senior Facilities Agreement was amended on October 16, 2017 and February 4, 2019 and as at the date of this prospectus consists of: (i) RON592.0 million Facility A1; (ii) RON382.0 million Facility A2; and (iii) RON37.0 million Facility B. As at the date of this prospectus, all three facilities under the 2016 Senior Facilities Agreement were fully drawn.

On February 1, 2018, the Company and DIGI Hungary, as borrowers, entered into a senior facilities agreement with Citibank N.A., London Branch and ING Bank N.V., as arrangers, ING Bank N.V., as facility agent, and several other financial institutions, as lenders (the "**2018 Senior Facilities Agreement**"). The 2018 Senior Facilities Agreement was amended on March 9, 2018 and as at the date of this prospectus consists of: (i) HUF13.5 billion Facility A1; (ii) RON66.2 million Facility B1; and (iii) €19.4 million Facility B2. As at the date of this prospectus, all three facilities under the 2018 Senior Facilities Agreement were fully drawn.

On the Additional Notes Issue Date, the Issuer issued the Additional Notes. We used the proceeds of the Offering (excluding approximately €3.2 million of interest deemed to have accrued from (and including) October 15, 2018 (the last date on which interest on the Notes was paid) to (but excluding) the Additional Notes Issue Date) (such use, together with the Offering, the "**Refinancing**") to:

- prepay the aggregate principal amount of (i) RON250.0 million under Facilities A1 and A2 (equivalent to approximately €52.8 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date) and (ii) RON120.0 million under Facility B (equivalent to €25.3 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date) of the 2016 Senior Facilities Agreement;
- prepay the aggregate principal amount of (i) HUF17.8 billion under Facility A1 (equivalent to approximately €55.9 million at the CBH's HUF/€ exchange rate as at the Additional Notes Issue Date); (ii) RON87.7 million under Facility B1 (equivalent to approximately €18.5 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date); and (iii) €25.6 million under Facility B2 of the 2018 Senior Facilities Agreement; and
- pay costs, expenses and fees (including the Initial Purchaser's fees, legal and accounting fees and other transaction costs) in connection with the Refinancing.

The Group expects to use the remainder of the net proceeds of the Offering for general corporate purposes. For detailed discussion of the use of proceeds see "*Use of Proceeds*." For descriptions of the Group's current and anticipated indebtedness following the Refinancing, see "*Description of Other Indebtedness*" and "*Capitalization*."

RECENT DEVELOPMENTS

Trading update

As at December 31, 2018, we expect our RGUs to have increased slightly as compared with September 30, 2018, primarily as a result of growth in our cable TV and fixed internet and data services in Romania and in our mobile telecommunication services in Spain.

For the three months ended December 31, 2018, we expect our consolidated revenue to have increased as compared with the three months ended December 30, 2017, primarily as a result of our acquisition of Invitel on May 30, 2018, growth in our mobile telecommunication services and cable TV operations in Romania and growth in mobile telephony services in Spain.

Our capital expenditure accelerated to some extent in the three months ended December 31, 2018, which we expect will result in growth in total capital expenditure for the year ended December 31, 2018 relative to the year ended December 31, 2017 that is broadly in line with prior periods, although we expect our capital expenditures in the year end December 31, 2019 to be moderate.

We have made a decision to increase prices to Romanian customers by, on average, approximately 5.0% and to our Hungarian customers by, on average, approximately 4.3%, in both cases effective March 1, 2019.

Financial arrangements

On April 24, 2018 and October 25, 2018, the Company repaid the aggregate principal amount of RON95.6 million under Facilities A1 and A2 of the 2016 Senior Facilities Agreement.

On October 5, 2018, the Company drew the remaining RON78.9 million available under the Facility B1 of the 2018 Senior Facilities Agreement, which was used for general corporate purposes. As at the date of this prospectus, all available facilities under the 2018 Senior Facilities Agreement have been fully drawn.

On October 19, 2018, Digi Spain Telecom, S.L.U. ("**DIGI Spain**") entered into a €2.0 million short term loan with BBVA maturing in September 2019. As at the date of this prospectus, this loan was fully drawn.

On October 19, 2018, DIGI Spain entered into a €3.0 million short-term loan with Banco Santander maturing in October 2019. As at the date of this prospectus, this loan was fully drawn.

On November 21, 2018, DIGI Spain entered into two letters of guarantee arrangements with Caixabank, S.A. for an aggregate amount of €571,778.58. As at the date of this prospectus, we had letters of guarantee issued by Caixabank, S.A. with an aggregate value of €571,578.98 million.

On December 17, 2018, the Issuer granted to the Company a loan facility in the principal amount of €10.0 million at the interest rate of 5.5% per annum. As at the date of this prospectus, the outstanding principal amount under this loan was €4,327,906.17.

Share buy-backs and conversion

From September 30, 2018 until the date of this prospectus, we have purchased an aggregate of 91,922 Class B shares of the Issuer on the market, representing 0.1% of its issued share capital as at the date hereof. On January 14, 2019, we converted 1.2 million Class A shares of the Issuer that were held as treasury shares by the Company into an equal number of Class B shares.

The repurchased and converted Class B shares will be used for the purposes of the Stock Option Plans. See "*Management—Compensation for Directors and Managers—Stock Option Plans*."

Romanian emergency legislation

On December 29, 2018, the Romanian Government issued the emergency ordinance GEO 114/2018 (the "**December Ordinance**"). The December Ordinance became effective on January 1, 2019 and introduced certain measures that may have a significant impact on various sectors of the Romanian economy, including telecommunication and energy companies. In particular, it (i) increased ANCOM's annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year; (ii) increased ANRE's annual fee to 2.0% of total turnover of an energy company for the preceding year generated by licensed electricity-related activities; (iii) conditioned any extension of an existing mobile communication license on the payment of a fee equivalent to 4.0% of the total turnover of Romania's mobile telephony market for the year preceding the requested extension date, multiplied by the number of years for which the extension is requested (which will be applicable, for example, to our 2,100 MHz license that is up for renewal in 2022 (see "*Business—Operations—Mobile Telecommunication Services Networks—Romania*")); (iv) conditioned any issuance of new mobile communication licenses on the payment of fees equivalent to 2.0% or 4.0% (depending on the frequency band for which the license is requested) of the total turnover of Romania's mobile telephony market for the year preceding the issuance date, multiplied by the number of years for which the new license is requested; and (v) significantly increased penalties for breaches of applicable regulations. While the parts of the December Ordinance establishing increased penalties are somewhat unclear as to exact methods of calculation, it provides for fines of up to 10% of a company's turnover in the year prior to the decision to impose such penalties. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Special taxation and other regulatory initiatives.*"

Although we are closely monitoring the developments relating to the December Ordinance (including market reaction), the exact impact thereof on our business is currently difficult to estimate. See also "*Any potential deterioration of the general internal economic, political and social conditions in Romania and Hungary, our principal countries of operation, or any adverse changes in the Romanian or Hungarian tax or regulatory environment, may not be offset by developments in other markets*." We believe that, should there be any negative impact on our business, it may be mitigated, in part and among other things, by our recent decision to increase prices to our Romanian and Hungarian customers. See "*—Trading update*."

Litigations and other proceedings

On November 14, 2018, the Hungarian Competition Authority (the "**GVH**") withdrew its original approval of our acquisition of Invitel and launched a new investigation to re-assess certain market overlaps between Invitel and i-TV Digitális Távközlési Zrt. ("**i-TV**"), which is another subsidiary we have in Hungary. The stated reason for such withdrawal and investigation was that at the time of the initial evaluation DIGI Hungary had allegedly failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV. A fine of approximately €280,000 was imposed pending such further investigation. However, the GVH's withdrawal of its original approval will not undermine our ownership of Invitel pending the GVH's investigation (the GVH specifically decided to allow us to continue to exercise full control over Invitel). Therefore, our acquisition of Invitel is not affected by the GVH's withdrawal decision, except for the reinstatement on Digi Hungary of certain limited (1) behavioral requirements with respect to itself in connection with certain 16 settlements, operations in which Digi Hungary had been ordered to divest by the original decision (such as to (a) continue servicing those settlements; (b) not to engage in active marketing activities towards Invitel's customers in those settlements; and (c) continue to be monitored by the trustee appointed by the GVH in respect of such operations); and (2) interim obligations with respect to i-TV in connection with certain 99 settlements (such as not to (x) permit i-TV to terminate service or lease agreements with infrastructure owners in those settlements; (y) permit i-TV to engage in active marketing activities towards Invitel's customers in those settlements; and (z) engage in active marketing activities towards i-TV's customers in those settlements); in each case, that were lifted by the original clearance. We continue to believe that DIGI Hungary fully cooperated with the GVH during the initial review by providing complete and accurate information and that the GVH's decision to withdraw the original clearance and to apply a fine and restrictions is incorrect. In December 2018, we appealed the parts of the GVH's withdrawal decision alleging our guilt and setting the fine to the competent court of law. We are fully cooperating with the GVH's further investigation and are hopeful that it will result in a final re-authorisation of the Invitel acquisition; this further investigation will not have any impact on Invitel's guarantee of the Notes. See "*Business—Litigation and Legal Proceedings—Further investigation by the GVH of our acquisition of Invitel.*"

On January 15, 2019, the Bucharest Tribunal issued its judgment (the "**January Judgment**") in relation to the investigation conducted by the Romanian National Anti-Corruption Agency ("**DNA**") in connection with our joint venture with Bodu S.R.L. entered into in 2009 and related allegations:

- dismissing the giving of bribe related allegations against the Company and its past and current directors on the basis that they had become time-barred;
- convicting the Company of money laundering and (a) ordering it to pay a criminal fine of approximately RON1.25 million; (b) confiscating €3.1 million of our original investment in the JV and RON655,124 as alleged unlawful profits derived by the Company from the JV; and (c) maintaining seizure of the attached two real estate assets;
- convicting Integrasoft S.R.L. of accessory to money laundering and ordering it to pay a criminal fine of approximately RON 700,000;
- cancelling (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 the Company of the events hall's real estate and business;
- convicting Mr. Ioan Bendei (who at the time was a member of the board of directors of the Company and is a director of Integrasoft S.R.L.) of accessory to money laundering (in his capacity as a director of Integrasoft S.R.L.) and sentencing him to four years' imprisonment;
- acquitting Messrs. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of the Company), Mihai Dinei and Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of the Company) of all charges; and
- convicted Mr. Dumitru Dragomir (the father of the owner of Bodu S.R.L., who also served as the President of the Romanian Professional Football League) 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. We continue to deny any allegations against 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 the Company, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei. The full appeal motions will be submitted shortly after the complete text of the January Judgment becomes available. The January Judgment will not become final or enforceable pending the Bucharest Court of Appeal's resolution on the appeal, which will involve a full re-trial of the factual matters and legal issues in this case. See "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*."

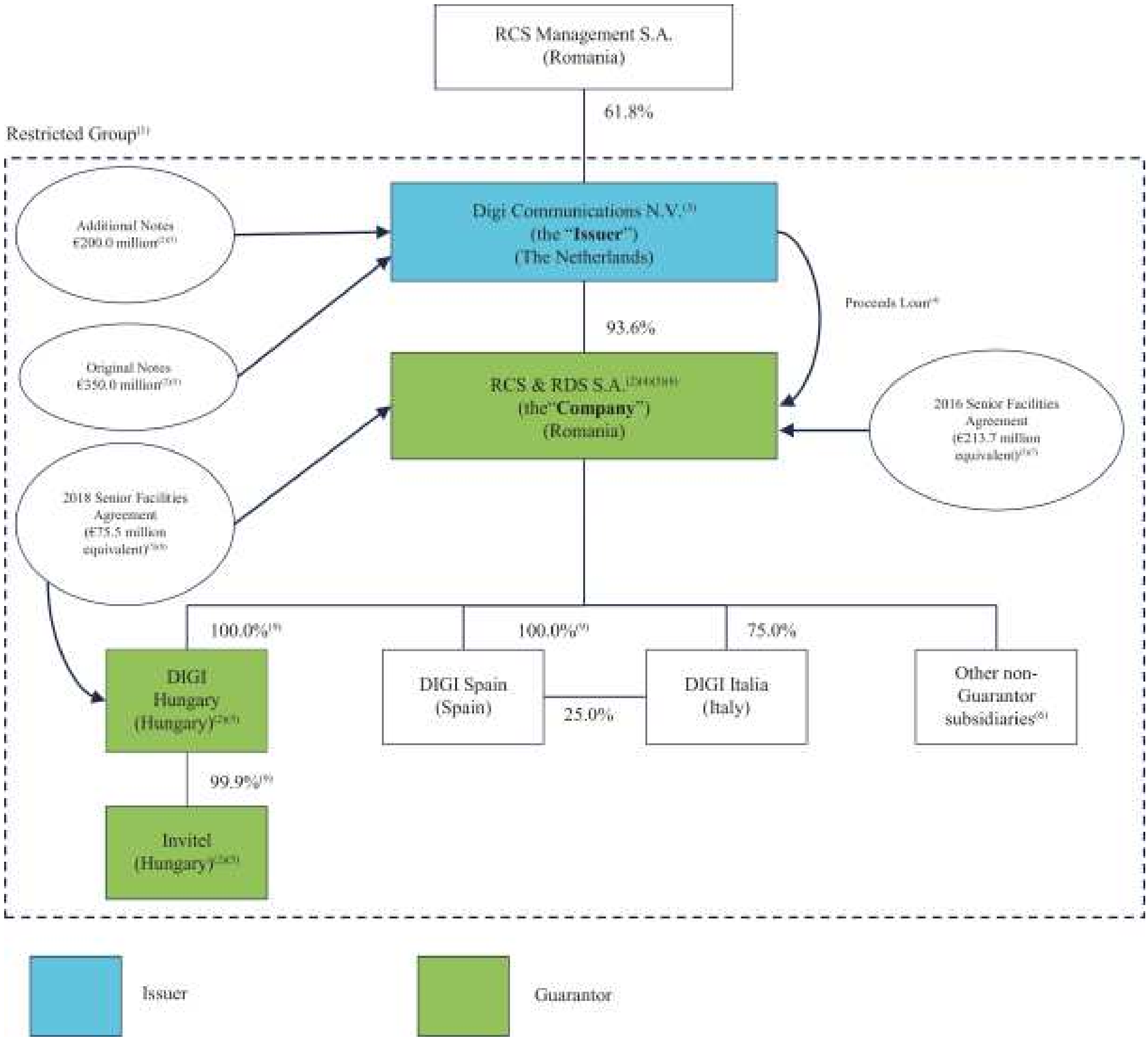
Changes in our senior management team

On February 5, 2019, Mr. Ioan Bendei resigned from his position as a director of the Company. Mr. Bendei will continue to serve as a director of certain non-material subsidiaries of the Group (including Integrasoft S.R.L.) until we find suitable replacements and relevant formalities are complied with. See "*Management—Senior management team—Recent changes in our senior management team*."

Also on February 5, 2019, Mr. Dan Ionita was appointed the interim director of the Company.

OVERVIEW OF CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our corporate structure (adjusted for treasury holdings) and shows our principal outstanding financing arrangements after giving effect to the Refinancing:



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(1) The entities in the Restricted Group are subject to the covenants in the Indenture. See "*Description of the Additional Notes*."

(2) The Original Notes and the Additional Notes are guaranteed by the Guarantors on a senior secured basis. The Guarantees are subject to certain limitations under applicable law. See "*Certain Insolvency and Enforceability Considerations*" and "*Risk Factors—Risks relating to the Notes*." The obligations of the Issuer and the Guarantors under the Notes and the Guarantees are secured by first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens (as defined herein)) security interests over (i) subject to certain exclusions, all present and future movable assets of the Company, including bank accounts, trade receivables, intragroup receivables, insurance receivables, inventories, movable tangible property (including installation, networks, machinery, equipment, vehicles, furniture, and other similar assets), intellectual property rights, insurance and proceeds related to any of the foregoing; (ii) all shares of certain of the Company's material subsidiaries held by the Company; (iii) certain assets of the Issuer, including all shares it holds in the Company, certain bank accounts and rights under the Proceeds Loan; and (iv) all shares held by DIGI Hungary in Invitel (collectively, the "**Collateral**"). The Collateral and the Guarantees are subject to limitations under the laws of the relevant jurisdictions and will be released in certain circumstances, in each case as described in this prospectus. See "*Description of the Additional Notes—Security.*"

(3) The Issuer has no material assets (other than bank accounts, holdings of shares in the Company, shares in the controlling shareholder of the Issuer, RCS Management S.A., and certain embedded derivative assets relating to the Notes) and no material liabilities (other than the Notes and guarantees of certain Group financings) and has not engaged in any significant activities other than financing activities and acting as a holding company of the Group. See also "*Business—History—Further Evolution of our Corporate Structure and the IPO*."

(4) We used the proceeds of the Offering (excluding approximately €3.2 million of interest deemed to have accrued from (and including) October 15, 2018 (the last date on which interest on the Notes was paid) to (but excluding) the Additional Notes Issue Date): (i) primarily to prepay certain principal amounts outstanding under the 2016 Senior Facilities Agreement and the 2018 Senior Facilities Agreement; (ii) to pay costs, expenses and fees (including the Initial Purchaser's fees, legal and accounting fees and other transaction costs) in connection with the Refinancing; and (iii) for general corporate purposes. See "*Use of Proceeds*."

(5) The Notes, the Guarantees, the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement and the BRD Agreements (each, as defined below) and certain hedging agreements are secured by the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement (as defined below).

(6) In addition to the holdings presented in the chart above, the Company holds interests (typically, 100%) in over 30 other subsidiaries, which are not material for our business or which currently have no material operations.

(7) As at the date of this prospectus, the 2016 Senior Facilities Agreement consists of: (i) RON592.0 million Facility A1; (ii) RON382.0 million Facility A2; and (iii) RON37.0 million Facility B. As at the date of this prospectus, all three facilities under the 2016 Senior Facilities Agreement were fully drawn. On or about the Additional Notes Issue Date, we prepaid the aggregate principal amount of (i) RON250.0 million under Facilities A1 and A2 (equivalent to approximately €52.8 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date) and (ii) RON120.0 million under Facility B (equivalent to €25.3 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date) of the 2016 Senior Facilities Agreement. See "*Use of Proceeds*."

(8) As at the date of this prospectus, the 2018 Senior Facilities Agreement consists of: (i) HUF13.5 billion Facility A1; (ii) RON66.2 million Facility B1; and (iii) €19.4 million Facility B2. As at the date of this prospectus, all three facilities under the 2018 Senior Facilities Agreement were fully drawn. On the Additional Notes Issue Date, we prepaid the aggregate principal amount of (i) HUF17.8 billion under Facility A1 (equivalent to approximately €55.9 million at the CBH's HUF/€ exchange rate as at the Additional Notes Issue Date); (ii) RON87.7 million under Facility B1 (equivalent to approximately €18.5 million at the NBR's RON/€ exchange rate as at the Additional Notes Issue Date); and (iii) €25.6 million under Facility B2, of the 2018 Senior Facilities Agreement. See "*Use of Proceeds*."

(9) Share pledges forming part of the Collateral.

Within the above chart, legal entities are shown in boxes and financing instruments and amounts outstanding are shown in ovals. See "*Use of Proceeds*," "*Capitalization*," "*Description of the Additional Notes*" and "*Description of Other Indebtedness*" for more detailed descriptions.

As at the Additional Notes Issue Date (as defined below), all of the Issuer's subsidiaries noted in the chart above were Restricted Subsidiaries for purposes of the Indenture and the section entitled "*Description of the Additional Notes*." The Guarantors guarantee the Original Notes, the Additional Notes, and one or more other subsidiaries may become obliged to guarantee the Notes in the future to the extent that they provide guarantees of certain other indebtedness. See "*Description of the Additional Notes—Certain Covenants—Limitations on Guarantees of Indebtedness by Restricted Subsidiaries*."

THE OFFERING

The overview below describes the principal terms of the Additional Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The section entitled "Description of the Additional Notes" of this prospectus contains a more detailed description of the terms and conditions of the Additional Notes and the Guarantees, including definitions of certain terms used in this overview.

Issuer	Digi Communications N.V. (the "**Issuer**").
Guarantors	RCS & RDS S.A. (the "**Company**"), DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság ("**DIGI Hungary**") and Invitel Távközlési Zrt ("**Invitel**").
Additional Notes	€200,000,000 aggregate principal amount of 5.0% Senior Secured Notes due 2023 (the "**Additional Notes**") to be consolidated and treated as a single class with the Issuer's €350,000,000 5.0% Senior Secured Notes due 2023 (the "**Original Notes**, and, together with the Additional Notes, the "**Notes**").
Additional Notes Issue Date	February 12, 2019.
Issue Price	101.75%, plus interest deemed to have accrued from (and including) October 15, 2018 to (but excluding) the Additional Notes Issue Date. The Additional Notes were issued in a qualified reopening of the Original Notes and, therefore, are treated as issued on the same date and at the same Issue Price as the Original Notes. For more information, see "*Tax Considerations—Certain United States Federal Income Tax Considerations—Issue Price and Issue Date of the Additional Notes*."
Maturity Date	October 15, 2023.
Interest Rate	5.0% per annum.
Interest Payment Dates	Interest on the Notes is payable semi-annually in arrears on April 15 and October 15 of each year. The first interest payment on the Additional Notes will be made on April 15, 2019.
Denomination of Additional Notes	The Issuer issued the Additional Notes in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof.
Form of Additional Notes	The Additional Notes were represented on issue by Global Notes, which were deposited with a common depositary for Euroclear and Clearstream and registered in the name of their nominees. If definitive registered notes are issued in respect of the Additional Notes, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. Interests in each Global Note will be exchangeable for definitive registered notes only in certain limited circumstances. See "*Book—Entry; Delivery and Form—Definitive Registered Notes*."
Ranking of Additional Notes and Guarantees	The Additional Notes: • are general, senior obligations of the Issuer, secured by a first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens (as defined in the section entitled "*Description of the Additional Notes—Certain Definitions*")) security interest in the Collateral as described below under "*—Collateral*," along with its guarantee obligations under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement and the ING Facilities Agreement (subject, in each case, to limitations under applicable law);

- rank senior in right of payment to all existing and any future indebtedness of the Issuer that is subordinated to the Notes;
- rank *pari passu* in right of payment with all existing and any future indebtedness of the Issuer that is not subordinated to the Notes;
- are effectively senior to all existing and any future unsecured indebtedness of the Issuer to the extent of the value of the Collateral securing the Notes;
- are effectively subordinated to all existing and any future indebtedness of the Issuer that is secured by property or assets of the Issuer that do not form part of the Collateral, to the extent of the value of the property or assets securing such indebtedness;
- are structurally subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes; and
- are fully and unconditionally guaranteed on a senior secured basis by the Guarantors, subject to limitations under applicable law.

The Original Notes and the Additional Notes are guaranteed (the "**Guarantees**") by the Guarantors, and may in the future be guaranteed by other Restricted Subsidiaries of the Issuer.

Each Guarantee:

- is a general, senior obligation of the relevant Guarantor, secured by a first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens (as defined in the section entitled "*Description of the Additional Notes—Certain Definitions*")) security interest in the Collateral as described below under "*—Collateral*" along with such Guarantor's obligations under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement and the ING Facilities Agreement, the BRD Agreements and certain outstanding hedging obligations, as applicable (subject, in each case, to limitations under applicable law);
- ranks senior in right of payment to all existing and any future indebtedness of the relevant Guarantor that is subordinated to such Guarantee;
- is effectively senior to all existing and any future unsecured indebtedness of the relevant Guarantor to the extent of the value of the Collateral securing such Guarantee;
- is effectively subordinated to all existing and any future indebtedness of the relevant Guarantor that is secured by property or assets of that Guarantor that do not form part of the Collateral to the extent of the value of the assets securing such indebtedness;
- is structurally subordinated to all obligations of such Guarantor's subsidiaries which do not guarantee the Notes;
- in the case of the Company's Guarantee, ranks *pari passu* in right of payment (in respect of the proceeds of a bankruptcy and any portion of the Company's obligations under its Guarantee, which exceeds the value of the Collateral securing such Guarantee) to certain specified categories of existing and future unsecured indebtedness of the Company, including, without limitation, bank loans; and
- in the case of the Company's Guarantee, is effectively subordinated (in the event of competing non-bankruptcy enforcement under Romanian law and only with respect to any portion of the

Company's obligations under its Guarantee, which exceeds the value of the Collateral securing such Guarantee) to certain specified categories of existing and future unsecured indebtedness of the Company including, without limitation, trade payables and bank loans.

Collateral	The obligations of the Issuer and the Guarantors under the Notes and the Guarantees are secured by first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens (as defined in the section entitled "*Description of the Additional Notes—Certain Definitions*")) security interests over (i) subject to certain exclusions, all present and future movable assets of the Company, including bank accounts, trade receivables, intragroup receivables, insurance receivables, inventories, movable tangible property (including installation, networks, machinery, equipment, vehicles, furniture, and other similar assets), intellectual property rights, insurance and proceeds related to any of the foregoing; (ii) all shares of certain of the Company's material subsidiaries held by the Company; (iii) certain assets of the Issuer, including all shares it holds in the Company, certain bank accounts and rights under the Proceeds Loan; and (iv) all shares held by DIGI Hungary in Invitel (collectively, the "**Collateral**"). The security interests over the Collateral may be released under certain circumstances. See "*Risk Factors—Risks relating to the Notes—There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically and under which the Guarantees will be released without the consent of the holders of the Notes or the Trustee or the Security Agent obtaining their further consent*" and "*Description of the Additional Notes—Security—Release of liens*."
Fungibility of Additional Notes and Original Notes	The Additional Notes (which constitute "**Additional Notes**" as defined in the Indenture) and the Original Notes are consolidated and treated as a single class of Notes for all purposes under the Indenture, including, without limitation, in respect of interest payments, waivers, amendments, redemptions and offers to purchase. The Additional Notes issued in reliance on Rule 144A will share the same ISIN and Common Code as the Original Notes issued in reliance on Rule 144A. In order to comply with certain transfer restrictions applicable to the Additional Notes sold in reliance on Regulation S during the "distribution compliance period" (as defined in Regulation S), such Additional Notes issued in reliance on Regulation S will temporarily have a different ISIN and Common Code from, and will not trade fungibly with, the Original Notes sold in reliance on Regulation S. This restriction will be in effect from the Additional Notes Issue Date through (and including) the 40th day following the Additional Notes Issue Date. After the 40th day following the Additional Notes Issue Date, certain selling restrictions with respect to the Additional Notes sold in reliance on Regulation S will terminate and the Additional Notes sold in reliance on Regulation S will become fully fungible with, and will share the same ISIN and Common Code as, the Original Notes sold in reliance on Regulation S. See "*Plan of Distribution*," "*Description of Additional Notes—Form of Notes"* and *"Book-Entry; Delivery and Form*."
Use of Proceeds	We used the gross proceeds of the Offering (excluding approximately €3.2 million of interest deemed to have accrued from (and including) October 15, 2018 (the last date on which interest on the Notes was paid) to (but excluding) the Additional Notes Issue Date): (i) primarily to prepay certain principal amounts outstanding under the 2016 Senior Facilities Agreement and the 2018 Senior Facilities Agreement; (ii) to pay costs, expenses and fees (including the Initial Purchaser's fees, legal and accounting fees and other transaction costs) in connection with the Refinancing; and (iii) for general corporate purposes. See "*Use of*

Proceeds."

Taxation/Additional Amounts

Save as discussed in the immediately following paragraph, all payments by the Issuer under, or with respect to, the Additional Notes will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) except to the extent required by law. If withholding or deduction is required by law in any such jurisdiction in which the Issuer is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction (including, without limitation, the jurisdiction of any paying agent) from or through which payment on the relevant Additional Notes is made by or on behalf of the Issuer, subject to certain exceptions, the Issuer will pay such additional amounts as may be necessary so that the net amount received by any holder of Additional Notes (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "*Description of the Additional Notes—Additional Amounts*."

In connection with the Issuer's IPO on the Bucharest Stock Exchange, it re-domiciled for tax purposes to Romania in April 2017. As a result, the Notes have become subject to Romanian withholding taxes on interest paid thereon (such withholding taxes since the re-domiciliation amounting to approximately €3.3 million per year and are treated as interest expense on our consolidated statement of profit or loss). We have been paying, and expect to continue to pay, all such taxes in accordance with applicable Romanian law. We have also been paying, and expect to continue to pay, the applicable Additional Amounts under the Notes, as defined in, and required under the terms of, the Indenture.

Any payments of interest by the Company under, or with respect to, its Guarantee may be made subject to Romanian withholding tax. Under the terms of its Guarantee, the Company would be obliged to pay such additional amounts as would result in receipt by the holders of the Additional Notes of such amounts as would have been received by them had no such Romanian withholding tax been imposed. See "*Tax Considerations—Romanian Tax Considerations—Payments by the Company under the Proceeds Loan and its Guarantee*."

Optional Redemption

At any time prior to October 15, 2019, we may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds of certain equity offerings, at the redemption price of 105.000% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of the Additional Notes—Optional Redemption—Optional Redemption upon Equity Offering prior to October 15, 2019*."

At any time prior to October 15, 2019, we may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the applicable redemption date plus the applicable "make whole" premium. See "*Description of the Additional Notes—Optional Redemption—Optional Redemption of the Additional Notes prior to October 15, 2019*."

At any time on or after October 15, 2019, we may redeem some or all of the Notes at the redemption prices set forth in "*Description of the Additional Notes—Optional Redemption—Optional Redemption of the Additional Notes on or after October 15, 2019*."

Change of Control

Upon the occurrence of certain events constituting a "change of control," holders of the Notes will have the right to require the Issuer to repurchase all or part of the Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the repurchase date. See "*Description of the Additional Notes—Repurchase at the Option of the Holders—Change of Control*."

Optional Redemption for Taxation Reasons

If certain changes in the law (or in its interpretation) of any relevant taxing jurisdiction impose certain withholding taxes or other deductions on the payments on the Notes, we may redeem the Notes in whole, but not in part, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. See "*Description of the Additional Notes—Optional Redemption for Taxation Reasons*."

Certain Covenants

We have agreed to certain covenants in the Indenture, including, among other things, limitations on our ability to:

- incur or guarantee additional indebtedness;
- 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 our restricted subsidiaries' ability to pay dividends;
- sell or issue capital stock of restricted subsidiaries;
- engage in any business other than a permitted business; and
- impair the security interests with respect to the Collateral.

Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Notes receive investment grade ratings from the relevant credit rating agencies. See "*Description of the Additional Notes—Certain Covenants*."

Transfer Restrictions

The Additional Notes and the Guarantees thereof have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to certain restrictions on transfer and resale. See "*Book Entry; Delivery and Form*."

No Established Market

The Additional Notes are new securities, for which there is currently no established trading market. Although the Initial Purchaser has informed us that it intends to make a market in the Additional Notes, it is not obligated to do so and it may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Additional Notes will develop or be maintained.

Listing

The prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank only approves this prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application was made to the Irish Stock Exchange plc (trading as Euronext Dublin), for the Additional Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market. Euronext Dublin is a regulated market for the purposes of the Prospectus Directive. Such approval relates only to the Additional Notes that are to be admitted to trading on a regulated market for the purposes of the Prospectus Directive and/or

	that are to be offered to the public in any Member State of the European Economic Area.
Governing Law	The Additional Notes, the Indenture (including the Guarantees) and the Proceeds Loan are governed by the laws of the State of New York. The Intercreditor Agreement is governed by English law. The Security Documents are governed by Romanian, Dutch, Hungarian and Spanish law.
Security Agent	Wilmington Trust (London) Limited.
Trustee	Wilmington Trust, National Association.
Paying Agent	Deutsche Bank AG, London Branch.
Transfer Agent and Registrar	Deutsche Bank Luxembourg S.A.
Irish Listing Agent	Arthur Cox Listing Services Limited.
Risk Factors	Investing in the Additional Notes involves a high degree of risk. See the section entitled "*Risk Factors*" for a description of certain of the risks you should carefully consider before investing in the Additional Notes.

SUMMARY FINANCIAL AND OTHER DATA

The tables below set out summary consolidated financial information for the Group as at and for the years ended December 31, 2015, 2016 and 2017, and as at and for the nine months ended September 30, 2017 and 2018. The financial information as at and for the years ended December 31, 2015, 2016 and 2017 has been extracted or derived from the Annual Financial Statements. The financial information as at and for the nine months ended September 30, 2017 and 2018 has been extracted or derived from the Interim Financial Statements. The Financial Statements are included elsewhere in this prospectus. The information presented below under the caption "*—Other operating data*" has not been extracted or derived from the Financial Statements, but from our management's accounts and/or accounting records. The information below should be read in conjunction with the Financial Statements and accompanying notes included elsewhere in this prospectus and the discussion in sections entitled "*Presentation of Financial and Other Data,*" "*Selected Financial and Other Data*" and *"Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Consolidated statement of profit or loss data

	For the year ended December 31,			For the nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**[(1)]
				(unaudited)	
			(€ millions)		
Revenue					
Romania	541.8	615.4	658.3	496.1	516.8
Hungary	125.9	137.9	150.4	113.1	135.0
Spain	73.8	84.7	93.9	67.8	90.6
Other	11.4[(2)]	9.6[(2)]	18.8[(3)]	13.4[(3)]	17.6[(3)]
Eliminations of intersegment revenues	(2.7)	(4.8)	(4.9)	(3.1)	(3.7)
Total revenue	**750.1**	**842.8**	**916.6**	**687.3**	**756.4**
Other income	—	—	2.5[(4)]	10.7[(5)]	9.7[(6)]
Gain/(loss) from sale of discontinued operations	20.9[(7)]	(0.7)[(7)]	—	—	—
Total revenue, and other income and gain/(loss) from sale of discontinued operations	**771.0**	**842.1**	**919.1**	**698.0**	**766.1**
Operating expenses					
Romania	(362.2)[(8)]	(413.1)	(431.3)	(328.8)	(320.1)
Hungary	(76.5)	(86.5)	(110.7)	(80.3)	(108.7)
Spain	(62.8)	(70.7)	(68.1)	(49.2)	(69.2)
Other	(13.0)[(9)]	(13.9)[(10)]	(23.9)[(10)]	(15.9)[(10)]	(21.2)[(10)]
Eliminations of intersegment expenses	2.7	4.8	4.9	3.1	3.7
Depreciation, amortization and impairment of tangible and intangible assets	(187.9)	(176.4)	(171.8)	(126.5)	(152.7)
Total operating expenses	**(699.7)**	**(755.8)**	**(800.8)**	**(597.5)**	**(668.2)**
Other expenses	(1.0)[(8)(11)]	(7.0)[(11)]	(2.8)[(12)]	(2.9)[(13)]	(17.3)[(14)]
Operating profit	**70.3**	**79.3**	**115.4**	**97.6**	**80.6**
Finance income	9.9	45.3	20.0	15.1	3.8
Finance expense	(70.8)	(101.5)	(55.9)	(35.9)	(45.0)
Net finance costs	**(60.9)**	**(56.2)**	**(35.9)**	**(20.7)**	**(41.2)**
Profit before taxation	9.5	23.1	79.5	76.9	39.4
Income tax expense	(5.4)	(11.3)	(17.4)	(18.8)	(18.5)
Net profit	**4.0**	**11.8**	**62.0**	**58.1**	**20.9**

(1) Invitel's results are consolidated into our results from June 1, 2018.

(2) Includes revenue from our operations in Italy and the Czech Republic (discontinued in April 2015).

(3) Represents revenue from our operations in Italy.

(4) Includes (i) €2.4 million costs related to the IPO recovered from the selling shareholders; and (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.

(5) Includes (i) €2.8 million costs related to the IPO recovered from the selling shareholders; (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.; and (iii) €7.8 million of mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(6) Represents mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(7) Represents gain/(loss) from the sale of our operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

(8) In the 2016 Annual Financial Statements, we presented our unrealized mark-to-market loss from fair value assessment of energy supply contracts for the year ended December 31, 2016 under a separate "Other expenses" line item and restated our presentation for the year ended December 31, 2015 accordingly. We have also applied such presentation for subsequent periods. However, in the 2015 Annual Financial Statements, €1.0 million unrealized mark-to-market loss from fair value assessment of energy supply contracts was included in our presentation of operating expenses in Romania.

(9) Includes (i) operating expenses incurred in relation to our operations in Italy and the Czech Republic (discontinued in April 2015); and (ii) operating expenses of the Issuer.

(10) Includes (i) operating expenses incurred in relation to our operations in Italy; and (ii) operating expenses of the Issuer.

(11) Represents mark-to-market loss from fair value assessment of energy supply contracts.

(12) Includes (i) €2.6 million costs related to the IPO; and (ii) €0.2 million of mark-to-market unrealized loss from fair value assessment of energy supply contracts.

(13) Represents costs related to the IPO. The lower amount reported for the year ended December 31, 2017, compared with the amount reported for the nine months ended September 30, 2017, is due to a re-estimation of the implications of different taxation regimes in The Netherlands and Romania.

(14) Includes (i) €2.5 million costs related to the acquisition of Invitel; (ii) €10.1 million non-cash expenses related to the Stock Option Plans; and (iii) €4.7 million provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

Consolidated statement of financial position data

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
				(unaudited)
		(€ millions)		
Assets				
Non-Current assets				
Property, plant and equipment	674.7	826.0	900.7	1,082.9
Intangible assets	205.1	206.8	215.2	245.7
Financial assets at fair value through OCI[1]	43.4	0.0	42.1	36.0
Investments in associates	1.0	1.0	0.8	0.8
Long term receivables	5.9	3.9	2.0	4.8
Other non-current assets	—	—	—	4.3[2]
Deferred tax assets	4.0	3.1	2.8	2.4
Total non-current assets	**934.0**	**1,040.8**	**1,163.7**	**1,376.9**
Current assets				
Inventories	13.2	18.6	10.1	14.1
Program assets	29.5	30.3	22.3	28.8
Trade and other receivables	82.5	109.0	82.5	63.7[3]
Contract assets	—	—	—	34.7[3]
Income tax receivables	0.2	2.8	1.7	0.4
Other assets	8.2	6.3	11.0	13.6
Derivative financial assets	9.9	17.0	34.9	40.4
Cash and cash equivalents	49.7	14.6	16.1	17.1
Total current assets	193.3	198.6	178.5	212.8
Total assets	**1,127.3**	**1,239.5**	**1,342.2**	**1,589.7**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	0.1	0.1	6.9	6.9
Share premium	8.2	8.2	3.4	5.3
Treasury shares	(16.7)	(16.7)	(13.9)	(14.0)
Reserves	31.6	9.1	1.2	(13.7)
Retained earnings	77.5	40.5	138.9	165.0
Total equity attributable to equity holders of the parent	**100.7**	**41.2**	**136.5**	**149.5**
Non-controlling interest	2.2	1.4	6.0	7.2
Total equity	**102.8**	**42.6**	**142.5**	**156.8**
Non-current liabilities				
Interest-bearing loans and borrowings, including bonds	624.9	665.5	648.0	778.0
Deferred tax liabilities	27.0	34.8	45.5	61.9

Decommissioning provision	0.0	0.0	5.4	5.6
Other long term liabilities	7.6	46.1	36.7	34.3
Total non-current liabilities	**659.5**	**746.4**	**735.7**	**879.7**
Current liabilities				
Trade and other payables	271.1	374.0	360.6	407.5
Interest-bearing loans and borrowings	63.1	44.0	82.0	109.3
Income tax payable	1.7	1.4	—	2.7
Derivative financial liabilities	8.3	16.4	10.1	1.6
Provisions	—	—	—	7.2 (4)
Contract liability	—	—	—	24.9 (5)
Deferred revenue	20.8	14.7	11.3	—
Total current liabilities	**365.1**	**450.4**	**464.0**	**553.3**
Total liabilities	**1,024.5**	**1,196.9**	**1,199.7**	**1,433.0**
Total equity and liabilities	**1,127.3**	**1,239.5**	**1,342.2**	**1,589.7**

(1) This presentation is required by IFRS 9 "Financial Instruments: Classification and Measurement," which became applicable since January 1, 2018. Our Annual Financial Statements present this line item as "Available for sale financial assets (AFS)."

(2) Represents fair value of postponed green certificates generated by our solar energy production activities.

(3) In compliance with IFRS 15 "Revenue from Contracts with Customers," our Interim Financial Statements present "Contract assets" separately from "Trade and other receivables." There was no such requirement for prior reporting periods, and therefore relevant assets were reported as part of "Trade and other receivables."

(4) Represents provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

(5) In compliance with IFRS 15 "Revenue from Contracts with Customers," our Interim Financial Statements present "Contract liabilities" instead of "Deferred revenue." There was no such requirement for prior reporting periods, and therefore relevant liabilities were reported as part of "Deferred revenue."

Consolidated statement of cash flow data

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
	(€ millions)				
Cash flows from operations before working capital changes	**237.2**	**266.6**	**295.5**	**222.7**	**241.2**
Cash flows from changes in working capital(1)	4.2	(11.3)	(4.3)	(2.3)	(11.2)
Cash flows from operations	**241.5**	**255.3**	**291.2**	**220.4**	**230.0**
Interest paid	(44.2)	(44.0)	(33.4)	(20.2)	(26.8)
Income tax paid	(5.1)	(7.8)	(10.2)	(5.1)	(2.6)
Cash flow from operating activities	**192.2**	**203.5**	**247.6**	**195.0**	**200.6**
Cash flow used in investing activities	**(171.6)**	**(216.0)**	**(242.3)**	**(187.2)**	**(341.2)**(2)
Cash flows from/(used in) financing activities	**(25.7)**	**(21.8)**	**(3.9)**	**(2.2)**	**141.6**
Net increase (decrease) in cash and cash equivalents	(5.1)	(34.2)	1.4	5.7	1.0
Cash and cash equivalents at the beginning of the period	54.3	49.7	14.6	14.6	16.1
Effect of exchange rate fluctuation on cash and cash equivalent held	0.5	(0.8)	—	—	—
Cash and cash equivalents at the closing of the period	**49.7**	**14.6**	**16.1**	**20.4**	**17.1**

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

(2) Includes €135.4 million consideration paid for Invitel on May 30, 2018 (at the exchange rate of €/HUF at May 30, 2018).

Other operating data

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[1]
				(unaudited)	
	(€ millions, unless otherwise stated)				
Revenue[2]	**750.1**	**842.8**	**916.6**	**687.3**	**756.4**
Operating profit	70.3	79.3	115.4	97.6	80.6
Depreciation, amortization and impairment	187.9	176.4	171.8	126.5	152.7
EBITDA[3]	**258.2**	**255.6**	**287.2**	**224.1**	**233.3**
Gain/(loss) from sale of subsidiaries	(20.9)[4]	0.7[4]	—	—	—
Other income	—	—	(2.5)[5]	(10.7)[6]	(9.7)[7]
Other expenses	1.0[8]	7.0[8]	2.8[9]	2.9[10]	17.3[11]
Adjusted EBITDA[12]	**238.4**	**263.3**	**287.5**	**216.3**	**240.9**
Adjusted EBITDA Margin (%)[13]	**31.8%**	**31.2%**	**31.4%**	**31.5%**	**31.8%**
Adjusted EBITDA of discontinued operations[14]	0.9	—	—	—	—
Adjusted EBITDA of continuing operations[15]	**237.5**	**263.3**	**287.5**	**216.3**	**240.9**[16]
Adjusted EBITDA of continuing operations Margin (%)[17]	**31.8%**	**31.2%**	**31.4%**	**31.5%**	**31.8%**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) Excludes intersegment revenue.

(3) EBITDA is consolidated operating profit plus charges for depreciation, amortization and impairment of assets. EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA." We believe that EBITDA is a useful analytical tool for presenting a normalized measure of cash flows. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider our EBITDA 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 as a substitute for operating profit or cash flows from operating activities. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(4) Represents gain/(loss) from the sale of our operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

(5) Includes (i) €2.4 million costs related to the IPO recovered from the selling shareholders; and (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.

(6) Includes (i) €2.8 million costs related to the IPO recovered from the selling shareholders; (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.; and (iii) €7.8 million of mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(7) Represents mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(8) Represents mark-to-market loss from fair value assessment of energy supply contracts.

(9) Includes (i) €2.6 million costs related to the IPO; and (ii) €0.2 million of mark-to-market unrealized loss from fair value assessment of energy supply contracts.

(10) Represents costs related to the IPO. The lower amount reported for the year ended December 31, 2017, compared with the amount reported for the nine months ended September 30, 2017, is due to a re-estimation of the implications of different taxation regimes in The Netherlands and Romania.

(11) Includes (i) €2.5 million costs related to the acquisition of Invitel; (ii) €10.1 million non-cash expenses related to the Stock Option Plans; and (iii) €4.7 million provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

(12) Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market unrealized gains/(losses) from fair value assessment of energy supply contracts. Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "Adjusted EBITDA." We believe that Adjusted EBITDA is a useful analytical tool for presenting a normalized measure of cash flows. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider our Adjusted EBITDA 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 Adjusted EBITDA as a substitute for operating profit or cash flows from operating activities. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(13) Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to revenue. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(14) Represents Adjusted EBITDA from our operations in the Czech Republic (discontinued in April 2015).

(15) Represents Adjusted EBITDA from our operations in Romania, Hungary, Spain and Italy.

(16) Includes the €8.0 million portion of our Adjusted EBITDA of continuing operations generated by Invitel for the four-month period from June 1, 2018 to September 30, 2018, following its acquisition on May 30, 2018.

(17) Adjusted EBITDA Margin of continuing operations is the ratio of Adjusted EBITDA of continuing operations to revenue. See "*Presentation of Financial and Other Data—Operating and Market Data*."

Selected financial data and ratios

As at and for the year ended December 31,

	2015	2016	2017
	(€ millions, unless otherwise stated)		
Total debt[(1)]			
2013 Notes	450.0	–	–
Original Notes	–	350.0	350.0
2015 Senior Facilities Agreement	229.9	–	–
2016 Senior Facilities Agreement	–	336.9	337.4
2018 Senior Facilities Agreement	–	–	–
Overdraft/letters of credit facilities[(2)]	4.8	7.2	25.1
Obligations under financial leases	8.8	5.8	4.2
Derivatives	8.3	16.4	10.1
Other financial debt[(3)]	8.0	15.4	19.0
Other long term liabilities[(4)]	7.6	46.1	36.7
Unamortized borrowing costs and effective interest rate adjustments	(13.4)	(5.7)	(5.6)
Total debt	**703.9**	**772.0**	**776.9**
Cash and cash equivalents	49.7	14.6	16.1
Total net debt	**654.2**	**757.4**	**760.8**
Leverage ratio[(5)]	2.7x	2.9x	2.6x
Net interest expense[(6)]	49.3	45.1	36.3
Interest coverage ratio[(7)]	4.8x	5.8x	7.9x

(1) Total debt is interest bearing loans and borrowings (non-current), interest bearing loans and borrowings (current), derivative financial liabilities and other long term liabilities. See "*Capitalization*."

(2) Includes: (i) the ING Facilities Agreement; (ii) the Citi Facilities Agreement; (iii) uncommitted overdraft/bank guarantee facility with UniCredit Bank; and (iv) the BRD Letters of Credit Facility.

(3) Includes: (i) the Libra Loan Agreement; (ii) the loan agreements with the OTP Bank; (iii) the 2015 Santander Facility Agreement; (iv) the Caixa Facility Agreement; (v) the loan agreements with the BBVA; (vi) the BRD Credit Facility; and (vii) interest accruals.

(4) Includes long-term trade payables relating to vendor financing arrangements.

(5) Represents the ratio of total net debt to Adjusted EBITDA of continuing operations over a given period.

(6) Represents, in relation to the years ended December 31, 2015, 2016 and 2017, interest expense as extracted from our Financial Statements, less interest income related to cash and cash equivalents held, and for the twelve months ended September 30, 2018, computed on the basis for the last twelve months financial information computations discussed in "*Presentation of Financial and Other Data*."

(7) Represents the ratio of Adjusted EBITDA of continuing operations to net interest expense over a given period.

Revenue by geographic segment and local business line

	For the year ended December 31,			% change year on year		For the nine months ended September 30,		% change period on period
	2015	2016	2017	2015 v 2016	2016 v 2017	2017	2018[(1)]	2017 v 2018
						(unaudited)		
	(€ millions, unless otherwise stated)							
Revenue[(2)]								
Romania								
Cable TV	166.8	175.7	182.4	**5.3%**	**3.8%**	136.0	141.7	**4.2%**
Fixed internet and data	155.9	163.6	171.6	**4.9%**	**4.9%**	127.9	134.3	**5.0%**
Mobile telecommunications services[(3)]	84.2[(4)]	122.0	164.2	**44.9%**	**34.6%**	120.1	132.8	**10.6%**
Fixed-line telephony	25.8	25.1	23.4	**(2.7)%**	**(6.8)%**	17.6	16.5	**(6.3)%**
DTH	40.2	38.7	36.1	**(3.7)%**	**(6.7)%**	27.4	24.8	**(9.5)%**
Other revenue[(5)]	67.2	87.6	77.6	**30.4%**	**(11.4)%**	65.3	64.1	**(1.8)%**
Total for Romania	**540.1**	**612.7**	**655.2**	**13.5%**	**7.0%**	**494.3**	**514.2**	**4.0%**
Hungary								
Cable TV	36.6	41.0	47.7	**12.0%**	**16.3%**	35.3	43.2	**22.4%**
Fixed internet and data	33.4	38.0	40.8	**13.8%**	**7.4%**	30.4	39.9	**31.3%**
Mobile telecommunications services[(6)]	1.4[(3)]	1.2	1.1	**(14.3)%**	**(8.3)%**	0.8	0.7	**(12.5)%**
Fixed-line telephony	6.9	6.8	6.3	**(1.4)%**	**(7.4)%**	4.9	10.8	**120.4%**
DTH	30.5	31.4	33.5	**3.0%**	**6.7%**	25.3	24.1	**(4.7)%**
Other revenue[(5)]	17.1	19.5	21.1	**14.0%**	**8.2%**	16.3	16.1	**(1.2)%**
Total for Hungary	**125.9**	**137.9**	**150.4**	**9.5%**	**9.1%**	**113.1**	**135.0**	**19.4%**
Spain								
Mobile telecommunications services[(7)]	72.2[(3)]	82.7	92.5	**14.5%**	**11.9%**	66.7	89.9	**34.8%**
Other revenues[(8)]	0.4	0.3	0.2	**(25.0)%**	**(33.3)%**	0.2	0.1	**(50.0)%**
Total for Spain	**72.7**	**83.0**	**92.7**	**14.2%**	**11.7%**	**66.9**	**90.0**	**34.5%**

	For the year ended December 31,			% change year on year		For the nine months ended September 30,		% change period on period
	2015	2016	2017	2015 v 2016	2016 v 2017	2017	2018(1)	2017 v 2018
						(unaudited)		
	(€ millions, unless otherwise stated)							
Other(9)								
Mobile telecommunications services(7)	7.4(4)	9.0	18.2	**21.6%**	**102.2%**	12.9	17.1	**32.6%**
Other revenue(8)	0.2	0.2	0.1	**0.0%**	**(50.0)%**	0.1	0.1	**0.0%**
Total for Other	**7.5**	**9.2**	**18.3**	**22.7%**	**98.9%**	**13.0**	**17.2**	**32.3%**
Discontinued operations(10)								
DTH	**3.8**	**—**	**—**	**(100.0)%**	**—**	**—**	**—**	**—**
Total revenue	**750.1**	**842.8**	**916.6**	**12.4%**	**8.8%**	**687.3**	**756.4**	**10.1%**
Total other income	20.9(11)	(0.7)(11)	2.5	(103.3)%	(457.1)%	10.7	9.7	(9.3)%
Total revenue and other income	**771.0**	**842.1**	**919.1**	**9.2%**	**9.1%**	**698.0**	**766.1**	**9.8%**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) Excludes intersegment revenue.

(3) Includes mobile voice and internet and data revenue.

(4) For reporting periods following June 30, 2016, we have been aggregating certain revenue to report it as part of our mobile telecommunication services business line. For the year ended December 31, 2015, that revenue includes mobile internet and data revenue reported under the caption "Internet and Data Revenue" and mobile telephony revenue reported under caption "Telephony Revenue" in Note 16 of the 2015 Annual Financial Statements. The remaining revenue that is reported under those captions in the 2015 Annual Financial Statements is presented in this prospectus as fixed internet and data and fixed-line telephony revenue. Comparative information for the year ended December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data—Presentation of financial information.*"

(5) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), own content to other operators and advertising revenue from own TV and radio channels.

(6) Represents mobile voice and internet and data revenue generated as a reseller through Telenor's local network.

(7) Represents mobile voice and internet and data revenue from our MVNO operations.

(8) Includes sales of CPE (primarily mobile handsets).

(9) Represents revenue from our operations in Italy.

(10) Represents revenue from our operations in the Czech Republic (discontinued in April 2015).

(11) Includes gains/(losses) from sale of discontinued operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

RGUs by global business line

	As at December 31,			As at September 30,	
	2015(1)	2016	2017	2017	2018(2)
	(unaudited) (thousands)				
RGUs(3)					
Cable TV	3,170	3,338	3,530	3,469	3,919
Fixed internet and data	2,358	2,543	2,751	2,684	3,200
Mobile telecommunications services(3)	3,342	3,922	4,469	4,384	4,810
Fixed-line telephony	1,741	1,692	1,639	1,654	1,904
DTH	992	948	884	907	832
RGUs Group	**11,603**	**12,443**	**13,273**	**13,098**	**14,665**

(1) Since June 30, 2016, we have aggregated RGUs from our previously reported mobile telephony and mobile internet and data business lines and currently report them as part of our mobile telecommunication services business line. Comparative RGU information as at December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data.*"

(2) RGUs for Hungary include Invitel's RGUs.

(3) RGUs, or revenue generating units, represent the number of customer accounts at period end. A single customer can account for several RGUs. See "*Presentation of Financial and Other Data—Operating and marketing data—Non-IFRS information and other operating data—RGUs and ARPU.*"

ARPU by global business line

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[1]
	(unaudited) (€/period)				
ARPU[2]					
Cable TV	5.5	5.6	5.6	5.6	5.5
Fixed internet and data					
Residential	5.6	5.5	5.5	5.5	5.4
Business	39.1	35.8	31.9	32.8	28.3
Mobile telecommunication services	4.6	4.9	5.4	5.3	5.8
Fixed-line telephony					
Residential	1.4	1.4	1.3	1.3	1.6
Business	3.6	3.7	3.5	3.5	3.3
DTH	5.9	6.0	6.3	6.3	6.3
ARPU Group	**5.0**	**5.1**	**5.3**	**5.3**	**5.4**

(1) Calculation of ARPU for Hungary (in the relevant business lines) takes account of Invitel's RGUs and revenue from June 1, 2018.

(2) ARPU is average revenue per RGU in each business line or geographic segment for a period. We calculate it by dividing the total revenue of such business line or geographic segment 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. See "*Presentation of Financial and Other Data—Operating and marketing data—Non-IFRS information and other operating data—RGUs and ARPU.*"

RGUs/ARPU by geographic segment and local business line

	As at and for the year ended December 31,			As at and for the nine months ended September 30,	
	2015[1]	2016	2017	2017	2018
	(unaudited) (RGUs: thousands; ARPU: €/period)				
Continuing operations					
Romania					
Cable TV					
RGUs	2,733	2,865	3,030	2,974	3,234
ARPU	5.2	5.3	5.2	5.2	5.0
Fixed internet and data					
RGUs					
Residential	1,873	2,000	2,144	2,092	2,305
Business	103	115	140	133	154
ARPU					
Residential	5.1	5.0	5.0	5.0	4.9
Business	39.1	35.8	31.9	32.8	28.3
Mobile telecommunication services					
RGUs	2,698	3,213	3,391	3,400	3,379
ARPU	3.0	3.4	4.1	4.0	4.4
Fixed-line telephony					
RGUs					
Residential	1,287	1,210	1,128	1,151	1,075
Business	127	129	132	132	132
ARPU					
Residential	1.3	1.3	1.3	1.3	1.3
Business	3.6	3.7	3.5	3.5	3.3
DTH					
RGUs	674	641	593	605	544
ARPU	4.8	4.9	4.9	4.9	4.8
Hungary					
Cable TV					

	As at and for the year ended December 31,			As at and for the nine months ended September 30,	
	2015[1]	2016	2017	2017	2018
	(unaudited) (RGUs: thousands; ARPU: €/period)				
RGUs	437	473	500	495	685[2]
ARPU	7.2	7.5	8.2	8.1	8.2[3]
Fixed internet and data					
RGUs	382	428	467	459	741
ARPU	7.7	7.8	7.6	7.6	7.5
Mobile telecommunication services[4]					
RGUs	16	14	12	13	16
ARPU	6.6	6.8	7.1	7.2	6.1
Fixed-line telephony					
RGUs	327	353	379	371	697[2]
ARPU	1.9	1.7	1.4	1.5	2.3[3]
DTH					
RGUs	318	307	291	302	288
ARPU	7.8	8.2	9.2	9.2	9.2
Spain					
Mobile telecommunication services[5]					
RGUs	569	609	896	813	1,213
ARPU	11.2	11.6	10.5	10.6	9.4
Other[6]					
Mobile telecommunication services[5]					
RGUs	59	86	170	158	202
ARPU	11.2	10.9	10.6	10.6	9.7
Discontinued operations					
Czech Republic					
DTH					
RGUs	—	—	—	—	—
ARPU	7.9	—	—	—	—

(1) Since June 30, 2016, we have aggregated RGUs from our previously reported mobile telephony and mobile internet and data business lines and currently report them as part of our mobile telecommunication services business line. Comparative RGU information as at December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data.*"

(2) RGUs for Hungary include Invitel's RGUs.

(3) Calculation of ARPU for Hungary (in the relevant business lines) takes account of Invitel's RGUs and revenue from June 1, 2018.

(4) As a reseller through Telenor's local network.

(5) As an MVNO

(6) Represents RGUs/ARPU in Italy.

IMPORTANT INFORMATION

You should rely only on the information contained in this prospectus. Neither the Issuer, the Company nor Citigroup Global Markets Limited (the "Initial Purchaser") has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. You should not assume that the information contained in this prospectus is accurate as at any date other than the date on the front of this prospectus.

Neither the Issuer nor the Company nor the Initial Purchaser is making an offer of the Additional Notes in any jurisdiction where the Offering is not permitted.

The Issuer is a public company incorporated under the laws of The Netherlands. The Issuer was incorporated on March 29, 2000 and is the controlling shareholder of the Company. The Issuer is registered with the Dutch trade register under registration number 34132532. The Issuer's statutory seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and its registered address is at 75 Dr. Staicovici Street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania. The Issuer is a Romanian tax resident. The Issuer's telephone number is +40 31 400 6505. The Issuer's internet address is www.digi-communications.ro.

The Company is a joint stock company incorporated under the laws of Romania. The Company was incorporated on July 7, 1994. The Company is registered with the Bucharest Trade Registry Office under registration number J40/12278/1994. The Company's registered address is at 75 Dr. Staicovici Street, Forum 2000 building, Phase I, second floor, 5th district, Bucharest, Romania. The Company's telephone number is +40 31 400 4440. The Company's internet address is www.rcs-rds.ro.

DIGI Hungary is a limited liability company incorporated under the laws of Hungary. DIGI Hungary was incorporated on February 12, 1998. DIGI Hungary is registered with the Court of Registration of Budapest. DIGI Hungary's registered address is H-1134 Váci út 35, Budapest, Hungary.

Invitel is a private company limited by shares incorporated under the laws of Hungary. Invitel was incorporated on November 17, 1995. Invitel is registered with the Court of Registration of Budapest. Invitel's registered address is H-1134 Váci út 37, Budapest, Hungary.

Unless the context otherwise requires and with the exception of the section entitled "*Description of the Additional Notes*," references in the prospectus to "**we**," "**our**," "**us**" and the "**Group**" refer collectively to the Issuer and its direct and indirect consolidated subsidiaries. References in this prospectus to "**Bucharest**" are to the city of Bucharest, Romania. Certain key terms used in this prospectus are defined in the section entitled "*Certain Key Definitions*;" certain technical terms related to our business and used in this prospectus are defined in the section entitled "*Glossary of Technical Terms.*" Unless the context so requires, "**or,**" as used in this prospectus, is not exclusive.

The language of this prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

This prospectus has been prepared by us solely for use in connection with the Offering of the Additional Notes described in this prospectus. This prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Additional Notes. Distribution of this prospectus to any person other than the prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Additional Notes is unauthorized, and any disclosure of any of the contents of this prospectus, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this prospectus, agrees to the foregoing and to make no photocopies of this prospectus or any documents referred to in this prospectus.

The distribution of this prospectus and the offering and sale of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus or any of the Additional Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Additional Notes. See "*Notice to Investors*" and "*Plan of Distribution.*"

In making an investment decision regarding the Additional Notes, prospective investors must rely on their own examination of our business and the terms of the Offering, including the merits and risks involved. In addition, neither we nor the Initial Purchaser nor any of our or its representatives are making any representation to you regarding the legality of an investment in the Additional Notes, and you should not construe anything in this prospectus as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Additional Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Additional Notes or possess or distribute this prospectus, and you must obtain all applicable consents and approvals; neither we nor the Initial Purchaser shall have any responsibility for any of the foregoing legal requirements.

The Initial Purchaser is not making any representation or warranty, express or implied, that the information contained in this prospectus is accurate or complete and are not responsible for this information. Nothing contained in this prospectus is, or shall be relied upon as, a promise or representation by the Initial Purchaser as to the past or the future.

The Issuer and the Guarantors accept responsibility for the information contained in this prospectus. To the best of the knowledge of the Issuer and the Guarantors, having taken all reasonable care to ensure such is the case, the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import. However, the information set out in the sections entitled "*Overview—Business Overview*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While we accept responsibility for the accurate extraction and summarization of such industry and market information and data, we have not independently verified the accuracy of such information and data and we accept no further responsibility in respect thereof. In addition, this prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as we are aware, no information or data has been omitted, which would render reproduced information inaccurate or misleading.

The information contained in this prospectus is correct as of the date hereof. Neither the delivery of this prospectus at any time after the date of publication nor any subsequent commitment to purchase the Additional Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this prospectus or in our business since the date of this prospectus.

We have accurately reproduced the information set out in relation to sections of this prospectus describing clearing arrangements, including in the section entitled "*Book-Entry; Delivery and Form*," and as far as we are aware and able to ascertain from third-party sources, no facts have been omitted, which would render the reproduced information inaccurate or misleading. Nonetheless, such information is subject to any change in, or reinterpretation of, the rules, regulations and procedures of Euroclear and Clearstream (in each case, as defined herein) currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. Neither Euroclear nor Clearstream are under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by either of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear or Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this prospectus, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this prospectus. You also acknowledge that you have not relied on the Initial Purchaser in connection with your investigation of the accuracy of this information or your decision whether to invest in the Additional Notes.

The contents of our websites or any other websites referred to herein do not form any part of this prospectus. Our websites are mainly addressed to potential clients of our services and, therefore, information available on our websites may differ in content or may be organized differently than information in this prospectus. For the purposes of making an investment decision regarding the Additional Notes, you should not rely on our websites.

None of the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other U.S. regulatory authority, has approved or disapproved the Additional Notes nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The Additional Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this prospectus entitled "*Plan of Distribution*" and "*Notice to Investors*."

The Additional Notes are available initially only in book-entry form. The Additional Notes sold pursuant to this prospectus were issued in the form of one or more global notes, which were deposited with, or on behalf of a common depositary for Euroclear and Clearstream and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes are shown on, and transfers of beneficial interests in the global notes are effected only through, records maintained by Euroclear and Clearstream and their direct and indirect participants, as applicable. After the initial issuance of the global notes, Additional Notes in certificated form will be issued in exchange for the global notes only as set forth in the indenture governing the Notes (the "**Indenture**"). See "*Book-Entry; Delivery and Form*."

We reserve the right to withdraw the Offering at any time. We and the Initial Purchaser reserve the right to reject any offer to purchase the Additional Notes, in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Additional Notes sought by it. The Initial Purchaser and certain of its related entities may acquire a portion of the Additional Notes for their own accounts.

IN CONNECTION WITH THE OFFERING OF THE ADDITIONAL NOTES, CITIGROUP GLOBAL MARKETS LIMITED OR ONE OR MORE OF ITS AFFILIATES OR PERSONS ACTING ON ITS BEHALF (THE "**STABILIZING MANAGER**") MAY OVERALLOT THE ADDITIONAL NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE ADDITIONAL NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE ADDITIONAL NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE ADDITIONAL NOTES ISSUE DATE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE ADDITIONAL NOTES, WHICHEVER IS EARLIER.

Each purchaser of the Additional Notes will be deemed to have made the representations, warranties and acknowledgements that are described in the section entitled "*Notice to Investors*" of this prospectus.

NOTICE TO INVESTORS IN THE UNITED STATES

THE ADDITIONAL NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE ADDITIONAL NOTES OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Additional Notes and the Guarantees thereof have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to qualified institutional buyers within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Additional Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Additional Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Additional Notes, see "*Notice to Investors*."

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Additional Notes and the related Guarantees have not been and will not be registered under the laws of any member state of the EEA. The offering of the Additional Notes and related Guarantees is being made, and the Additional Notes and the related Guarantees are being offered and issued, only to persons other than retail investors in the EEA, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**," where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Directive 2003/71/EC (as amended or superseded, the "**Prospectus Directive**.") Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional Investors and ECPs only target market. Solely for the purposes of the manufacturers' product approval process, the target market assessment in respect of the Additional Notes has led the manufacturers to the conclusion that: (i) the target market for the Additional Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Additional Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Additional Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Additional Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This prospectus has not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**"). Accordingly, this prospectus is for distribution only to, and is directed solely at, persons who are: (i) outside the United Kingdom; (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (iii) persons falling within Articles 49(2)(a) to (d) of the Order; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Additional Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

NOTICE TO INVESTORS IN BELGIUM

The Additional Notes are not intended to be, and should not be, advertised, offered, sold or resold, transferred, delivered or otherwise made available to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law (Wetboek economisch recht/Code de droit economique) dated February 28, 2013, as amended from time to time (the "**Belgian Code of Economic Law**").

NOTICE TO INVESTORS IN ROMANIA

This prospectus has not been approved by the Romanian Financial Supervisory Authority or any other competent Romanian authority. This prospectus may only be distributed to and the Additional Notes may only be offered for sale or purchase in Romania to investors who are "qualified investors" as defined under Law no. 24/2017 on securities issuers and market operations.

NOTICE TO INVESTORS IN HUNGARY

The Additional Notes were offered in connection with a private placement in Hungary and in reliance upon the exemption provided by points A) and D) of Section 14 of the Hungarian Act No CXX of 2001 on Capital Markets ("**Hungarian Capital Markets Act**") as the denomination of the Additional Notes exceeds €100,000 (or equivalent) and the Additional Notes were offered solely to qualified investors. Neither this prospectus nor any other document or material relating to the Additional Notes or the Offering has been submitted or will be submitted for approval or recognition to the Central Bank of Hungary *(Magyar Nemzeti Bank)*. Accordingly, the Additional Notes must not be offered in Hungary by way of a public offering, as defined in sections 20-43/A of the Hungarian Capital Markets Act. This prospectus has been prepared only for the personal use of the potential investors and exclusively for the purpose of offering the Additional Notes to them, and the information contained herein should not be used for any other purpose.

NOTICE TO INVESTORS IN THE NETHERLANDS

The Additional Notes were offered solely to qualified investors (as defined in the Prospectus Directive). Consequently, this prospectus has not been approved by The Netherlands authority for the financial markets (*autoriteit financiële markten*) and the offering is not subject to any supervision by The Netherlands authority for the financial markets.

NOTICE TO INVESTORS IN SPAIN

The Additional Notes may not be offered, sold or distributed in Spain, nor may any subsequent resale of the Additional Notes be carried out in Spain except (i) in circumstances, which do not constitute a public offering of securities in Spain within the meaning of Section 35 of the Restated Spanish Securities Market Act approved by the Royal Legislative Decree 4/2015 of October 23, 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Spanish Securities Market Act**"), as developed by the Royal Decree 1310/2005 of November 4, 2005 on admission to listing and on issuances and public offers of securities (*Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, de Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), and supplemental rules enacted thereunder, or in substitution thereof, from time to time; and (ii) by institutions authorized to provide investment services in Spain under the Spanish Securities Market Act (and related legislation) and the Royal Decree 217/2008 of February 15, 2008 on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*).

Neither the Additional Notes, nor this prospectus, have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and the prospectus is not intended for any public offer of the Additional Notes in Spain.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are not historical facts and are forward-looking. Forward-looking statements appear in various locations, including, without limitation, in the sections entitled "*Overview*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" 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 prospectus 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 prospectus 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 prospectus 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 prospectus. 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 in Romania and Hungary;
- 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 price at which we are able to acquire electricity from third parties;

- 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;
- 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;
- failure to comply with anti-corruption or money laundering laws, or allegations thereof;
- 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 litigations and unfavorable court decisions;
- failure to comply with anti-corruption or money-laundering laws or allegations of any breach thereof;
- higher vulnerability of the economies of the countries where we operate to fluctuations in the global economy;
- social, political and military conflicts in the region of our operations;
- political and economic uncertainty and risk resulting from the UK's vote to leave the European Union;
- difficult business climate as a result of corruption in some of the markets where we operate;
- rapid or unforeseen economic or political changes characteristic of emerging markets such as the markets in which we operate;
- downgrading of Romania's or Hungary's credit ratings by an international rating agency;
- Romania's difficulties related to its integration with the European Union and Hungary's conflicts on a range of issues 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;
- the Issuer's tax re-domiciliation to Romania in April 2017;
- 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 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement and other Group financings;
- 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 prospectus 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 at the date of this prospectus. Accordingly, we do not intend, and do not undertake any obligation, to update forward-looking statements set forth in this prospectus. 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 prospectus. As a result, you should not place undue reliance on such forward-looking statements.

RISK FACTORS

An investment in the Additional 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 an investment in the Additional Notes is suitable for them in the light of the risks described below and other information in this prospectus and their personal circumstances.

The occurrence of any of the following events could have a material adverse effect on our business, prospects, results of operations and financial condition and impair our ability to fulfill our obligations in respect of the Additional Notes, potentially causing a loss of all or part of the investment made when purchasing the Additional Notes. However, the risk factors described below are not an exhaustive list or explanation of all relevant risks which investors may face when making an investment in the Additional Notes and should be used as guidance only. Additional risks and uncertainties that are not currently known to us, or that we currently deem immaterial, may individually or cumulatively also have a material adverse effect on our business, results of operations or financial condition.

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 all our markets and business lines, which is expected to intensify further. For example, in Romania and Hungary we face intense competition in our cable TV, DTH, fixed internet and data and fixed-line telephony business lines from local entities controlled by Deutsche Telekom ("**Telekom Romania**" and "**Magyar Telekom**," respectively) and Liberty Global ("**UPC Romania**" and "**UPC Hungary**," respectively). In the Romanian mobile telecommunication services market, we compete with Telekom Romania and local entities controlled by Orange ("**Orange Romania**") and Vodafone ("**Vodafone Romania**"). Increased competition may encourage the customers to stop subscribing to our services (an effect known as "churn") and thereby adversely affect our revenue and profitability.

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

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

Orange Romania and Vodafone Romania have taken advantage of the ANCOM-endorsed practice for Romania's fixed line operators to open their networks to competitors. Both entered into certain network sharing agreements with Telekom Romania (in February 2016 and in July 2018, respectively) enabling them to provide cable TV and fixed internet and data services via Telekom Romania's network under their own brand names. Orange Romania is also party to a mobile network sharing agreement concluded in July 2013 with Vodafone Romania, under which each party independently operates its spectrum and retains strategic control over switched networks. Separately, Vodafone has applied to the European Commission for permission to acquire Liberty Global's operations in four European countries, including Romania and Hungary. In December 2018, the European Commission opened an in-depth investigation to assess the proposed transaction under the EU Merger Regulation, the current deadline for issuing a decision being May 2, 2019. These developments have resulted, and are expected in the future to result, in synergies to the businesses of our principal competitors, increase competition, exercise further pressure on prices, result in higher rates of customer churn and ultimately adversely affect our revenue and profitability. Although in 2015, ANCOM confirmed its view (which was supported by the European Commission) that we are under no obligation to open our fixed fiber-optics network to third parties, there is no assurance that this decision may not be reversed. If we are directed by ANCOM, or any other competent authority, to open our infrastructure to third parties, including our competitors, that could further enhance our competitors' market positions, while eroding our key competitive advantages, and have a material adverse effect on our business, prospects, results of operations or financial condition.

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 growing 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 Telekom Romania, Orange Romania, or 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 (which is not presently among our short or mid-term priorities, as we believe that technology is currently not sufficiently advanced and that our current 3G and 4G networks are adequate to satisfy our customers' needs). In particular, in February 2018, Orange Romania announced a joint project with Samsung Electronics and Cisco to test its 5G capabilities, which test was completed in July 2018 in several urban areas of Romania. The purpose was to show how 5G network capabilities complement fixed internet networks, with Samsung Electronics and Cisco delivering an end-to-end solution to Orange Romania during the relevant trial period. In September 2018, Vodafone Romania launched a country-wide live NB-IoT network in Romania for its business customers. In 2017, Telekom Romania also showcased the potential of their 5G technology in live demonstrations in Romania (*Source: Peer reporting*). We also have to compete with companies offering other technologies alternative to our telephony services, such as Skype, WhatsApp, Google Hangouts and Facebook Messenger, as well as with companies offering alternative platforms that make TV and entertainment content available to customers, such as Netflix, Apple TV, Amazon Prime and Google Play, along with other services which allow legal or illegal downloading of movies and television programs.

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

- lower prices, more attractive multiple-play services or higher quality services, features or content;
- more rapid development and deployment of new or improved products and services; or
- more rapid enhancement of their networks.

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

Rapid technological changes may increase competition and render our technologies or services obsolete, and we may fail to 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) 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 fiber 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 and the implementation of new technologies such as GPON, as well as upgrades of existing networks, such as the FTTB/FTTH roll-out. As at the date of this prospectus, we had the following material ongoing capital requirements:

- expansion of our fixed fiber-optic network in Romania and Hungary;
- expansion and further development of our mobile network in Romania and Hungary;
- acquisition and/or renewal of additional sports, film and other broadcasting rights;
- costs associated with CPE and the acquisition of new customers; and
- roll-out of our fixed internet and data and fixed telephony business in Spain.

In addition, we may, from time to time, incur significant capital expenditure in relation to our opportunistic mergers and acquisitions, such as the acquisition of Invitel. See "*—We may undertake future acquisitions on an opportunistic basis 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. Our working capital needs have fluctuated in the past years few along with the need to finance the development of our mobile telecommunication services business (where we continue to acquire handsets and other CPE that are further on-sold to customers subject to deferred payments (although we have reduced handset acquisition for these purposes since the first quarter of 2017). With respect to the former, we generally pay our suppliers within a relatively short period after acquiring products, but on-sell handsets and other 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 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 European and emerging economies, including the jurisdictions in which we operate. This instability was further exacerbated by United Kingdom's vote on June 23, 2016 to leave the European Union and the ongoing uncertainty on the terms and timing of such departure (currently expected to take place on March 29, 2019), 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 the terms of the United Kingdom's future relationship with the European Union are settled. The effects of the continued instability in global markets may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income, and government responses to the economic crisis, such as austerity measures and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations. Furthermore, the United Kingdom's vote to leave has increased the concern that certain other European Union members may also hold referendums and vote to leave the European Union. Some of the effects of the continued instability in global markets, including the risk of deflation and the instability of the euro, may impact a significant number of our customers, leading to increased unemployment and a decrease in disposable income, and government responses to the economic crisis, such as austerity measures and increases in tax rates. Such conditions could have a material adverse effect on our business and results of operations.

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 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement. The lack of easily available credit in the future may also restrict our ability to grow at a pace commensurate with the business opportunities we can identify. See "*—We operate in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in our working capital to maintain our competitive position. Our capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of our business*." 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.

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

Our success is closely tied to general economic developments in Romania and Hungary. Negative developments in, or the general weakness of, the Romanian or Hungarian economies, 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 or Hungarian economies 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 and Hungary, including any changes to their respective political regimes, legal, tax and regulatory frameworks or governing policies, could negatively affect our business and operations.

In addition, Romanian and Hungarian 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 those countries. For example, the Romanian government has recently 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 January 1, 2019, the December Ordinance became effective in Romania, which (i) increased ANCOM's annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year; (ii) increased ANRE's annual fee to 2.0% of total turnover of an energy company for the preceding year generated by licensed electicity-related activities; (iii) conditioned any extension of an existing mobile communication license on the payment of a fee equivalent to 4.0% of the total turnover of Romania's mobile telephony market for the year preceding the requested extension date, multiplied by the number of years for which the extension is requested (which will be applicable, for example, to our 2,100 MHz license that is up for renewal in 2022 (see "*Business—Operations—Mobile Telecommunication Services Networks—Romania*")); (iv) conditioned any issuance of new mobile communication licenses on the payment of fees equivalent to 2.0% or 4.0% (depending on the frequency band for which the license is requested) of the total turnover of Romania's mobile telephony market for the year preceding the issuance date, multiplied by the number of years for which the new license is requested; and (v) significantly increased penalties for breaches of applicable regulations. While the parts of the December Ordinance establishing increased penalties are somewhat unclear as to exact methods of calculation, it provides for fines of up to 10% of a company's turnover in the year prior to the decision to impose such penalties. In addition, starting from January 1, 2019, Romanian banks will be required to pay a quarterly tax of 0.1% to 0.5% of the book value of their financial assets, if the ROBOR they charge to their customers exceeds 2%. 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—Special taxation and other regulatory initiatives*" and "*Industry Regulation—Romania—Sanctions in Relation to Electronic Communications Networks and Services and to Telephony Services*."

As our business is primarily focused on Romania and Hungary, any such negative developments may not be offset by positive trends in other markets. Therefore, a weak economy and negative economic or political developments in the principal countries 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—The legal and judicial systems in some of our markets of operation are less developed than other European countries, which makes an investment in the Notes riskier than investments in securities of an issuer that operates in a more developed legal and judicial system."

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

For the nine months ended September 30, 2018, we generated approximately 85.8% of revenue in our two principal functional currencies, the Romanian leu and the Hungarian forint (which included approximately 27.7% representing revenue collected in local functional currencies, but denominated in euros). However, as at September 30, 2018, we had €423.4 million and US$58.9 million of obligations denominated in euros and U.S. dollars, respectively, compared to €408.7 million and US$65.9 million, respectively, as at December 31, 2017. 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 this respect, from December 31, 2015 to December 31, 2017, the Romanian leu and the Hungarian forint have declined compared to the euro approximately 3.2% and approximately 3.4% in total, respectively. However, for the month of January 2019, the Romanian leu's depreciation accelerated by a further 2.1%.

In particular, our ability to repay or refinance our euro-denominated financial indebtedness could be adversely impacted by a significant appreciation of the euro relative to our functional currencies. Such appreciation 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 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the ING Facilities Agreement and other existing credit facilities, thereby requiring us to seek waivers from these creditors or causing the acceleration of this indebtedness. In addition, this could make it more difficult for us to comply with the incurrence financial covenants under the Notes. In accordance with our historical approach, we may hedge the interest payments and/or repayments of the whole or a portion of the principal amount of our financial indebtedness. However, any hedging arrangements we enter into may not adequately offset the risks of foreign exchange rate fluctuations and may result in losses. In addition, further appreciation of the euro and the U.S. dollar could require us to offset the impact of such exchange rate fluctuations by price increases for customers in Romania and Hungary that are invoiced in local currencies, 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 the Hungarian forint 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 September 30, 2018, we had approximately 4,400 mobile network base stations in place 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 and unauthorized access. Any such disruption or other damage that affects our network could result in substantial losses, for which we are not adequately covered by our existing insurance policies. Disaster recovery, security and service continuity protection measures that we have undertaken or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time. Such disruptions may affect our provision of new or existing services and reputation, leading to costly repairs and loss of customers. For so long as any such disruption continues, our revenue could be significantly impacted, which in turn could have a material adverse effect on our operating cash flows, business, prospects, results of operations or financial condition.

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

We currently broadcast programming for our DTH services using nine transponders (and use an additional transponder for transmitting non-DTH signals), of which three are located on a satellite operated by Intelsat Global Sales & Marketing Ltd ("**Intelsat**"), and six (including the one used for transmitting non-DTH signals) are leased through Intelsat on a Telenor satellite. Our current lease arrangement with Intelsat covering both sets of transponders is effective until 2022. There can be no assurance that an extension of the term of this arrangement can be agreed on similar financial terms post 2022 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, including:

- transponder failure or other degradation of satellite electronics;
- exhaustion of fuel for maintaining satellites on station;
- premature ageing of the solar cells that power the satellite;
- malfunctions in ground control stations that cause the satellite to drift off its station and therefore become unable to transmit signals to the designated area;
- damage from space debris and solar flares;
- unsuccessful migration process to alternate satellites from satellites reaching the end of operations;
- faulty systems, software, mechanical devices or latent faults in construction; and
- faulty operation or other causes.

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.

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

We have experienced substantial growth and development in a relatively short period of time, and our business may continue to grow in the future. For example, in 2014 we relaunched our mobile telecommunication services business line in Romania and focused on growth in this area, achieving approximately 3.4 million mobile telecommunication services RGUs as at September 30, 2018, an increase of approximately 1.3 million RGUs, or 38.2%, compared with approximately 2.1 million such RGUs as at December 31, 2014. We may also launch a mobile telecommunications business in Hungary in 2019. In 2012 and 2015, respectively, we also added solar energy generation and energy supply to our business. In addition, on May 30, 2018 we purchased Invitel, one of the largest telecommunication services providers in Hungary, which increased the total number of households passed by our fixed networks by approximately 1.1 million.

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 any launch of a mobile telecommunications business in Hungary, we have no experience operating this type of business in the respective geography and our current 1,800 MHz license is limited to one duplex of 5 MHz. There can be no assurance that we will be successful in adapting to the demands of this market or that we will be able to supplement our existing licenses, should growth in the business require it, as mobile telecommunications licenses are typically awarded in public tenders.

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.

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.

Our growth and profitability depend principally on continued demand for cable and telecommunications products and services in Romania and Hungary, our ability to attract and retain customers and to successfully expand our mobile telecommunication services business line.

Our growth and profitability depend on a continued demand for our products and services and growth in our RGUs, on our ability to successfully expand our mobile telecommunication services and on the level of churn experienced due to customers switching to our competitors or otherwise terminating their subscriptions to our services.

If demand for our services in general does not increase, if we are unable to further maximize revenue generated from existing customers through cross-selling, if we are unable to continue to expand our mobile telecommunication services business or if we are unable to gain new customers from our competitors or otherwise, it 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 and Hungary. 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. We currently hold rights to broadcast some of the most popular competitions in our countries of operation, such as Romanian Football League 1 (until the end of the current football season). However, no assurance can be provided that we will succeed in acquiring new or renewing existing broadcasting rights upon the expiration of the underlying contracts. For example, in 2015 we lost our license to broadcast the Union of European Football Associations ("**UEFA**") Champions League and the UEFA Europa League in Romania to one of our principal competitors, Telekom Romania (although we subsequently regained those broadcasting rights on co-exclusive and exclusive basis, respectively).

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, 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, such as Hungary, 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 ARPU figures to decrease.

In our core markets of Romania and Hungary, our customer base for services other than DTH is located primarily in more affluent urban population centers. However, as we expand into less affluent demographic segments of our geographic markets, our ARPU figures may decline depending upon changes in our mix of customers and the prices at which our packages are offered. For example, reduced versions of our analog and digital cable TV packages in Romania, targeted at rural customers, offer less content and generate less revenue than their standard versions. Further, our reported ARPU for cable TV, DTH and fixed internet may be affected by fluctuations in exchange rates. See "—*We are subject to currency translation risks associated with exchange rate fluctuations.*" A material decrease in ARPU from current levels could have a material adverse effect on our business, prospects, results of operations or financial condition.

We may fail to manage customer churn.

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

Customer churn could increase as a result of:

- the availability of competing services, some of which may be less expensive or technologically superior to those offered by us or offer content or features that we do not offer;
- customers moving to areas where we cannot offer services;
- customer dissatisfaction with the quality of our customer service, including billing errors;
- interruptions in the delivery of services to customers over our network and poor fault management; and
- customers choosing to discontinue a certain service without replacing it with an equivalent service provided by us or our competitors.

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

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

We maintain an insurance policy in respect of our critical communications equipment in data centers in Bucharest and certain key network nodes throughout Romania for the services we provide, including our up-link facilities in Bucharest. This insurance policy has an aggregate coverage of up to approximately €36.8 million equivalent as at September 30, 2018. We also maintain civil liability insurance policies and property damage insurance policies for our car fleet. In Hungary, we maintain mandatory third-party liability and casualty and collision insurance for our car fleet, as well as an insurance policy for our equipment. 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.

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 or otherwise. 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.

The results of our energy supply business are dependent on the price at which we are able to acquire electricity from third parties. Volatility in the cost of electricity may negatively impact our financial condition and results of operation.

We acquire the electricity we then sell to our customers on the Romanian wholesale trading platforms, in line with applicable legal provisions which forbid "over the counter" agreements. Due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties on the trading platforms could adversely affect our financial condition and results of operations. For example, due to unusual volatility in the cost of electricity which we acquired, we had a net loss of €8.6 million from our electricity supply activities for the year ended December 31, 2017 (reported on as an increase in our operating expenses). No assurance can be provided that there will not be any further increases or volatility in the cost of electricity or that any such increases or volatility would not have a material adverse effect on our electricity supply activities and thus our financial condition and results of operations in any future period. Although we have taken steps to reduce our exposure to cost volatility and significantly reduced our energy supply activities starting from 2017, natural variations in the level of demand per month from each customer, whether business or residential, and the potential for unexpected variations in the cost of electricity in the Romanian market in the future may continue to affect our remaining energy supply operations.

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 and Hungary, ANCOM and NMIAH, respectively, regulate the frameworks governing interconnection charges in an effort to facilitate access to other companies' networks. In Romania, ANCOM sets price caps on the interconnection charges that major telecommunications operators, including us, may charge, while in Hungary, NMIAH regulates the termination rates for interconnection. We are also dependent on third-party network providers for the provision of MVNO services in Spain and Italy, the resale of fixed-line services in Spain and mobile and internet data services in Hungary and the supply of international roaming services.

In addition, Regulation (EU) No. 531/2012 on roaming on public mobile communications networks within the European Union ("**EU Roaming Regulation**") requires mobile communications providers within the European Union to end all retail roaming surcharges starting from June 2017, while having to pay providers relevant wholesale charges. However, on June 29, 2018, ANCOM allowed us to continue to apply roaming surcharges for an additional year (such extension is only permissible for one year periods). Had we been required not to apply such surcharges, it could have had a material negative impact on our mobile telecommunications business as we generally offer unlimited packages to our customers for a fixed fee. This model is predicated on domestic calls pricing, and lack of roaming charges could lead to massively increased consumption in roaming, which would generate material wholesale roaming expense for us that we could not recover under our current business model. Although we intend to apply to ANCOM for subsequent one-year extensions and believe that there is reasonable chance that such extensions will be granted, there can be no assurance that we will be able to obtain any such further extension on terms favorable to us, and if we failed to do so and failed to adjust our business model accordingly, we would be required to fully bear, in whole or in part, the wholesale cost of roaming for our clients.

Although we have interconnection and other agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnection and other services they provide. There can be no assurance that interconnection, resale, roaming or MVNO agreements will be easy to agree, that we will be able to renew these agreements on commercially acceptable terms, that they will not be terminated, or that ANCOM, NMIAH 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.

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. 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.

Sensitive customer data is an important part of our daily business and leakage of such data 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 fines, reputational damage and customer churn.

We accumulate, 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, it is possible that there may be data leakages in the future. We work with third-party service providers, such as certain software companies, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

The telecommunications sector has become increasingly digitalized, automated and online-based in recent years, 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, 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 prospectus this process has not been completed yet. In addition, the EU General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") became effective on May 25, 2018, introducing enhanced data protection requirements and substantial fines for a breach thereof. Although we have already made, and continue making, adjustments to our policies and procedures to ensure full compliance with the GDPR, as at the date of this prospectus its formal implementation in the countries where we operate is still ongoing as the general regulatory framework requires interpretation and adaptation. 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 GDPR's requirements. Also, on January 11, 2017, the European Commission published a proposal for its new e-Privacy regulation, which is expected to replace the currently effective e-Privacy Directive 2002/58/EC. The new e-Privacy regulation is expected to be adopted in 2019 and we are currently evaluating whether our practices need to be adjusted to ensure compliance therewith. There can be no assurance that such compliance could be achieved within the regulatory timeframes, when set, or at all.

Should we be found to be in breach of any applicable data protection laws, this may result in significant fines, claims for damages, prosecution of relevant employees and managers, reputational damage and customer churn and may have a material adverse effect on our business, prospects, results of operation or financial condition.

We may undertake future acquisitions on an opportunistic basis 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. For example, on May 30, 2018, we acquired Invitel. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Acquisitions and disposals.*" We may undertake, on an opportunistic basis, additional acquisitions in the future in our existing business lines or in other businesses complementary to them. However, we may not be successful in our efforts to estimate the financial effects of any such transactions 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 of 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.

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

Any adverse revisions to our 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.

Changes to IFRS standards for lease accounting may adversely affect our financial results and position.

Changes to IFRS have been proposed in recent years, and further changes may be proposed in the future. In particular, the International Accounting Standards Board ("**IASB**") released a new standard ("**IFRS 16**") on lease accounting, which replaced International Accounting Standards ("**IAS**") 17 Leases and which will be effective for financial reporting periods beginning on or after January 1, 2019. The application of IFRS 16 is expected to have a significant impact on our consolidated statement of financial position, as we will be required to recognize the present value of minimum lease payments as liability and record rights of usage assets. It is also expected to have a significant impact on our consolidated profit or loss statement, as we will be required to report depreciation expenses related to such additional assets and interest expenses related to such additional liabilities (instead of lease expenses). This and any other changes to IFRS that may be proposed in the future could have a material adverse effect on our results of operations or financial condition.

Although we are still in the process of analyzing the detailed consequences of IFRS 16's application, we currently believe that had IFRS 16 been applicable as at and for the year ended December 31, 2018, the estimated impact on our consolidated financial statements would have been as follows: (a) a significant increase in our consolidated assets; (b) a significant increase in our consolidated liabilities; (c) an increase in our consolidated depreciation expense; (d) an increase in our consolidated interest expense; and (e) a decrease in our consolidated lease expense. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial leasing agreements—IFRS 16*." IFRS 16 will not have any impact on calculations we are required to make under the Indenture for the purposes of ensuring compliance therewith, as those will continue to be made in accordance with the IFRS in effect as at the issue date of the Original Notes, although it is likely to lead to certain divergence between some financial metrics that we report on a regular basis (including Adjusted EBITDA of continuing operations) and related or similarly titled metrics under the Indenture and for covenant purposes.

RISKS RELATING TO LEGAL AND REGULATORY MATTERS AND LITIGATION

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

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

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

The January Judgment:

- dismissed the giving of bribe related allegations against the Company and its past and current directors on the basis that they had become time-barred;
- convicted the Company of money laundering and (a) ordered it to pay a criminal fine of approximately RON1.25 million; (b) confiscated €3.1 million of our original investment in the JV and RON655,124 as alleged unlawful profits derived by the Company 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 the Company's partner in the JV following the 2016 acquisition) of accessory to money laundering and ordered it to pay a criminal fine of approximately RON 700,000;
- cancelled (a) the original 2009 joint venture agreement (along with all subsequent amendments thereto); (b) the 2015 settlement agreement (along with all subsequent amendments thereto); and (c) the 2016 purchase by the Company 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 the Company 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 (see "*Overview—Recent developments*" and "*Management—Senior management team"*);
- acquitted Messrs. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of the Company), Mihai Dinei and Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of the Company) 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 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 the Company, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei. The full appeal motions will be submitted shortly after the complete text of the January Judgment becomes available.

The January Judgment will not become final or enforceable pending the Bucharest Court of Appeal's resolution on the appeal, which will involve a full re-trial of the factual matters and legal issues in this case. Nevertheless, the January Judgment may have a material adverse effect on our business reputation, results of operations or financial condition. In particular, if the January Judgement is confirmed on appeal and 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 appeals are pending, it is possible that the January Judgment 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.

For example, Antena TV Group S.A. ("**Antena Group**"), which is a leading media group in Romania, alleged in 2011, among other things, that we abused our dominant position by refusing to transmit one of its channels via our network. The Romanian Competition Council (the "**RCC**") commenced an investigation into this matter in August 2011. The investigation was completed in March 2015 and the underlying complaints were dismissed in their entirety though the RCC noted that we enjoy a dominant position on the retransmission market in Romania. The regulator's decision was challenged by Antena Group in court. On October 3, 2016, the Bucharest Court of Appeal upheld the RCC's decision and dismissed Antena Group's claims. In 2018, we reached a settlement agreement with Antena Group, which settled all disputes between us. See "*Business—Litigation and Legal proceedings—Legal proceedings against Intact Media Group*."

On November 14, 2018, the GVH withdrew its original approval of our acquisition of Invitel and launched a new investigation to re-assess certain market overlaps between Invitel and i-TV, which is another subsidiary we have in Hungary. The stated reason for such withdrawal and investigation was that at the time of the initial evaluation DIGI Hungary had allegedly failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV. A fine of approximately €280,000 was imposed pending such further investigation. However, the GVH's withdrawal of its original approval will not undermine our ownership of Invitel pending the GVH's investigation (the GVH specifically decided to allow us to continue to exercise full control over Invitel). Although no assurance of the outcome can be provided during such limited investigation, our acquisition of Invitel is not expected to be affected by the GVH's withdrawal decision in any way beyond the reinstatement of certain limited (1) behavioral requirements with respect to itself in connection with certain 16 settlements, operations in which Digi Hungary had been ordered to divest by the original decision (such as to (a) continue servicing those settlements; (b) not to engage in active marketing activities towards Invitel's customers in those settlements; and (c) continue to be monitored by the trustee appointed by the GVH in respect of such operations); and (2) interim obligations with respect to i-TV in connection with certain 99 settlements (such as not to (x) permit i-TV to terminate service or lease agreements with infrastructure owners in those settlements; (y) permit i-TV to engage in active marketing activities towards Invitel's customers in those settlements; and (z) engage in active marketing activities towards i-TV's customers in those settlements); in each case, that were lifted by the original clearance.We are fully cooperating with the GVH and are hopeful that this new investigation will result in a final re-authorisation of the Invitel acquisition; this further investigation will not have any impact on Invitel's guarantee of the Notes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Acquisitions and disposals*" and "*Business—Litigation and Legal Proceedings—Further investigation by the GVH of our acquisition of Invitel.*"

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 the GVH 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 RCC or the GVH 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.

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

For example, in April 2013, the RCC launched a sector inquiry regarding (a) electronic communication services offered in Romania as part of multiple-play packages and on a standalone basis; (b) access to electronic communications infrastructure in Bucharest; and (c) examination of the sector in the rest of Romania in order to evaluate the relative market power of participants. Its inquiry in connection with the access to electronic communications infrastructure in Bucharest was completed in early 2016 and recommended increased oversight by ANCOM of communication infrastructure operators (us included) and monitoring of non-discriminative access to such infrastructure by communication providers. The RCC's inquiry regarding electronic communication services in Romania was finalized in late 2017. As a result thereof, relevant existing practices of market participants (us included) could be subjected to stricter scrutiny in the future. In addition, the RCC's 2017 report included certain findings on common potentially abusive provisions in agreements with individual customers, such as termination clauses. The RCC alerted the Romanian National Authority for Consumer Protection ("**NACP**"), which re-addressed the matter to ANCOM. There is no further information available at the moment. However, should NACP and/or ANCOM deem some of such provisions to be indeed abusive vis-à-vis customers, market participants (us included) may be required to amend existing customer agreements, and may face fines and other sanctions in connection with current practices.

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

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 interconnection, including the obligation that our interconnection agreements comply with applicable ANCOM decisions, and the obligation that we pay our regulatory fees. We were in breach of certain technical obligations/parameters relating to our network and the provision of our services (e.g., level of noise/radiation above the threshold, poor TV signal in certain villages/towns, etc.), for which we have received warnings from ANCOM and small fines. We have generally remedied such breaches after receiving such sanctions from ANCOM, but we may be unable to remedy (or do that in a timely fashion) such breaches in the future. In addition, from time to time, our satellite spectrum license may not cover some of our channels or up-link connections and our retransmission endorsements may not cover some of our channels or may cover certain channels that we are not currently broadcasting. See "*Industry Regulation—Romania—Television and Radio Services—Licenses—Satellite Spectrum License.*" We may also, from time to time, not be in full compliance with our "must carry" obligations and may have differing interpretations of such obligations than the regulators. Our failure to comply with existing laws and regulations and the findings of government inspections may result in the imposition of fines or other sanctions on us by ANCOM or the National Audiovisual Council of Romania ("**NAC**"). The recent regulatory changes introduced by the December Ordinance entitle ANCOM to impose fines of up to 10% of our total turnover in the year prior to ANCOM's decision in the event of repeated violations of regulatory obligations under current law in Romania. See "*—Risks relating to our business and industry—Any potential deterioration of the general internal economic, political and social conditions in Romania and Hungary, our principal countries of operation, or any adverse changes in the Romanian or Hungarian tax or regulatory environment, may not be offset by developments in other markets*."

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. Recently proposed legislation would greatly increase fines that can be applied by NACP, including with regards to abusive provisions in consumer contracts, to up to 5% of turnover and may lead to an obligation to pay back income realized as a result of clauses deemed abusive. In addition, we could be required to discontinue certain of our business activities and our officers could be subject to administrative and criminal penalties. 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. Any such decisions, requirements or sanctions, or any increase in governmental regulation of our operations, could increase our costs and could have a material adverse effect on our business, prospects, results of operations or financial condition.

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. A suspension or termination of our licenses or other necessary governmental authorizations could have a material adverse effect on our business and results of operations.

Further, the deployment of our networks requires obtaining access rights from various third parties services, as well as various approvals or permits from European, national, state, regional or local governmental and/or regulatory authorities, particularly in relation to establishing base stations for our mobile telecommunication services. These 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. The December Ordinance has materially increased the level of fines applicable to telecom operators for construction works without access rights or without authorization. While the parts of the December Ordinance establishing increased penalties are somewhat unclear as to exact methods of calculation, they will be determined in relation to turnover, *pro rata* the number of users serviced without authorization, one percentage point per 100 such users, capped at 10%. This could have a material adverse effect on our business, prospects, results of operations or financial condition.

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

In Romania, we currently provide our cable TV, fixed-line telephony and fixed internet and data services through networks that are mostly above-ground and for which we lease the right to use poles from electricity and public transportation companies. In Hungary, we provide our cable TV, fixed-line telephony and fixed internet and data services through networks that are mostly underground. In Romania and Hungary, 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. Since 2011 (and earlier with respect to certain towns and cities), Romanian authorities have implemented a series of regulatory measures, which led to a *de-facto* prohibition on building above-ground networks on public property (in particular, in urban areas) and imposed pressure to move our existing networks underground. Although urban regulations have since been partially relaxed so as to allow above-ground infrastructure building in rural areas, the overall negative regulatory trend is continuing and may lead to forced changes to network building practices, as well as to requirements to alter existing network locations, which can involve significant capital expenditure. We are moving our networks underground in cities where local authorities have granted us the required authorizations expediently or where the necessary infrastructure was already available. However, we may not always be in full compliance with obligations to move our networks underground or we may have different interpretations with respect to the imposition of such obligations by public authorities. If we were forced to place our above-ground networks underground pursuant to plans of authorities that contemplate impractical solutions, our costs for providing services may increase and our customer satisfaction may be adversely affected. In addition, if we are found not to be in compliance with such obligations, or otherwise in violation of restrictive covenants, easements or rights of way, we may face fines or service interruptions while we relocate our networks.

Certain agreements we entered into for the purpose of developing our networks, including majority of leases of poles that support our above-ground fixed fiber-optic networks, are with persons whose title thereto or authority or capacity to enter into such agreements were not fully verifiable or clear at the time, among other reasons, because of unclear and constantly changing legislation. In addition, certain agreements with third parties with respect to our network (including mobile network base stations) were not documented or executed in the authenticated form required by Romanian law and, as such, they, or the building permits obtained on the basis thereof, may be invalidated or easily discontinued. Moreover, certain agreements were entered into without full compliance with other applicable formalities, such as public tender requirements. No assurance can be provided that such agreements will not be subject to cancellation or revocation in the future. Further, a significant portion of our above-ground fixed fiber-optic network in Romania and Hungary 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 and Hungarian markets increases and the overlap of product function expands, the possibility of such allegations increases. For instance, in 2014 and 2015, Discovery Communications Inc. ("**Discovery**") challenged the registration by the Romanian intellectual property authority of five trademarks used to brand some of our TV channels, alleging that those trademarks were similar to the ones owned by Discovery. As at the date of this prospectus, claims in relation to two such trademarks were dismissed twice based on procedural grounds. However, both decisions are not yet final. Also, we are engaged in certain legal proceedings in other jurisdictions challenging our entitlement to international protection of some of our trademarks, which followed our decision to obtain such protection in 2017. 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 and Hungary, 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, Hungary, Spain and Italy may be subject to change, and there may be changes in interpretation and enforcement of tax law. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for us to predict, and we may therefore be unprepared for these changes. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws or regulations are modified by the competent authorities in a manner, which could have a material adverse effect on our cash flows, business, prospects, results of operation or financial condition for any affected reporting period.

In addition, such authorities periodically examine or audit the Group. In particular, a review by the Romanian tax authorities in the tax affairs of the Company for the years 2013 to 2016 was performed in 2017. This review was for verification purposes only (i.e., not due to an infringement) and such reviews are common in Romania for companies of our size (that review did not result in any material adjustment, fine or recommendation). 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.

For example, in 2015, Electrica Distribuţie Transilvania Nord S.A. (the incumbent electricity distributor from the North-West of Romania) challenged the concession agreement we had concluded with the local municipality from Oradea regarding the use of an area of land for the development of an underground cable trough, arguing that the tender whereby we had obtained the concession had been carried out in violation of law. See “*Business—Litigation and Legal Proceedings—Legal proceedings against Electrica Distribuţie Transilvania Nord*.” Should the final court decision be unfavorable to us, it may result in a partial or total loss of our investment in the underground cable trough. The high stakes of this and a parallel litigation with the subsidiaries of Electrica S.A. (“**Electrica**”), (the largest distributor of electrical energy in Romania) essentially disputing the alleged exclusivity rights of incumbent electricity distributors, may also impair our contractual relations with Electrica and its subsidiaries and, consequently, could have a material adverse effect on our operations, business, prospects, results of operations and financial condition. See “*—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*."

RISKS RELATING TO INVESTMENTS IN COUNTRIES WHERE WE OPERATE

The economies of the countries where we operate are more vulnerable to fluctuations in the global economy than developed markets. Negative global economic developments could have a materially adverse effect on these countries.

The economies of the countries where we operate are vulnerable to market downturns and economic slowdowns elsewhere in the world. The impact of global economic developments is often felt more strongly in emerging markets, such as Romania and Hungary than it is in more mature markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in the countries where we operate and their economies could face severe liquidity constraints, causing them to, among other things, raise tax rates or impose new taxes, with a significant impact on our activities. See "*—Risks relating to our Business and Industry—We may be adversely affected by unfavorable conditions in the global economy or volatile equity and credit markets.*"

The current and upcoming social, political and military conflicts in the region of our operations may have consequences, which may materially adversely affect our business.

Since early 2014, Ukraine, which neighbors both Romania and Hungary, has been confronting a severe internal crisis, in which the Russian Federation is also alleged to be heavily involved. During this crisis, Ukraine lost control over the peninsula of Crimea to the Russian Federation and lost control over a significant part of its other eastern territories to pro-Russian separatists. In response to the perceived heavy intervention (including military intervention) by the Russian Federation in Ukraine, the United States and the European Union have imposed several sets of economic sanctions and are threatening further sanctions in the future. The Russian Federation has denied its involvement and has imposed certain retaliatory economic sanctions.

In addition, the ongoing political instability in the Republic of Moldova, another country neighboring Romania, is threatening to trigger another political conflict in the region. Also, many EU countries, including Hungary, have suffered from the recent massive migration of Middle East refugees, which has had a profound impact on their economic, social and political environments. Hungary's response to the refugee crisis has been questioned by EU officials. Although we are not currently affected by the above developments, they have the potential to cause materially adverse economic conditions, social turmoil or, in a worse case, military confrontation in the region.

Effects are to a large extent unpredictable, but may include drop in investments caused by uncertainty, further economic sanctions, which may negatively affect the economies of our countries of operation, significant currency fluctuations, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices.

These and other unforeseen negative effects of the crises in the region could have a material adverse effect on our business, prospects, results of operations and financial condition.

The UK's decision to leave the European Union could create further political and economic uncertainty and risks which may negatively affect the markets in which we operate and our business.

The referendum resulting in a vote for the United Kingdom to leave the European Union ("**Brexit**"), has created volatility in the global financial markets and could contribute to prolonged uncertainty around certain aspects of the European and global economies, as well as European companies and consumers. Brexit is currently expected to take place on March 29, 2019 and is likely to adversely affect European and worldwide economic conditions, and could contribute to greater instability, in the global financial markets before and after the terms of the United Kingdom's future relationship with the European Union are settled. Brexit could also affect the general political environment in the European Union, as well as the stability and standing of the European Union as a single market.

Until more clarity is available around the legal, political and economic realities and requirements for Brexit, political and economic uncertainty, notably in European markets, may occur, which could lead to a downturn in the markets in which we operate and a decrease in spending and investment. 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 and Romanian leu, Hungarian forint and the U.S. dollar. 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.

In addition, Brexit has led to general volatility in the currency exchange market. Increased volatility in the currency exchange market as a result of Brexit could also materially adversely affect our results of operations as we may be unable to implement adequate strategies to protect against the currency exchange risk.

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 and Hungary. International and local media, as well as international organizations, have issued numerous alerting reports on the levels of corruption in these countries. For example, the 2018 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranks countries from 0 (least corrupt) to 100 (most corrupt), ranked Romania and Hungary in the 59th and 66th positions, respectively (2017: 48 and 45; 2016: 48 and 48).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania and Hungary, which may be relevant for our businesses. 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.

We operate mainly in emerging markets that may experience rapid or unforeseen economic or political changes.

Romania and Hungary have undergone substantial political, economic and social change in recent years. As is typical of emerging markets, they do 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 and Hungary are subject to varying interpretations and changes, which can occur frequently. See "—*The legal and judicial systems in some of our markets of operation are less developed than other European countries, which makes an investment in 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, both of these countries have 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 and under significant pressure from street protests mainly related, in 2017 and 2018, legislative proposals of the Parliament and the Government to amend the Criminal Code and to decriminalize certain criminal acts. Political instability and the increasing direct pressure in the form of large street protests could delay or stop economic and regulatory reforms in Romania.

In Hungary, our other core market, the ruling party, which has been in power since 2010, introduced various policies and measures that raised certain concerns about the rule of law, including taxes with retroactive application and a new constitution that has been scrutinized by international organizations (including the EU Commission). The Hungarian opposition towards the European Union's reaction to the migration crisis (significantly affecting Hungary in its early stages) might additionally encourage the present government to adopt national protective measures that might discourage foreign presence or investments in Hungary. Any disruption of the reform policies and recurrence of political or governmental instability could have a material adverse effect on us and the value of investments related to Romania and Hungary.

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.

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

The long-term foreign and domestic currency debt of Romania is currently rated BBB-/A-3 (stable outlook) by S&P, Baa3 (stable outlook) by Moody's and BBB- (stable outlook) by Fitch; while the long-term foreign and domestic currency debt of Hungary is currently rated BBB-/A-3 (positive outlook) by S&P, Baa3 (stable outlook) by Moody's and BBB- (positive outlook) by Fitch. Any adverse revisions to Romania's or Hungary's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact our ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper our ability to obtain financing for capital expenditures and to refinance or service our indebtedness, which could have a material adverse effect on our business, prospects, results of operations or financial condition.

Romania's difficulties related to its integration with the European Union and Hungary's repeated backlashes against the European Union may adversely affect our business.

Romania entered the European Union in January 2007 and continues to undergo legislative changes due to its accession to, and its continued integration with, the EU. As part of the accession process, the European Union has established a series of measures for Romania in order to fulfill basic EU membership requirements. The European Commission was tasked with monitoring Romania's progress, which it does by issuing annual compliance reports. In its 2017 Report (the "**2017 Report**") on Romania's progress under the Co-operation and Verification Mechanism (the "**CVM**"), the European Commission gave a generally positive assessment of Romania's efforts and proposed 12 recommendations for it to fulfill in order to ensure compliance with the CVM. However, in its 2018 Report (the "**2018 Report**") on Romania's progress under the CVM, the European Commission stated that while certain steps towards the implementation thereof had indeed been taken, further developments in 2018 (such as substantial changes to the laws governing organization and functioning of the country's judicial system and numerous initiatives to grant amnesty to individuals convicted of certain corruption crimes) represented a major pushback and called into question its overall positive assessment of Romania's progress made in the 2017 Report. In particular, the 2018 Report noted the unfortunate developments in the areas of judicial independence, judicial reform and combating high-level corruption. It also set out eight additional recommendations for the country to follow. On November 13, 2018, the European Parliament passed a draft non-binding resolution on the rule of law in Romania and expressed its deep concerns about the reform of the Romanian judicial and criminal laws, which was alleged to have had the potential of undermining the separation of powers and the country's fight against corruption.

Unless satisfactory actions are taken, Romania could face EU sanctions, which could have a material adverse effect on financial operations, investments and capital flows in the country, and consequently, on our business, prospects, results of operations or financial condition. Such sanctions may take the form, for example, of a temporary suspension of the application of relevant provisions governing the relations of Romania with any other EU member state or member states or the suspension of member states' obligations to recognize and enforce, under the conditions laid down in EU law, Romanian judgments and judicial decisions.

The current Hungarian Government has repeatedly adopted positions which were at odds with those of the EU institutions, especially in the context of the 2015-2016 migrant crisis, during which Hungary strongly rejected the migrant quota plan and prompted widespread criticism from EU officials. Continued backlash by Hungary against the European Union's response to social, economic and/or political events may create uncertainty as to Hungary's commitment to its membership in the European Union and have a material adverse effect on financial operations, investments and capital flows in Hungary, and consequently, on our business, prospects, results of operations or financial condition.

The legal and judicial systems in some of our markets of operation are less developed than other European countries, which makes an investment in the Additional 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 and Hungary 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 these countries 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 and Hungary 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 in these countries. The relatively limited experience of a significant number of the magistrates practicing in these markets, 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 systems in Romania and Hungary are 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.

Investors may be unable to effect service of process or enforce foreign judgments against us or our assets in the jurisdictions in which we operate or our executive officers reside.

Our presence outside of the United States and the United Kingdom may limit the legal recourse investors in the Additional Notes may enjoy against us. The Issuer is incorporated under the laws of The Netherlands (and is tax resident in Romania), the Company is incorporated under the laws of Romania and DIGI Hungary and Invitel are both incorporated under the laws of Hungary. Other subsidiaries of the Company are incorporated under the laws of Romania, Hungary, Spain and Italy. All of the Issuer's and the Company's directors and executive officers named in this prospectus reside outside the United States and United Kingdom, principally in Romania, with the exception of Mr. Bogdan Ciobotaru, who is a resident of the United Kingdom, Mr. Sambor Ryszka, who is a resident of Hungary, Mr. Marius Varzaru, who is a resident of Spain and Mr. Piotr Rymaszewski, who is a resident of Poland.

Romanian law may make it difficult to enforce judgments against us that were obtained in foreign courts. The laws of Romania permit an action to be brought before a court of competent jurisdiction in Romania for the recognition and enforcement of a final and conclusive judgment *in personam* rendered by a court from an EU member state, provided that the relevant conditions set forth in EC Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters are met. However, other conditions may be applicable with respect to specific matters, under special Romanian legislation or international conventions. Similar rules on the recognition and enforcement of foreign court judgments apply to judgments issued in non-EU member states, which are parties to the EU Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters of 2007 (the "**Lugano Convention**").

Judgments rendered by courts in the United States and other non-EU member states, which are not parties to the 2007 Lugano Convention are subject to different requirements, and may be more difficult to enforce. Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, Romanian law allows an action to be brought before a court of competent jurisdiction in Romania for the recognition of a judgment *in personam* rendered by a court of a non-EU member state, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Furthermore, the recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters are subject to special legislation and certain conditions may need to be fulfilled. There is no treaty between the United States and Romania providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. However, under Romanian law reciprocity is presumed to exist *de facto* unless there is proof to the contrary, such proof to be determined by the Romanian Ministry of Justice, in consultation with the Romanian Ministry of Foreign Affairs. The limitations set out above may deprive investors in the Notes of effective legal recourse for claims related to their investment. Similar limitations and restrictions exist in Hungary. See "*Enforcement of Civil Liabilities*."

In addition, investors may not be able to serve process on our directors and executive officers or us in the United States or enforce judgments obtained in U.S. courts against them or us based on the civil liability provisions of U.S. federal securities laws. It is unclear if original actions of civil liabilities based solely upon U.S. federal securities laws are enforceable in courts outside the United States. Any enforcement action in a court outside the United States will be subject to compliance with procedural requirements under applicable local law, including the condition that the judgment does not violate the public policy of the applicable jurisdiction, and requirements relating to the service of process.

We may be exposed to certain risks related to the fact that the Issuer is a Dutch entity, tax resident in Romania.

The Issuer was incorporated in The Netherlands, but was re-domiciled for tax purposes to Romania in April 2017 based on place of effective management. In its ruling of April 13, 2017, Dutch tax authorities confirmed that following such re-domiciliation they would no longer treat the Issuer as a Dutch tax resident (but solely as a Romanian tax resident) in accordance with the double taxation treaty between The Netherlands and Romania.

Since the tax re-domiciliation of the Issuer to Romania, we are entitled to be treated by all Romanian authorities in a good faith and non-discriminatory manner, as they would have treated any "local" Romanian business. However, should any competent Romanian authority not view us as such and award us a less favorable treatment because the Issuer remains a Dutch entity, this could increase our costs or otherwise have an adverse effect on our business, prospects, results of operations or financial condition.

Moreover, although no such change or decision is presently anticipated, it is possible that future changes in tax laws, rules or interpretations or adverse decisions by tax authorities, including changes or decisions focused on companies such as us that are incorporated or organized in one jurisdiction and tax resident in another, could adversely affect us, including by imposing additional tax or other costs or by requiring us to make other adaptations to minimize adverse tax implications. See "*—Risks relating to legal and regulatory matters and litigation—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*."

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.

As at and for the year ended December 31, 2017, our total net debt was €760.8 million, our leverage ratio was 2.6x and our interest cover ratio was 7.9x. See "*Overview—Summary Financial and Other Information—Other Operating Data—Selected financial data and ratios*."

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 Indenture, 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 3.75 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 2016 Senior Facilities Agreement contain covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.25 to 1 (other than for any ratio testing date that falls during the 18 month period beginning on May 31, 2018 (being the date of the acquisition of Invitel), in which case the net leverage ratio to be complied with is 3.75 to 1) and a consolidated EBITDA to total net interest ratio of 4.25 to 1 (as such terms are defined therein). The ING Facilities Agreement contain covenants that limit our ability to incur and assume debt and/or require us to maintain a net leverage ratio of 3.25 to 1 and a consolidated EBITDA to total interest ratio of 4.25 to 1 (as such terms are defined therein). The 2018 Senior Facilities Agreement contains covenants that limit our ability to incur and assume debt and/or require us to maintain a total leverage ratio (as such term is defined therein) of 3.75 to 1 until June 30, 2019, and 3.25 to 1 thereafter. 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 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 2016 Senior Facilities Agreement, the ING Facilities Agreement and the Citi Facilities Agreement could materially adversely affect our business operations.

Our operations have been primarily financed using cash generated in our operations and debt financing. We rely on our senior revolving credit facilities under the 2016 Senior Facilities Agreement, the Citi Facilities Agreement and the ING Facilities Agreement to fund our business operations and for various other purposes. Further, if we were unable to draw funds under our senior revolving credit facilities, we may need to find alternative sources of funds which may be at higher interest rates. In addition, the overdraft facilities under the ING Facilities Agreement and the Citi Facilities Agreement are provided on an uncommitted basis and can be withdrawn at any time. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw funds depends on, among other things, our ability to maintain certain ratios. Our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. In addition, our inability to maintain these financial ratios may also result in an event of default under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement or the ING Facilities Agreement, which would prohibit us from drawing funds under those facilities and potentially trigger a cross-default under the Notes. See *"—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities."* This inability to draw funds under the 2016 Senior Facilities Agreement, the ING Facilities Agreement or the Citi Facilities Agreement 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 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the ING Facilities Agreement, the Citi Facilities Agreement and the BRD Agreements) are insufficient to pay our obligations as they mature or to fund our liquidity needs in the longer term, we may be forced to:

- reduce or delay our business activities or capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or part of our debt on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

No assurance can be provided that we would be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on our indebtedness on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement and the ING Facilities Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and could have a material adverse effect on our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

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

Our ability to refinance our debt depends on a number of factors, including the liquidity and capital conditions in the credit markets and we may not be able to do so on satisfactory terms, including in relation to the covenants, or at all. In the event that we cannot refinance our debt, we may not to be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances.

Such terms, including in relation to the covenants and additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition.

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

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

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 NOTES

The Original Notes, the Guarantees and the Additional Notes are structurally subordinated to the indebtedness and other obligations of our non-guarantor subsidiaries.

As at the date of this prospectus, only the Company, DIGI Hungary and Invitel have provided Guarantees for the benefit of the holders of the Notes. Additional subsidiaries of the Company may guarantee the Notes in the future, but until then, any claim by us or any of our creditors, including the holders of the Notes, against any such non-guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of such subsidiaries. The Indenture does not limit the transfer of assets to, or the making of investments in, any of our Restricted Subsidiaries (as defined therein), including our subsidiaries that do not provide guarantees for the Notes, which subsidiaries could account for a higher portion of our assets, liabilities, revenues and net results in the future. As at September 30, 2018, our subsidiaries that do not guarantee the Notes accounted for approximately 33% of our consolidated net assets (approximately 12% excluding treasury shares in RCS Management held by the Issuer) and did not have any material financial indebtedness outstanding. For the nine months ended September 30, 2018, such subsidiaries generated approximately 17% of our consolidated revenue and approximately 12% of our consolidated Adjusted EBITDA of continuing operations. In the event of insolvency, liquidation or other reorganization of any of these non-guarantor subsidiaries, creditors of such non-guarantor subsidiaries will generally be entitled to payment in full from their respective assets before the Issuer or the Company is entitled to receive any distribution from such assets as equity holders. Except to the extent that the Issuer or the Company may itself be a creditor with recognized claims against a non-guarantor subsidiary, claims of third-party creditors of such non-guarantor subsidiary will have priority with respect to the assets and earnings of that subsidiary over the claims of the Issuer or the Company as equity holders, although there is no assurance that the claims of the Issuer or the Company as a creditor against a non-guarantor subsidiary may not be reduced, limited or extinguished as a result of applicable insolvency rules (such as the doctrine of equitable subordination or the rules regarding the potential avoidance of transactions concluded with related persons within a certain hardening period). Our non-guarantor subsidiaries are also subject to liabilities to other creditors as a result of obligations incurred in the ordinary course of business, which liabilities are also effectively senior to the Notes and the Guarantees.

The holders of the Notes may not control certain decisions regarding the Collateral.

The Original Notes and the Additional Notes are secured by the same Collateral securing the obligations under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and certain hedging obligations. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, certain amendments and waivers under the Intercreditor Agreement and in relation to the Collateral will have to be consented to by the required majority of creditors under the relevant *pari passu* indebtedness, including the Notes as well as indebtedness secured on the Collateral listed in the immediately preceding paragraph. The required majority will vary with the type of amendment or waiver being sought and there may in certain circumstances be a requirement for unanimity. See "*Description of Other Indebtedness—Intercreditor Agreement—Amendment*." The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for all the secured parties with respect to the shared Collateral. The Security Agent will act with respect to the shared Collateral only at the direction of those senior secured creditors whose unpaid amounts and undrawn commitments under the senior secured liabilities at that time aggregate to more than 50% of the total aggregate amount of all of the senior secured liabilities at that time (the "**Majority Senior Secured Creditors**"). Before giving any instructions to the Security Agent to enforce the Collateral or take any enforcement action, a 15-day consultation period among the representatives of creditors is triggered, subject to certain exceptions.

Only following the expiry of a consultation period will the Majority Senior Secured Creditors be entitled to give any instruction to the Security Agent to enforce the Collateral or take any other enforcement action. However, it may prove difficult for the holders of any public debt sharing in the Collateral and subject to the Intercreditor Agreement that may be, in the future, issued by the Company under Romanian law to give instructions to the Security Agent in a timely manner or at all, which may lead to the inability of the Security Agent to obtain instructions from the Majority Senior Secured Creditors and prevent it from taking enforcement or other actions in a timely manner or at all.

Nevertheless, these arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by the holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Issuer or its subsidiaries during such period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced.

Pursuant to the Intercreditor Agreement, if the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action, claims under the Notes and the Guarantees and the liens over any other assets of such subsidiaries securing the Notes and the Guarantees may be released. See "*Description of Other Indebtedness—Intercreditor Agreement—Enforcement—Instructions to enforce consultation*," "*Description of Other Indebtedness—Intercreditor Agreement—Enforcement—Instructions*" and "*Description of the Additional Notes—Security—Release of Liens*."

The proceeds of the Collateral sold in any enforcement sale may not be sufficient to repay the Notes.

Our obligations with respect to the Original Notes, the Guarantees and the Additional Notes are secured by a first-ranking (and, in The Netherlands, both first-ranking and second-ranking) security interest in the Collateral, which is more fully described under "*Description of the Additional Notes—Security—The Collateral*." The Collateral is shared with the lenders under the 2016 Senior Facilities Agreement, the creditors with respect to any *pari passu* indebtedness (including the 2018 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement and the BRD Agreements) and certain hedge counterparties. The Indenture and the 2016 Senior Facilities Agreement permit the Issuer and its subsidiaries to use the Collateral to secure certain additional indebtedness as well as certain hedging obligations on a *pari passu* or subordinated basis in the future. Not all of our assets secure the Notes, or will secure the Additional Notes, and in the event of an enforcement of the Collateral, the proceeds from the sale of such assets may not be sufficient to satisfy our obligations under the Notes, the Guarantees and the other indebtedness secured on a *pari passu* basis by the Collateral. To the extent that the claims of the holders of the Notes and creditors of our other debt secured by the Collateral exceed the value of the Collateral, those claims will constitute unsecured obligations.

With respect to any amounts due and unpaid by the Company under its Guarantee that exceed the value of the Collateral securing such Guarantee, in the event of in bankruptcy under Romanian law, any such amounts will rank *pari passu* to certain specified categories of existing and future indebtedness of the Company, including, without limitation, bank loans (including the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and related interest and expenses) and certain hedging obligations. Accordingly, the holders of the Notes' potential recovery in certain events of enforcement or in bankruptcy liquidation under Romanian law may be limited. Furthermore, outside of insolvency, any such amounts due and unpaid by the Company under its Guarantee that exceed the value of the Collateral securing such Guarantee will be subordinated to competing enforcement claims on a sale of assets brought in relation to certain specified categories of existing and future indebtedness of the Company, including bank loans and trade payables. See "*—The Original Notes, the Guarantees and the Additional Notes are secured only to the extent of the value of the Collateral*."

With respect to any amounts due and unpaid by DIGI Hungary or Invitel under their respective Guarantees that exceed the value of the Collateral securing such Guarantees, in the event of in bankruptcy under Hungarian law any such amounts will rank *pari passu* with certain specified categories of existing and future indebtedness of DIGI Hungary or Invitel and will be subordinated to certain competing claims. Accordingly, the potential recovery of holders of the Notes in certain events of enforcement or in bankruptcy or liquidation under Hungarian law may be limited.

As a result, if the value of the Collateral is less than the value of the claims of the holders of the Notes and creditors of our other debt secured by the Collateral, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

The Original Notes, the Guarantees and the Additional Notes are secured only to the extent of the value of the Collateral.

The holders of the Notes will have an unsecured claim for any portion of the claims under the Notes and the Guarantees that are not covered by the value of the Collateral. In the event of competing claims or a sale of assets in bankruptcy, the unsecured portion of the claim will be subject to the mandatory distribution order set out by Romanian law (see "*Certain Insolvency and Enforceability Considerations*" for the order of preference in certain events of enforcement and in bankruptcy liquidation). The unsecured portion of the claims of the holders of the Notes will, in insolvency, rank *pari passu* with, among others, bank loans (including related expenses and interest) and in a competing enforcement procedure outside of insolvency will be subordinated to, among others, bank loans (including related expenses and interest) and trade payables. As a result, the ability of the holders of the Notes to obtain recovery against the Issuer or the Guarantors on any portion of their claim that exceeds the value of the Collateral may be limited.

It may be difficult to realize the value of the Collateral.

No appraisal of the value of the Collateral securing the Original Notes, the Guarantees and Additional Notes has been made in connection with the Offering. The fair market value of such Collateral is subject to fluctuations based on many factors including, among others, whether or not our business is sold as a going concern, the ability to sell the assets (including the shares that constitute part of the Collateral) in an orderly sale, the availability of buyers and whether telecommunications, media and other licenses required to operate our business and approvals required to purchase our business would be available to a buyer of the assets. The book value of the assets securing the Notes should not be relied on as a measure of realizable value for such assets. In addition, the security interest of the Security Agent will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may need to obtain the consent or approval of a third party or governmental authority to create, perfect or enforce a security interest in a contract or permit or transfer or sell certain assets. See "*—Enforcing pledges over certain Collateral may be prohibited or subject to special authorization or require payment of stamp duties*" and "*—Guarantees and the related security interests may be limited by applicable laws or subject to certain other limitations or defenses*." Thus, no assurance can be provided that these assets will be saleable and, even if saleable, that there will not be substantial delays in the liquidation thereof or loss of value associated with the difficulty or inability to sell them as a going concern. Each of these factors could reduce the likelihood of an enforcement action, as well as reduce the amount of any proceeds from an enforcement action.

In addition, the condition of the Collateral may deteriorate in the period leading up to bankruptcy or foreclosure. In the event that a bankruptcy case is commenced by or against us, if the value of the Collateral is less than or equal to the amount of principal and accrued and unpaid interest, if any, on the Notes and all other obligations secured by the Collateral, interest may cease to accrue on the Notes from and after the date of the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be provided that the proceeds from any sale or liquidation of the Collateral will be sufficient to pay our obligations under the Notes.

The Collateral securing the Original Notes and the Guarantees, and that will secured the Additional Notes, is subject to casualty risks.

Some of the Collateral securing the Original Notes and the Guarantees, and that will secure the Additional Notes, is either uninsured, uninsurable or not economically insurable, in whole or in part. Consequently, we may not be fully compensated by insurance proceeds for any losses we may suffer. See "*—Risks relating to our Business and Industry—Our insurance may not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or are not insurable*." If there is a complete or partial loss of any of the pledged Collateral, our insurance proceeds may not be sufficient to satisfy all of the secured obligations including the Notes. In addition, even if there is sufficient insurance coverage, if there is a total or partial loss of certain Collateral, there may be significant delays in obtaining replacement Collateral.

We will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes and the Guarantees.

The security documents governing the granting of the Collateral allow us, subject to the terms of the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and the Indenture, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing such indebtedness. So long as no default or event of default under the above arrangements or the Indenture would result therefrom, we may, among other things, without any release or consent by the Trustee or Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, factoring or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

Rights of the holders of the Notes in the Collateral may be adversely affected by the failure to perfect or maintain security interests in certain Collateral (including any Collateral acquired in the future).

The Collateral will include certain tangible and intangible assets. Applicable law requires that a security interest in certain tangible and intangible assets can only retain its priority if it is properly perfected. Perfection is attained through certain actions (including filings or registration) undertaken by the secured party or the relevant security grantor, as the case may be. Such actions may also require the consent or cooperation of third parties. For example, in Romania, registration of security interests in movable assets must be performed in various registers, depending on the nature of the specific asset over which security is granted. Generally, security interests over movable assets must be registered with the National Register for Movable Assets (the "**National Register**").

Certain movable assets are subject to other or additional publicity formalities. Security interests over shares in a private company must be registered with such company's shareholders' register and security interests over listed shares must be registered with the Romanian Central Depositary. In addition, security over intellectual property rights must be registered with the register kept by the relevant IP authority (e.g., the State Office for Inventions and Trademarks, the World Intellectual Property Organization or the Office of Harmonization for the Internal Market). Romanian law also provides for the concept of "control over bank accounts," which ensures a preference for the controlling creditor. Control over a bank account may be obtained in several ways and, in the case of those bank accounts which secure the Original Notes and the Guarantees and will secure the Additional Notes, this includes obtaining the written consent of the account bank. We may not make one or more of the registrations required by applicable laws or obtain all the necessary consents in a timely manner. As a result, the security interests in the Collateral may not be perfected, and their priority may not be created or retained, with respect to the obligations under the Notes.

Applicable law (including Romanian law) requires that security interests over certain property and rights acquired after the grant of such security interest can only be perfected at the time such property and rights are acquired, subject to the proper identification of such property or rights. The Trustee will not monitor the Collateral and there can be no assurance that the Security Agent will monitor, or that the Issuer or the Company will inform the Trustee or the Security Agent of the future acquisition of property and rights that constitute Collateral (although the security documents will impose an obligation on us to do so). As a result, the Trustee, the Security Agent and we may not take the required action to perfect the particular security interest. Such failure may result in the loss of the security interest therein.

Registrations of security interests may be subject to renewal or confirmation from time to time. For instance, in Romania, renewals of security interests registered with the National Register must be made by, or on behalf of, the Security Agent before the expiry of a five year period from the date of initial registration. If we (despite our obligation to do so under the relevant security documents) or the Security Agent do not renew such registration before the expiry of the aforementioned five-year period, the holders of the Notes may lose their priority status with respect to certain Collateral to the extent other secured indebtedness over the same assets has been perfected by that time. Failure to ensure renewal may trigger the application of new hardening periods in the event that the relevant security is re-registered.

Under Dutch law, a right of pledge on bank accounts and intercompany receivables is commonly a disclosed right of pledge. Such disclosed pledge does not need to be registered with Dutch tax authorities, but requires that the account bank or the debtor under the intercompany receivable, as applicable, be notified. The terms and conditions applying to Dutch corporate accounts generally contain a provision that the bank accounts are only capable of being pledged if the Dutch account bank has consented to the creation of the right of pledge. The right of pledge over bank accounts can in such case only be validly created if the Dutch account bank has provided its consent in this respect. Furthermore, according to the general banking conditions *(algemene bankvoorwaarden)* of any member of the Dutch Bankers' Association *(Nederlandse Vereniging van Banken),* Dutch account banks have a first ranking right of pledge on the account receivables. To create a first ranking right of pledge on the Dutch bank account, a waiver of any right of pledge on the account receivables which that account bank may have is required.

There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically and under which the Guarantees will be released without the consent of the holders of the Notes or the Trustee or the Security Agent obtaining their further consent.

Under various circumstances, Collateral securing the Notes and the Guarantees will be released automatically, including:

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes;
- upon release of a Guarantee (with respect to the Liens granted by the relevant Guarantor) in accordance with the Indenture;
- in connection with any disposition of Collateral, directly or indirectly, to any Person other than the Issuer or any Restricted Subsidiary (but excluding any transaction subject to "*Description of the Additional Notes—Certain Covenants—Merger and Consolidation*") that is not prohibited by the Indenture (with respect to the Lien on such Collateral);
- as described under "*Description of the Additional Notes—Amendment, Supplement and Waiver*;"
- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of Liens on property and assets and Capital Stock of such Restricted Subsidiary;
- as described in the second paragraph under "*Description of the Additional Notes—Certain Covenants—Limitation on Liens*;"
- as otherwise provided in the Intercreditor Agreement or any additional intercreditor agreement in connection with an enforcement action;

- pursuant to certain permitted reorganizations; and
- as described under "*Description of the Additional Notes—Certain Covenants—Impairment of Security Interest*."

Additionally, under various circumstances, a Guarantee will be released automatically, including:

- in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of the relevant Guarantor to a person that is not the Issuer or a Restricted Subsidiary in a transaction that is permitted by the Indenture;
- in connection with any sale, disposition, exchange or other transfer of Capital Stock of the Company or other relevant Guarantor to a person that is not the Issuer or a Restricted Subsidiary in a transaction that is permitted by the Indenture, and the Company or such other Guarantor ceases to be a Restrictive Subsidiary as a result of such sale or other disposition;
- upon the release of the guarantee or security or the discharge of the indebtedness that gave rise to the obligation to guarantee the Notes, so long as no other indebtedness of the Issuer or a Restricted Subsidiary is at that time guaranteed by the relevant Guarantor in a manner that would require the granting of a Guarantee under the Indenture;
- if the Issuer designates the relevant Guarantor (other than the Company) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture; and
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture; and as described under "*Description of the Additional Notes—Amendment, Supplement and Waiver*."

The Indenture will also permit us to designate one or more Restricted Subsidiaries as Unrestricted Subsidiaries. If we designate a Restricted Subsidiary as an Unrestricted Subsidiary for purposes of the Indenture, all the liens on the Collateral owned by such subsidiary and on such subsidiary's capital stock will be released under the Indenture and such subsidiary will cease to be a Guarantor. Designation of an Unrestricted Subsidiary will reduce the aggregate value of the Collateral securing the Notes to the extent that liens on the assets of such Unrestricted Subsidiary that constitute Collateral are released. See "*Description of the Additional Notes—Guarantees—Release of Guarantees*" and "*Description of the Additional Notes—Security—Release of Liens*." The Collateral and the Guarantees may also be released with the consent of holders of at least 90% of the aggregate principal amount of the Notes then outstanding. See *"Description of the Additional Notes—Amendment, Supplement and Waiver."*

Certain categories of property are excluded from the security.

Certain categories of assets, such as real estate properties, are excluded from the Collateral securing the Original Notes and the Guarantees and that will secure the Additional Notes. In addition, the Indenture will, in certain instances, permit us to grant liens over such other assets to secure other indebtedness without also granting liens over such assets to secure the Notes. See "*Description of the Additional Notes—Security*." If an event of default occurs and the indebtedness in respect of the Notes is accelerated, the Notes and the Guarantees will rank equally with all of our other unsecured indebtedness with respect to such excluded property, except for certain creditors that are mandatorily preferred under local law. See "*—The Original Notes, the Guarantees and the Additional Notes are secured only to the extent of the value of the Collateral*."

The security interests in the Collateral are granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law.

The security interests in the Collateral that secure our obligations under the Original Notes and the Guarantees, and will secure our obligations under the Additional Notes, are not, and will not be, granted directly to the holders of the Notes but only in favor of the Security Agent. The Security Agent has entered into the relevant security documents in its own name for the benefit of the Trustee and the holders of the Notes. Each holder, by accepting an Additional Note, appoints the Security Agent as its agent for the security documents and authorizes it to act as such. Neither the Trustee nor the holders of the Notes may, individually or collectively, take any direct action to enforce any rights in their favor under the security documents. The Indenture provides that only the Security Agent has the right to enforce the security documents. The Security Agent will agree to any release of the security interest created by the security documents that is in accordance with the Indenture without requiring any consent of the holders of the Notes. As a consequence, in certain jurisdictions, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee who will (subject to the provisions in the Indenture) provide instructions to the Security Agent in respect of the Collateral, who in turn will act subject to the provisions of the Intercreditor Agreement. For example, in the case of enforcement of the Spanish security, the Security Agent shall be required to prove in Spain the capacity to represent the holders of the Notes and the Trustee for the purposes of the Spanish security document and to accept them on their behalf, by means of a power of attorney granted in favor of the Security Agent by each of the creditors. The holders of the Original Notes and the Additional Notes are deemed to have granted certain powers of attorney to the Security Agent pursuant to the Indenture. However, according to Article 1,280 of the Spanish Civil Code, any such power of attorney will not be considered valid unless granted in a public document (which has to be an *escritura*), duly notarized, and, if necessary, bear the Apostille of the Hague Convention of October 5, 1961. In addition, although both the power of attorney for the Security Agent and the relevant Spanish security document were notarized, there is a risk that the Spanish courts may find such power of attorney unenforceable due to the fact that the Trustee was not present at the Spanish notary when the notarization occurred and the holders of the Notes are not parties to the Indenture.

Any instructions given to the Security Agent must be in compliance with the majority voting provisions of the Intercreditor Agreement. In the event that the Collateral secures additional indebtedness on a *pari passu* basis with the Notes pursuant to the Intercreditor Agreement, rights of the holders of the Notes (acting through the Trustee) to instruct the Security Agent to enforce will be diluted. In certain circumstances, as may be provided under the Intercreditor Agreement, the rights of the holders of the Notes to instruct the Security Agent to enforce may be limited or restricted notwithstanding any default under the Notes. See "*—The holders of the Notes may not control certain decisions regarding the Collateral*."

In Romania, The Netherlands and Hungary the security interests in the Collateral will be granted in favor of the Security Agent, as beneficiary of parallel debt obligations (the "**Parallel Debt**"). The Parallel Debt is in the same amount and payable at the same time as the obligations of the Issuer under the Indenture and the Notes, as well as other obligations secured by the Collateral (the "**Principal Obligations**"). Security interests governed by Romanian, Dutch and Hungarian laws will secure the Parallel Debt and will not directly secure the Principal Obligations. Any payment in respect of the Principal Obligations discharges the corresponding Parallel Debt and any payment in respect of the Parallel Debt discharges the corresponding Principal Obligations, in each case, by the amount of such payment. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes and other indebtedness that shares in the Collateral, the underlying creditors in respect thereof, including the holders of the Notes, will bear the risk of a possible insolvency or bankruptcy of the Security Agent or a breach of its obligations as Security Agent towards the secured creditors. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement, which is governed by English law. There is no assurance that such a structure will be effective before courts in the jurisdiction in which the Collateral is located as there is no judicial or other guidance as to its efficacy, and therefore the ability of the Security Agent to enforce the Collateral may be restricted. To the extent that the security interests in the Collateral created under the Parallel Debt structure are successfully challenged (including by other creditors of the Company), the security interest in the Collateral may be invalidated and/or held unenforceable and the holders of the Notes may not recover any amounts from the enforcement of the Collateral.

Although enforceability in Romania of certain rights (particularly in insolvency proceedings) of a security agent benefiting from a parallel debt was recognized in the past, there is no assurance that such structure will be effective in other cases in Romanian courts, especially in the case of parallel debt structures created after the entry into force of the new Romanian Civil Code in 2011. Thus, there is a risk that a Romanian court may not recognize the claim held by the Security Agent under the parallel debt structure and that consequently, the security interest securing the respective claim could be deemed invalid and/or unenforceable.

In Hungary, the security interests in the Collateral will be granted in favor of the Security Agent, acting as a beneficiary of a joint and several creditorship who is entitled to enforce any claim under the Collateral in its own name. Any payment made towards the Security Agent discharges the total debt of the Issuer and the Guarantors under the Notes and the Guarantees, respectively, by the amount of such payment. The joint and several rights of the Security Agent referred to above are contained in the Intercreditor Agreement, which is governed by English law. There is no assurance that such a structure will be effective before Hungarian courts and enforceable under Hungarian law.

The granting of the security interests in connection with the issuance of the Additional Notes may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions.

The granting of new security interests (including extensions of existing security interests) in connection with the issuance of the Additional Notes may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted or perfected. The granting of shared security interests to secure future permitted indebtedness may restart or reopen such hardening periods, in particular, as the Indenture permits the release and retaking of security granted in favor of the holders of the Notes in certain circumstances including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. Subject to specific avoidance rules, if the particular security interest granted or reconfirmed were to be enforced before the end of the respective hardening period applicable in the relevant jurisdiction, it may be declared void or ineffective or it may not be possible to enforce it.

The market value of the Collateral may depend on economic conditions in Europe and emerging markets.

The market value of the Collateral may be affected to varying degrees by economic and market conditions in Europe and emerging market countries. International financial markets have experienced volatility in the past due to a combination of international political and economic events. There can be no assurance that any future negative political or economic developments will not adversely affect the market value of the Collateral. See "*Risks relating to investments in countries where we operate—The economies of the countries where we operate are more vulnerable to fluctuations in the global economy than developed markets. Negative global economic developments could have a materially adverse effect on these countries.*"

Enforcing pledges over certain Collateral may be prohibited or subject to special authorization or require payment of stamp duties.

Our business is subject to complex regulations and requires us to obtain a variety of national and local permits and licenses. The continued operation of properties that are part of the Collateral depend on the maintenance of such permits and licenses. If we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements, our business and the value of the Collateral could be adversely affected.

In Romania, permits and licenses generally may not be transferred without the consent of the issuing authority. In the event of enforcement on the Collateral, the transfer of such permits and licenses may be prohibited (such as our general authorization issued by ANCOM for the provision of electronic communications networks and services or our retransmission endorsements issued by the NAC) or if permitted, be subject to certain conditions and restrictions. For example, our audiovisual authorization can only be transferred together with the audiovisual licenses issued by the NAC. Our other telecommunication licenses can generally be transferred to third parties but subject to certain conditions, including (i) that the transferee is also a regulated entity; (ii) prior consent of the relevant regulator; or (iii) the incurrence of significant costs and expenses. The relevant regulator is also entitled to add specific requirements to license issuers. For specific transfer conditions, see "*Industry Regulation—Romania—Relevant Regulatory Authorities*." No assurance can be provided that the relevant regulators will consent to the transfer of such permits or licenses or that such consent, if obtained, will be unconditional or granted on terms, which are appropriate in an enforcement context. If the regulatory approvals required for such transfers are not obtained or are delayed, enforcement may be delayed or prevented, our operations may be subject to a temporary shutdown, the value of the Collateral may significantly decrease and we may be subject to regulatory fines or other sanctions.

In certain circumstances, certain of our permits and licenses may only be transferred if accompanied by the related portion of our business (e.g., certain networks) and the parties to whom such permits and licenses are transferred must undertake all obligations arising therefrom. Any such transfer may also require competition approval, which may make enforcement very difficult or impossible, or lead to a significant decrease in the value of our business and the Collateral. Furthermore, if any such transfer occurs without the requisite competition approval, then such transfer may ultimately be rendered void.

Additional requirements and limitations apply to certain changes in our shareholding structure. Any person acquiring 10% or more of the share capital or voting rights in the Company or an equity controlling the Company (i.e., the Issuer) must notify the NAC of the acquisition within one month of its occurrence. With respect to the general mortgage on movable assets of the Company, the transfer of a significant portion of all of our assets (pursuant to any enforcement of the Collateral) relating to the access network to any person controlled by a third party is subject to a prior notification to ANCOM within a reasonable time. ANCOM is entitled to add, amend or terminate any underlying obligation of the buyer. In the event of enforcement, there is no control over what actions the regulator may take and how such actions may impact on the realizable value of the Collateral.

Enforcing security interests created over the shares of the Company's Hungarian subsidiary may require competition approval in order to be valid under Hungarian law. Such approval may be conditional upon certain obligations imposed on the buyer by the competition authority, which may complicate the enforcement process and decrease the effective value of the Collateral and the business acquired. Furthermore, the buyer may be required to obtain the approval of NMIAH or other authorities with respect to certain permits, licenses and rights granted to the Company's Hungarian subsidiary due to the resulting change of control.

In addition, under Spanish law, if upon enforcement of the Collateral there is a change of control of our Spanish subsidiary, the Markets and Competition National Commission (*Comision Nacional de los Mercados y la Competencia)* must be informed. Also, if control of our Spanish subsidiary were acquired by a dominant operator, authorization of the authorities will be requested. In addition, there are certain by-law limitations under Spanish law, which prohibit transfers of shares in favor of (i) persons carrying out the same corporate purpose at the relevant company within Spain; (ii) certain persons set out in a list published by the Spanish Ministry of Foreign Affairs or the competent European Union bodies; or (iii) persons from countries with whom persons from the European Union are forbidden to carry out commercial activities. To the extent that such persons seek to enforce the Spanish share pledge, the resulting transfer of shares would be invalid.

In addition, a substantial number of our material contracts, including content agreements for our own channels and carriage agreements, pursuant to which we carry channels produced by third parties contain anti-assignment provisions. Such anti-assignment provisions may significantly limit the ability of the Security Agent to enforce its rights and remedies under such contracts. No assurance can be provided that the Security Agent will be able to obtain the consent or approval of our counterparties to such contracts or that such consents and approvals, if obtained, will be granted on terms that will facilitate enforcement in a timely or commercial manner.

In some cases, enforcement of the Collateral may be subject to a requirement to pay stamp duty or other procedural charges and fees, which may be substantial and reduce any recovery of amounts due under the Notes. For example, if the share pledge over the shares of DIGI Hungary is enforced by means of a public auction or private sale, stamp duty may apply.

Guarantees and the related security interests may be limited by applicable laws or subject to certain other limitations or defenses.

The Guarantors guarantee the payment of the Notes on a senior secured basis. Those Guarantees, along with any future Guarantees, and the related security interests will provide the holders of the Notes with a direct claim against the assets of the relevant Guarantor. However, each such Guarantee and related security interests will be limited to the maximum amount that can be guaranteed by, or secured by assets of, the relevant Guarantor without rendering such Guarantee or security interest voidable or otherwise ineffective under applicable laws, and enforcement of such Guarantee and security interest against the relevant Guarantor would be subject to certain defenses available to guarantors and security providers generally or, in some cases, to limitations designed to ensure full compliance with statutory requirements applicable to the relevant Guarantor. These laws and defenses include those that relate to corporate benefit, corporate purpose and fraudulent conveyance or similar laws, regulations or defenses affecting the rights of creditors generally (such as those relating to bankruptcy, insolvency, liquidation ad-hoc mandate, preventive concordat, moratorium or reorganization). As a result, a Guarantor's liability under its Guarantee and any related Collateral could be materially reduced or eliminated, depending upon the amounts of its other obligations and upon applicable laws. Under the laws of certain jurisdictions, the validity and enforceability of guarantees (including any related security interests) are conditional upon the validity and enforceability of the guaranteed obligations. Notwithstanding the fact that certain jurisdictions may recognize independent guarantees, to the extent the Parallel Debt claim and/or the obligations of the Issuer in relation to the Notes are invalidated, the obligations of a Guarantor under the relevant Guarantee and the Collateral may also be invalidated.

Under Romanian law, a guarantee issued or security provided not in the provider's corporate interests or the burden of which exceeds the benefit to the provider may not be valid and enforceable. Romanian law also contains provisions on fraudulent conveyance outside of a bankruptcy scenario. Thus, a creditor holding a receivable for a sum certain *(creanta certa)* evidencing that it suffered damage may bring an action *(actiune revocatorie)* against any fraudulent acts concluded by its debtor towards such creditor, thereby creating or enhancing the debtor's insolvency *(insolvabilitate)* status towards such creditor. In addition, Romanian law requires, as a condition to the validity of the security interests, that the secured amount be reasonably determined or determinable based on the security document. Any increase of the secured amount beyond that contemplated by the original signed security documents requires the amendment of the security documents in order to reflect such increase and the performance of related perfection formalities. There may be circumstances where a prohibition on the creation of a security interest (e.g., a negative pledge) or a prohibition on the disposal of assets may be unenforceable under Romanian law. To the extent the security interest granted for the benefit of the holders of the Notes violates any of the foregoing laws, the holders of the Notes would cease to have a valid claim in respect of the Collateral or the Collateral may be unenforceable.

To the extent a Romanian court deems the description of future property included in the Collateral as insufficiently precise, the holders of the Notes and Security Agent may be unable to enforce against such assets or property. Furthermore, the enforcement of the security interests created over future movable property may encounter difficulties; in particular, the enforcement of the Collateral created by the Company over all present and future movable assets will be limited to those assets that will comprise the mortgaged property at the date of enforcement, which could be significantly less in value than the mortgaged property on the date that such mortgage was first granted.

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The Indenture contains provisions relating to certain events constituting a "change of control" in relation to the Issuer. Upon the occurrence of a change of control, the Issuer is required to make an offer to purchase all outstanding Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, and the Company will prepay the Proceeds Loan to the extent necessary to finance the repurchase by the Issuer of the Notes. In addition, each lender under the 2018 Senior Facilities Agreement and the 2016 Senior Facilities Agreement may, at such lender's option, require repayment of all amounts due to it and a cancellation of its commitment under the 2018 Senior Facilities Agreement or the 2016 Senior Facilities Agreement, as applicable, upon the occurrence of a change of control thereunder. If a change of control were to occur, no assurance can be provided that we will have sufficient funds to pay the purchase price of the outstanding Notes, and repay amounts outstanding under the 2018 Senior Facilities Agreement or the 2016 Senior Facilities Agreement, as applicable.

In addition, our other indebtedness may contain restrictions or repayment requirements with respect to certain events or transactions that could constitute a change of control under the terms of the Indenture, the 2018 Senior Facilities Agreement and the 2016 Senior Facilities Agreement. The inability to purchase the Notes or loans under the 2018 Senior Facilities Agreement or the 2016 Senior Facilities Agreement upon the occurrence of a change of control would constitute an event of default under the terms and conditions governing the Notes, the 2018 Senior Facilities Agreement or the 2016 Senior Facilities Agreement, as applicable, which would trigger a cross-default under the Notes and the 2018 Senior Facilities Agreement or the 2016 Senior Facilities Agreement, as applicable. See "*Description of the Additional Notes—Repurchase at the Option of the Holders—Change of Control*."

Enforcement of the Issuer's obligations under the Notes, the Guarantors' obligations under their Guarantees and of certain Collateral is subject to various local rules of civil procedure which may delay, cause difficulties in, or endanger such enforcement.

The Issuer is located in The Netherlands (but is a tax resident of Romania). The Guarantors are located in Romania and Hungary. The Collateral is located in several jurisdictions, including The Netherlands, Romania, Spain and Hungary. Enforcement of the Collateral is governed by local laws and regulations. Such laws and regulations may require additional acts to be performed in a specific manner within a specific period of time. Failing to comply with such local applicable rules may also result in enforcement requests having to be resubmitted, delayed or even irrevocably rejected. In addition, third parties may have rights to intervene or to contest the enforcement actions of the Trustee or the Security Agent. See "*Certain Insolvency and Enforceability Considerations*."

Local procedural rules may also conflict with each other, thereby further adding to difficulties, delays and limitations in the enforceability of debt obligations or security interests either in a consensual out of court transactions or formal court supervised process.

Dutch insolvency laws may not be as favorable to prospective investors as insolvency laws of other jurisdictions.

The Issuer is incorporated in The Netherlands and has its statutory seat *(statutaire zetel)* in The Netherlands. Therefore, The Netherlands is presumed to be the center of main interests of the Issuer (from a legal perspective) and the Issuer can be subjected to insolvency proceedings in this jurisdiction. Such insolvency proceedings applicable to the Issuer will be governed by Dutch insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation. The center of main interest can be located in another Member State other than its statutory seat if a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. Dutch insolvency laws are different from the insolvency laws of other jurisdictions, and this may limit a prospective investor's ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. See "*Certain Insolvency and Enforceability Considerations—The Netherlands—Insolvency.*"

In addition, under Dutch insolvency laws, the validity of an appointment of an agent for service of process granted by a Dutch entity, such as the appointment by the Issuer of agents for service of process under New York and English law under the Indenture and under English law under the Intercreditor Agreement, is uncertain. Furthermore, such appointments will terminate automatically in the case of an insolvency of the Issuer. As such, the ability of the holders of the Notes to bring suit against the Issuer in New York or England may be limited.

Romanian insolvency laws may not be as favorable to prospective investors as other insolvency laws, and the Issuer's ability to recover any amounts due under the Proceeds Loan may be limited.

The Romanian Insolvency Law may not be as favorable to the holders of the Notes with respect to the Company's Guarantee and the Collateral granted by the Company as the laws of England and Wales, the United States or other jurisdictions with regard to creditors' rights, priority of creditors, voidable acts and hardening periods, the ability to obtain post-petition interest and the duration of the insolvency proceeding.

In the event of the Company's insolvency, the holders of the Notes will be secured creditors of the Company under the Romanian Insolvency Law and will, on liquidation, be entitled to the proceeds of the sale of the Company's assets that constitute the Collateral in priority to all other claims other than (i) taxes, stamp duties and other expenses, costs and considerations relating to the sale of the said assets, including expenses related to conservation and administration of the said assets, such as utility payments, as well as the expenses incurred by creditors in the context of enforcement proceedings, claims of utilities suppliers arising after the initiation of insolvency proceedings and remuneration owed (as of the distribution date) to the persons engaged for the benefit of all creditors (e.g., remuneration payable to the judicial administrator, liquidator and other experts involved in the proceedings); and (ii) receivables incurred and accrued by preferred creditors after the start of the insolvency proceedings. Any secured financings extended to the Company during the observation period (the period of no more than 12 months starting with the opening of the insolvency proceedings and ending on the date of approval or rejection of the reorganization plan) for the purposes of carrying out current activities, with the approval of the creditors' assembly, will also enjoy such priority in the case of a distribution of proceeds in liquidation. In principle, such financing will be secured with previously uncharged assets. If these are not sufficient, security can extend over charged assets with the consent of the existing secured creditors. If such consent is not granted, a *pari passu* rank in reimbursement would be granted to such new financings and the proceeds of enforcement would be split on a *pro rata* basis with respect to all secured assets and rights of the Company. Therefore, any third parties providing financing during the observation period, which are not parties to the Intercreditor Agreement, may be entitled to benefit from the Collateral and share in the proceeds of the Collateral on a *pari passu* basis with the holders of the Notes thus diluting the ability of the holders of the Notes to recover amounts due to them.

Secured claims will continue to accrue interest after the insolvency proceedings commence until full payment thereof, within the limit of the market value of the Collateral. However, if the realization proceeds of the secured assets are insufficient to meet the debt, as far as the balance between the debts secured by such assets and the proceeds resulting from the sale of such secured assets is concerned, a secured creditor will be treated as an unsecured creditor. See "*—The Original Notes and the Guarantees are, and the Additional Notes will be, secured only to the extent of the value of the Collateral*."

The commencement of Romanian insolvency proceedings mandates an automatic stay of all judicial actions or measures of enforcement for the purpose of recovering the receivables against the debtor or its assets, from which derogation can be obtained by certain secured creditors only if approved by the insolvency judge *(judecatorul sindic).* As an exception, a creditor of the insolvency debtor holding certain liquid receivables valued over RON40,000, overdue for more than 60 days and originating after the initiation of original insolvency proceedings, may request initiation of the bankruptcy proceedings, which may result in such creditors foreclosing on the Collateral, while the Security Agent is prevented from acting outside the initial insolvency proceedings. This, however, does not alter the distribution preference of the secured creditor (e.g., Security Agent on behalf of the holders of Notes) in the original insolvency proceedings. The Romanian Insolvency Law provides for certain additional exceptions to the stay of all judicial actions or measures of enforcement. See "*Certain Insolvency and Enforceability Considerations—Romania—Main effects of commencement of the insolvency proceedings—Stay of creditors enforcement claims*" and "*Certain Insolvency and Enforceability Considerations—Romania—Stay of all interests, penalties and expenses in relation to unsecured and secured debt*."

In addition, the debtor undergoing insolvency will be precluded from independently managing its business. Operational decisions will be made by the administrator or liquidator appointed by the court. However, during the observation period, the debtor could remain entitled to manage its business, with the supervision of the judicial administrator. The debtor will be entitled to retain such relative operational independence, if the insolvency request was filed by the debtor in the first place and there is no decision of the insolvency judge precluding such arrangement. Otherwise the debtor's business will be managed by the judicial administrator.

Romanian law may not recognize the validity of clauses which trigger the acceleration of the Notes in the event of insolvency of the Company.

The Romanian Insolvency Law provides that any provisions terminating a contract or accelerating payments thereunder, in each case, in the event of insolvency proceedings, are null and void. In addition, any delay, limitations, prohibitions or similar measures contractually agreed to be triggered upon the opening of insolvency proceedings cannot be applied until the entry into bankruptcy. The law also provides that upon the opening of bankruptcy proceedings, all receivables become due and payable *(scadente)* by operation of law (except for those resulting from qualified financial agreements, netting operations based on qualified financial agreements and netting arrangements). To the extent a Romanian court would find these provisions to pertain to Romanian public order under private international law, it may refuse to recognize the validity of these types of clauses governing the Notes, which may result in rendering them unenforceable against the Company and will limit or deny the ability of the holders of the Notes to exercise their rights under the Notes. See *"Certain Insolvency and Enforceability Consideration—Romania*."

Hungarian insolvency law may not be as favorable to prospective investors as insolvency laws of other jurisdictions.

Enforcing the Collateral under Hungarian law in the course of an insolvency proceeding requires preceding judicial ruling(s) and the participation of third parties (e.g., a liquidator). This, combined with the possibility of further preferential claims may limit a prospective investor's ability to recover its claims from the Collateral. See *"Certain Insolvency and Enforceability Considerations—Hungary—Limitations on enforcement of the Hungarian share pledges.*"

The market value of the Notes could decrease if our creditworthiness worsens.

The market value of the Notes will suffer if the market perceives us to be less likely to fully perform all obligations under the Notes when they fall due. This could occur, for example, because of the materialization of any of the risks listed in this "*Risk Factors*" section. Even if our ability to fully perform all obligations under the Notes when they fall due has not actually decreased, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as us could adversely change, causing the market value of the Notes to fall. If any of these events occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of these risks. Under these circumstances, the market value of the Notes could decrease.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Additional Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, the market, other risk factors discussed in this prospectus and other factors that may affect the value of the Additional Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Additional Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade.

Many of the covenants contained in the Indenture will be suspended if the Notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Services, provided at such time no default under the Indenture has occurred and is continuing. These covenants will be suspended for the duration of the period during which the Notes maintain an investment grade rating and include covenants that restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, the Notes will maintain such ratings. Suspension of these covenants, however, would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and such transactions will not result in a breach of the Indenture if the Notes fail to maintain an investment grade rating. See *"Description of the Additional Notes—Certain Covenants—Covenant Suspension."*

Early redemption of the Notes may reduce the yield expected by the holders of the Notes.

The Notes may be redeemed at the option of the Issuer as more fully described in "*Description of the Additional Notes—Optional Redemption.*" In the event that the Issuer exercises the option to redeem the Notes, the holders of the Notes may suffer a lower than expected yield and may not be able to reinvest the funds on the same terms.

Transfers of the Additional Notes will be subject to certain restrictions.

The Issuer has not agreed to register and does not intend to register the Additional Notes under the U.S. Securities Act or any securities laws of any state or any other jurisdiction of the United States. The holders of the Additional Notes may not offer to sell the Additional Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or any other jurisdiction of the United States. The Issuer has not undertaken to register the Additional Notes or to effect any exchange offer for the Additional Notes in the future. Furthermore, the Issuer has not registered and does not intend to register the Additional Notes under any other country's securities laws. Prospective investors in the Additional Notes should read the discussion under the heading *"Notice to Investors"* for further information about these transfer restrictions. It is the obligation of the investors in the Additional Notes to ensure that their subscription for or subsequent offers, sales or transfers of the Additional Notes within the United States and other countries comply with any applicable securities laws.

There is no assurance that the holders of the Additional Notes will be able to sell them.

There is no existing market for the Additional Notes. An application was made to the Irish Stock Exchange plc (trading as Euronext Dublin), to list the Additional Notes on its Official List and admit them to trading on its regulated market, but we cannot guarantee the liquidity of any market that may develop for the Additional Notes, the ability of the holders of the Additional Notes to sell such Additional Notes or the price, at which they may be able to sell such Additional Notes. Liquidity and future trading prices of the Additional Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. The Initial Purchaser has informed us that it intends to make a market in the Additional Notes after completing the Offering. It is not, however, obligated to do so. Any market-making that is commenced may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Additional Notes that does develop and any market price quoted for the Additional Notes. As a result, we cannot ensure that an active trading market will actually develop for the Additional Notes.

Historically, markets for non-investment grade debt such as the Additional Notes have been subject to disruptions that have caused substantial volatility in the prices of such debt. Any market for the Additional Notes may be subject to similar disruptions. Any such disruptions may affect the liquidity and trading of the Additional Notes independent of our financial performance and prospects and may have an adverse effect on the holders of the Additional Notes.

The Additional Notes may not become, and the Notes may not remain, listed on the Irish Stock Exchange, trading as Euronext Dublin.

Although the Issuer will use its commercially reasonable efforts to have the Additional Notes listed on the Official List and admitted to trading on the regulated market of Euronext Dublin, as promptly as practicable following the Additional Notes Issue Date and to maintain such listing as long as the Additional Notes are outstanding, the Issuer cannot assure prospective investors that the Additional Notes or the Notes will remain listed. If the Issuer 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, the Issuer 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 the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Additional 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 Indenture, failure of the Additional 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 Indenture may have a material adverse effect on a holder's ability to resell the Additional Notes in the secondary market.

Prospective investors may face foreign exchange risks by investing in the Additional Notes.

The Additional Notes are denominated and payable in euros. If prospective investors measure their investment returns by reference to a currency other than the euro, an investment in the Additional Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro, relative to the currency, by reference to which such prospective investors measure their returns because of economic, political or other factor, over which we have no control. Depreciation of the euro, against the currency, by reference to which prospective investors measure their respective investment returns could cause a decrease in the effective yield of the Additional Notes below their stated coupon rates and could result in a loss to investors when the return of the Additional Notes is translated into the currency, by reference to which such investors measure their investment returns. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Additional Notes. See *"Tax Considerations—Certain United States Federal Income Tax considerations—Foreign currency exchange gain or loss.*"

The interests of our shareholders may not always coincide with those of the holders of the Notes.

Mr. Zoltan Teszari privately controls the majority of our share capital. See "*Principal Shareholders*." As a result, Mr. Zoltan Teszari has, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management board and to approve or prevent any other changes to our operations. There may be circumstances in which our controlling shareholder may have different objectives from the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our controlling shareholder could also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in his judgment, could enhance his equity investment, although such transactions might involve risks to the holders of the Notes. In addition, we might not be aware of all related party transactions, which may involve risks of conflicts of interest that result in concluding transactions on less favorable terms than could be obtained in arm's length transactions.

Even if our current controlling shareholder makes divestitures such that he controls less than a majority of our equity, he may still be able to effectively control or strongly influence our decisions. Such divestitures may not trigger a change of control under the Indenture. See "*Description of the Additional Notes—Repurchase at the Option of the Holders—Change of Control*."

The Additional Notes will initially be held in book-entry form and therefore prospective investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until the Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or the holders of the Additional Notes. The nominees for Euroclear and/or Clearstream (or their common depositary) are the sole holders of the global notes representing the Additional Notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if an investor owns a book-entry interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, and if it is not a participant in Euroclear or Clearstream, on the procedures of the participant through which it owns its interest, to exercise any rights and obligations as a holder of the Additional Notes. See *"Book-Entry;*

Delivery and Form—Information Concerning the Clearance Systems." Unlike the holders of the Additional Notes themselves, owners of book-entry interests will not have any direct rights to act upon our solicitations for consents, requests for waivers or other actions from the holders of the Additional Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, or if applicable, from a participant in these systems. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable investors to vote on any matters or otherwise exercise their rights with respect to the Additional Notes on a timely basis.

Similarly, upon the occurrence of an event of default, unless and until definitive registered Notes are issued in respect of all book-entry interests, if an investor owns a book-entry interest it will be restricted to acting through Euroclear or Clearstream, as applicable. No assurance can be provided that the procedures to be implemented through Euroclear or Clearstream, as applicable, will be adequate to ensure the timely exercise of the investors' rights under the Additional Notes. See *"Book-Entry; Delivery and Form—Special Timing Considerations."*

The Additional Notes may not be a suitable investment for all investors.

Each potential investor in the Additional Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Additional Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Additional Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Additional Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Additional Notes and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

Potential investors should not invest in the Additional Notes unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Additional Notes will perform under changing conditions, the resulting effects on the value of such Additional Notes and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

Further Notes issued in additional offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Original Notes.

Further Notes issued in additional offerings by the Issuer may not be fungible for U.S. federal income tax purposes with the Original Notes. Whether any further Notes would be fungible for such purposes will depend on the date such further Notes are issued, the yield of the outstanding Original Notes at that time (based on their market value), whether the Original Notes were issued with original issue discount ("**OID**") and whether the Original Notes are publicly traded or quoted at the time of the issuance of further Notes. If further Notes are not treated as fungible with the Original Notes for U.S. federal income tax purposes, such further Notes may be issued with OID (or with a different amount of OID, if any, on the Original Notes). In such event, unless the further Notes can be distinguished from the Original Notes, the issuance of further Notes with OID may adversely affect the market value of the Original Notes.

We do not present stand-alone financial information for each of our subsidiaries that will guarantee the Additional Notes.

Our subsidiaries guaranteeing the Additional Notes represented approximately 67% of our net assets (approximately 88% excluding treasury shares in RCS Management S.A. held by the Issuer) and generated approximately 88% of our consolidated Adjusted EBITDA of continuing operations as at and for the nine months ended September 30, 2018. Under such circumstances, we would be required to include stand-alone financial information for the Guarantors in the prospectus. We have made a request to the Central Bank of Ireland for omission of this requirement, which was granted. Investors should refer to the Financial Statements and accompanying notes, included elsewhere in this prospectus and the discussion in the sections entitled "*Presentation of Financial and Other Data*," "*Selected Financial and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

CERTAIN KEY DEFINITIONS

"**2013 Notes**" means the €450.0 million 7.50% Senior Secured Notes due 2020, which were issued by the Issuer on November 4, 2013 and fully repaid on October 26, 2016 using the proceeds of the sale of the Original Notes;

"**2015 Senior Facilities Agreement**" means the senior facilities agreement dated April 30, 2015, that consisted of a term loan facility with a capacity of RON1,091.2 million and a revolving credit facility with a capacity of RON50.2 million, between, among others, the Company, as borrower, BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank N.V., and Unicredit Bank S.A., as mandated lead arrangers, all outstanding amounts under which were fully repaid on October 26, 2016 using the drawdowns under the 2016 Senior Facilities Agreement;

"**2016 Senior Facilities Agreement**" means the senior facilities agreement dated October 7, 2016 (and amended on October 16, 2017 and February 4, 2019), between, among others, the Company, as borrower, and BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Tiriac Bank, as lead arrangers, guaranteed by the Issuer and as at the date of this prospectus consists of: (i) RON592.0 million Facility A1; (ii) RON382.0 million Facility A2; and (iii) RON37.0 million Facility B;

"**2018 Senior Facilities Agreement**" means the senior facilities agreement dated February 1, 2018 (and amended on March 9, 2018), between, the Company and DIGI Hungary, as the borrowers, with Citibank N.A., London Branch and ING Bank N.V., as the arrangers, ING Bank N.V., as the facility agent, and several other financial institutions, as lenders and as at the date of this prospectus consists of: (i) HUF13.5 billion Facility A1; (ii) RON66.2 million Facility B1; and (iii) €19.4 million Facility B2;

"**Additional Notes**" means the €200.0 million 5.0% Senior Secured Notes due 2023 offered hereby;

"**Additional Notes Issue Date**" means the date of issuance of the Additional Notes;

"**ANCOM**" means Autoritatea Naţionala pentru Administrare şi Reglementare în Comunicaţii (National Authority for Management and Regulation in Communications of Romania), an autonomous authority with regulatory and supervisory roles over electronic communications and postal services;

"**ANRE**" means Autoritatea Naţionala de Reglementare în domeniul Energiei (National Regulatory Authority for Energy in Romania), which creates and applies the regulatory system necessary for the operation of the energy sector and the markets for electricity, heat and natural gas in terms of efficiency, competition, transparency and consumer protection;

"**ARPU**" means average revenue per user;

"**BBVA**" means Banco Bilbao Vizcaya Argentaria, a multinational Spanish banking group;

"**Board of Directors**" means the Board of Directors of the Issuer or any committee thereof duly authorized to act on behalf of such Board;

"BRD Agreements" means the BRD Letters of Guarantee Facility, the BRD Letters of Credit Facility and the BRD Facility;

"**BRD Credit Facility**" means the RON35.0 million loan facility agreement, entered into between the Company, as borrower, and BRD-Groupe Société Générale S.A. as lender, on May 23, 2018;

"**BRD Letters of Guarantee Facility**" means the uncommitted bank guarantee facility, for an amount of €5.0 million, dated July 13, 2015 between the Company, as borrower, and BRD-Groupe Société Générale S.A., as lender;

"**BRD Letters of Credit Facility**" means the €5.0 million revolving multi-currency facility for the issuance of letters of credit dated September 20, 2017 between the Company, as borrower, and BRD-Groupe Société Générale S.A., as lender;

"**BSE**" means Bucharest Stock Exchange;

"**BUBOR**" means Budapest Inter-bank Offered Rate;

"**CAGR**" means compound annual growth rate;

"**CBH**" means the Central Bank of Hungary;

"**Citi Facilities Agreement**" means the uncommitted facility agreement, entered into between the Company, as borrower, and Citibank Europe Plc, Dublin—Romania Branch on October 25, 2013, consisting of (i) an uncommitted overdraft/bank guarantee facility in the amount of RON 111.0 million; (ii) an uncommitted bank guarantee facility with an initial amount of €13.0 million; and (iii) an uncommitted short term loan facility in the amount of US$3.2 million. The due performance by the Company under the Citi Facilities Agreement is guaranteed by the Issuer pursuant to a personal guarantee agreement.

"**Company**" or "**RCS & RDS**" means RCS & RDS S.A, a joint stock company organized under the laws of Romania, registered with the Bucharest Trade Registry Office under number J40/12278/1994, with its registered office at 75 Dr. Staicovici Street, Forum 2000 building, phase I, second floor, 5th district, Bucharest, Romania;

"**EC**" means European Commission;

"**EEA**" means European Economic Area;

"**EIR**" means effective interest rate method when evaluating the interest generated by a bond;

"**EU**" means European Union;

"**EURIBOR**" means Euro Inter-bank Offered Rate;

"**FSMA**" means the U.K. Financial Services and Markets Act of 2000;

"**GDP**" means gross domestic product;

"**Group**" means the Issuer and its direct and indirect consolidated subsidiaries, except as otherwise indicated or where the context otherwise requires;

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the EU;

"**Indenture**" means the indenture governing the Notes originally dated as of October 26, 2016, between, among others, the Issuer, as issuer, the Company, DIGI Hungary and Invitel, as guarantors, and the Trustee, as supplemented on June 8, 2017 and June 28, 2018;

"**ING Facilities Agreement**" means the uncommitted facility agreement between the Company, as borrower, and the Issuer, as guarantor, and ING Bank N.V., acting through its branch in Bucharest, Romania, consisting of (i) an uncommitted overdraft facility of up to €11.0 million; (ii) an uncommitted Facility 1 for letters of guarantee of (a) up to €11.0 million for guarantees of up to one year; and (b) up to €2.0 million for guarantees of up to two years; and (iii) an uncommitted Facility 2 for letters of guarantee of up to €1.96 million (the total outstanding amount under Facility 1 and Facility 2 cannot exceed €11.0 million at any time), entered into on November 4, 2013;

"**IPO**" means an initial public offering;

"**Irish Listing Agent**" means Arthur Cox Listing Services Limited, Ten Earlsfort Terrace, Dublin 2, Ireland;

"**IRS**" means the U.S. Internal Revenue Service;

"**ISIN**" means international securities identification number;

"**Issuer**" means Digi Communications N.V., (formerly known as Cable Communications Systems N.V.) a public company (*naamloze vennootschap*) incorporated under the laws of The Netherlands, registered with the Dutch trade register under registration number 34132532, with its registered office at 75 Dr. Staicovici street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania;

"**Intercreditor Agreement**" means the intercreditor agreement originally dated November 4, 2013, as amended and restated on October 26, 2016 and as further amended and restated on or about the Original Notes Issue Date between, among other parties, the Company, the Issuer, The Trustee, the Security Agent as described in the section entitled "*Description of Other Indebtedness"*;

"**LIBOR**" means London Inter-bank Offered Rate;

"**Magyar Telekom**" means Magyar Telekom Plc., a majority owned subsidiary of Deutsche Telekom AG;

"**MiFID II**" means Markets in Financial Instruments Directive II, a legislative framework intended to enhance investor protection;

"**NAC**" means National Audiovisual Council of Romania;

"**NBR**" means the National Bank of Romania;

"**NEBA**" means Nuevo Servicio Ethernet de Banda Ancha, which is new broadband Ethernet service;

"**NMIAH**" or "**NMHH**" means Nemzeti Média és Hírközlési Hatóság (National Media and Infocommunications Authority), a Hungarian autonomous regulatory body reporting to the National Assembly;

"**OCI**" means other comprehensive income;

"**Offering**" means the offering of the Additional Notes;

"**Orange Romania**" means Orange Romania S.A., a majority owned subsidiary of Orange S.A.;

"**Original Notes**" means the €350.0 million 5.0% Senior Secured Notes due 2023 issued on October 26, 2016 pursuant to the Indenture;

"**Original Notes Issue Date**" means the date of issuance of the Original Notes;

"**Original Proceeds Loan**" means the amended and restated facility agreement dated October 26, 2016 between the Issuer, as the lender, and the Company as the borrower, in relation to the proceeds of the offering of the Original Notes;

"**Paying Agent**" means Deutsche Bank AG, London Branch, 1 Great Winchester Street, London EC2N 2DB;

"**PRIIP**" means Packaged Retail Investment and Insurance-Based Products, a broad category of financial assets that are regularly provided to customers in the EU;

"**Proceeds Loan**" means the Original Proceeds Loan, as amended to reflect the flow proceeds of the Offering of the Additional Notes from the Issuer to the Company;

"**Purchase Agreement**" means the purchase agreement to be dated as at the date of this prospectus, among the Issuer and the Guarantors and Citigroup Global Markets Limited as the Initial Purchaser;

"**RCS Management**" or "**RCSM**" means RCS Management S.A., a joint stock company organized under the laws of Romania, registered with the Bucharest Trade Registry Office under number J40/6744/1999, with its registered office at 71-75 Dr Staicovici Street, Forum 2000 building, Phase I-II, second floor, 5th district, Bucharest, Romania;

"**Refinancing**" has the meaning given to it in "*Overview—The Refinancing*";

"**RGU**" means revenue generating unit;

"**ROBOR**" means Romanian Inter-bank Offered Rate;

"**Security Agent**" means Wilmington Trust (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF;

"**Stock Option Plans**" has the meaning given to it in "*Management—Compensation for Directors and Managers—Stock Option Plans*";

"**Telekom Romania**" means, collectively, Telecom Romania Communications S.A. and Telecom Romania Mobile Communications S.A., minority owned subsidiaries of Deutsche Telekom AG;

"**Transfer Agent**" and "**Registrar**" mean Deutsche Bank Luxembourg S.A., 2, Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg;

"**Trustee**" means Wilmington Trust, National Association, 50 S. Sixth Street, Suite 1290, Minneapolis, Minnesota 55402, United States of America;

"**UPC Hungary**" means UPC Magyarország Telecommunikációs Kft., a wholly owned subsidiary of the Liberty Global group;

"**UPC Romania**" means UPC ROMANIA S.R.L., a wholly owned subsidiary of the Liberty Global group;

"**VAT**" means value added tax; and

"**Vodafone Romania**" means Vodafone Romania S.A., a wholly owned subsidiary of Vodafone Group.

PRESENTATION OF FINANCIAL AND OTHER DATA

PRESENTATION OF FINANCIAL INFORMATION

The Issuer is the holding company for the Group and holds the majority of the outstanding shares of the Company. The Issuer 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. Unless otherwise indicated, the financial information in this prospectus consists of the historical consolidated financial information of the Issuer and its consolidated subsidiaries. The Issuer's financial year runs from January 1 to December 31.

Included in this prospectus are the following consolidated financial statements of the Group:

- audited consolidated financial statements of the Group (prepared in accordance with IFRS as adopted by the EU) as at and for the years ended December 31, 2015, the "**2015 Annual Financial Statements**"), December 31, 2016 (the "**2016 Annual Financial Statements**") and December 31, 2017 (which were also prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, the "**2017 Annual Financial Statements**," and together with the 2015 Annual Financial Statements and the 2016 Annual Financial Statements, the "**Annual Financial Statements**"), together with audit reports thereon by the Group's independent auditors; and
- unaudited interim condensed consolidated financial statements of the Group (prepared in accordance with IAS 34 Interim Financial Reporting) as at and for the nine months ended September 30, 2018, which include comparative financial information as at and for the nine months ended September 30, 2017 (the "**Interim Financial Statements**," and, together with the Annual Financial Statements, the "**Financial Statements**").

See section entitled "*Index to Consolidated Financial Statements*."

The consolidated financial information of the Group as at and for the years ended December 31, 2015, 2016 and 2017 included in this prospectus has been extracted or derived from the Annual Financial Statements. The consolidated financial information of the Group as at and for the nine months ended September 30, 2017 and 2018 included in this prospectus has been extracted or derived from the Interim Financial Statements. The significant accounting policies applied in the preparation of the Financial Statements have been applied consistently in the preparation of the consolidated financial information of the Group extracted or derived from the Financial Statements for the purpose of presentation in this prospectus.

For reporting periods following June 30, 2016, we have been aggregating certain revenue to report it as part of our mobile telecommunication services business line. For the year ended December 31, 2015, that revenue includes mobile internet and data revenue reported under the caption "Internet and Data Revenue" and mobile telephony revenue reported under the caption "Telephony Revenue" in Note 16 of 2015 Annual Financial Statements. The remaining revenue that is reported under those captions in the 2015 Annual Financial Statements is presented in this prospectus as fixed internet and data and fixed telephony revenue. Comparative information for the year ended December 31, 2015 has been restated accordingly for presentation herein.

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—Trend and Other Key Factors Impacting Our Results of Operations—Exchange Rates—Conversion into euros for presentation in the Financial Statements*." Accordingly, the Financial Statements included herein are presented in euros.

We currently have operations in Romania, Hungary, Spain and Italy. Although in the past we had operations in other Eastern European countries, the remainder of such operations was disposed of in April 2015 (the Czech Republic) ("**Discontinued Operations**"). In Note 4 to the 2015 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; and (ii) certain expenses of the Issuer. In Note 4 to the 2016 Annual Financial Statements and the 2017 Annual Financial Statements, as part of our "Other" segment we reported (i) revenue from, and expenses of, our Italian operations; and (ii) certain expenses of the Issuer. In this prospectus, 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 certain expense of the Issuer, for operating expenses.

On November 14, 2018, we published our Financial report for the three-month period ended September 30, 2018 (the "**9M Report**"). Included in the 9M Report was our "Condensed Consolidated Interim Financial Report" for the nine-month period ended September 30, 2018 (the "**Original 9M 2018 Interim Financial Statements**").

As at the date of this prospectus, we have made certain amendments and restatements to the Original 9M 2018 Interim Financial Statements to prepare the Interim Financial Statements. These amendments and restatements primarily concerned our previously reported results and financial position for the nine-month periods ended September 30, 2017 and 2018.

The table below sets out the key amendments and restatements to our consolidated statement of comprehensive income for the nine months ended September 30, 2018:

	For the nine months ended September 30, (previously reported)	Adjustment	For the nine months ended September 30, (adjusted)
	2018		2018
		(unaudited) **(€ thousand)**	
Revenue	752,045	4,323[(1)]	756,368
Other expenses	(12,620)	(4,729)[(2)]	(17,349)
Finance income	257	3,562[(3)]	3,819
Income tax	(17,373)	(1,092)[(4)]	(18,465)
Net profit for the period	18,864	2,062	20,926

(1) Represents revenue generated from the recognition of deferred green certificates. See "*Business—Products and Services—Electricity generation and supply*."

(2) Represents provisions in connection with ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

(3) Represents fair value re-assessment for embedded derivative assets.

(4) Represents additional deferred tax expense from the recorded adjustments.

The table below sets out the key amendments and restatements to our EBITDA for the nine months ended September 30, 2018 (which were the result of the amendments and restatements described in the paragraph immediately above):

	For the nine months ended September 30, (previously reported)	Adjustment	For the nine months ended September 30, (adjusted)
	2018		2018
		(unaudited) **(€ thousand)**	
EBITDA	233,670	(407)	233,263

The table below sets out the key amendments and restatements to our consolidated statement of comprehensive income for the nine months ended September 30, 2017:

	For the nine months ended September 30, (previously reported)	Adjustment	For the nine months ended September 30, (adjusted)
	2017		2017
		(unaudited) **(€ thousand)**	
Revenue	684,071	3,264[(1)]	687,335
Operating expenses	(596,579)	(927)[(2)]	(597,506)
Finance income	706	14,423[(3)]	15,129
Income tax	(15,944)	(2,870)[(4)]	(18,814)
Net profit for the period	44,166	13,890	58,056
Other comprehensive income:			
Available for sale financial asset, net change in fair value	41,177	(41,177)[(5)]	—

(1) Represents revenue generated from the recognition of deferred green certificates.

(2) Represents expenses related to the Stock Option Plans.

(3) Represents fair value re-assessment for embedded derivative assets.

(4) Represents additional deferred tax expense from the recorded adjustments.

(5) Reflects the reclassification to retained earnings of the swap of NCI against Available for sale financial assets.

The table below sets out the key amendments and restatements to our EBITDA for the nine months ended September 30, 2017 (which were the result of the amendments and restatements described in the paragraph immediately above):

	For the nine months ended September 30, (previously reported)	Adjustment	For the nine months ended September 30, (adjusted)
	2017		2017
		(unaudited) **(€ thousand)**	
EBITDA	221,729	2,337	224,066

The table below sets out the key amendments and restatements to our consolidated statement of financial position as at September 30, 2018:

	As at September 30, (previously reported)	Adjustment	As at September 30, (adjusted)
	2018		2018
		(unaudited) **(€ thousand)**	
Other non-current assets	—	4,323[(1)]	4,323
Derivative financial assets	36,848	3,563[(2)]	40,411
Deferred tax liabilities	(60,826)	(1,090)[(3)]	(61,916)
Trade payables and other payables	(410,030)	2,495[(4)]	(407,535)
Provisions	—	(7,224)[(5)]	(7,224)
Equity attributable to equity holders of the parent	(147,577)	(1,928)[(6)]	(149,505)
Non-controlling interest	(7,112)	(133)[(6)]	(7,245)

(1) Represents recognition of deferred green certificates. See "*Business—Products and Services—Electricity generation and supply*."

(2) Represents fair value re-assessment for embedded derivative assets.

(3) Represents additional deferred tax liability generated by the recorded adjustments.

(4) Represents the result of a reclassification from trade and other payables to provisions.

(5) Includes: (i) €4,729 thousand attributable to additional provisions in connection with ongoing litigations; and (ii) €2,945 thousand representing the result of a reclassification from trade and another payables line.

(6) Reflects impact of the recorded adjustments.

Certain corresponding amendments and restatements were also made to our consolidated cash flow statement and statement of changes in equity.

None of the financial information used in this prospectus has been audited in accordance with auditing standards generally accepted in the United States of America ("**U.S. GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). U.S. GAAS and the auditing standards of the PCAOB do not provide for the expression of an opinion on accounting standards which have not been finalized and are still subject to modification, as is the case with accounting standards as adopted for use in the European Union and included in "*Index to Consolidated Financial Statements*" Accordingly, it would not be possible to express any opinion on the "Historical Financial Information" in "*Index to Consolidated Financial Statements*" under U.S. GAAS or the auditing standards of the PCAOB. In addition, there could be other differences between the auditing standards required by U.S. GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the "*Index to Consolidated Financial Statements*" and the implications of differences between the auditing standards noted herein.

OPERATING AND MARKET DATA

Non-IFRS financial information and other operating data

This prospectus contains certain financial measures that are not defined or recognized under IFRS, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA of continuing operations and Adjusted EBITDA Margin of continuing operations, total debt, total net debt, net interest expense, leverage ratio, interest cover ratio and ARPU.

Information regarding these measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation, or as a substitute, for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. Furthermore, these items are unaudited and therefore undue reliance should not be placed on them.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA of continuing operations and Adjusted EBITDA Margin of continuing operations

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

We calculate EBITDA by adding back to our consolidated operating profit charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market unrealized gains/(losses) from fair value assessment of energy supply contracts. Our Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to the sum of our total revenue and other income excluding mark-to-market unrealized gains/(losses) from fair value assessment of energy trading contracts). Our Adjusted EBITDA of continuing operations represents our Adjusted EBITDA for operations in Romania, Hungary, Spain and Italy. Finally, our Adjusted EBITDA Margin of continuing operations is the ratio of Adjusted EBITDA of continuing operations to the sum of our total revenue and other income (excluding mark-to-market unrealized gains/(losses) from fair value assessment of energy trading contracts).

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

Total debt and financial ratios

We define total debt as interest bearing loans and borrowings (non-current), interest bearing loans and borrowings (current), derivative financial liabilities and other long term liabilities. Our total net debt is our total debt less cash and cash equivalents. Our net interest expense is interest expense as extracted from our Financial Statements, less interest income related to cash and cash equivalents held.

Our leverage ratio is the ratio of total net debt to Adjusted EBITDA of continuing operations over a given period. Our interest coverage ratio is the ratio of Adjusted EBITDA of continuing operations to net interest expense over a given period

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

RGUs and ARPU

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

More specifically:

- for our cable TV and DTH services, we count each basic package that we invoice to a customer as an RGU, without counting separately the premium add-on packages that a customer may subscribe for;
- for our fixed internet and data services, we consider each subscription package to be a single RGU;
- for our fixed-line telephony services, we consider each phone line that we invoice to be a separate RGU, so that a customer will represent more than one RGU if it has subscribed for more than one phone line; and
- for our mobile telecommunication services we consider the following to be a separate RGU: (a) for pre-paid services, each mobile voice and mobile data SIM with active traffic in the last month of the relevant period; and (b) for post-paid services, each separate SIM on a valid contract.

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

We use the term ARPU to refer to the average revenue per RGU in a business line, geographic segment or the Group as a whole, for a period by dividing the total revenue of such business line, 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.

Our total RGU and ARPU figures include data for businesses we have sold until the dates of such disposals. Apart from our continuing operations in Romania, Hungary, Spain and Italy, our total RGU and ARPU figures as at and for the year ended December 31, 2015 include the results of our former subsidiary in the Czech Republic. On May 30, 2018, we completed the acquisition of Invitel in Hungary. Invitel's RGUs and ARPU are factored into our total RGU and ARPU figures starting from June 1, 2018.

In this prospectus, RGUs and ARPU numbers presented under the heading "Other" are the RGUs and ARPU numbers of our Italian subsidiary.

Market Data

Information regarding macroeconomic trends, market position, growth rates and other industry data pertaining to our business contained in this prospectus consists, with certain exceptions, of estimates based on data compiled by professional organizations and analysts, of data from other external sources and of our knowledge of our market. These data are subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In particular, we have cited the following sources in this prospectus in the section entitled "*Industry Overview*": Eurostat, ANCOM, Cable Europe, European Commission, Hungarian Central Statistical Office, NMIAH, Comisión Nacional de los Mercados y la Competencia (*Spanish National Authority for Markets and Competition*) ("**CNMC**") and Autorità per le Garanzie nelle Comunicazioni (*Italian National Authority for Telecommunications*) ("**AGCOM**") Liberty Global plc, Ampere, Instituto Nacional de Estadistica, GSMA Intelligence, National Institute of Statistics of Romania, Instituto Nazionale di Statistica, and Group and peer reports; which, in each case, are independent public sources. The analysts compiling these reports base their estimates and conclusions on a variety of different sources, some of which may be more accurate or reliable than others. Thus, our market share estimates, calculated using our internal RGU records, and RGU data of our competitors published by third parties, may differ from third-party analyst estimates of our market share. We cannot provide any assurance that RGU numbers of our competitors in such analyst reports and databases are correct or the same as those contained in our competitors' internal records. Therefore, you should use caution in analyzing these estimates and should not place undue reliance on them.

Whilst the Directors believe the third-party information included herein to be reliable, we have not independently verified such third-party information, and neither we nor the Initial Purchaser make any representation or warranty as to the accuracy or completeness of such information as set forth in this prospectus. We confirm that all third-party data contained in this prospectus has been accurately reproduced and, so far as we are aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this prospectus, the source of such information has been identified.

ROUNDING

Certain amounts that appear in this prospectus 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. The calculations, variations and other percentages may differ slightly from their actual calculations due to roundings of underlying financial, statistical and operating information.

CURRENCIES

In this prospectus, references to “euro,” “EUR,” “€” or “eurocents” are to the currency of the member states of the European Union participating in the European Monetary Union, references to “U.S. dollar” or “US$” are to the currency of the United States, references to “Romanian leu,” “RON,” “leu” (singular) or “lei” (plural) are to the currency of Romania, references to “HUF” or the “Hungarian forint” are to the currency of Hungary, and references to “GBP” are to the currency of the United Kingdom.

No representation is made that any specific currency amount in this prospectus could have been converted into any of the other currencies presented in this prospectus at any particular rate or at all. There are limited markets for the Romanian leu outside Romania, and for the Hungarian forint outside Hungary. The limited availability of such currencies may lead to volatility of exchange rates.

EXCHANGE RATE INFORMATION

The following table sets out the high, low, average and period-end exchange rates, for the periods and dates indicated, of the euro against the Romanian leu, the Hungarian forint and the U.S. dollar, in each case as published by Bloomberg Composite Rate (London).

The Bloomberg Composite Rate of the Romanian leu was RON4.7431 per €1.00; of the Hungarian forint—HUF318.96 per €1.00 and of the U.S. Dollar—$1.1349 per €1.00, in each case, on February 7, 2019.

Year	**Romanian leu**			
	High	**Low**	**Average**	**Period End**
2014	4.5454	4.3843	4.4439	4.4842
2015	4.5540	4.3795	4.4458	4.5195
2016	4.5488	4.4447	4.4908	4.5431
2017	4.6679	4.4864	4.5691	4.6679
2018	4.6796	4.6175	4.6538	4.6557
2019 (through February 7, 2019)	4.7751	4.6797	4.7132	4.7431

Year	**Hungarian forint**			
	High	**Low**	**Average**	**Period End**
2014	317.32	297.31	308.69	316.35
2015	322.54	296.62	309.96	315.97
2016	318.02	304.08	311.44	309.28
2017	314.93	302.86	309.27	310.63
2018	329.90	307.77	318.77	320.88
2019 (through February 7, 2019)	323.08	315.61	319.39	318.96

Year	**U.S. dollar**			
	High	**Low**	**Average**	**Period End**
2014	1.3925	1.2100	1.3285	1.2100
2015	1.2099	1.0492	1.1100	1.0866
2016	1.1527	1.0384	1.1068	1.0547
2017	1.2026	1.0427	1.1297	1.2022
2018	1.2492	1.1245	1.1811	1.1452
2019 (through February 7, 2019)	1.1480	1.1304	1.1416	1.1349

Source: Bloomberg.

The above rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this prospectus.

USE OF PROCEEDS

The gross proceeds of the Offering were €203.5 million (excluding approximately €3.2 million of interest deemed to have accrued from (and including) October 15, 2018 (the last date on which interest on the Notes was paid) to (but excluding) the Additional Notes Issue Date).

We used the gross proceeds of the Offering (excluding such accrued interest) (i) primarily to prepay certain principal amounts outstanding under the 2016 Senior Facilities Agreement and the 2018 Senior Facilities Agreement; (ii) to pay costs, expenses and fees (including the Initial Purchaser's fees, legal and accounting fees and other transaction costs) in connection with the Refinancing; and (iii) for general corporate purposes.

The following table summarizes the sources and uses of funds in connection with the Refinancing.

Sources of funds	**(€ millions)**	**Uses of funds**	**(€ millions)**
Additional Notes......................................	203.5[(1)]	Prepayment of principal amounts under the 2016 Senior Facilities Agreement[(2)]	78.1[(3)]
		Prepayment of principal amounts under the 2018 Senior Facilities Agreement[(4)]	100.0[(3)]
		Costs, expenses and fees[(5)].......................	3.9
		General corporate purposes	21.5
Total sources	**203.5**	**Total uses...**	**203.5**

(1) Represents the gross proceeds of the Offering (excluding approximately €3.2 million of interest deemed to have accrued from (and including) October 15, 2018 to (but excluding) the Additional Notes Issue Date).

(2) The 2016 Senior Facilities Agreement was entered into on October 7, 2016 and was amended on October 16, 2017 and February 4, 2019. As at the date of this prospectus, it consists of (i) RON592.0 million Facility A1; (ii) RON382.0 million Facility A2; and (iii) RON37.0 million Facility B. As at the date of this prospectus, all three facilities are fully drawn. The Group prepaid the aggregate principal amount of (i) RON250.0 million under Facilities A1 and A2 (equivalent to €52.8 million at the RON/€ exchange rate as at the Additional Notes Issue Date); and (ii) RON120.0 million under Facility B (equivalent to €25.3 million at the RON/€ exchange rate as at the Additional Notes Issue Date).

(3) Excludes interest accrued, but unpaid, on the relevant principal amounts, which will be paid on the date of prepayment from cash on balance sheet.

(4) The 2018 Senior Facilities Agreement was entered into on February 1, 2018 and was amended on March 9, 2018. As at the date of this prospectus, it consists of (i) HUF13.5 billion Facility A1; (ii) RON66.2 million Facility B1; and (iii) €19.4 million Facility B2. As at the date of this prospectus, all three facilities are fully drawn. The Group prepaid the aggregate principal amount of (i) HUF17.8 billion under Facility A1 (equivalent to €55.9 million at the HUF/€ exchange rate as at the Additional Notes Issue Date); (ii) RON87.7 million under Facility B1 (equivalent to €18.5 million at the RON/€ exchange rate as at the Additional Notes Issue Date) and (iii) €25.6 million under Facility B2.

(5) Represents costs, fees and expenses associated with the Refinancing, including the Initial Purchaser's fees, legal and accounting fees and other transaction costs.

CAPITALIZATION

The table below sets out the Group's consolidated capitalization, along with cash and cash equivalents, as at September 30, 2018 on a historical basis, which is extracted or derived (without material adjustments) from our Interim Financial Statements included elsewhere in this prospectus.

You should read this table in conjunction with the sections entitled "*Use of Proceeds," "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Historical Cash Flows" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments,*" as well as the Financial Statements and the notes thereto included in this prospectus.

	As at September 30, 2018
	(€ millions)
Cash and Cash Equivalents	**17.1**
Debt:	
Original Notes[(1)]	350.0
2016 Senior Facilities Agreement:	
Facility A1	172.0[(2)]
Facility A2	111.0[(3)]
Facility B	33.7[(4)]
Total	**316.6**
2018 Senior Facilities Agreement:	
Facility A	96.7[(5)]
Facility B1	16.1[(6)]
Facility B2	45.0[(7)]
Total	**157.8**
Overdraft/letters of credit facilities[(8)]	34.4
Obligations under financial leases[(9)]	7.8
Derivatives[(10)]	1.6
Other financial debt[(11)]	27.2
Other long term liabilities[(12)]	34.3
Unamortized borrowing costs and effective interest rate adjustments	(6.5)
Total debt[(13)]	**923.2**
Shareholders' equity:	
Share capital	6.9
Share premium	5.3
Treasury shares	(14.0)
Reserves	(13.7)
Retained earnings	165.0
Non-controlling interest	7.2
Total equity	**156.8**
Total capitalization[(14)]	**1,079.9**

(1) Represents the aggregate outstanding principal amount of the Original Notes.

(2) Represents the euro equivalent of the fully drawn RON802.1 million principal amount under Facility A1. The principal amount outstanding under Facility A1 as at the date of this prospectus is RON592.0 million. See "*Use of Proceeds*" and "*Overview—Recent developments—Financial arrangements*."

(3) Represents the euro equivalent of the fully drawn RON517.5 million principal amount under Facility A2. The principal amount outstanding under Facility A2 as at the date of this prospectus is RON382.0 million. See "*Use of Proceeds*" and "*Overview—Recent developments—Financial arrangements*."

(4) Represents the euro equivalent of the fully drawn RON157.0 million principal amount under Facility B. The principal amount outstanding under Facility B as at the date of this prospectus is RON37.0 million.

(5) Represents the euro equivalent of the fully drawn HUF31.3 billion principal amount under Facility A. The principal amount outstanding under Facility A as at the date of this prospectus is HUF13.5 billion.

(6) Represents the euro equivalent of the RON75.0 million principal amount under Facility B1. The principal amount outstanding under Facility B1 as at the date of this prospectus is RON66.2 million. See "*Use of Proceeds*" and "*Overview—Recent developments—Financial arrangements*."

(7) Represents €45.0 million principal amount of the fully drawn Facility B2. The principal amount outstanding under Facility B2 as at the date of this prospectus is €19.4 million.

(8) Includes: (i) €4.2 million principal amount drawn under the overdraft facility of the ING Facilities Agreement; (ii) €19.8 million principal amount drawn under the overdraft facility of the Citi Facilities Agreement; (iii) €2.0 million principal amount drawn under the uncommitted overdraft/bank guarantee facility with UniCredit Bank; and (iv) €8.3 million principal amount drawn under the BRD Letters of Credit Facility.

(9) See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial leasing agreements*."

(10) Represents mark-to-market loss from fair value valuation of electricity trading contracts.

(11) Includes: (i) €3.6 million principal amount outstanding under the Libra Loan Agreement; (ii) €4.0 million principal amount outstanding under the loan agreements with OTP Bank; (iii) €0.8 million of principal amount outstanding under the 2015 Santander Facility Agreement; (iv) €0.3 million of principal amount outstanding under the Caixa Facility Agreement; (v) €3.0 million of principal amount outstanding under the loan agreements with BBVA; (vi) €3.7 million principal amount outstanding under the BRD Credit Facility; and (vii) €11.9 million of interest accruals.

(12) Includes long-term trade payables relating to vendor financing arrangements.

(13) Does not include related party financings (such as the RCS Management Loan, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Financial obligations—RCS Management Loan*" and "*Related Party Transactions—Transactions between the Group and related parties—RCS Management Loan*").

(14) Represents the sum of total debt and total equity.

Other than as disclosed above and the section entitled "*Overview—Recent Developments—Financial arrangements*", there has been no material change in the Group's capitalization since September 30, 2018.

SELECTED FINANCIAL AND OTHER DATA

The tables below set out selected consolidated financial information for the Group as at and for the years ended December 31, 2015, 2016 and 2017 and as at and for the nine months ended September 30, 2017 and 2018. The financial information as at and for the years ended December 31, 2015, 2016 and 2017 has been extracted or derived from the Annual Financial Statements. The financial information as at and for the nine months ended September 30, 2017 and 2018 has been extracted or derived from the Interim Financial Statements. The Financial Statements are included elsewhere in this prospectus. The information below should be read in conjunction with the Financial Statements and accompanying notes included elsewhere in the prospectus and the discussion in sections entitled "*Presentation of Financial and Other Data*," "*Overview—Summary Financial and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

CONSOLIDATED STATEMENT OF PROFIT OR LOSS DATA

	For the year ended December 31,			For the nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**(1)
				(unaudited)	
			(€ millions)		
Revenue					
Romania	541.8	615.4	658.3	496.1	516.8
Hungary	125.9	137.9	150.4	113.1	135.0
Spain	73.8	84.7	93.9	67.8	90.6
Other	11.4(2)	9.6(2)	18.8(3)	13.4(3)	17.6(3)
Eliminations of intersegment revenues	(2.7)	(4.8)	(4.9)	(3.1)	(3.7)
Total revenue	**750.1**	**842.8**	**916.6**	**687.3**	**756.4**
Other income	—	—	2.5(4)	10.7(5)	9.7(6)
Gain/(loss) from sale of discontinued operations	20.9(7)	(0.7)(7)	—	—	—
Total revenue, and other income and gain/(loss) from sale of discontinued operations	**771.0**	**842.1**	**919.1**	**698.0**	**766.1**
Operating expenses					
Romania	(362.2)(8)	(413.1)	(431.3)	(328.8)	(320.1)
Hungary	(76.5)	(86.5)	(110.7)	(80.3)	(108.7)
Spain	(62.8)	(70.7)	(68.1)	(49.2)	(69.2)
Other	(13.0)(9)	(13.9)(10)	(23.9)(10)	(15.9)(10)	(21.2)(10)
Eliminations of intersegment expenses	2.7	4.8	4.9	3.1	3.7
Depreciation, amortization and impairment of tangible and intangible assets	(187.9)	(176.4)	(171.8)	(126.5)	(152.7)
Total operating expenses	**(699.7)**	**(755.8)**	**(800.8)**	**(597.5)**	**(668.2)**
Other expenses	(1.0)(8)(11)	(7.0)(11)	(2.8)(12)	(2.9)(13)	(17.3)(14)
Operating profit	**70.3**	**79.3**	**115.4**	**97.6**	**80.6**
Finance income	9.9	45.3	20.0	15.1	3.8
Finance expense	(70.8)	(101.5)	(55.9)	(35.9)	(45.0)
Net finance costs	**(60.9)**	**(56.2)**	**(35.9)**	**(20.7)**	**(41.2)**
Profit before taxation	**9.5**	**23.1**	**79.5**	**76.9**	**39.4**
Income tax expense	(5.4)	(11.3)	(17.4)	(18.8)	(18.5)
Profit for the period	**4.0**	**11.8**	**62.0**	**58.1**	**20.9**

(1) Invitel's results are consolidated into our results from June 1, 2018.

(2) Includes revenue from our operations in Italy and the Czech Republic (discontinued in April 2015).

(3) Represents revenue from our operations in Italy.

(4) Includes (i) €2.4 million costs related to the IPO recovered from the selling shareholders; and (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.

(5) Includes (i) €2.8 million costs related to the IPO recovered from the selling shareholders; (ii) €0.2 million of income from the disposal of Digi SAT d.o.o; and (iii) €7.8 million of mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(6) Represents mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(7) Represents gain/(loss) from the sale of our operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

(8) In the 2016 Annual Financial Statements, we presented our unrealized mark-to-market results from fair value assessment of energy supply contracts for the year ended December 31, 2016 under a separate "Other expenses" line item and restated our presentation for the year ended December 31, 2015 accordingly. We have also applied such presentation for subsequent periods. However, in the 2015 Annual Financial Statements, €1.0 million unrealized mark-to-market results from fair value assessment of energy supply contracts was included in our presentation of operating expenses in Romania.

(9) Includes (i) operating expenses incurred in relation to our operations in Italy and the Czech Republic (discontinued in April 2015); and (ii) operating expenses of the Issuer.

(10) Includes (i) operating expenses incurred in relation to our operations in Italy; and (ii) operating expenses of the Issuer.

(11) Represents mark-to-market loss from fair value assessment of energy supply contracts.

(12) Includes (i) €2.6 million costs related to the IPO; and (ii) €0.2 million mark-to-market unrealized loss from fair value assessment of energy supply contracts.

(13) Represents costs related to the IPO. The lower amount reported for the year ended December 31, 2017, compared with the amount reported for the nine months ended September 30, 2017, is due to a re-estimation of the implications of different taxation regimes in The Netherlands and Romania.

(14) Includes (i) €2.5 million costs related to the acquisition of Invitel; (ii) €10.1 million non-cash expenses related to the Stock Option Plans; and (iii) €4.7 million provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As at December 31,			As at September 30,
	2015	2016	2017	2018
			(unaudited) (€ millions)	
Assets				
Non-Current assets				
Property, plant and equipment	674.7	826.0	900.7	1,082.9
Intangible assets	205.1	206.8	215.2	245.7
Financial assets at fair value through OCI[(1)]	43.4	0.0	42.1	36.0
Investments in associates	1.0	1.0	0.8	0.8
Long term receivables	5.9	3.9	2.0	4.8
Other non-current assets	—	—	—	4.3[(2)]
Deferred tax assets	4.0	3.1	2.8	2.4
Total non-current assets	**934.0**	**1,040.8**	**1,163.7**	**1,376.9**
Current assets				
Inventories	13.2	18.6	10.1	14.1
Program assets	29.5	30.3	22.3	28.8
Trade and other receivables	82.5	109.0	82.5	63.7[(3)]
Contract assets	—	—	—	34.7[(3)]
Income tax receivables	0.2	2.8	1.7	0.4
Other assets	8.2	6.3	11.0	13.6
Derivative financial assets	9.9	17.0	34.9	40.4
Cash and cash equivalents	49.7	14.6	16.1	17.1
Total current assets	**193.3**	**198.6**	**178.5**	**212.8**
Total assets	**1,127.3**	**1,239.5**	**1,342.2**	**1,589.7**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	0.1	0.1	6.9	6.9
Share premium	8.2	8.2	3.4	5.3
Treasury shares	(16.7)	(16.7)	(13.9)	(14.0)
Reserves	31.6	9.1	1.2	(13.7)
Retained earnings	77.5	40.5	138.9	165.0

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
			(unaudited)	
			(€ millions)	
Total equity attributable to equity holders of the parent	**100.7**	**41.2**	**136.5**	**149.5**
Non-controlling interest	2.2	1.4	6.0	7.2
Total equity	**102.8**	**42.6**	**142.5**	**156.8**
Non-current liabilities				
Interest-bearing loans and borrowings, including bonds	624.9	665.5	648.0	778.0
Deferred tax liabilities	27.0	34.8	45.5	61.9
Decommissioning provision	0.0	0.0	5.4	5.6
Other long term liabilities	7.6	46.1	36.7	34.3
Total non-current liabilities	**659.5**	**746.4**	**735.7**	**879.7**
Current liabilities				
Trade and other payables	271.1	374.0	360.6	407.5
Interest-bearing loans and borrowings	63.1	44.0	82.0	109.3
Income tax payable	1.7	1.4	—	2.7
Derivative financial liabilities	8.3	16.4	10.1	1.6
Provisions	—	—	—	7.2[4]
Contract liability	—	—	—	24.9[5]
Deferred revenue	20.8	14.7	11.3	—
Total current liabilities	**365.1**	**450.4**	**464.0**	**553.3**
Total liabilities	**1,024.5**	**1,196.9**	**1,199.7**	**1,433.0**
Total equity and liabilities	**1,127.3**	**1,239.5**	**1,342.2**	**1,589.7**

(1) This presentation is required by IFRS 9 "Financial Instruments: Classification and Measurement," which became applicable since January 1, 2018. Our Annual Financial Statements present this line item as "Available for sale financial assets (AFS)."

(2) Represents fair value of postponed green certificates generated by our solar energy production activities.

(3) In compliance with IFRS 15 "Revenue from Contracts with Customers," our Interim Financial Statements present "Contract assets" separately from "Trade and other receivables." There was no such requirement for prior reporting periods, and therefore relevant assets were reported as part of "Trade and other receivables."

(4) Represents provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

(5) In compliance with IFRS 15 "Revenue from Contracts with Customers," our Interim Financial Statements present "Contract liabilities" instead of "Deferred revenue." There was no such requirement for prior reporting periods, and therefore relevant liabilities were reported as part of "Deferred revenue."

CONSOLIDATED STATEMENT OF CASH FLOW DATA

	For the year ended December 31,			For the nine months ended September 30,	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
			(€ millions)		
Cash flows from operations before working capital changes	**237.2**	**266.6**	**295.5**	**222.7**	**241.2**
Cash flows from changes in working capital[1]	4.2	(11.3)	(4.3)	(2.3)	(11.2)
Cash flows from operations	**241.5**	**255.3**	**291.2**	**220.4**	**230.0**
Interest paid	(44.2)	(44.0)	(33.4)	(20.2)	(26.8)
Income tax paid	(5.1)	(7.8)	(10.2)	(5.1)	(2.6)
Cash flow from operating activities	**192.2**	**203.5**	**247.6**	**195.0**	**200.6**
Cash flow used in investing activities	**(171.6)**	**(216.0)**	**(242.3)**	**(187.2)**	**(341.2)**[2]

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(€ millions)		
Cash flows from/used in financing activities	**(25.7)**	**(21.8)**	**(3.9)**	**(2.2)**	**141.6**
Net increase (decrease) in cash and cash equivalents	(5.1)	(34.2)	1.4	5.7	1.0
Cash and cash equivalents at the beginning of the period	54.3	49.7	14.6	14.6	16.1
Effect of exchange rate fluctuation on cash and cash equivalent held	0.5	(0.8)	—	—	—
Cash and cash equivalents at the closing of the period	**49.7**	**14.6**	**16.1**	**20.4**	**17.1**

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

(2) Includes €135.4 million consideration paid for Invitel on May 30, 2018 (at the exchange rate of €/HUF at May 30, 2018).

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 information in the sections captioned "Presentation of Financial and Other Data" and "Selected Financial and Other Data" of this prospectus. The following discussion should also be read in conjunction with the Financial Statements together with the related notes included elsewhere in this prospectus.

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 "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" of this prospectus.

OVERVIEW

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Sources: Group and peer reporting*). We are a leading provider of telecommunication services in our core Romanian and Hungarian markets and are also active in Spain and, to a lesser extent, Italy.

- Romania. Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. Our technologically-advanced fixed fiber-optic network covered 73.2% of households as at September 30, 2018, according to our estimates. 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.
- Hungary. We provide cable TV, fixed internet and data, fixed-line telephony and DTH services in Hungary. Our fixed telecommunication and entertainment products are offered through a technologically-advanced fixed fiber-optic network (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber), which covered 46.8% of households as at September 30, 2018 (*Source: Hungarian Central Statistical Office*). In addition, we are in the advanced stage of our own mobile network's development and currently expect to launch our services in 2019. The country is entirely within the footprint of our DTH signal.
- Spain. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica, primarily to the large local Romanian community. Following its launch, we now also offer fixed internet and data and fixed-line telephony services as a reseller through Telefónica's fixed line network.
- Italy. We provide mobile telecommunication services as an MVNO through the mobile network of TIM, primarily to the large local Romanian community.

Although in the past we had operations in other Eastern European countries, the remainder of such operations (in the Czech Republic) was successfully disposed of in April 2015. We currently focus on our core markets of Romania and Hungary, apart from our targeted MVNO operations in Spain and Italy and the resale of fixed internet and data and fixed-line telephony services in Spain, which we launched in September 2018 (although we did not start providing the service until later in the year).

For the years ended December 31, 2015, 2016 and 2017, we had revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) of €750.1 million, €842.8 million and €916.6 million, respectively; Adjusted EBITDA of continuing operations of €237.5 million, €263.3 million and €287.5 million, respectively; and net profit of €4.0 million, €11.8 million and €62.0 million, respectively. For the nine months ended September 30, 2017 and 2018, we had total revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) of €687.3 million and €756.4 million, respectively; Adjusted EBITDA of continuing operations of €216.3 million and €240.9 million, respectively; and net profit of €58.1 million and €20.9 million, respectively.

RECENT DEVELOPMENTS

As at December 31, 2018, we expect our RGUs to have increased slightly as compared with September 30, 2018, primarily as a result of growth in our cable TV and fixed internet and data services in Romania and in our mobile telecommunication services in Spain.

For the three months ended December 31, 2018, we expect our consolidated revenue to have increased as compared with the three months ended December 30, 2017, primarily as a result of our acquisition of Invitel on May 30, 2018, growth in our mobile telecommunication services and cable TV operations in Romania and growth in mobile telephony services in Spain.

Our capital expenditure accelerated to some extent in the three months ended December 31, 2018, which we expect will result in growth in total capital expenditure for the year ended December 31, 2018 relative to the year ended December 31, 2017 that is broadly in line with the growth in prior periods, although we expect our capital expenditures in the year ending December 31, 2019 to be moderate.

On April 24, 2018 and October 25, 2018, the Company repaid the aggregate principal amount of RON95.6 million under Facilities A1 and A2 of the 2016 Senior Facilities Agreement.

On October 5, 2018, the Company drew the remaining RON78.9 million available under the Facility B1 of the 2018 Senior Facilities Agreement, which was used for general corporate purposes. As at the date of this prospectus, all available facilities under the 2018 Senior Facilities Agreement have been fully drawn.

On October 19, 2018, DIGI Spain entered into a €2.0 million short term loan with BBVA maturing in September 2019. As at the date of this prospectus, this loan was fully drawn.

On October 19, 2018, DIGI Spain entered into a €3.0 million short-term loan with Banco Santander maturing in October 2019. As at the date of this prospectus, this loan was fully drawn.

On November 21, 2018, DIGI Spain entered into two letters of guarantee arrangements with Caixabank, S.A. for an aggregate amount of €571,778.58. As at the date of this prospectus, we had letters of guarantee issued by Caixabank, S.A. with an aggregate value of €571,578.98 million.

On December 17, 2018, the Issuer granted to the Company a loan facility in the principal amount of €10.0 million at the interest rate of 5.5% per annum. As at the date of this prospectus, the outstanding principal amount under this loan was €4,327,906.17.

From September 30, 2018 until the date of this prospectus, we have purchased an aggregate of 91,922 Class B shares of the Issuer on the market, representing 0.1% of its issued share capital as at the date hereof. On January 14, 2019, we converted 1.2 million Class A shares of the Issuer that were held as treasury shares by the Company into an equal number of Class B shares.

The repurchased and converted Class B shares will be used for the purposes of the Stock Option Plans. See "*Management—Compensation for Directors and Managers—Stock Option Plans*."

On December 29, 2018, the Romanian Government issued the December Ordinance. See "*—Trends and Other Key Factors Impacting Our Results of Operations—Special taxation and other regulatory initiatives.*"

On November 14, 2018, the GVH withdrew its original approval of our acquisition of Invitel and launched a new investigation to re-assess certain market overlaps between Invitel and i-TV. See "*Business—Litigation and Legal Proceedings—Further investigation by the GVH of our acquisition of Invitel*" and "*Risk Factors—Risks relating to legal and regulatory matters and litigation—We have been and may continue to be subject to competition law investigations and claims.*"

On January 15, 2019, the Bucharest Tribunal issued its January Judgment in relation to the investigation conducted by the DNA in connection with our joint venture with Bodu S.R.L. entered into in 2009 and related allegations. See "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*" and "*Risk Factors—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.*"

On February 5, 2019, Mr. Ioan Bendei resigned from his position as a director of the Company. Mr. Bendei will continue to serve as a director of certain non-material subsidiaries of the Group (including Integrasoft S.R.L.) until we find suitable replacements and relevant formalities are complied with. See "*Management—Senior management team—Recent changes in our senior management team*."

Also on February 5, 2019, Mr. Dan Ionita was appointed the interim director of the Company.

BASIS OF FINANCIAL PRESENTATION

The Group prepared its Annual Financial Statements for the years ended December 31, 2015, 2016 and 2017 in accordance with IFRS as adopted by the EU (the 2017 Annual Financial Statements were also prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code). The Group prepared its Interim Financial Statements for the nine months ended September 30, 2018 (which include comparative information for the nine months ended September 30, 2017) in accordance with IAS 34 Interim Financial Reporting. The Group's financial year ends on December 31 of each calendar year. See "*Presentation of Financial and Other Data—Presentation of Financial Information*."

Functional Currencies and Presentation Currency

Each Group entity prepares individual financial statements in its functional currency, which is the currency of the primary economic environment, in which such entity operates. As our operations in Romania and Hungary generated approximately 68.0% and 17.8%, respectively, of our consolidated revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the nine months ended September 30, 2018, our principal functional currencies are the Romanian leu and the Hungarian forint.

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

Presentation of Revenue and Operating Expenses

Our Board of Directors evaluates business and market opportunities and considers our results primarily on a country-by-country basis. We currently generate revenue and incur operating expenses in Romania, Hungary, Spain and Italy (we also incurred certain operating expenses relating to the Issuer's operations in The Netherlands, prior to its tax re-domiciliation to Romania in April 2017). However, in the year ended December 31, 2015, revenue was also generated, and operating expenses were incurred, by our subsidiary in the Czech Republic, which was disposed of in April 2015. Therefore we break down our revenue and our operating expenses for the relevant period and for the purposes of comparative presentation in this section into revenue and operating expenses of continuing operations and revenue and operating expenses of discontinued operations.

Revenue and operating expenses of continuing operations are further broken down into the following geographic segments: Romania, Hungary, Spain and Other (which includes Italy).

The table below sets out revenue for each of our geographic segments (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the periods indicated:

	For the year ended December 31,			**For the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
	(€ millions)				
Continuing operations					
Romania	540.1	612.7	655.2	494.3	514.2
Hungary	125.9	137.9	150.4	113.1	135.0[(1)]
Spain	72.7	83.0	92.7	66.9	90.0
Other[(2)]	7.5	9.2	18.3	13.0	17.2
Total revenue of continuing operations	**746.3**	**842.8**	**916.6**	**687.3**	**756.4**
Discontinued operations					
Czech Republic	**3.8**	—	—	—	—
Total revenue	**750.1**	**842.8**	**916.6**	**687.3**	**756.4**

(1) Invitel's revenue is consolidated into our results from June 1, 2018.

(2) Includes revenue from our operations in Italy.

The table below sets out operating expenses for each of our geographic segments (excluding intersegment operating expenses, but including depreciation, amortization and impairment) for the periods indicated:

	For the year ended December 31,			**For the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
	(€ millions)				
Continuing operations					
Romania	361.1[(1)]	411.3	429.6	327.5	319.0
Hungary	76.5	86.5	110.7	80.3	108.7[(2)]
Spain	61.8	68.8	66.1	48.0	67.4
Other[(3)]	9.4	12.9	22.8	15.3	20.4
Depreciation, amortization and impairment of tangible and intangible assets	187.8	176.4	171.8	126.5	152.7[(4)]
Total operating expenses of continuing operations	**696.6**	**755.8**	**800.8**	**597.5**	**668.2**
Discontinued operations					

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(€ millions)		
Czech Republic	3.0	—	—	—	—
Depreciation, amortization and impairment of tangible and intangible assets	0.1	—	—	—	—
Total operating expenses of discontinued operations	**3.1**	**—**	**—**	**—**	**—**
Total operating expenses	**699.7**	**755.8**	**800.8**	**597.5**	**668.2**

(1) In the 2016 Annual Financial Statements, we presented our unrealized mark-to-market loss from fair value assessment of energy supply contracts for the year ended December 31, 2016 under a separate "Other expenses" line item and restated our presentation for the year ended December 31, 2015 accordingly. We have also applied such presentation for subsequent periods. However, in the 2015 Annual Financial Statements, €1.0 million unrealized mark-to-market loss from fair value assessment of energy supply contracts was included in our presentation of operating expenses in Romania.

(2) Invitel's operating expenses are consolidated into our results from June 1, 2018.

(3) Includes operating expenses of our operations in Italy and operating expenses of the Issuer.

(4) Invitel's depreciation and amortization expenses are consolidated into our results from June 1, 2018.

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

Revenue and expenses structure of our principal lines of business

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

Cable TV

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

The expenses we record for cable TV services consist principally of fees that we pay to providers of programming, license fees that we pay for content on our own television 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 fiber-optic network (except for maintenance and repairs). We 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.

Fixed internet and data

The revenue we receive for fixed internet and data services 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 fiber-optic 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 in Romania. The revenue that we receive for mobile internet and data services in Romania consists principally of flat-rate monthly subscription fees.

In Spain and Italy, we generate revenue from mobile telephony services and mobile internet and data via sale of pre-paid packages as an MVNO. Such revenue consists of pre-paid telephone, text and video charges and, to a lesser extent, interconnection fees that we receive from other service providers whose customers call our customers. We also re-sell mobile internet and data services through Telenor's network in Hungary under our DIGI brand. This revenue is insignificant and we are preparing to launch our own mobile network in the country in 2019.

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 shown in the table below:

Mobile telephony interconnection fees	**For the year ended December 31,**			**For the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
	(euro cent/minute)				
Romania	0.96	0.96	0.96	0.96	0.84
Spain	1.09	1.09	1.09	1.09	0.7(1)
Italy	0.98	0.98	0.98	0.98	0.98

(1) Starting from January 2019, the interconnection fees in Spain decreased to 0.67 eurocents/minute.

Our expenses also include rental of sites necessary for the operation of our mobile network in Romania, energy consumed by the network, personnel expenses and related expenses of our maintenance and customer service staff, radio spectrum fees payable to communications authorities in Romania and Hungary (where we have acquired licenses that authorize us to develop a mobile network) and service carry fees that we pay to Telefónica in Spain and to TIM in Italy.

In the periods under review, we also generated revenue and incurred expenses in relation to sales of third-party manufactured handsets and accessories, which are sold either directly to our customers. The 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. In addition, for such sales through our own channels, we offered financing options to customers allowing them to pay off the acquisition price over a period of up to 12 months. Starting from the second quarter of 2017, we limited the CPE offer and have since focused mainly on subscription sales. See "—*Liquidity and Capital Resources—Historical cash flows—Cash flows used in investing activities*." The cost of equipment that we provide to customers is capitalized as CPE.

Fixed-line telephony

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

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

DTH

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

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

Other operations

In addition to our principal revenue generation streams, we sell advertising time on all our own TV channels and we operate four local radio stations in Romania (which we acquired in 2015 to boost our advertising capabilities and consumer recognition).

We have also invested in certain solar energy generating facilities to meet our electricity needs and operate an electricity supply business, by which we acquire electricity and sell to our customers (residential and business) on the Romanian wholesale trading platforms. By the end of 2016, we decided to significantly reduce our exposure to business customers in the electricity supply business, so that we are less dependent on seasonality and factors, such as unexpected weather conditions, which have significantly affected these operations in the past. To that end, starting from 2017, we have been decreasing volumes traded with our business customers. As at the date of this prospectus, we do not have significant exposure to such operations.

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

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.

Some of the markets in which we operate were materially and adversely impacted by the most recent global economic crisis and the sovereign debt crisis in Europe. However, after a few years of recovery, the core markets in which we operate have shown significant economic growth. In particular, Romania, which accounted for 71.0% and 68.0% of our revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine month period ended September 30, 2018, respectively, had one of the highest real GDP growth rates in Europe (*Source: Eurostat*).

The table below sets out the real GDP growth, or contraction, in each of our current markets for the period beginning January 1, 2013 and ending December 31, 2017 in comparison with the EU's average:

Real GDP growth/(contraction)	**For the year ended December 31,**				
	2013	**2014**	**2015**	**2016**	**2017**
			(%)		
EU	0.3	1.8	2.3	2.0	2.4
Romania	3.5	3.4	3.9	4.8	7.0(1)
Hungary	2.1	4.2	3.5	2.3	4.1
Spain	(1.7)	1.4	3.6	3.2(1)	3.0(1)
Italy	(1.7)	0.1	0.9	1.1	1.6

Source: Eurostat.

(1) Estimated growth.

The effect of the most recent global economic downturn on our business was primarily related to the impact of the depreciation of our main functional currencies in relation to the euro, our presentation currency. However, in the periods under review the exchange rates of the euro to both the Romanian leu and the Hungarian forint remained largely stable with both currencies losing approximately 3.2% and approximately 3.4% in total, respectively. However, for the month of January 2019, the Romanian leu's depreciation increased by a further 2.1%. See "*—Exchange rates—Historic performance of our functional currencies against the euro and the U.S. Dollar*" and "*—Quantitative and Qualitative Disclosures About Market Risks—Currency risk.*"

Special taxation and other regulatory initiatives

Another negative effect of the most recent global downturn was a number of distress taxes and other governmental measures aimed at curtailing the economic turmoil and compensating for the decrease in revenue to state budgets in the jurisdictions where we operate. In Romania, a series of special taxes were introduced in 2014, the last of which (the tax on special construction assets, including telecommunication networks at the rate of 1% of gross book value of relevant assets) was discontinued in January 2017. However, it has led to a significant increase in our expenses in the periods under review, totaling 0.6% of our revenue in Romania (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) in each of the years ended December 31, 2015 and 2016. In Hungary, special infrastructure, financial transactions and certain other taxes applicable to us were introduced in 2012. Those taxes led to a significant increase in our expenses, which amounted to approximately 3.0%, 2.0% and 2.0% of our revenue in Hungary (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the years ended December 31, 2015, 2016 and 2017, respectively, and approximately 2.0% of our revenue in Hungary (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the nine months ended September 30, 2018.

More recently, on December 29, 2018, the Romanian Government issued the December Ordinance, which became effective on January 1, 2019 and introduces certain measures that may have a significant impact on various sectors of Romanian economy, including telecommunication and energy companies. In particular, it (i) increased ANCOM's annual monitoring fee to 3.0% of total turnover of a telecommunications operator for the preceding year; (ii) increased ANRE's annual fee to 2.0% of total turnover of an energy company for the preceding year generated by licensed electicity-related activities; (iii) conditioned any extension of an existing mobile communication license on the payment of a fee equivalent to at least 4.0% of the total turnover of Romania's mobile telephony market for the year preceding the requested extension date, multiplied by the number of years for which the extension is requested (which will be applicable, for example, to our 2,100 MHz license that is up for renewal in 2022 (see "*Business—Operations—Mobile Telecommunication Services Networks—Romania*")); (iv) conditioned any issuance of new mobile communication licenses on the payment of fees equivalent to 2.0% or 4.0% (depending on the frequency band for which the license is requested) of the total turnover of Romania's mobile telephony market for the year preceding the issuance date, multiplied by the number of years for which the new license is requested; and (v) significantly increased penalties for breaches of applicable regulations. While the parts of the December Ordinance establishing increased penalties are somewhat unclear as to exact methods of calculation, it provides for fines of up to 10% of a company's turnover in the year prior to the decision to impose such penalties.

Although we are closely monitoring the developments relating to the December Ordinance (including market reaction), the exact impact thereof on our business is currently difficult to estimate. See also "*Any potential deterioration of the general internal economic, political and social conditions in Romania and Hungary, our principal countries of operation, or any adverse changes in the Romanian or Hungarian tax or regulatory environment, may not be offset by developments in other markets*." We believe that, should there be any negative impact on our business, it may be mitigated, in part and among other things, by our recent decision to increase prices to our Romanian and Hungarian customers. See "*—Trading update*."

Recent tax developments positive for our business included (1) a decrease of VAT in Romania (a) from 24% to 20% starting from January 2016 and further (b) from 20% to 19% starting from January 2017 and (2) sharp a decrease of VAT for internet services in Hungary from 27% to 18% starting from January 2017 and to 5% starting from January 2018.

Impact of exceptional items on our Adjusted EBITDA

EBITDA is a widely recognized benchmark for measuring profitability and cashflows in the telecommunication industry. We calculate EBITDA by adding back to our consolidated operating profit charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market results (unrealized) from the fair value assessment of energy supply contracts. None of these are measures of financial performance under IFRS; they are solely derived from our management's accounts and estimates and as such may not be comparable to similarly titled measures used by other companies. Therefore you should not consider our reported EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin as substitutes for operating profit or cash flows from operating activities reported in the Financial Statements.

The table below sets out our EBITDA and Adjusted EBITDA for the periods indicated:

	For the year ended December 31,			**For the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**[(1)]
				(unaudited)	
	(€ millions, unless otherwise stated)				
Revenue[(2)]	**750.1**	**842.8**	**916.6**	**687.3**	**756.4**

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[1]
				(unaudited)	
	(€ millions, unless otherwise stated)				
Operating profit	70.3	79.3	115.4	97.6	80.6
Depreciation, amortization and impairment	187.9	176.4	171.8	126.5	152.7
EBITDA[3]	**258.2**	**255.6**	**287.2**	**224.1**	**233.3**
Gain/(loss) from sale of subsidiaries	(20.9)[4]	0.7[4]	—	—	—
Other income	—	—	(2.5)[5]	(10.7)[6]	(9.7)[7]
Other expenses	1.0[8]	7.0[8]	2.8[9]	2.9[10]	17.3[11]
Adjusted EBITDA[12]	**238.4**	**263.3**	**287.5**	**216.3**	**240.9**
Adjusted EBITDA Margin (%)[13]	**31.8%**	**31.2%**	**31.4%**	**31.5%**	**31.8%**
Adjusted EBITDA of discontinued operations[9]	0.9	—	—	—	—
Adjusted EBITDA of continuing operations[15]	**237.5**	**263.3**	**287.5**	**216.3**	**240.9**
Adjusted EBITDA of continuing operations Margin (%)[16]	**31.8%**	**31.2%**	**31.4%**	**31.5%**	**31.8%**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) Excludes intersegment revenue.

(3) EBITDA is consolidated operating profit plus charges for depreciation, amortization and impairment of assets. EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "EBITDA." We believe that EBITDA is a useful analytical tool for presenting a normalized measure of cash flows. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider our EBITDA 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 as a substitute for operating profit or cash flows from operating activities. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(4) Represents gain/(loss) from the sale of our operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

(5) Includes (i) €2.4 million costs related to the IPO recovered from the selling shareholders; and (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.

(6) Includes (i) €2.8 million costs related to the IPO recovered from the selling shareholders; (ii) €0.2 million of income from the disposal of Digi SAT d.o.o.; and (iii) €7.8 million of mark-to-market unrealized gain from fair value assessment of energy supply contracts.

(7) Represents mark-to-market gain from fair value assessment of energy supply contracts.

(8) Represents mark-to-market loss from fair value assessment of energy supply contracts.

(9) Includes (i) €2.6 million costs related to the IPO; and (ii) €0.2 million of mark-to-market unrealized loss from fair value assessment of energy supply contracts.

(10) Represents costs related to the IPO. The lower amount reported for the year ended December 31, 2017, compared with the amount reported for the nine months ended September 30, 2017, is due to a re-estimation of the implications of different taxation regimes in The Netherlands and Romania.

(11) Includes (i) €2.5 million costs related to the acquisition of Invitel; (ii) €10.1 million non-cash expenses related to the Stock Option Plans; and (iii) €4.7 million provisions related to ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

(12) Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark-to-market unrealized gains/(losses) from fair value assessment of energy supply contracts. Adjusted EBITDA under our definition may not be comparable to similar measures presented by other companies and labeled "Adjusted EBITDA." We believe that Adjusted EBITDA is a useful analytical tool for presenting a normalized measure of cash flows. Since operating profit and actual cash flows for a given period can differ significantly from this normalized measure, we urge you to consider our Adjusted EBITDA 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 Adjusted EBITDA as a substitute for operating profit or cash flows from operating activities. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(13) Adjusted EBITDA Margin is the ratio of Adjusted EBITDA to revenue. See "*Presentation of Financial and Other Data—Operating and Market Data*."

(14) Represents Adjusted EBITDA from our operations in the Czech Republic (discontinued in April 2015).

(15) Represents Adjusted EBITDA from our operations in Romania, Hungary, Spain and Italy.

(16) Adjusted EBITDA Margin of continuing operations is the ratio of Adjusted EBITDA of continuing operations to revenue. See "*Presentation of Financial and Other Data—Operating and Market Data*."

The table below sets out the adjustments that we used to derive our Adjusted EBITDA from our EBITDA for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[(1)]
				(unaudited)	
	(€ millions, unless otherwise stated)				
EBITDA[(2)]	**258.2**	**255.6**	**287.2**	**224.1**	**233.3**
Gain/(loss) from sale of subsidiaries[(3)]	(20.9)	0.7	—	—	—
Other income					
Mark-to-market unrealized gain from fair value assessment of energy supply contracts[(4)]	—	—	—	(7.8)	(9.7)
Costs related to the IPO recovered from the selling shareholders[(5)]	—	—	(2.4)	(2.8)	—
Income from disposal of Digi SAT d.o.o.[(6)]	—	—	(0.2)	(0.2)	—
Total other income	**—**	**—**	**(2.5)**	**(10.7)**	**(9.7)**
Other expenses					
Mark-to-market loss from fair value assessment of energy supply contracts[(4)]	1.0	7.0	0.2	—	—
Costs related to the IPO[(5)]	—	—	2.6	2.9	—
Costs related to the acquisition of Invitel[(7)]	—	—	—	—	2.5
Expenses related to the Stock Option Plans[(8)]	—	—	—	—	10.1
Expenses related to provisions[(9)]	—	—	—	—	4.7
Total other expenses	**1.0**	**7.0**	**2.8**	**2.9**	**17.3**
Adjusted EBITDA	**238.4**	**263.3**	**287.5**	**216.3**	**240.9**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) EBITDA is consolidated operating profit plus charges for depreciation, amortization and impairment of assets.

(3) Represents gain/(loss) from the sale of our operations in the Czech Republic and, for the year ended December 31, 2015, Slovakia.

(4) Relates to contracts that we enter into with the customers of our ancillary energy trading business. See "*—Basis of Financial Presentation—Revenue and expenses structure of our principal lines of business—Other operations*" and "*Business—Products and Services—Electricity generation and supply*."

(5) Relates to the IPO that the Issuer undertook in 2017. See "*Business—History—Further Evolution of our Corporate Structure and the IPO.*"

(6) Relates to the disposal in 2017 of the remaining 24% of our interest in the capital of Digi SAT d.o.o. for aggregate consideration of €0.2 million.

(7) See "*—Acquisitions and disposals*" and "*Business—Litigation and Legal Proceedings—Further investigation by the GVH of our acquisition of Invitel.*"

(8) See "*Management—Compensation for Directors and Managers—Stock option plans*."

(9) Represents expenses related to provisions regarding ongoing litigations. See "*Business—Litigation and Legal Proceedings*."

Technical capabilities and limitations of our networks

Fixed offerings

We offer cable TV, fixed internet and data and fixed-line telephony through our fixed fiber-optic networks in Romania and Hungary, which covered approximately 73.2% and 46.8% of households in those countries as at September 30, 2018 (*Sources: Group reporting; Hungarian Central Statistical Office*). Our ability to expand our reach, attract new customers and migrate existing customers to higher levels of service depends on the capabilities and limitations of these networks. In the periods under review, we have continued to pursue a network expansion strategy and have also focused on upgrading our networks in principal coverage areas to GPON or comparable technology. As at the date of this prospectus, we have completed an upgrade of approximately 90% of our networks (excluding Invitel's networks) and are currently able to offer communication speeds of up to 1,000 Mbps in both countries, higher than any competing product. As a result of those upgrades, we anticipate that our own fixed fiber-optic network in both countries (excluding Invitel's networks) will require relatively low maintenance capital expenditure over the near 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 fiber-optic networks to areas not currently covered, cross-selling services to existing customers and migrating our existing customers to higher levels of service. Also, on May 30, 2018, we acquired Invitel in Hungary and we may continue to make acquisitions in the future if attractive opportunities arise and adequate financing is available. See "—*Acquisitions and disposals*" below. Such growth by acquisition would contribute to increases in our number of RGUs.

In addition to our fixed line operations in the core markets of Romania and Hungary, in September 2018, we launched fixed internet and data and fixed-line telephony services in Spain as a reseller on the basis of a wholesale indirect access new broadband Ethernet service ("**NEBA**," *Nuevo Servicio Ethernet de Banda Ancha*) agreement with Telefónica through their local FTTH GPON network. We originally launched the service to customers from the Community of Madrid. We expect to expand the offering to other provinces of Spain in the future and therefore continue growing our RGU numbers.

Mobile offerings

Romania

We launched 3G mobile telephony offerings in Romania based on a 2,100 MHz license in 2007. Unlike some of our competitors in the mobile telecommunication services business, our mobile network generally shares the backbone of our existing advanced fixed fiber-optic network. To further enhance our 3G capabilities we acquired a 900 MHz license in 2012 (with an entitlement to exploit its benefits starting from 2014) and have continued to gradually expand the area covered by our 3G services in order to reach more potential subscribers and meet the coverage obligations under our 3G licenses. As at September 30, 2018, we had approximately 4,400 mobile network base stations covering approximately 99.5% (outdoor voice coverage) of the country's population. In 2015, we acquired a 2,600 MHz license and a 3,700 MHz license and launched a 4G mobile offering in Romania. 4G coverage is available through our existing mobile network in the country's most populous cities and along major roads to satisfy our customers who use the latest mobile devices. 4G is offered in parallel with our 3G coverage. As at September 30, 2018, out of our approximately 4,400 mobile network base stations approximately 2,700 supported our 4G service and our 4G offering covered approximately 61.0% of the country's population. We intend to continue the roll-out of our mobile networks in Romania.

Hungary

We currently hold a 1,800 MHz mobile telephony license and a 3,800 MHz mobile telephony license in Hungary. These licenses entitle us to develop our own 4G mobile network in the country and we are currently developing the network that will support our service, with a view to being in a position to launch it in 2019. The mobile network that we develop in Hungary is based on our existing fixed fiber-optic network in that country, which would allow us to capitalize on resulting synergies.

Spain and Italy

Our MVNO businesses currently rely on Telefónica's network in Spain and TIM's in Italy. Our current full MVNO agreement with Telefónica is effective until March 31, 2020. Our current full MVNO agreement with TIM is effective until December 31, 2020.

DTH

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

Exchange rates

Conversion into euros for presentation in the Financial Statements

Our operating subsidiaries in Romania and Hungary generate revenue and record their financial results in the Romanian leu and the Hungarian forint, respectively. However, our consolidated financial results are reported in euros. See "—Basis of Financial Presentation—Functional Currencies and Presentation Currency." Therefore, a significant depreciation of one of our functional currencies in relation to the euro could significantly reduce our financial results as reported in euros and could have a significant negative impact on our financial position and cash flows. See "*Risk Factors—Risks Relating to Our Business and Industry—We are subject to currency translation risks associated with exchange rate fluctuations.*"

Liabilities denominated in euros and U.S. Dollars

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 September 30, 2018, we had €423.4 million of obligations denominated in euros and US$58.9 million of obligations denominated in U.S. dollars

(December 31, 2017: €408.7 million and US$65.9 million, respectively; December 31, 2016: €408.3 million and US$43.7 million, respectively; and December 31, 2015: €495.2 million and US$32.7 million, respectively). See "—Liquidity and Capital Resources—Financial Obligations." Our euro exposure is partially mitigated by euro-denominated revenue from our MVNO operations in Spain and Italy, which, together with revenue collected in local functional currencies, but denominated in euros, accounted for 37.4% and 38.0% of our total revenue for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively. See "*Business—Operations—Mobile Telecommunication Services Networks—MVNO operations in Spain and Italy.*" However, we still pay a significant portion of our euro-denominated expenses (and all of our U.S. dollar denominated expenses) out of revenue generated in our principal functional currencies. See "*Risk Factors—Risks Relating to Our Business and Industry—We are subject to transactional currency risks associated with exchange rate fluctuations.*"

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

In the periods under review the Romanian leu and the Hungarian forint have declined compared to euro for approximately 3.2% and approximately 3.4%, respectively. Our obligations denominated in U.S. dollars are significantly smaller, so the depreciation 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, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018 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,**			**As at and for the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
Romanian leu (RON)[(1)]					
Period end rate	4.52	4.54	4.66	4.60	4.66
Average rate	4.45	4.49	4.57	4.55	4.65
Hungarian forint (HUF)[(2)]					
Period end rate	313.12	311.0	310.14	311.23	323.78
Average rate	309.89	311.5	309.30	308.49	317.41
U.S. dollar (USD)[(1)]					
Period end rate	1.09	1.05	1.20	1.18	1.16
Average rate	1.11	1.11	1.13	1.11	1.19

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

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

For the nine months ended September 30, 2018, we had a net foreign exchange loss of €4.7 million, compared with a net foreign exchange gain of €0.7 million for the nine months ended September 30, 2017. For the year ended December 31, 2017, we had a net foreign exchange loss of €4.3 million (2016: net loss of €3.3 million and 2015: net loss of €5.5 million). In each of those periods, our net foreign exchange loss was primarily due to the depreciation of the leu against the euro. See "*—Liquidity and Capital Resources—Financial Obligations*." Borrowings in foreign currencies are recorded in the functional currency of the relevant entity at the rate of exchange prevailing on the date of the transaction and re-evaluated to reflect changes in the exchange rate each month.

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. See *"Risk Factors—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 believe that our principal focus on Romania and Hungary, 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.

Growth in business, RGUs and ARPU

Our revenue is most directly a function of the number of our RGUs and ARPU. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. Each of these measures is derived from management estimates. As defined by our management, these terms may not be comparable to similar terms used by other companies. We use RGU to designate a subscriber account of a customer in relation to one of our services. RGUs are measured at the end of the relevant period. As our definition of RGU is different for our different business lines, you should use caution when trying to compare RGUs and ARPU between our business lines. We calculate ARPU in a business line, geographic segment or the Group as a whole, for a period by dividing the total revenue of such business line, 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 realizing potential revenue from customers. See "*Presentation of Financial and Other Data—Operating and Marketing Data—RGUs and ARPU.*"

Our total RGU base has grown from 11.6 million RGUs as at December 31, 2015 to 14.7 million RGUs as at September 30, 2018, which represented an increase of 26.0%.

The increase in RGUs during that period was principally due to the increase in mobile customers, the expansion of our fixed fiber-optic network coverage and increased penetration in areas already covered and cross-selling, as well as RGUs contributed through the acquisition of Invitel. Growth in RGUs is the primary driver of growth in revenue and is dependent on further network development, capitalizing on existing customer relations by cross-selling and investments made for subscriber acquisition. These investments consist of CPE (such as GPON terminals, set-top boxes, mobile data devices and fixed-line phone handsets, satellite dishes and satellite receivers, and smartcards), as well as expenses related to the network's development, upgrades and installation.

The table below sets out the RGUs for the Group and by global business line as at the dates indicated:

	As at December 31,			As at September 30,	
	2015[1]	2016	2017	2017	2018[2]
	(unaudited) (thousands)				
RGUs[3]					
Cable TV	3,170	3,338	3,530	3,469	3,919
Fixed internet and data	2,358	2,543	2,751	2,684	3,200
Mobile telecommunications services[3]	3,342	3,922	4,469	4,384	4,810
Fixed-line telephony	1,741	1,692	1,639	1,654	1,904
DTH	992	948	884	907	832
RGUs Group	**11,603**	**12,443**	**13,273**	**13,098**	**14,665**

(1) Since June 30, 2016, we have aggregated RGUs from our previously reported mobile telephony and mobile internet and data business lines and currently report them as part of our mobile telecommunication services business line. Comparative RGU information as at December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data.*"

(2) RGUs for Hungary include Invitel's RGUs.

(3) RGUs, or revenue generating units, represent the number of customer accounts at period end. A single customer can account for several RGUs. See "*Presentation of Financial and Other Data.*"

The table below sets out the ARPU for the Group and by global business line for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[1]
	(unaudited) (€/period)				
ARPU[2]					
Cable TV	5.5	5.6	5.6	5.6	5.5
Fixed internet and data					
Residential	5.6	5.5	5.5	5.5	5.4
Business	39.1	35.8	31.9	32.8	28.3
Mobile telecommunication services	4.6	4.9	5.4	5.3	5.8
Fixed-line telephony					
Residential	1.4	1.4	1.3	1.3	1.6
Business	3.6	3.7	3.5	3.5	3.3

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[(1)]
	(unaudited) (€/period)				
DTH	5.9	6.0	6.3	6.3	6.3
ARPU Group	**5.0**	**5.1**	**5.3**	**5.3**	**5.4**

(1) Calculation of ARPU for Hungary (in the relevant business lines) takes account of Invitel's RGUs and revenue from June 1, 2018.

(2) ARPU is average revenue per RGU in each business line or geographic segment for a period. We calculate it by dividing the total revenue of such business line or geographic segment 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. See "*Presentation of Financial and Other Data—Operating and Market Data*."

The table below sets out our RGUs and ARPU by geographic segment and business line as at and for the periods indicated:

	As at and for the year ended December 31,			As at and for the nine months ended September 30,	
	2015[(1)]	2016	2017	2017	2018
	(unaudited) (RGUs: thousands; ARPU: €/period)				
Continuing operations					
Romania					
Cable TV					
RGUs	2,733	2,865	3,030	2,974	3,234
ARPU	5.2	5.3	5.2	5.2	5.0
Fixed internet and data					
RGUs					
Residential	1,873	2,000	2,144	2,092	2,305
Business	103	115	140	133	154
ARPU					
Residential	5.1	5.0	5.0	5.0	4.9
Business	39.1	35.8	31.9	32.8	28.3
Mobile telecommunication services					
RGUs	2,698	3,213	3,391	3,400	3,379
ARPU	3.0	3.4	4.1	4.0	4.4
Fixed-line telephony					
RGUs					
Residential	1,287	1,210	1,128	1,151	1,075
Business	127	129	132	132	132
ARPU					
Residential	1.3	1.3	1.3	1.3	1.3
Business	3.6	3.7	3.5	3.5	3.3
DTH					
RGUs	674	641	593	605	544
ARPU	4.8	4.9	4.9	4.9	4.8
Hungary					
Cable TV					
RGUs	437	473	500	495	685[(2)]
ARPU	7.2	7.5	8.2	8.1	8.2[(3)]
Fixed internet and data					
RGUs	382	428	467	459	741
ARPU	7.7	7.8	7.6	7.6	7.5
Mobile telecommunication services[(4)]					
RGUs	16	14	12	13	16

	As at and for the year ended December 31,			As at and for the nine months ended September 30,	
	2015[1]	2016	2017	2017	2018
	(unaudited) (RGUs: thousands; ARPU: €/period)				
ARPU	6.6	6.8	7.1	7.2	6.1
Fixed-line telephony					
RGUs	327	353	379	371	697[2]
ARPU	1.9	1.7	1.4	1.5	2.3[3]
DTH					
RGUs	318	307	291	302	288
ARPU	7.8	8.2	9.2	9.2	9.2
Spain					
Mobile telecommunication services[5]					
RGUs	569	609	896	813	1,213
ARPU	11.2	11.6	10.5	10.6	9.4
Other[6]					
Mobile telecommunication services[5]					
RGUs	59	86	170	158	202
ARPU	11.3	10.9	10.6	10.6	9.7
Discontinued operations					
Czech Republic					
DTH					
RGUs	—	—	—	—	—
ARPU	7.9	—	—	—	—

(1) Since June 30, 2016, we have aggregated RGUs from our previously reported mobile telephony and mobile internet and data business lines and currently report them as part of our mobile telecommunication services business line. Comparative RGU information as at December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data.*"

(2) RGUs for Hungary include Invitel's RGUs.

(3) Calculation of ARPU for Hungary includes takes account of Invitel's RGUs and revenue from June 1, 2018.

(4) As a reseller through Telenor's local network.

(5) As an MVNO

(6) Represents RGUs/ARPU in 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 from business line to business line. We try to increase profitability in each business line by careful management of expenses through negotiation of content fees, interconnection costs and similar expenses, use of newer technologies for improved results of operations and, where possible, by conducting certain operations and investment related activities in-house to achieve cost efficiencies. In all our business lines we have focused, and continue to focus, on increasing the number of RGUs by acquiring new customers and by cross-selling more services to our existing customers while maintaining our Adjusted EBITDA Margin. Our approach reflects the relatively wide range of our business and our ability to offer multiple services to our customer base. For example, as at September 30, 2018, each of our residential customers in Romania (excluding DTH customers) subscribed to an average of 2.3 services (as compared with an average of 2.3 as at December 31, 2017; 2.4 as at December 31, 2016; and 2.5 as at December 31, 2015). Currently, there is a trend towards subscribers discontinuing fixed-telephony services altogether, which has an impact on the average number of services per subscriber.

Depreciation, amortization and impairment of assets

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

The table below sets out the evolution of our depreciation, amortization and impairment of assets expenses for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018[1]
				(unaudited)	
	(€ millions)				
Continuing operations					
Depreciation of property, plant and equipment	114.8	86.7	96.0	71.3	92.3
Amortization of non-current intangible assets	25.6	35.0	31.6	23.2	30.7
Amortization of programme assets	47.0	46.2	41.6	29.5	28.5
Impairment of property, plant and equipment and non-current intangible assets	0.3	2.2	2.6	2.5	1.3
Revaluation impact	—	6.3[2]	—	—	—
Total for continuing operations	**187.8**	**176.4**	**171.8**	**126.5**	**152.7**
Discontinued operations	0.1	—	—	—	—
Total	**187.9**	**176.4**	**171.8**	**126.5**	**152.7**

(1) Depreciation and amortization for Invitel is consolidated into the Group's results from June 1, 2018.

(2) Reflects revaluation of land and buildings and CPE as at December 31, 2016. See "*—Reevaluation of estimated useful lives of certain assets*."

Reevaluation of estimated useful lives of certain assets

We depreciate property, plant and equipment and amortize intangible assets on a straight-line basis using the estimated useful lives method. Under IFRS, we are required to re-assess these estimated useful lives at least at the end of each financial year.

In 2016, we revised useful lives used for the depreciation and amortization of land and buildings, as well as for CPE. Our management concluded that future economic benefits would be generated by such assets during a longer period. Therefore, we extended useful lives for such assets for our accounting purposes accordingly. The revised estimates are applicable retrospectively from January 1 2016.

As a result, the revaluation impact of land and buildings reflected a €3.9 million deficit for the year ended December 31, 2016 in our profit and loss and a positive impact of €1.9 million in OCI (equity). The revaluation impact of the CPE resulted in a €2.4 million deficit for the year ended December 31, 2016 in the profit and loss and a positive impact of €17.5 million in OCI (equity). The change in estimated useful lives of the assets and revaluation of CPE had a positive net of tax effect on consolidated shareholders' equity at year-end 2016, which was €32.0 million higher than it would have been, had the 2015 estimate lives been used and the revaluation of CPE described above not performed, and had the effect of increasing the deferred tax liability by €6.0 million. Depreciation and amortization are non-cash charges and changes in the depreciation and amortization recorded by the Company do not have a corresponding effect on its cash position.

As at December 31, 2017, our management completed its subsequent annual review of the estimated useful lives of property, plant and equipment and concluded that our currently utilized useful lives were adequate for the types of assets and patterns of use.

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 or our competitors' prices, our level of customer satisfaction and the relocation of subscribers. 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 2.3 (excluding DTH) and the percentage of customers using more than one service was approximately 74.0% as at September 30, 2018. In Hungary, our average number of services per network customer was 2.3 (excluding DTH) and the percentage of customers using more than one service was approximately 80.0% as at the same date.
- *Quality of offerings and pricing*. Our attractive pricing and relatively advanced technology compared to our competitors in Romania and Hungary and our premium content offerings often make it unattractive to replace our services with those offered by our competitors.

Although churn may have a negative effect on our business, we focus on growth in total number of RGUs, ARPU, revenue, Adjusted EBITDA and Adjusted EBITDA Margin as key indicators rather than churn. We believe that our churn levels are in line with those of our principal competitors in our core markets.

Capital expenditure

Historically, we have pursued an ambitious growth strategy that required us to undertake substantial capital expenditure. The primary focus of our investment spending over the periods under review has been (i) the upgrade and expansion of our fixed fiber-optic network in Romania and Hungary; (ii) the expansion of our 3G and 4G mobile networks in Romania and the building of a 4G mobile network in Hungary; (iii) the creation and development of our own television channels; (iv) the creation and expansion of our MVNO services in Spain and Italy; (v) the preparation for the launch of fixe line services offered in Spain as a reseller; and (v) subscriber acquisition costs in all our business lines. Consequently, our capital expenditures have been significant.

For the nine months ended September 30, 2018, we had capital expenditure of €199.9 million (excluding the cost of Invitel acquisition), which was lower than our Adjusted EBITDA by €41.0 million and represented 26.4% of our revenue for this period.

For the nine months ended September 30, 2017, we had capital expenditure of €187.8 million, which was lower than our Adjusted EBITDA by €28.5 million and represented 27.3% of our revenue for this period.

For the year ended December 31, 2017, we had capital expenditure of €243.2 million, which was lower than our Adjusted EBITDA by €44.3 million and represented 26.5% of our revenue for this period.

For the year ended December 31, 2016, we had capital expenditure of €216.5 million, which was lower than our Adjusted EBITDA by €46.8 million and represented 25.7% of our revenue for this period.

For the year ended December 31, 2015, we had capital expenditure of €197.6 million, which was lower than our Adjusted EBITDA by €40.8 million and represented 26.3% 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 fiber-optic networks in Romania and Hungary;
- further development of our mobile network in Romania and Hungary, as permitted by our existing licenses;
- payments for the acquisition of television content rights and licenses;
- 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;
- roll-out of our fixed internet and data and fixed telephony business in Spain;
- payments under telecommunication licenses; and
- potential opportunistic 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 and opportunities. We believe that our ability to finance our capital expenditures largely from internal resources has strongly improved as our investment plan for the short to medium term is largely discretionary, thus giving us significant flexibility to adjust our capital expenditure plan.

Payments to third-party service and content providers

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

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

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

Our current contract with Intelsat (which covers both satellites used to transmit our DTH signal) is effective until November 30, 2022. As at September 30, 2018, under this agreement we leased 9 transponders to transmit our DTH signal (one of the transponders was used for transmitting non-DTH signals). The contract allows us to reduce the number of dedicated transponders.

Telephone interconnection charges are regulated by national authorities and the European Union, and are capped at certain amounts, which have decreased over the past few years. See "*—Basis of Financial Presentation—Revenue and expenses structure of our principal lines of business—Mobile telecommunication services*." In all our markets we pay fees to third-party service providers, such as banks, to help us collect revenue from customers, but also use our own network of collection points in Romania and Hungary.

Our operations require us to purchase significant amounts of electricity from utility companies in Romania and Hungary. 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

In April 2015, we sold our subsidiary in the Czech Republic for the total consideration of €24.9 million. That subsidiary contributed €3.8 million, or 0.5%, of our revenue in the year ended December 21, 2015. We recorded a gain from the sale thereof of €19.9 million in the year ended December 31, 2015 (total gain from sales of discontinued operations for the year ended December 31, 2015 in the amount of €20.9 million also includes a €1 million gain from the sale of our Slovakian subsidiary).

On May 30, 2018, we acquired Invitel from Ilford Holding Kft for the total consideration of €135.4 million. The acquisition was primarily financed with funds drawn under the 2018 Senior Facilities Agreement. See "*—Liquidity and Capital Resources—Financial obligations—2018 Senior Facilities Agreement*." Invitel's results are consolidated into the results of the Group from June 1, 2018. For the period from June 1, 2018 until September 30, 2018, Invitel contributed €25.5 million, or 3.4%, of our revenue for the nine months ended September 30, 2018, and increased our RGUs in Hungary by 30.0%.

At the same time, operating expenses relating to managing Invitel's business contributed €17.5 million, or 3.4%, of our operating expenses for the nine months ended September 30, 2018. We also recorded €2.5 million of one-off costs in relation to this acquisition.

On November 14, 2018, the GVH withdrew its approval of our acquisition of Invitel. However, the GVH's withdrawal of its original approval will not undermine our ownership of Invitel pending the GVH's further decision, which it has specifically confirmed. See "*Business—Litigation and Legal Proceedings—Further investigation by the GVH of our acquisition of Invitel*."

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

HISTORICAL RESULTS OF OPERATIONS

Results of operations for the nine months ended September 30, 2018 and 2017.

Revenue

Our revenue (excluding intersegment revenue and other income) for the nine months ended September 30, 2018 was €756.4 million, compared with €687.3 million for the nine months ended September 30, 2017, an increase of 10.1%. Had Invitel's revenue not been consolidated into the Group's total revenue from June 1, 2018, our revenue (excluding intersegment revenue and other income) for the nine months ended September 30, 2018 would have been €730.9 million, compared with €687.3 million for the nine months ended September 30, 2017, an increase of 6.3%.

The following table sets out our revenue (excluding intersegment revenue and other income) by geographic segment and business line for the periods indicated:

	For the nine months ended September 30,		
	2017	2018[(1)]	% change
		(unaudited)	
			(€ millions)

	For the nine months ended September 30,		
	2017	2018[1]	% change
		(unaudited)	
			(€ millions)
Romania			
Cable TV	136.0	141.7	4.2%
Fixed internet and data	127.9	134.3	5.0%
Mobile telecommunication services[2]	120.1	132.8	10.6%
Fixed-line telephony	17.6	16.5	(6.3)%
DTH	27.4	24.8	(9.5)%
Other revenue[3]	65.3	64.1	(1.8)%
Total for Romania	**494.3**	**514.2**	**4.0%**
Hungary			
Cable TV	35.3	43.2	22.4%
Fixed internet and data	30.4	39.9	31.3%
Mobile telecommunication services[4]	0.8	0.7	(12.5)%
Fixed-line telephony	4.9	10.8	120.4%
DTH	25.3	24.1	(4.7)%
Other revenue[3]	16.3	16.1	(1.2)%
Total for Hungary	**113.1**	**135.0**	**19.4%**
Spain			
Mobile telecommunication services[5]	66.7	89.9	34.8%
Other revenue[6]	0.2	0.1	(50.0)%
Total for Spain	**66.9**	**90.0**	**34.5%**
Other[7]			
Mobile telecommunication services[5]	12.9	17.1	32.6%
Other revenue[6]	0.1	0.1	0.0%
Total for Other	**13.0**	**17.2**	**32.3%**
Revenue	**687.3**	**756.4**	**10.1%**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) Includes mobile voice and internet and data revenue.

(3) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), own content to other operators and advertising revenue from own TV and radio channels.

(4) Represents mobile voice and internet and data revenue generated as a reseller through Telenor's local network.

(5) Represents mobile voice and internet and data revenue from our MVNO operations.

(6) Includes sales of CPE (primarily mobile handsets).

(7) Represents revenue from our operations in Italy.

Revenue in Romania for the nine months ended September 30, 2018 was €514.2 million, compared with €494.3 million for the nine months ended September 30, 2017, an increase of 4.0%. Revenue growth in Romania was primarily driven by an increase in our cable TV and fixed internet and data RGUs and an increase in our mobile telecommunication services ARPU. Our cable TV RGUs increased from approximately 2.97 million as at September 30, 2017 to approximately 3.23 million as at September 30, 2018, an increase of 8.7%, and our residential fixed internet and data RGUs increased from approximately 2.09 million as at September 30, 2017 to approximately 2.31 million as at September 30, 2018, an increase of 10.2%. These increases were primarily due to our investments in expanding of our fixed fiber-optic network and to our attractive fixed internet and data packages. Mobile telecommunication services RGUs decreased slightly from approximately 3.40 million as at September 30, 2017 to approximately 3.38 million as at September 30, 2018, a decrease of 0.6%, mainly as a result of the change in the handset offering, as well as mobile internet sticks, sales of which are generally decreasing. Mobile telecommunication services ARPU, however, increased to an average of €4.4/month for the nine months ended September 30, 2018, compared with an average of €4.0/month for the nine months ended September 30, 2017, an increase of 10.0%, primarily as a result of customers subscribing to higher value packages. Growth in our cable TV, fixed internet and data and mobile telecommunication services and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from 0.61 million as at September 30, 2017 to 0.54 million as at September 30, 2018, a decrease of 10.1%. This decrease was primarily driven by DTH subscribers who terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1.15 million as at September 30, 2017 to approximately 1.08 million as at September 30, 2018, a decrease of 6.6%, as a result of the general trend away from fixed-line telephony and towards mobile telecommunication services.

Revenue in Hungary for the nine months ended September 30, 2018 was €135.0 million, compared with €113.1 million for the nine months ended September 30, 2017, an increase of 19.4%. This increase was primarily due to our acquisition of Invitel on May 30, 2018. Our cable TV RGUs increased from approximately 495,000 as at September 30, 2017 to approximately 685,000 as at September 30, 2018, an increase of 38.4% (out of which DIGI Hungary's cable TV RGUs, excluding Invitel, increased by 3.2%). Our fixed internet and data RGUs increased from approximately 459,000 as at September 30, 2017 to approximately 741,000 as at September 30, 2018, an increase of 61.4% (out of which DIGI Hungary's fixed internet and data RGUs, excluding Invitel, increased by 8.1%), and our fixed-line telephony RGUs increased from approximately 371,000 as at September 30, 2017 to approximately 697,000 as at September 30, 2018, an increase of 87.9% (out of which DIGI Hungary's fixed-line telephony RGUs, excluding Invitel, increased by 7.0%). In addition to our acquisition of Invitel, these RGU increases were driven by our investments in expanding and upgrading our fixed fiber-optic network in Hungary. Our DTH RGUs decreased from approximately 302,000 as at September 30, 2017 to approximately 288,000 as at September 30, 2018, a decrease of 4.6% due to DTH subscribers who terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Had Invitel's revenue not been consolidated into the Group's total revenue from June 1, 2018, our revenue in Hungary (excluding intersegment revenue and other income) for the nine months ended September 30, 2018 would have been €109.5 million, compared with €113.1 million for the nine months ended September 30, 2017, a decrease of 3.2%. That decrease would have been principally due to the impact of the Hungarian forint's depreciation relative to the euro and, to a lesser extent, due to promotions and discounts offered to new and existing customers to increase DIGI Hungary's RGUs.

Revenue in Spain for the nine months ended September 30, 2018 was €90.0 million, compared with €66.9 million for the nine months ended September 30, 2017, an increase of 34.5%. The increase in our Spain revenue was primarily due to the increase in mobile telecommunication services RGUs from approximately 813,000 as at September 30, 2017 to approximately 1.2 million as at September 30, 2018, an increase of 49.2%. This was primarily due to new customer acquisitions as a result of more attractive and affordable mobile and data offerings. Fixed internet and fixed telephony services were launched by DIGI Spain towards the end of September 2018, as a resale product on Telefónica's network, but did not generate any revenue for the nine months ended September 30, 2018.

Revenue in Other represented revenue from our operations in Italy and for the nine months ended September 30, 2018 was €17.2 million, compared with €13.0 million for the nine months ended September 30, 2017, an increase of 32.3%. The increase in our revenue in Italy was primarily due to the increase in mobile telecommunication services RGUs from approximately 158,000 as at September 30, 2017 to approximately 202,000 as at September 30, 2018, an increase of 27.8%. This was primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the nine months ended September 30, 2018 were €668.2 million, compared with €597.5 million for the nine months ended September 30, 2017, an increase of 11.8%. Had Invitel's operating expenses not been consolidated into the Group's total operating expenses from June 1, 2018, our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the nine months ended September 30, 2018 would have been €635.9 million, compared with €597.5 million for the nine months ended September 30, 2017, an increase of 6.4%.

Operating expenses

The table below sets out our operating expenses (excluding intersegment expenses) by geographic segment for the periods indicated:

	For the nine months ended September 30,			
	2017		2018(1)	
	(€ mil)	(% of revenue)(2)	(€ mil)	(% of revenue)(2)
Romania	327.5	66.3%	319.0	62.0%
Hungary	80.3	70.1%	108.7	80.5%
Spain	48.0	71.7%	67.4	74.4%
Other(3)	15.3	117.7%	20.4	118.6%
Operating expenses	**471.1**	**68.5%**	**515.5**	**68.2%**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

(2) Excluding intersegment revenue and other income.

(3) Includes (i) operating expenses incurred in relation to our operations in Italy; and (ii) operating expenses of the Issuer.

Operating expenses in Romania for the nine months ended September 30, 2018 were €319.0 million, compared with €327.5 million for the nine months ended September 30, 2017, a decrease of 2.6%. This was principally due to a decrease in mobile termination rates ("**MTRs**"), also known as maximum interconnection tariff, which was implemented in May 2018 and interconnection expenses.

Operating expenses in Hungary for the nine months ended September 30, 2018 were €108.7 million, compared with €80.3 million for the nine months ended September 30, 2017, an increase of 35.4%. Had Invitel's operating expenses not been consolidated into the Group's operating expenses from June 1, 2018, our operating expenses in Hungary for the nine months ended September 30, 2018 would have been €91.2 million, compared with €80.3 million for the nine months ended September 30, 2017, an increase of 13.5%, primarily as a result of the increase in mobile network development expenses and salaries.

Operating expenses in Spain for the nine months ended September 30, 2018 were €67.4 million, compared with €48.0million for the nine months ended September 30, 2017, an increase of 40.4%, primarily due to customer base extension and increased traffic of voice and data.

Operating expenses in Other represented expenses of our operations in Italy and expenses of the Issuer and for the nine months ended September 30, 2018 were €20.4 million, compared with €15.3 million for the nine months ended September 30, 2017, an increase of 33.3%. This increase was primarily the result of higher RGUs and increase in voice and data traffic in Italy. The Issuer's operating expenses increased mainly because of the accrued expenses related to the Stock Option Plans in the amount of €2.3 million.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out our depreciation, amortization and impairment of our tangible and intangible assets for the periods indicated.

	For the nine months ended September 30,	
	2017	**2018**(1)
	(unaudited) **(€ millions)**	
Depreciation of property, plant and equipment	71.3	92.3
Amortization of non-current intangible assets	23.2	30.7
Amortization of program assets	29.5	28.5
Impairment of property, plant and equipment	2.5	1.3
Total	**126.5**	**152.7**

(1) Invitel's results are consolidated into the Group's results from June 1, 2018.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment was €92.3 million for the nine months ended September 30, 2018, compared with €71.3 million for the nine months ended September 30, 2017, an increase of 29.5%. This increase was primarily due to fixed assets additions related to the mobile network in Hungary, as well as Invitel's consolidated depreciation. Had Invitel's depreciation of property, plant and equipment not been consolidated into the Group's depreciation of property, plant and equipment from June 1, 2018, our depreciation of property, plant and equipment for the nine months ended September 30, 2018 would have been €78.5 million, compared with €71.3 million for the nine months ended September 30, 2017, an increase of 10.2%.

Amortization of non-current intangible assets

Amortization of non-current intangible assets was €30.7 million for the nine months ended September 30, 2018, compared with €23.2 million for the nine months ended September 30, 2017, an increase of 32.3%. This increase was primarily due to an increase in subscriber acquisition costs and mobile licenses as part of the mobile network development in Hungary and Romania, as well as Invitel's consolidated amortization. Had Invitel's amortization of non-current intangible assets not been consolidated into the Group's amortization of non-current intangible assets from June 1, 2018, our amortization of non-current intangible assets for the nine months ended September 30, 2018 would have been €29.7 million, compared with €23.2 million for the nine months ended September 30, 2017, an increase of 27.9%.

Amortization of program assets

Amortization of program assets was €28.5 million for the nine months ended September 30, 2018, compared with €29.5 million for the nine months ended September 30, 2017, a decrease of 3.4%. This decrease was due to lower film licensing fees for the period.

Other income/expense

We recorded €9.7 million of other income for the nine months ended September 30, 2018, compared with €10.7 million for the nine months ended September 30, 2017. For the nine months ended September 30, 2018, our other income consisted primarily of mark-to-market unrealized gain from fair value assessment of energy supply contracts. For nine months ended September 30, 2017, our other income consisted of mark-to-market unrealized gain from fair value assessment of energy supply contracts, costs related to the IPO, which subsequently recovered from the selling shareholders and income from our disposal of Digi SAT d.o.o.

We recorded €17.3 million of other expense for the nine months ended September 30, 2018, compared with €2.9 million for the nine months ended September 30, 2017. For the nine months ended September 30, 2018, our other expenses consisted primarily of costs related to the acquisition of Invitel and expenses related to the Stock Option Plans. For the nine months ended September 30, 2017, our other expenses consisted primarily of costs related to the IPO.

Operating profit

For the reasons set out above, our operating profit was €80.6 million for the nine months ended September 30, 2018, compared with €97.6 million for the for the nine months ended September 30, 2017.

Net finance costs

We recognized net finance costs of €41.2 million for the nine months ended September 30, 2018, compared with €20.7 million for the nine months ended September 30, 2017, an increase of 99.0%. This increase was primarily the result of a net loss from foreign exchange differences in the amount of €4.7 million for the nine months ended September 30, 2018, compared with a net gain of €0.7 million for the nine months ended September 30, 2017. Interest expense amounted to €33.5 million for the nine months ended September 30, 2018, compared with €26.5 million for the nine month period ended September 30, 2017, an increase of 26.4%. We incurred higher interest expenses for the nine months ended September 30, 2018, mainly due to ROBOR fluctuations and entry into the 2018 Senior Facilities Agreement in February 2018, as well as the applicability of Romanian withholding taxes as a result of the Issuer's redomiciliation in April 2017 (see "*Tax Considerations—Romanian tax considerations—Romanian withholding taxes on interest payments made by the Issuer on the Additional Notes to non-resident holders*"). These increases were partially offset by a lower net losses for derivative instruments (interest rate swaps) of €0.7 million for the nine months ended September 30, 2018, compared with net losses of €2.8 million for the nine months ended September 30, 2017. In addition, the fair value amount of embedded derivative assets recognized as finance revenue decreased to €3.6 million for the nine months ended September 30, 2018, compared with €14.4 million for the nine months ended September 30, 2017.

Profit before taxation

For the reasons set out above, our profit before taxation was €39.4 million for the nine months ended September 30, 2018, compared with €76.9 million for the nine months ended September 30, 2017.

Income tax expense

An income tax expense of €18.5 million was recognized for the nine months ended September 30, 2018, compared with an income tax expense of €18.8 million for the nine months ended September 30, 2017.

Net profit

For the reasons set out above, our net profit was €20.9 million for the nine months ended September 30, 2018, compared with net profit of €58.1 million for the nine months September 30, 2017.

Results of operations for the years ended December 31, 2017, 2016 and 2015.

Revenue

Our revenue (excluding intersegment revenue, other income and gain from sale of discontinued operations) for the year ended December 31, 2017 was €916.6 million, compared with €842.8 million for the year ended December 31, 2016, an increase of 8.8%, which was in turn an increase of 12.4% from €750.1 million for the year ended December 31, 2015.

The following table sets out our revenue (excluding intersegment revenue and other income) by geographic segment and business line for the periods indicated:

	For the year ended December 31,			% change	
	2015	2016	2017	2016 v 2015	2017 v 2016
Romania		**(€ millions)**			
Cable TV	166.8	175.7	182.4	5.3%	3.8%
Fixed internet and data	155.9	163.6	171.6	4.9%	4.9%
Mobile telecommunication services(1)	84.2(2)	122.0	164.2	44.9%	34.6%
Fixed-line telephony	25.8	25.1	23.4	(2.7)%	(6.8)%
DTH.	40.2	38.7	36.1	(3.7)%	(6.7)%
Other revenue(3)	67.2	87.6	77.6	30.4%	(11.4)%
Total	**540.1**	**612.7**	**655.2**	**13.4%**	**6.9%**
Hungary					
Cable TV	36.6	41.0	47.7	12.0%	16.3%
Fixed internet and data	33.4	38.0	40.8	13.8%	7.4%
Mobile telecommunication services(4)	1.4	1.2	1.1	(14.3)%	(8.3)%
Fixed-line telephony	6.9	6.8	6.3	(1.4)%	(7.4)%
DTH	30.5	31.4	33.5	3.0%	6.7%
Other revenue(3)	17.1	19.5	21.1	14.0%	8.2%
Total	**125.9**	**137.9**	**150.4**	**9.5%**	**9.1%**
Spain					
Mobile telecommunication services(5)	72.2	82.7	92.5	14.5%	11.9%
Other revenue(6)	0.4	0.3	0.2	(25.0)%	(33.3)%
Total	**72.7**	**83.0**	**92.7**	**14.2%**	**11.7%**
Other(7)					
Mobile telecommunication services(5)	7.4	9.0	18.2	21.6%	102.2%
Other revenue(6)	0.2	0.2	0.1	0.0%	(50.0)%
Total	**7.5**	**9.2**	**18.3**	**22.7%**	**98.9%**
Total revenue of continuing operations	**746.3**	**842.8**	**916.6**	**12.9%**	**8.8%**
Discontinued operations(8)					
DTH	3.8	—	—	(100)%	—
Total revenue of discontinued operations	**3.8**	**—**	**—**	**(100)%**	**—**
Total revenue	**750.1**	**842.8**	**916.6**	**12.4%**	**8.8%**

(1) Includes mobile voice and internet and data revenue.

(2) For reporting periods following June 30, 2016, we have been aggregating certain revenue to report it as part of our mobile telecommunication services business line. For the year ended December 31, 2015, that revenue includes mobile internet and data revenue reported under the caption "Internet and Data Revenue" and mobile telephony revenue reported under caption "Telephony Revenue" in Note 16 of the 2015 Annual Financial Statements. The remaining revenue that is reported under those captions in the 2015 Annual Financial Statements is presented in this prospectus as fixed internet and data and fixed telephony revenue. Comparative information for the year ended December 31, 2015 has been restated accordingly for presentation herein. See "*Presentation of Financial and Other Data.*"

(3) Includes sales of CPE (primarily mobile handsets and satellite signal receivers and decoders), own content to other operators and advertising revenue from own TV and radio channels.

(4) Represents mobile voice and internet and data revenue generated as a reseller through Telenor's local network.

(5) Represents mobile voice and internet and data revenue from our MVNO operations.

(6) Includes sales of CPE (primarily mobile handsets).

(7) Represents revenue from our operations in Italy.

(8) Represents revenue from our operations in the Czech Republic (discontinued in April 2015).

Revenue in Romania for the year ended December 31, 2017 was €655.2 million, compared with €612.7 million for the year ended December 31, 2016, an increase of 6.9%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services RGUs and ARPU and cable TV and fixed internet and data RGUs. Mobile telecommunication services RGUs increased from approximately 3.2 million as at December 31, 2016 to approximately 3.4 million as at December 31, 2017, an increase of 5.5%. ARPU from mobile telecommunication services also increased for the year ended December 31, 2017 to an average of €4.1/month from an average of €3.4/month for the year ended December 31, 2016, an increase of 19.2%, primarily as a result of certain changes in the mix of subscription packages, customers upgrading to higher-value services and increased interconnection revenues. Our cable TV RGUs increased from approximately 2.9 million as at December 31, 2016 to approximately 3.0 million as at December 31, 2017, an increase of 5.8%, and our fixed internet and data RGUs increased from approximately 2.1 million as at December 31, 2016 to approximately 2.3 million as at December 31, 2017, an increase of 8.0%. These increases were primarily due to investments in expanding and upgrading our fixed fiber-optics network, enabling more customers to be connected. Other revenue included mainly sales of equipment, but also contained services of filming sport events and advertising revenue. Sales of equipment included mainly mobile handsets and other equipment. Growth in our cable TV, fixed internet and data, mobile telecommunication services and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from approximately 641,000 as at December 31, 2016 to approximately 593,000 as at December 31, 2017, a decrease of 7.5%. This decrease was primarily driven by low investments in CPE (such as satellite receivers and decoders), which limited our customer acquisition potential. Also, a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1.2 million as at December 31, 2016 to approximately 1.1 million as at December 31, 2017, a decrease of 6.8% due to the trend away from fixed-line telephony and towards mobile telecommunication services. Fixed-line telephony ARPU remained stable at an average of €1.3/month for the year ended December 31, 2017, compared with the same average for the year ended December 31, 2016.

Revenue in Romania for the year ended December 31, 2016 was €612.7 million, compared with €540.1 million for the year ended December 31, 2015, an increase of 13.4%. Revenue growth in Romania was primarily driven by an increase in our mobile telecommunication services RGUs and ARPU and cable TV and fixed internet and data RGUs and an increase in other revenues. Mobile telecommunication services RGUs increased from approximately 2.7 million as at December 31, 2015 to approximately 3.2 million as at December 31, 2016, an increase of 19.1%, primarily as a result of certain changes in the mix of subscription packages, customers upgrading to higher-value services and overall traffic increases. ARPU from mobile telecommunication services also increased for the year ended December 31, 2016 to an average of €3.4/month from an average of €3.0/month for the year ended December 31, 2015, an increase of 16.2%. Our cable TV RGUs increased from approximately 2.7 million as at December 31, 2015 to approximately 2.9 million as at December 31, 2016, an increase of 4.8%, and our fixed internet and data RGUs increased from approximately 2.0 million as at December 31, 2015 to approximately 2.1 million as at December 31, 2016, an increase of 7.0%. These increases were primarily due to investments in expanding and upgrading our fixed fiber-optics network, enabling more customers to be connected. Other revenue included mainly sales of equipment, but also contained services of filming sport events and advertising revenue. Sales of equipment included mainly mobile handsets and other equipment. Growth in our cable TV, fixed internet and data, mobile telecommunication services and other revenue was partially offset by a decrease in revenue generated by our DTH and fixed-line telephony businesses as a result of decreases in RGUs in both business lines. DTH RGUs decreased from approximately 674,000 as at December 31, 2015 to approximately 641,000 as at December 31, 2016, a decrease of 5.0%. This decrease was primarily driven by low investments in CPE (such as satellite receivers and decoders), which limited our customer acquisition potential. Also, a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services. Residential fixed-line telephony RGUs decreased from approximately 1.3 million as at December 31, 2015 to approximately 1.2 million as at December 31, 2016, a decrease of 6.0% due to trend away from fixed-line telephony and towards mobile telecommunication services. Fixed-line telephony ARPU remained relatively stable at an average of €1.3/month for the year ended December 31, 2015, compared with an average of €1.30/month for the year ended December 31, 2016.

Revenue in Hungary for the year ended December 31, 2017 was €150.4 million, compared with €137.9 million for the year ended December 31, 2016, an increase of 9.1%. This increase was principally due to an increase in our fixed internet and data and cable TV RGUs. Our cable TV RGUs increased from approximately 473,000 as at December 31, 2016 to approximately 500,000 as at December 31, 2017, an increase of 5.7%, our fixed internet and data RGUs increased from approximately 428,000 as at December 31, 2016 to approximately 467,000 as at December 31, 2017, an increase of 9.1%, and our fixed-line telephony RGUs increased from approximately 353,000 as at December 31, 2016 to approximately 379,000 as at December 31, 2017, an increase of 7.4%. These increases were driven by our investments in expanding and upgrading our fixed fiber-optic network in Hungary. Our DTH RGUs decreased from approximately 307,000 as at December 31, 2016 to approximately 291,000 as at December 31, 2017, a decrease of 5.2%. This decrease was primarily driven by low investments in CPE (such as satellite receivers and decoders). Also, a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Hungary for the year ended December 31, 2016 was €137.9 million, compared with €125.9 million for the year ended December 31, 2015, an increase of 9.5%. This increase was principally due to an increase in our cable TV and fixed internet and data RGUs. Our cable TV RGUs increased from approximately 437,000 as at December 31, 2015 to approximately 473,000 as at December 31, 2016, an increase of 8.2%, our fixed internet and data RGUs increased from approximately 382,000 as at December 31, 2015 to approximately 428,000 as at December 31, 2016, an increase of 12.0%, and our fixed-line telephony RGUs increased from approximately 327,000 as at December 31, 2015 to approximately 353,000 as at December 31, 2016, an increase of 8.0%. These increases were partially driven by our investments in expanding and upgrading our fixed fiber-optic network in Hungary. Our mobile telecommunication services RGUs decreased by approximately 12.5% from approximately 16,000 RGUs as at December 31, 2015 to approximately 14,000 RGUs as at December 31, 2016, primarily due to the decrease in our DTH subscribers who also terminated their mobile contracts. Our DTH RGUs decreased from approximately 318,000 as at December 31, 2015 to approximately 307,000 as at December 31, 2016, a decrease of 3.5%. This decrease was primarily driven by low investments in CPE (such as satellite receivers and decoders). Also, a number of DTH subscribers terminated their contracts, moved to our competitors or migrated from our DTH services to our cable TV services.

Revenue in Spain for the year ended December 31, 2017 was €92.7 million, compared with €83.0 million for the year ended December 31, 2016, an increase of 11.7%. The increase in revenue was principally due to an increase in the number of our mobile telecommunication services RGUs from approximately 609,000 as at December 31, 2016 to approximately 896,000 as at December 31, 2017, an increase of 47.1%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Revenue in Spain for the year ended December 31, 2016 was €83.0 million, compared with €72.7 million for the year ended December 31, 2015, an increase of 14.2%. The increase in revenue was principally due to an increase in the number of our mobile telecommunication services RGUs from approximately 569,000 as at December 31, 2015 to approximately 609,000 as at December 31, 2016, an increase of 7.0%, primarily due to new customer acquisitions as a result of more attractive mobile and data offerings.

Revenue in Other represented revenue from our operations in Italy and for the year ended December 31, 2017 was €18.3 million, compared with €9.2 million for the year ended December 31, 2016, an increase of 98.9%. The increase in revenue was principally due to new customer acquisitions as a result of more attractive mobile and data offerings.

Revenue in Other represented revenue from our operations in Italy and for the year ended December 31, 2016 was €9.2 million, compared with €7.5 million for the year ended December 31, 2015, an increase of 22.7%. The increase in revenue was principally due to new customer acquisitions as a result of more attractive mobile and data offerings.

Revenue from discontinued operations (which represented revenue from services provided by our Czech Republic subsidiary) for the year ended December 31, 2015 was €3.8 million. Our Czech Republic subsidiary was sold in April 2015.

Total operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the year ended December 31, 2017 were €800.8 million, compared with €755.8 million for the year ended December 31, 2016, an increase of 6.0%, which in turn was an increase of 8.0% compared to €699.7 million or the year ended December 31, 2015.

Operating expenses

The table below sets out our operating expenses (excluding intersegment expenses) by geographic segment for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	(€mil)	(% of revenue)[1]	(€mil)	(% of revenue)[1]	(€ mil)	(% of revenue)[1]
Continuing operations						
Romania	361.1	66.9%	411.3	67.1%	429.6	65.6%
Hungary	76.5	60.8%	86.5	62.7%	110.7	73.6%
Spain	61.8	85.0%	68.8	82.9%	66.1	71.3%
Other[2]	9.4	125.3%	12.9	140.2%	22.8	124.6%
Discontinued operations[3]	3.0	78.9%	—	—	—	—
Operating expenses	**511.8**	**68.2%**	**579.5**	**68.8%**	**629.0**	**68.6%**

(1) Excluding intersegment revenue and other income.

(2) Includes (i) operating expenses incurred in relation to our operations in Italy; and (ii) operating expenses of the Issuer.

(3) Represents operating expenses from our discontinued operations in Czech Republic.

Operating expenses in Romania for the year ended December 31, 2017 were €429.6 million, compared with €411.3 million for the year ended December 31, 2016, an increase of 4.4%. This was principally in line with the development of our business, representing mainly increases in telephony expenses as a result of the interconnection charges related to the mobile business. Operating expenses however also included €8.6 million from energy supply activity for year ended December 31, 2017, compared with €4.0 million for the year ended December 31, 2016, an increase of 114.0%. The increase in operating expenses was partially offset by the decrease in our cost of goods sold as a result of changes in the offerings for handsets in installments in the end of the first quarter of 2017.

Operating expenses in Romania for the year ended December 31, 2016 were €411.3 million, compared with €361.1 million for the year ended December 31, 2015, an increase of 13.9%. This was principally due to the development of our business, in particular representing increases in telephony expenses due to increased interconnection charges associated with our mobile offerings, expenses related to sales of handsets at cost to facilitate growth of mobile telecommunication services RGUs, salaries and related taxes, rent expenses for mobile sites and shops as well as programming expenses.

Operating expenses in Hungary for the year ended December 31, 2017 were €110.7 million, compared with €86.5 million for the year ended December 31, 2016, an increase of 28.0%. This increase was principally due to costs associated with the development of the mobile network, an increase in direct costs associated with increases in RGUs, mainly programming expenses, as well as increase in salaries.

Operating expenses in Hungary for the year ended December 31, 2016 were €86.5 million, compared with €76.5 million for the year ended December 31, 2015, an increase of 13.1%. This trend was principally due to increase in direct costs associated with increases in RGUs, mainly programming expenses and an increase in salaries.

Operating expenses in Spain for the year ended December 31, 2017 were €66.1 million, compared with €68.8 million for the year ended December 31, 2016, a decrease of 3.9%. This decrease resulted primarily from economies of scale reached by our operations in the country.

Operating expenses in Spain for the year ended December 31, 2016 were €68.8 million, compared with €61.8 million for the year ended December 31, 2015, an increase of 11.3%. This increase resulted from increased data traffic and higher interconnection costs.

Operating expenses in Other represented expenses of our operations in Italy and expenses of the Issuer, and for the year ended December 31, 2017 were €22.8 million, compared with €12.9 million for the year ended December 31, 2016, an increase of 76.7%. The increase was primarily due to increased interconnection charges resulting from increased voice and data traffic and higher RGUs in Italy.

Operating expenses in Other represented expenses of our operations in Italy and certain expenses of the Issuer and for the year ended December 31, 2016 were €12.9 million, compared with €9.4 million for the year ended December 31, 2015, an increase of 37.2%. The increase was primarily due to increased interconnection charges resulting from increased voice and data traffic and higher RGUs in Italy.

Operating expenses related to Discontinued operations for the year ended December 31, 2015 (which represented operating expenses of our Czech Republic subsidiary) were €3.0 million. Our Czech Republic subsidiary was sold in April 2015.

Depreciation, amortization and impairment of tangible and intangible assets

The table below sets out our depreciation, amortization and impairment of our tangible and intangible assets for the periods indicated.

	For the year ended December 31,		
	2015	2016	2017
Continuing operations		(€ millions)	
Depreciation of property, plant and equipment	114.8	86.7	96.0
Amortization of non-current intangible assets	25.6	35.0	31.6
Amortization of program assets	47.0	46.2	41.6
Impairment of property, plant and equipment	0.3	2.2	2.6
Revaluation impact of land and buildings	—	6.3[(1)]	—
Total continuing operations	**187.8**	**176.4**	**171.8**
Discontinued operations[(2)]	**0.1**	**—**	**—**
Total	**187.9**	**176.4**	**171.8**

(1) Reflects revaluation of land and buildings and CPE as at December 31, 2016. See "—*Trends and Other Key Factors Impacting Our Results of Operations—Reevaluation of estimated useful lives of certain assets*."

(2) Represents depreciation, amortization and impairment of assets of our subsidiary in the Czech Republic.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment of continuing operations was €96.0 million for the year ended December 31, 2017, compared with €86.7 million for the year ended December 31, 2016, an increase of 10.7%. This increase was primarily due to the investments made in the mobile network in Hungary and Romania.

Depreciation of property, plant and equipment of continuing operations was €86.7 million for the year ended December 31, 2016, compared with €114.8 million for the year ended December 31, 2015, a decrease of 24.5%. This decrease was primarily due to the change in the estimated useful lives of certain categories of property, plant and equipment, which were re-assessed as at December 31, 2016, with the revised useful lives which were applied retrospectively from January 1, 2016, and also to the termination of depreciation periods for an increased amount of CPE and other equipment. See "*—Trends and Other Key Factors Impacting Our Results of Operations—Reevaluation of estimated useful lives of certain assets*."

Amortization of non-current intangible assets

Amortization of non-current intangible assets of continuing operations was €31.6 million for the year ended December 31, 2017, compared with €35.0 million for the year ended December 31, 2016, a decrease of 9.7%, mainly as a result of the end of the amortization period of certain customer relationship acquired in prior periods, which reduced amortization expense.

Amortization of non-current intangible assets of continuing operations was €35.0 million for the year ended December 31, 2016, compared with €25.6 million for the year ended December 31, 2015, an increase of 36.8%, mainly as a result of the 2,600 MHz license acquired in August 2015 and the 3,700 MHz license acquired in October 2015 in Romania, as well as other licenses and software mainly for mobile communications equipment. As at December 31, 2016, our management reviewed the estimated useful lives of mobile telephony licenses. For certain mobile telephony licenses there are options for extension, automatically exercisable upon the request of the Company. Consequently, useful lives were revised in order to match the current best estimate of the period over which these licenses would generate future economic benefits. Estimated useful lives for mobile telephony licenses were previously estimated at 15 years and currently are estimated, following such review, at between 15 and 25 years.

Amortization of program assets

Amortization of program assets of continuing operations was €41.6 million for the year ended December 31, 2017, compared with €46.2 million for the year ended December 31, 2016, a decrease of 10.0%. This increase was primarily due to the expiration of certain sports rights for football and tennis competitions (which were not renewed), which generated lower amortization of program assets.

Amortization of program assets of continuing operations was €46.2 million for the year ended December 31, 2016, compared with €47.0 million for the year ended December 31, 2015, a decrease of 1.8%.

Gain/(loss) from sale of discontinued operations

We recorded €0.7 million of loss from sale of discontinued operations for the year ended December 31, 2016, compared to a gain of €20.9 million for the year ended December 31, 2015. The 2015 gains represented the results of the disposals of our operations in the Czech Republic and Slovakia.

Other income/expense

We recorded €2.5 million of other income for the year ended December 31, 2017, compared with €nil for the years ended December 31, 2016 and 2015. For the year ended December 31, 2017, our other income primarily consisted of costs related to the IPO recovered from the selling shareholders and income from our disposal of Digi SAT d.o.o.

We recorded €2.8 million of other expenses for the year ended December 31, 2017, compared with €7.0 million for the year ended December 31, 2016. For the year ended December 31, 2017, our other expenses primarily consisted of costs related to the IPO and mark-to-market losses from fair value assessment of energy supply contracts. For the year ended December 31, 2016, our other expenses primarily consisted of mark-to-market losses from fair value assessment of energy supply contracts.

We recorded €7.0 million of other expenses for the year ended December 31, 2016, compared with €1.0 million for the year ended December 31, 2015. For the year ended December 31, 2015, our other expenses primarily consisted of mark-to-market losses from fair value assessment of energy supply contracts.

Operating profit

For the reasons set out above, our operating profit was €115.4 million for the year ended December 31, 2017, compared with €79.3 million for the year ended December 31, 2016 and €70.3 million for the year ended December 31, 2015.

Net finance costs

We recognized net finance expense of €35.9 million for the year ended December 31, 2017, compared with net finance expense of €56.2 million for the year ended December 31, 2016, a decrease of 36.0%. This decrease was primarily due to lower interest expense on the Original Notes, compared with the 2013 Notes, which were refinanced in October 2016. This decrease was partially off-set by expenses related to such refinancing. In addition, we recognized the fair value difference of €19.9 million for an embedded derivative asset as at December 31, 2017 as finance income, compared with €10.4 million as at December 31, 2016.

We recognized net finance expense of €56.2 million for the year ended December 31, 2016, compared with net finance expense of €60.9 million for the year ended December 31, 2015, a decrease of 7.7%. As of December 31, 2016, we recorded as finance income the amount of €33.7 million from fair value gain of the available for sale assets, which were derecognized, and the related accumulated gain was reclassified from equity to our profit or loss statement. Finance expenses were impacted by the refinancing of the 2013 Notes and the 2015 Senior Facilities Agreement in October 2016. In addition, the decrease was driven by decreased interest on the Original Notes relative to the 2013 Notes that the Original Notes refinanced.

Profit before taxation

For the reasons set out above, our profit before taxation was €79.5 million for the year ended December 31, 2017, compared with €23.1 million for the year ended December 31, 2016 and €9.5 million for the year ended December 31, 2015.

Income tax expense

An income tax expense of €17.4 million was recognized for the year ended December 31, 2017, compared with €11.3 million for the year ended December 31, 2016. The increase was principally due to an increase in deferred tax expense generated by changes in useful life estimates of property, plant and equipment.

An income tax expense of €11.3 million was recognized for the year ended December 31, 2016, compared with €5.4 million for the year ended December 31, 2015. This was primarily due to an increase in the profit before taxation of continuing operations and an increase in deferred tax expense generated mainly by changes in useful life estimates of property, plant and equipment.

Net profit

For the reasons set out above, our net profit for the year ended December 31, 2017 was €62.0 million, compared with €11.8 million for the year ended December 31, 2016 and €4.0 million for the year ended December 31, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of liquidity have been our operating cash flows, as well as debt financing. Going forward, we expect to fund our cash obligations and capital expenditures primarily out of our operating cash flows and via drawdowns under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the ING Facilities Agreement, the Citi Facilities Agreement the BRD Agreements, other letter of guarantee facilities and other credit agreements. See "*Description of Other Indebtedness—Financial Obligations*." We believe that our operating cash flows will continue to allow us to maintain a flexible capital expenditure policy.

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

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

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

Historical cash flows

The table below sets out our consolidated cash flows from operating activities, cash flows used in investing activities and cash flows from/(used in) financing activities for the periods indicated:

	For the year ended December 31,	For the nine months ended September 30,

	2015	2016	2017	2017	2018
				(unaudited)	
			(€ millions)		
Cash flows from operations before working capital changes	**237.2**	**266.6**	**295.5**	**222.7**	**241.2**
Cash flows from changes in working capital[(1)]	4.2	(11.3)	(4.3)	(2.3)	(11.2)
Cash flows from operations	**241.5**	**255.3**	**291.2**	**220.4**	**230.0**
Interest paid	(44.2)	(44.0)	(33.4)	(20.2)	(26.8)
Income tax paid	(5.1)	(7.8)	(10.2)	(5.1)	(2.6)
Net cash flows from operating activities	**192.2**	**203.5**	**247.6**	**195.0**	**200.6**
Net cash flows used in investing activities	**(171.6)**	**(216.0)**	**(242.3)**	**(187.2)**	**(341.2)**[(2)]
Net cash flows from/ (used in) financing activities	**(25.7)**	**(21.8)**	**(3.9)**	**(2.2)**	**141.6**
Net increase/(decrease) in cash and cash equivalents	(5.1)	(34.2)	1.4	5.7	1.0
Cash and cash equivalents at the beginning of the period	54.3	49.7	14.6	14.6	16.1
Effect of exchange rate fluctuation on cash and cash equivalent held	0.5	(0.8)	—	—	—
Cash and cash equivalents at the closing of the period	**49.7**	**14.6**	**16.1**	**20.4**	**17.1**

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

(2) Includes €135.4 million consideration paid for Invitel on May 30, 2018 (at the exchange rate of €/HUF at May 30, 2018).

Cash flows from operations before working capital changes were €241.2 million for the nine months ended September 30, 2018 and €222.7 million for the nine months ended September 30, 2017. The increase was due to the reasons discussed in "*—Historical Results of Operations—Results of operations for the nine months ended September 30, 2018 and 2017.*"

Cash flows from operations before working capital changes were €295.5 million for the year ended December 31, 2017, €266.6 million for the year ended December 31, 2016 and €237.2 million for the year ended December 31, 2015. The increase was due to the reasons discussed in "*—Historical Results of Operations—Results of operations for the years ended December 31, 2017, 2016 and 2015.*"

The table below sets out changes in our working capital for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			(€ millions)		
Decrease/(increase) in trade receivables and other assets	15.1	(29.5)	(2.4)	(19.4)	(28.3)
(Increase)/decrease in inventories	(3.7)	(6.0)	8.5	(1.9)	(4.2)
(Decrease)/increase in trade payables and other current liabilities	21.2	31.4	(7.0)	13.7	8.9
Increase/(decrease) in deferred revenue	(28.4)	(7.2)	(3.4)	5.3	12.4
Total	**4.2**	**(11.3)**	**(4.3)**	**(2.3)**	**(11.2)**

We had a working capital requirement of €11.2 million for the nine months ended September 30, 2018. This was due to a €28.3 million increase in our trade receivables and other assets and a €4.2 million increase in inventories, partially offset by a €8.9 million increase in trade payables and other current liabilities, as well as a €12.4 million increase in deferred revenue, which were primarily driven by the Invitel acquisition, temporary changes in our invoicing systems in Hungary in December 2017 and the general tendency of our customers (and also our own tendency) to settle invoices towards the last quarter of the year, rather than in the summer months.

We had a working capital requirement of €2.3 million for the nine months ended September 30, 2017. This was due to a €19.4 million increase in our trade receivables and other assets and a €1.9 million increase in inventories, which was offset by a €13.7 million increase in trade payables and other current liabilities, as well as a €5.3 million increase in deferred revenue, all of which were primarily driven by the tendency of our customers (and also our own tendency) to settle invoices towards the last quarter of the year, rather than in the summer months.

We had a working capital requirement of €4.3 million for the year ended December 31, 2017. This was primarily due to a €7.0 million decrease in trade payables and other current liabilities largely attributable to decreased exposure to energy supply activities, which we decided to curtail in 2017 (and thus had a cash outflow as we paid out clients sooner) and a €8.5 million decrease in inventories and a moderate €2.4 million increase in trade receivables and other assets, both of which were driven by our decision to reduce handset acquisitions for further on-sales to customers subject to deferred payments since the first quarter of 2017.

We had a working capital requirement of €11.3 million for the year ended December 31, 2016. This was primarily due to a €29.5 million increase in trade and other receivables largely attributable to impacts on the trade and other receivables balance as at December 31, 2015 due to a change in the invoicing cycle, which occurred in December 2015, as well as the development of our energy activities during the year ended December 31, 2016 and a general increase in activity overall. The invoicing cycle change is also the primary explanation of the decrease in deferred revenue of €7.2 million. The increase in trade payables of €31.4 million related mainly to the increase in suppliers for our energy activity and interconnection costs, which increased proportionately with the expansion of our RGU base.

We had a working capital surplus of €4.2 million in the year ended December 31, 2015. This was primarily due to a decrease in trade receivables and other assets balances of €15.1 million, largely as a result of our change in invoicing cycle which occurred in December 2015, partially offset by the increase in revenues. This change also was the reason for the decrease of deferred revenue of €28.4 million. The increase in trade payables of €21.2 million related mainly to acquisitions of handsets and other CPE that are on-sold to our mobile telecommunication services customers subject to a deferral of payments from such customers for up to 12 months. See "*—Revenue and Expense Structure of Our Principal Lines of Business—Mobile telecommunication services*." We used this offering to promote new customer acquisitions and incentivize existing customers to transfer to higher-value services, but it created a mismatch between the time when we pay our CPE suppliers and receive customer payments. In order to mitigate the impact of this mismatch we entered into certain reverse factoring and vendor financing agreements with our CPE suppliers extending the terms of our payments for CPE acquired, which were then classified as long term trade payables.

Cash flows from operating activities represented an inflow of €200.6 million for the nine months ended September 30, 2018 and €195.0 million for the nine months ended September 30, 2017. Included in these amounts are deductions for interest paid and income tax paid. Income tax paid was €2.6 million for the nine months ended September 30, 2018 and €5.1 million for the nine months ended September 30, 2017. Interest paid was €26.8 million for the nine months ended September 30, 2018, compared with €20.2 million for the nine months ended September 30, 2017.

Cash flows from operating activities represented an inflow of €247.6 million for the year ended December 31, 2017 and €203.5 million for the year ended December 31, 2016. Included in these amounts are deductions for interest paid and income tax paid, which were €43.6 million for the year ended December 31, 2017 and €51.8 million in the year ended December 31, 2016. Interest paid was €33.4 million for the year ended December 31, 2017, compared with €44.0 million in the year ended December 31, 2016. Income tax paid was €10.2 million for the year ended December 31, 2017, compared with €7.8 million for the year ended December 31, 2016 mainly as a result of increased payments made by our operations in Spain and Romania.

Cash flows from operating activities represented an inflow of €203.5 million for the year ended December 31, 2016 and €192.2 million for the year ended December 31, 2015. Included in these amounts are deductions for interest paid and income tax paid, which were €51.8 million for the year ended December 31, 2016 and €49.3 million for the year ended December 31, 2015. Interest paid was €44.0 million for the year ended December 31, 2016, compared with €44.2 million for the year ended December 31, 2015. Income tax paid was €7.8 million for the year ended December 31, 2016, compared with €5.1 million for the year ended December 31, 2015 mainly as a result of increased payments made by our operations in Spain.

Cash flows used in investing activities represented an outflow of €341.2 million for the nine months ended September 30, 2018 (including €135.4 million used in the acquisition of Invitel (at the exchange rate of €/HUF as at May 30, 2018) and €187.2 million for the nine months ended September 30, 2017. Cash flows used in investing activities represented an outflow of €242.3 million for the year ended December 31, 2017, €216.0 million for the year ended December 31, 2016 and €171.6 million for the year ended December 31, 2015 (including €25.1 million as proceeds from the sale of our operations in the Czech Republic, net of cash disposed).

The table below sets out our capital expenditures by category for the periods indicated:

	For the year ended December 31,			**For the nine months ended September 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
	(€ millions)				
Network and equipment[1]	91.9	149.3	134.0	98.1	113.0

	For the year ended December 31,			For the nine months ended September 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
	(€ millions)				
CPE[2]	25.5	36.0	32.0	22.6	23.0
Program assets—content for our own channels[3]	60.1	47.1	34.1	32.5	35.1
License and software[4]	23.2	22.1	20.7	13.9	7.3
Customer relationships[5]	2.8	0.6	3.8	2.6	2.4
Other additions to tangible assets[6]	24.2	35.6	27.5	13.9	19.0
Other additions to intangible assets[7]	6.2	14.6	19.7	15.6	19.8
Total additions to tangible and intangible assets	**233.9**	**305.3**	**271.8**	**199.2**	**219.6**
Differences between capital expenditures for tangible and intangible assets and additions to tangible and intangible assets[8]	(39.6)	(91.9)	(30.3)	(12.8)	(19.9)
Capital expenditures for the acquisition of tangible and intangible assets	194.3	213.4	241.5	186.4	199.7
Acquisitions of shares[9]	3.3	3.1	1.7	1.4	0.2[10]
Total[10]	**197.6**	**216.5**	**243.2**	**187.8**	**199.9**

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

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

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

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

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

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

(7) Composed primarily of subscriber acquisition costs incurred to acquire new subscribers in Romania, Hungary, Spain and Italy.

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

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

(10) Excluding investment made for the acquisition of Invitel on May 30, 2018.

During the nine months ended September 30, 2018 we acquired tangible and intangible assets for €219.6 million. We had €113.0 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber-optic network and develop mobile networks in Romania and Hungary. We had €35.1 million in additions to our program assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions for recent contracts. We had €7.3 million in additions to our intangible assets, primarily to recognize software licenses for equipment for our mobile networks in Romania and Hungary. In addition, we had additions of €23.0 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We also had minor additions to customer relationships of €2.4 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 €19.9 million lower than additions to tangible and intangible assets for the nine months ended September 30, 2017. This was primarily due to longer payment terms, especially for part of the network, as well as equipment and CPE additions. Payments made for acquisition of shares in amount of €0.2 million are related to acquisitions of the Company's shares in relation to the Stock Option Plans.

During the year ended December 31, 2017, we acquired tangible and intangible assets for €271.8 million. We had €134.0 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber-optic and mobile networks in Romania and Hungary. We had €34.1 million in additions to our program assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions for contracts entered into in the years ended December 31, 2017 and 2016. We had €20.7 million in additions to our intangible assets, primarily to recognize software licenses for equipment for our mobile networks in Romania and Hungary. In addition, we had additions of €32.0 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We also had minor additions to customer relationships of €3.8 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 €30.3 million lower than additions to tangible and intangible assets in the year ended December 31, 2016. This was primarily due to longer payment terms, especially for parts of the network, as well as equipment and CPE additions. Payments made for acquisition of shares in amount of €1.7 million are related to acquisitions of the Company's shares from previous years.

During the year ended December 31, 2016, we acquired tangible and intangible assets for €305.3 million. We had €149.3 million in additions to our network and equipment, primarily to expand and upgrade our fixed fiber-optic and mobile networks in Romania and Hungary. We had €47.1 million in additions to our program assets, primarily reflecting recognition of costs related to rights to broadcast certain sports competitions in the 2016/2017 season for contracts entered into in the years ended December 31, 2016 and 2015. We had €22.1 million in additions to our intangible assets, primarily to recognize software licenses for equipment for our mobile networks and the 3,800 MHz license in Hungary. In addition, we had additions of €36.0 million to acquire CPE, primarily set-top boxes and GPON terminals and for our cable TV customers. We also had minor additions to customer relationships of €0.6 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 €91.9 million lower than additions to tangible and intangible assets in the year ended December 31, 2016. This was primarily due to longer payment terms, especially for part of the network, as well as equipment and CPE additions. Out of the payments made for acquisition of shares, €0.9 million are payments made by the Company for the acquisition of shares in RCS Management. The remaining €2.1 million related to acquisitions of controlling interests in other entities from previous years.

During the year ended December 31, 2015, we acquired tangible and intangible assets for €233.9 million. We had €91.9 million of additions to our network and equipment, primarily to expand and upgrade our fixed fiber-optic and mobile networks. We had €60.1 million in additions to our program assets, primarily reflecting the recognition of costs related to rights to broadcast certain sports competitions in the 2015/2016 season for contracts entered into in the years ended December 31, 2015 and 2014. We had €23.2 million of additions to our intangible assets, primarily to recognize payments for software licenses for equipment for our mobile networks and 3,700 MHz and 2,600 MHz licenses. We also had additions of €25.5 million to acquire CPE, primarily set-top boxes and GPON terminals (which may not be treated as CPE-related costs by our competitors). We also had additions to customers' relationships of €2.8 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 €39.6 million lower than additions to tangible and intangible assets in the year ended December 31, 2015. This was primarily due to longer payment terms especially for part of the network and equipment and CPE additions. Out of the payments made for acquisition of shares, €1.5 million constituted payments made by the Company for the acquisition of shares in RCS Management. Out of the remaining €1.8 million, €0.7 million were related to acquisitions of controlling interests in other entities and €1.1 million to acquisitions of non-controlling interests while retaining control.

Cash flows from/(used in) financing activities represented an inflow of €141.6 million for the nine months ended September 30, 2018, reflecting drawdowns under the 2018 Senior Facilities Agreement, compared to a small outflow of €2.2 million for the nine months ended September 30, 2017.

Cash flows used in financing activities represented an outflow of €3.9 million for the year ended December 31, 2017. During 2017 we drew the entire balance of Facility B under the 2016 Senior Facilities Agreement in the aggregate amount of €33.7 million. We also paid dividends of €21.3 million prior to the IPO, financing costs of €4.5 million, settled derivative transactions of €3.8 million and paid installments under our finance leases of €1.6 million.

Cash flows used in financing activities represented an outflow of €21.8 million for the year ended December 31, 2016. We refinanced the 2015 Senior Facilities Agreement in October 2016 with drawdowns under the 2018 Senior Facilities Agreement in the amount of €336.9 million equivalent, of which we drew (a) RON930.0 million (€204.8 million equivalent as at December 31, 2016) under Facility A1 to repay the existing senior facilities in full and (b) RON600.0 million (€132.1 million equivalent as at December 31, 2016) under Facility A2, along with the €350 million Original Notes issued to repay €450 million of 2013 Notes. We also paid financing costs and early prepayment fees of €26.8 million, dividends of €4.4 million, settlement of derivative transactions of €5.8 million and installments under our finance leases of €3.4 million. The 2016 debt restructuring achieved a significant reduction of our interest rates payable and a reduction of our exposure to euro by reducing our euro indebtedness, as well as an extension of the maturities.

In the year ended December 31, 2015, the net outflow of €25.7 million was mainly the result of the repayment of the principal amount outstanding under certain facilities with drawdowns under the 2015 Senior Facilities Agreement and our own funds. We also repaid RON99.4 million (an equivalent of €22.0 million as at December 31, 2015) and drew down an additional RON105.4 million (an equivalent of €23.3 million as at December 31, 2015), in each case, under the 2015 Senior Facilities Agreement, paid certain financing costs of €4.1 million, dividends of €1.6 million, settlement of derivative transactions of €3.7 million and installments under our finance leases of €1.6 million.

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 fiber-optic and mobile networks, to further develop our mobile telecommunication services business and to purchase further broadcasting rights for our premium TV channels. In addition, we will consider from time to time purchasing cable TV or internet and data services operations in Romania and Hungary. The following discussion sets out our principal cash needs based, among other things, on our existing capital expenditure plan, our outstanding bank loans and other contractual commitments.

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

- expansion of our fixed fiber-optic network;
- expansion and further development of our mobile network;
- acquisition of additional television content rights and licences;
- costs associated with CPE and the acquisition of new customers;
- payments under telecommunication licenses; and
- potential opportunistic acquisitions.

As at September 30, 2018, 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 €65.4 million.

Contractual obligations

Our principal contractual obligations consist of our obligations in respect of financial indebtedness that is owed under our credit facilities, rent for network pillars, the annual radio spectrum fees for our mobile telecommunication licenses in Romania and Hungary, the remaining payments for certain broadcasting rights, operational leasing arrangements (including for our radio stations), and finance leasing arrangements.

The table below sets out the maturities of our financial liabilities and other contractual commitments, including estimated interest payments and excluding the impact of netting agreements as at September 30, 2018, 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 September 30, 2018	Contractual cash flows as at September 30, 2018	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)	879.5	1,018.9	95.0	48.8	141.4	733.7	—
Finance lease liabilities	7.8	8.2	2.2	2.2	1.7	2.2	—
Trade and other payables and other liabilities	429.2	373.7	299.4	39.8	28.3	6.1	0.1
Capital expenditure and operating expenditure contractual commitments(2)	284.6	284.6	50.2	50.2	81.7	57.7	44.7
Derivative financial liabilities							
Interest rate swaps	—	—	—	—	—	—	—
Energy trading mark to market	13.8	14.1	6.7	5.1	2.4	—	—

Total	**1,614.9**	**1,699.5**	**453.5**	**146.2**	**255.4**	**799.7**	**44.8**

(1) Includes estimate interest, which was estimated by using 3-month ROBOR or a fixed rate as at September 30, 2018 for all future periods. The estimated interest rate used for the Original Notes does not include the Romanian withholding tax applicable on interest post-redomiciliation of the Issuer to Romania for tax purposes (approximately €3.3 million per year, which is treated as interest expense).

(2) Principally includes payments for premium content, satellite usage, spectrum fee payments, open orders for purchases of equipment and obligations under agreements to lease real property or movable property that are enforceable and legally binding and that specify all significant terms (e.g., object of the lease, pricing terms and duration).

Financial obligations

Original Notes

On October 26, 2016, the Company issued €350.0 million in aggregate principal amount of Original Notes due in 2023. The Original Notes have the benefit of guarantees form the Company (provided on the Original Notes Issue Date), DIGI Hungary (acceded on June 8, 2017) and Invitel (acceded on June 28, 2018). The Original Notes are secured by (i) subject to certain exclusions, all present and future movable assets of the Company, including bank accounts, trade receivables, intragroup receivables, insurance receivables, inventories, movable tangible property (including installation, networks, machinery, equipment, vehicles, furniture, and other similar assets), intellectual property rights, insurance and proceeds related to any of the foregoing; (ii) all shares of certain of material subsidiaries of the Company; and (iii) certain assets of the Issuer, including all shares it holds in the Company, certain bank accounts and rights under the proceeds loan agreement dated November 4, 2013 (originally entered into in relation to the 2013 Notes) as amended and extended between the Issuer, as lender, and the Company, as borrower (collectively, the "**Collateral**"). The Collateral is shared with the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and certain hedging obligations on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

2016 Senior Facilities Agreement

On October 7, 2016, the Issuer, as original guarantor, and the Company, as borrower, entered into the 2016 Senior Facilities Agreement. The 2016 Senior Facilities Agreement is currently also unconditionally guaranteed by DIGI Hungary and Invitel on a senior secured basis and shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

The 2016 Senior Facilities Agreement was amended on October 16, 2017 and February 4, 2019 and as at the date of this prospectus, consists of the (i) RON592.0 million Facility A1; (ii) RON382.0 million Facility A2; and (iii) RON37.0 million Facility B. Facility A1 was drawn for the purposes of funding the refinancing of the 2015 Senior Facilities Agreement and capital expenditure requirements of the Group. Facility A2 was drawn for the purpose of funding the refinancing of the 2013 Notes. Facility B was drawn for general corporate purposes and to finance the working capital requirements of the Group.

The interest rate under the 2016 Senior Facilities Agreement is floating at a margin of 2.65% per annum plus ROBOR. Interest is payable every three months, unless a longer period is agreed with the facility agent acting per instructions of all lenders.

The repayment schedule for the outstanding balance as at the date of this prospectus is:

Repayment date:	**Repayment installments A1 - RON**	**Repayment installments A2 -RON**
October 2019	10,789,216	6,960,784
April 2020	81,375,000	52,500,000
October 2020	81,375,000	52,500,000
April 2021	81,375,000	52,500,000
October 2021	337,125,000	217,500,000
Total:	**592,039,216**	**381,960,784**

The Termination date for Facility B is October 7, 2019.

2018 Senior Facilities Agreement

On February 1, 2018, the Company and DIGI Hungary, as borrowers, entered into the 2018 Senior Facilities Agreement. The 2018 Senior Facilities Agreement is unconditionally guaranteed by the Issuer and Invitel on a senior secured basis and shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

The 2018 Senior Facilities Agreement was amended on March 9, 2018 and currently consists of the (i) HUF13.5 billion Facility A1; (ii) RON66.2 million Facility B1; and (iii) €19.4 million Facility B2. All facilities were fully drawn in May and October 2018 to finance the acquisition of Invitel and for general corporate purposes of the Group.

The facilities under the 2018 Senior Facilities Agreement have a maturity of five years. The interest rate is 2.65% per annum plus the relevant applicable interbank offered rates.

The repayment schedule for the outstanding balance as at the date of this prospectus is:

Repayment date:	**Repayment installments A1 - HUF**	**Repayment installments B1 - RON**	**Repayment installments B2 - EUR**
December 15, 2022	945,200,888	4,647,028	1,358,922
April 14, 2023.......	12,519,940,000	61,553,600	18,000,000
Total:	**13,465,140,888**	**66,200,628**	**19,358,922**

ING Facilities Agreement

On November 4, 2013, the Company entered into the ING Facilities Agreement in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The Company's obligations under the ING Facilities Agreement are guaranteed by the Issuer. The ING Facilities Agreement shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement. The ING Facilities Agreement provides for a multipurpose facility to be used as overdraft and for issuance of letters of guarantee. As at September 30, 2018, the Company had €4.2 million drawn under the overdraft facility and out of the uncommitted facility for letters of guarantee, total amount of the letters of guarantee issued was €0.1 million and RON11.7 million.

Citi Facilities Agreement

On October 25, 2013, the Company entered into the Citi Facilities Agreement to consolidate the Group's existing uncommitted credit facilities with Citibank Europe Plc, Dublin – Romania Branch into a single uncommitted facility for working capital purposes. On October 25, 2013, the Issuer entered into a personal guarantee agreement with Citibank Europe Plc, Dublin – Romania branch, pursuant to which it provides a guarantee for the due performance of the Citi Facilities Agreement by the Group. The Citi Facilities Agreement shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

The Citi Facilities Agreement consists of uncommitted overdraft, bank guarantee, letters of guarantee and short term loans facilities. The overdraft facility was extended in 2018 with an additional amount of RON50 million.

As at September 30, 2018, (i) the overdraft facility had an outstanding balance of €19.8 million, and (ii) we had letters of guarantee issued in the amount of €0.2 million, $0.7 million and RON1.8 million.

BRD Agreements

On July 13, 2015, the Company entered into the BRD Letters of Guarantee Facility. As at September 30, 2018, we had letters of guarantee issued by BRD with a value of €0.5 million.

On September 20, 2017, the Company entered into the BRD Letters of Credit Facility. As at September 30, 2018, we had letters of credit issued by BRD with a value of €8.3 million.

On May 23, 2018, the Company entered into the BRD Credit Facility for the aggregate amount of RON35.0 million repayable in 24 months for the purpose of (i) financing the acquisition of certain real estate property in Bucharest; and (ii) refinancing the acquisition of certain real estate property in Bucharest. As at September 30, 2018, an aggregate principal amount of €3.7 million was outstanding under the BRD Credit Facility.

The BRD Agreements share in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

Unicredit Agreements

On December 15, 2015, the Company entered into an agreement with UniCredit Bank for an uncommitted overdraft/bank guarantee facility. As at September 30, 2018 the outstanding amount was €2.0 million.

Libra Loan Agreement

On February 25, 2016, the Company entered into a loan agreement for the aggregate amount of RON32.0 million repayable in five years with Libra Bank (the "**Libra Loan Agreement**"). We drew RON31.6 million under the Libra Loan Agreement and used the funding to acquire certain real property in Bucharest, which has been mortgaged in favor of Libra Bank as security for the Libra Loan Agreement. As at September 30, 2018, RON16.6 million (€3.6 million equivalent) was outstanding under the Libra Loan Agreement.

RCS Management Loan

On May 12, 2017, the Company entered into a short term loan with RCS Management, for a principal amount of €5.0 million. The loan bears a 5.5% per annum interest rate and the repayment date was extended until May 9, 2019. As at September 30, 2018 the outstanding amount was €3.5 million.

Santander Agreements

On October 30, 2015, DIGI Spain entered into a €1.5 million short-term facility agreement with Banco Santander (the "**2015 Santander Facility Agreement**"), the available commitments under which were increased in 2016 up to €2.0 million. As at September 30, 2018, the balance drawn under the Santander Facility Agreement was €0.8 million. All amounts outstanding under the 2015 Santander Facility Agreement were fully repaid in October 2018.

On October 19, 2018, DIGI Spain entered into a €3.0 million short-term facility agreement with Banco Santander maturing in October 2019.

Caixa Agreements

On February 6, 2014, DIGI Spain entered into a facility agreement with Caixabank, S.A. (the "**Caixa Facility Agreement**"), containing an overdraft and a reverse factoring option. The Caixa Facility Agreement was amended on January 30, 2015, July 28, 2015 and January 17, 2017. The term of the Caixa Facility Agreement is indefinite and the maximum amount, which can be used is €500,000. As at September 30, 2018, the balance drawn under the Caixa Facility Agreement overdraft was €0.4 million.

On November 21, 2018, DIGI Spain entered into two letters of guarantee arrangements with Caixabank, S.A. for an aggregate amount up to €571,778.58.

BBVA Letter of Guarantee & Facility

As at September 30, 2018, DIGI Spain had letters of guarantee issued by BBVA with a value of €0.9 million.

On March 21, 2018, DIGI Spain entered into a €3.0 million short-term loan with BBVA maturing in March 2019. As at September 30, 2018, the balance was €3.0 million.

On October 19, 2018, DIGI Spain entered into a €2.0 million short-term loan with BBVA maturing in September 2019.

OTP Bank Hungary Loan Agreement

In December 2016, DIGI Hungary entered into a short term loan of HUF1,300 million (€4.2 million equivalent) with OTP Bank plc in Hungary. In 2018, the maturity of the loan was extended until July 23, 2019. As at September 30, 2018, the entire amount is outstanding. The loan is guaranteed by the Company.

Financial leasing agreements

As at September 30, 2018, we had leasing agreements in place a total outstanding aggregate amount of €7.8 million.

Romania

One of these leasing agreements is a sale-leaseback arrangement entered into on May 11, 2009 for part of our headquarters in Bucharest with ING Lease Romania IFN SA, which subsequently sold its interest to Raiffeisen Leasing IFN SA. In December 2015, this sale-leaseback arrangement was refinanced for €4.3 million. As at September 30, 2018, the outstanding amount under this sale-leaseback agreement was €0.9 million.

We also entered into a leasing agreement for a parcel of land in Poiana Brasov city, Brasov County, with a financed amount of €3.2 million (excluding VAT). As at September 30, 2018, the outstanding amount under this leasing agreement was €1.7 million.

In December 2015, we entered into a lease agreement with UniCredit Leasing IFN for a building in Arad. As at September 30, 2018, the outstanding amount under this leasing agreement was €0.04 million.

As at September 30, 2018 we also hold leasing contracts for vehicles and equipment with total outstanding value of €2.2 million.

Hungary

In Hungary, we lease mainly vehicles and equipment. As at September 30, 2018 the total outstanding value was of €1.5 million equivalent.

Spain

In Spain, we lease mainly vehicles and equipment. As at September 30, 2018 the total outstanding value was of €1.0 million equivalent.

IFRS 16

New IFRS 16 "leases" is currently effective for financial periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease arrangement. The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Although we are still in the process of analyzing the detailed consequences of IFRS 16's application, we currently believe that had IFRS 16 been applicable as at and for the year ended December 31, 2018, the estimated impact on our consolidated financial statements would have been as follows: (a) a significant increase in our consolidated assets; (b) a significant increase in our consolidated liabilities; (c) an increase in our consolidated depreciation expense; (d) an increase in our consolidated interest expense; and (e) a decrease in our consolidated lease expense. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial leasing agreements—IFRS 16.*" IFRS 16 will not have any impact on calculations we are required to make under the Indenture for the purposes of ensuring compliance therewith, as those will continue to be made in accordance with the IFRS in effect as at the issue date of the Original Notes, although it is likely to lead to certain divergence between some financial metrics that we report on a regular basis (including Adjusted EBITDA of continuing operations) and related or similarly titled metrics under the Indenture and for covenant purposes.

Pension obligations

Under the regulatory regimes applicable in our countries of operation, employers are required to make payments to a national social security fund for the benefit of employees. Other than these social security payments, we do not maintain any pension plans for employees and incur no pension obligations.

Contingent obligations

Apart from the commitments described above and in "*Risk Factors*," we have no material contingent obligations.

OFF-BALANCE SHEET ARRANGEMENTS

Other than commitments included under the caption "*—Financial Obligations*" we do not have any material off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to the following risks from the use of financial instruments: credit risk, liquidity risk and market risk (including currency risk and interest rate risk).

Credit risk

Financial assets, which potentially subject us to credit risk, consist principally of trade and other receivables, contract assets and cash and cash equivalents. Our credit risk is significantly concentrated in Romania and Hungary. As at September 30, 2018 we had €98.4 million of trade and other receivables and contract assets. €59.6 million, or 60.5%, of our trade and other receivables and contract assets were attributable to Romania and €16.6 million, or 16.9%, were attributable to Hungary. Although collection of receivables could be influenced by economic factors, we believe that there is no significant risk of loss beyond the reserves already recorded.

Cash is placed in financial institutions which are considered at time of deposit to have minimal risk of default.

Our exposure to credit risk as at the dates indicated was concentrated as follows:

	As at December 31,			As at September 30
	2015	2016	2017	2018
				(unaudited)
			(€ millions)	

	As at December 31,			As at September 30
	2015	2016	2017	2018
				(unaudited)
	(€ millions)			
Trade and other receivables[1]	82.5	109.0	82.5	63.7
Contract assets	—	—	—	34.7
Other assets	8.2	6.3	11.0	13.6
Cash and cash equivalents	49.4	14.3	15.8	17.1
Derivative assets	9.9	17.0	34.9	40.4
Long term receivables	2.9	3.9[2]	2.0	4.8
Total	**153.0**	**150.6**	**146.2**	**174.3**

(1) Net of impairment losses.

(2) Does not include “green certificates” generated from our electrical energy trading activities

Impairment losses

Impairment allowances are cumulative, including all prior years. The movements in the allowance for impairment in respect of trade receivables and contract assets during the periods indicated were as follows:

	For the year ended December 31,			For the nine months ended September 30
	2015	2016	2017	2018
				(unaudited)
	(€ millions)			
Balance at period start	**71.9**	**77.4**	**45.1**	**48.4**
Impairment loss recognized	10.1	9.1	9.4	7.5
Impairment related to receivables of discontinued operations	(1.6)	—	—	—
Reversed	—	—	—	—
Amounts written off	(2.3)	(41.4)	(5.8)	(1.2)
Effect of movement in exchange rates	(0.7)	(0.1)	(0.2)	0.3
Balance at period end	**77.4**	**45.1**	**48.4**	**54.9**

Liquidity risk

Our liquidity policy aims to maintain sufficient liquid resources to meet our obligations as they fall due and to keep our leverage optimized. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and working capital, while considering future cash flows from operations.

As a result of the volume and nature of the telecommunication business, our current liabilities exceed our current assets. A large part of our current liabilities is generated by investment activities. There is often a delay between the time we incur liabilities for investment activities and the time those activities begin to generate receivables. We believe that we will generate sufficient funds to cover the current liabilities from future revenue given the growth realized over the last years and the largely discretionary nature of our investment activities, which can be scaled down if necessary without a significant effect on our operations.

Currency risk

Our exposure to foreign currency risk as at the dates indicated was as follows:

	As at December 31,						As at September 30,	
	2015		2016		2017		2018	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
							(unaudited)	
	(millions)							
Trade and other receivables	3.9	3.6	4.0	4.7	3.7	5.9	3.6	4.9

	As at December 31,						As at September 30,	
	2015		2016		2017		2018	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
							(unaudited)	
	(millions)							
Cash and cash equivalents	0.1	3.1	—	5.5	0.6	6.4	—	0.2
Interest bearing loans and borrowings and bonds	—	(446.2)	—	(352.8)	—	(353.7)	—	(350.0)
Bank overdraft	—	(4.8)	—	—	(9.4)	(2.0)	(9.7)	(4.0)
Finance lease liabilities	—	(8.8)	—	(5.8)	—	(4.2)	—	(4.8)
Trade and other payables	(36.7)	(42.3)	(47.7)	(59.9)	(60.7)	(61.1)	(52.8)	(69.7)
Gross statement of financial position exposure	**(32.7)**	**(495.2)**	**(43.7)**	**(408.3)**	**(65.9)**	**(408.7)**	**(58.9)**	**(423.4)**
Derivative financial liabilities[(1)]	**—**	**25.4**	**—**	**—**	**—**	**—**	**—**	**—**
Gross exposure	**(32.7)**	**(469.8)**	**(43.7)**	**(408.3)**	**(65.9)**	**(408.7)**	**(58.9)**	**(423.4)**

(1) Represents amounts to be received as part of the cross currency interest swaps in place at the end of each period. See "—*Derivative Financial Instruments*."

See "*Trends and Other Key Factors Affecting our Results of Operations—Exchange Rates—Historical performance of our functional currencies against the euro and U.S. dollar*."

Sensitivity analysis

A 10% strengthening of the currencies listed below against the functional currencies of the Issuer and its subsidiaries as at December 31, 2015, 2016 and 2017 and September 30, 2018 would have decreased equity and increased loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and does not take into account any existing derivative financial instruments.

	As at December 31,			As at September 30
	2015	2016	2017	2018
				(unaudited)
	(equivalent in € millions)			
EUR	49.5	40.8	40.9	42.3
USD	3.0	4.1	5.5	5.1
Total	**52.5**	**44.9**	**46.3**	**47.4**

A 10% weakening of the above mentioned currencies against the functional currencies of the Group as at December 31, 2015, 2016 and 2017 and September 30, 2018, respectively, would have had the equal but opposite effect on the equity and loss, assuming that all other variables remain constant.

Interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates. We are exposed to interest rate risk (in euro) through market value fluctuations of interest-bearing borrowings. As at December 31, 2015, 2016 and 2017 and September 30, 2018, the interest rate profile of our interest-bearing financial instruments was:

	December 31, 2015 6 months or less	December 31, 2016 6 months or less	December 31, 2017 6 months or less
Interest bearing payables	18.1	77.3	11.0
Finance lease liabilities	2.4	2.1	1.9
Senior Facilities Agreements	229.9	336.9	337.4
Derivative liability	6.6	5.3	0.6
Other	4.8	13.1	29.6
Total	**261.7**	**434.8**	**380.5**

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date, without giving effect to interest rate swaps, would have increased (decreased) profit or loss by:

	Profit or loss (€ millions)	
	100 basis points increase	**100 basis points decrease**
December 31, 2017		
Variable rate instruments	(1.9)	1.9

	Profit or loss (€ millions)	
	100 basis points increase	**100 basis points decrease**
December 31, 2016		
Variable rate instruments	(1.9)	1.9

	Profit or loss (€ millions)	
	100 basis points increase	**100 basis points decrease**
December 31, 2015		
Variable rate instruments	(0.3)	0.3

Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Financial instruments carried on our balance sheet and measured at fair value include financial assets at fair value through other comprehensive income, embedded derivatives, interest rate swaps, cross currency swaps, electricity trading assets (term contracts) and electricity trading liabilities (term contracts).

DERIVATIVE FINANCIAL INSTRUMENTS

As at September 30, 2018 we had both derivative financial liabilities and derivative financial assets.

As at September 30, 2018 the Group had derivative financial assets in amount of €40.4 million (December 31, 2017: €34.9 million), which included:

- Embedded derivatives of €36.8 million related to the Notes (the Notes include several call options as well as one put option (December 31, 2017: €33.3 million).
- Electricity trading assets (term contracts) of €3.4 million being mark to market gain from fair valuation of energy supply contracts (December 31, 2017: €1.6 million).
- Interest rate swaps asset in amount of €0.2 million (December 31, 2017: €0.6 million liability):

On May 22, 2015, the Company concluded an interest rate swap for the entire term loan facility (which is currently part of the 2016 Senior Facilities Agreement) through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e., ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

As at September 30, 2018 the Group had derivative financial liabilities in the amount of €1.6 million (December 31, 2017: €10.1 million), which included electricity trading liabilities (term contracts) of €1.6 million being mark to market loss from fair valuation of energy supply contracts (December 31, 2017: €9.5 million).

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND DISCRETION

We prepare our financial statements in accordance with IFRS as adopted by the EU (and our 2017 Annual Financial Statements were also prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code). Certain financial reporting standards under IFRS require us to make judgments or to use our discretion in determining the values to be recorded, as described in the notes to our audited financial statements included elsewhere in this prospectus. The most material of these include the following:

Valuation of Assets

Property, plant and equipment are carried:

- using the cost model, at purchase or construction cost less accumulated depreciation and accumulated impairment losses: land, vehicles, furniture and office equipment; or
- using the revaluation model, at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: buildings, cable plant, equipment and devices and CPE.

Land is not depreciated.

Property, plant and equipment is measured at cost upon initial recognition.

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 borrowing costs, when applicable.

The costs of internally developed networks include proportionate direct material and labor 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.

Property, plant and equipment includes customer premises equipment, such as DTH, cable, Internet and 3G equipment in custody with customer, when the Group retains control over such assets.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The fair value of property, plant and equipment carried under the revaluation model is the estimated amount for which property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of property, plant and equipment is based on the market approach and, where market approach cannot be used given the high degree of specialization of the asset being valued, cost approach. Market approach relies on quoted market prices for similar items when available or on valuation models that use inputs observable on the market. The cost approach relies on the determination of the depreciated replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of customer premises equipment in custody of customers with suspended services as at the reporting date is fully impaired.

Our non-current intangible assets other than goodwill (consisting primarily of software, licenses and trademarks, our customer relationships and subscriber acquisition costs) are similarly recorded at cost, less accumulated amortization and impairment in value.

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 fair value at the date of the acquisition and are presented separately from any goodwill resulting in the acquisition.

Intangible assets are amortized over their useful economic life. Determining the useful economic life of these assets requires discretion and judgment. We have established the useful life (and thus the amortization periods) for our various intangible assets as follows:

- for subscriber acquisition costs, the two-year period of the initial contract with the subscriber;
- for customer relationships, generally seven years (we recognize impairment losses if our relationship with customers is terminated before the subscriber acquisition costs or customer relationships, as applicable, are fully amortized);
- for mobile licenses, the 15-25 years period of the license;
- software licenses (including software related to telecommunication equipment), generally three to eight years; and
- for other contractual intangible assets, over the underlying contract period.

The Group's program assets are recorded under current intangible assets. The Group classifies the cash outflows for the purchase of program assets as cash flows used in investing activities in the consolidated statement of cash flows, based on the long-term nature of the contribution of these assets to the subscriber acquisition, subscriber retention and consequent revenue generation, based on the comprehensive strategy of the Group. Advance payments for sports rights related to future seasons and for film and television rights are also presented as current intangible assets. When entering into contracts for the acquisition of broadcasting rights for national and international sports competitions, as well as contracts for the acquisition of film and television broadcasting rights, the rights acquired are classified as contractual commitments.

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

Goodwill, which is also recorded under "intangible assets," represents the excess of the purchase price of a business operation that we have acquired over the net fair value of our interest in that business's assets, liabilities and contingent liabilities. Determining that net fair value requires management discretion and judgment. Under IFRS, goodwill is not amortized.

In addition, we are required under IFRS to access most of our assets, including goodwill, for impairment at each financial year end, and more frequently if there is an indication that the asset may be impaired. This assessment compares the recoverable value of the asset against its carrying value and, if applicable, recognizes an impairment charge to bring the carrying value down to the recoverable value. Determining the residual value or the recoverable amount of these assets requires us to exercise discretion and judgment.

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 to sell 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 to sell, an appropriate valuation model is used.

Goodwill is tested, at least annually, for impairment, based on the recoverable amounts of the cash generating unit to which the goodwill has been allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lower level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

Recoverable amounts for the CGUs have been determined on the basis of fair value less costs to sell calculations using cash flow projections based on financial budgets approved by senior management covering a five-year period. Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

Estimated useful lives

Depreciation is calculated on a straight-line basis to write off the recorded cost of the assets over their estimated useful lives as follows:

Property, plant and equipment

	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	5 years
Furniture and office equipment	3-9 years

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

Capitalization of Costs

We reflect costs in our income statement in the year to which those costs relate, except for situations where those costs meet the criteria for capitalization. As an example, we capitalize the costs of upgrading our FTTB/ FTTH networks to GPON technology. We identify the following categories of costs that should be capitalized for property plant and equipment: direct materials costs, proportionate direct labor costs and costs relating to subcontracting the development services. We capitalize the cost of acquiring programming for our own channels and amortize those assets over the period they relate to on a straight line basis. Costs for acquiring content programming distributed through our own channels are accounted for as a capital expenditure because such rights are generally either exclusive or shared with one other party and we acquire such rights to attract and retain customers.

Fees paid for channels produced by third-parties consist primarily of per subscriber fees and are accounted for as operating expenses.

Determining whether a certain cost meets the criteria for capitalization can involve management judgment and discretion.

Trade and Other Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any doubtful debts. An estimate for doubtful debts allowance is made when collection of the full amount is no longer probable. We record allowances for bad debts and write-off uncollectible amounts when we identify them.

The Group had adopted IFRS 9 from January 1, 2018 and considers evidence of impairment for trade and other receivables according to the new impairment model. It requires the recognition of impairment allowances based on expected credit losses. Financial assets measured at amortized cost will be subject to the impairment requirements of IFRS 9. In general, the application of the expected credit loss model results in earlier recognition of credit losses and increase the amount of loss allowance recognized for the relevant items.

The only impact on the financial statements of the Group due to the new requirements of IFRS 9 resulted from applying the probability of default as it results from historical patterns also to the trade and other receivables which are not yet due (as the Group was already applying a method compliant with IFRS 9 for amounts due), with expected loss given default being assessed at 100%.

With respect to cash and cash equivalent amounts, due to the fact that the Group's exposure is towards banks with very low probability of default there would be no allowance to be recorded as the amounts will be immaterial.

The Group applied IFRS 9 retrospectively, but did not restate the comparative period, as permitted by IFRS 9.

Financial assets at fair value through OCI

Financial assets at fair value through OCI are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income "**OCI**" and accumulated in the fair value reserve. Financial assets at fair value through OCI comprise shares in RCSM, not traded on active markets. Up to May 2017, the valuation model used to assess their fair value was based on the income approach. Cash flows were projected based on financial budgets approved by senior management covering a five-year period, after which a terminal annual revenue growth was used. In May 2017, the Issuer's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of the available for sale shares held in RCSM at year end was performed based on the quoted price/share of the shares of the Issuer 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 Issuer. The fair value assessment also takes into account the cross-holdings between the Group and RCS Management.

Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Derivatives held for trading

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

Derivatives as hedging instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as finance costs.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss as other operating expenses. Amounts recognized as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Embedded derivatives related to the bond (the Notes include several call options as well as one put option, for which Management has assessed the combined fair value of these embedded options and recognized a separate embedded derivative asset): the fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread ("**OAS**") model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e., a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds.

Electricity trading assets and liabilities (term contracts): the Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on the "next day" electricity market around the valuation date, and
- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date.

Deferred tax assets

A deferred tax asset is recognized 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 realized.

Discontinued operations

A discontinued operation is a component of the Group's business, operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical

- area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

INDUSTRY OVERVIEW

The following section provides selected information on telecommunication markets in Romania, Hungary, Spain and Italy.

We have taken certain information in this summary from publicly available third-party sources, which are identified below. Such information is subject to change and cannot be verified with complete certainty. In particular, we calculated our market shares using our internal RGU records, which may be different from estimates thereof provided in such third-party sources. Also, no assurance can be given that estimates of RGU numbers of our competitors in such third-party sources are correct or the same as those contained in our competitors' internal records. Therefore, you should use caution in analyzing any such information and should not place undue reliance thereon. See "Presentation of Financial and Other Data" and "Risk Factors."

ROMANIA

Overview

Population and key economic indicators

Romania is located in South-Eastern Europe and shares borders with Hungary, the Republic of Serbia, the Republic of Moldova, Ukraine and Bulgaria. As at January 1, 2018 it had a population of approximately 19.5 million (56.4% of which was urban) (*Sources: Eurostat and NIS*). The Romanian population is forecasted to decrease at a CAGR of 0.6% in the period from January 1, 2017 to January 1, 2022 (*Source: Eurostat*). The country's population is therefore expected to decrease at a faster rate, as compared with the period from January 1, 2011 to January 1, 2016, when it decreased at a CAGR of 0.4% (*Source: Eurostat*). The number of households in Romania increased at a CAGR of 1.1% from January 1, 2013 to January 1, 2018, reaching 7.5 million (*Source: ANCOM, NIS*). Final aggregate consumption expenditure of households in Romania in the period between January 1, 2015 and January 1, 2018 increased at a CAGR of 8.6%, from approximately €92.5 billion to approximately €118.3 billion (*Source: Eurostat*).

The table below sets out the evolution of certain key economic indicators for Romania for the periods indicated:

	As at and for the year ended December 31,				
Key economic indicators	**2013**	**2014**	**2015**	**2016**	**2017**
Real GDP growth (*%*)	3.5%	3.4%	3.9%	4.8%	7.0[(1)]%
Unemployment rate at year end (*%*)[(2)]	7.1%	6.8%	6.8%	5.9%	4.9%
Gross GDP (*€ billion, current prices*)	143.8	150.5	160.3	170.4	187.5
Gross GDP per capita (€, *current prices*)	7,200.0	7,600.0	8,100.0	8,600.0	9,500.0
Inflation/(deflation) (*%, annual average*)	3.2%	1.4%	(0.4%)	(1.1%)	1.1%

Source: Eurostat.

(1) Estimated growth.

(2) Unemployment is calculated as the number of people unemployed as a percentage of the labor force based on International Labour Office's definition.

In the period from December 31, 2015 to December 31, 2017, Romania's economy showed positive real GDP growth at a CAGR of 5.9%, outperforming the EU's CAGR of 2.2% over the same period (*Source: Eurostat*). This growth was driven by private consumption accelerated by tax cuts; increases in minimum and public-sector wages and increases in pensions that boosted disposable incomes. For example, VAT was reduced from 24% to 20% starting from January 1, 2016 and decreased further to 19% as of January 1, 2017. Moreover, in 2018, the application of a reduced 5% VAT was extended to several industries, such as sports and recreational activities, accommodation, restaurant and catering services. In addition, in the period under review the Romanian leu was largely stable against the euro, until September 2016, when it started to moderately depreciate because of pro-cyclical fiscal policy boosting trade and current account deficits and higher inflation expectations. However, for the month of January 2019, the Romanian leu's depreciation increased by a further 2.1%. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results and Operations—Exchange Rates—Historic performance of our functional currencies against the euro and U.S. Dollar*."

Recent political developments and anti-corruption effort

Political developments

The current President was elected in November 2014 and will hold office until at least December 2019.

The latest parliamentary elections took place on December 11, 2016, with the Social Democratic Party (center-left) winning the majority of seats. The next parliamentary elections are currently scheduled for November 29, 2020.

On January 4, 2017, the Parliament approved the Government led by Prime Minister Mr. Sorin Grindeanu. However, that Government was dismissed by a vote of no confidence on June 21, 2017. A new Government led by Prime Minister Mr. Mihai Tudose was approved on June 29, 2017. On January 16, 2018, Mr. Mihai Tudose resigned from his position as Prime Minister amid internal conflicts within the Social Democratic Party. The Government which followed on January 29, 2018, and which remains in office as at the date of this prospectus, is led by Prime Minister Ms. Viorica Dancila.

Anti-corruption effort

In March 2012, a country-wide anti-corruption strategy was adopted in Romania. That was followed by a new version in August 2016, which built upon the results achieved in the implementation of the 2012 strategy and aspired to improve in underperforming areas (such as corruption prevention, rather than law enforcement). In its 2017 Report on Romania's progress under its CVM, the European Commission gave a generally positive assessment of the measures implemented to date to prevent and fight corruption in the country. It also proposed 12 recommendations for the country to fulfill in order to ensure compliance with the CVM. However, in its 2018 Report on Romania's progress under the CVM, the European Commission noted certain unfortunate developments in the areas of judicial independence, judicial reform and combating high-level corruption caused by recent substantial changes to the laws governing organization and functioning of the country's judicial system and by numerous initiatives to grant amnesty to individuals convicted of certain corruption crimes. Therefore, the European Commission determined that the previously identified 12 recommendations were no longer sufficient and proposed eight additional recommendations for the country to follow.

The 2018 Report also noted recent increases in the percentage of Romanians that said they had a negative perception of the judiciary's independence (which was largely due to the above legislative initiatives) and in the percentage that felt the status and position of judges were insufficient to ensure their impartiality.

However, significant progress has been made in connection with Romania's position in Transparency International's Corruption Perceptions index. As at December 31, 2017, Transparency International ranked the country 59th (out of 180 countries), an improvement from its previous ranking at 75th (out of 183 countries), as at December 31, 2011. Moreover, according to Marsh's Political Risk Map 2018 that consolidates political, macroeconomic and operational risks into an overall index, Romania is ranked as more politically stable than its neighboring states in the Balkan region and in line with countries such as Hungary, Croatia, Spain and Italy.

Telecommunication Services Market

Overview

The Romanian telecommunication services market (retail and wholesale) was valued at approximately €3.42 billion as at December 31, 2017 (*Source: ANCOM*). As at the same date, the country's retail telecommunication services market was valued at €2.7 billion.

As at December 31, 2017, retail mobile telecommunication services comprised the largest segment by value, accounting for approximately €0.9 billion, while fixed and mobile internet and pay TV segments were valued at €951.8 million and €383.8 million, respectively (*Source: ANCOM*).

The table below sets out the evolution of revenue for the key segments of the Romanian telecommunication services market (retail and wholesale) for the periods indicated:

	For the year ended December 31,			**CAGR**
	2015	**2016**	**2017**	**2015-2017(1)**
		(€ millions)		
Pay TV(2)	402.6	374.1	383.8	(2.4)%
Fixed internet and data	363.0	832.8	951.8	61.9%
Mobile telecommunication services	1,431.0	1,369.1	1,366.2	(2.3)%
wholesale	N/A	391.9	451.7	N/A
retail	N/A	977.5	914.5	N/A
Fixed-line telephony	216.2	398.6	434.2	41.7%
wholesale	N/A	200.4	254.3	N/A
retail	N/A	198.2	179.8	N/A
Other(3)	136.0	258.3	287.2	45.3%
Total(4)	**2,548.9**	**3,233.2**	**3,423.2**	**19.9%**

Source: ANCOM.

(1) CAGR calculated in local currency.

(2) Includes services provided via cable TV, DTH, IPTV and other technologies.

(3) Includes services to business customers, such as other means of data transmission, line leases, streaming, video-on-demand and other services.

(4) Excludes wholesale market, as defined by ANCOM.

Competition

In Romania, we are the leading provider of Pay TV and fixed internet and data services, the second-largest provider of fixed-line telephony services, and the fourth-largest provider of mobile telecommunication services. We also operate a technologically-advanced mobile network, which shares the backbone of our fixed infrastructure. (*Sources: Group and peer reports, ANCOM*).

The table below provides a comparison of the segments of the Romanian telecommunication services market that we cover with coverage by our principal competitors as at December 31, 2017:

	The Group	Telekom Romania	Orange Romania	Vodafone Romania	UPC Romania(1)
Pay TV					
Cable TV	✓	✓	✓(2)	—	✓
DTH	✓	✓	✓(2)	—	✓
Other(3)	—	✓	✓(2)	✓	✓
Fixed internet and data	✓	✓	✓(2)	✓(2)	✓
Mobile telecommunication services					
Mobile telephony	✓	✓	✓	✓	—
Mobile internet and data	✓	✓	✓	✓	—
Fixed-line telephony	✓	✓	—	—	✓

Sources: Group and peer reports, ANCOM.

(1) Acquired by Vodafone in 2018.

(2) Orange Romania and Vodafone Romania provide these services via Telekom Romania's network.

(3) Includes services provided via IPTV and other technologies.

Our principal competitors (Telekom Romania, Orange Romania, Vodafone Romania and UPC Romania) are parts of much larger international telecommunication groups and thus may have more resources than we do to support their growth. Nonetheless, the revenue from Romanian operations of those groups represents approximately 1.29%, 2.6%, 1.62% and 1.2% (prior to UPC Romania's acquisition by Vodafone), respectively, of such international telecommunication groups' total revenue for the year ended December 31, 2017, while the revenue from our operations in Romania represented 71.42% of our total revenue for the same period (*Sources: Group and peer reports*).

All our competitors offer multiple-play packages, which combine two or more fixed and/or mobile telecommunication/entertainment services. See "—*Multiple-play*" below. We also have to compete with companies offering other technologies as alternatives to our telephony services, such as Skype, WhatsApp, Google Hangouts and Facebook Messenger, as well as with companies offering alternative platforms that make TV and entertainment content available to customers, such as Netflix, Apple TV, Amazon Prime and Google Play, along with other services which allow legal or illegal downloading of movies and television programs.

Fixed internet and data and fixed-line telephony

Our two principal competitors in the pay TV, fixed internet and data and fixed-line telephony business lines are Telekom Romania and UPC Romania (currently owned by Vodafone). Both offer fixed internet and data and fixed-line telephony services via fixed networks, while Telekom Romania also offers pay TV services via DTH and IPTV technologies and UPC Romania offers pay TV services through cable and DTH.

Our FTTB/FTTH network is an advanced, fully digitalized and two-way capable fixed fiber-optic network passing a total of approximately 5.5 million homes in Romania as at September 30, 2018, or approximately 73% of total households, and offering speeds of up to 1,000 Mbps (we were the first telecommunication provider in Europe to offer such high speeds to such large number of customers). In comparison, as at December 31, 2017, Telekom Romania's fixed fiber network covered approximately 2.3 million households, or approximately 31.3% of total households. In recent years, Telekom Romania has been investing heavily in the development of its FTTH network with the purpose of increasing their FTTH coverage (*Source: Telekom Romania*). Currently, Telekom Romania is only able to offer speeds comparable to ours on the FTTH component of its network, which is much smaller than our FTTB/FTTH network. As at December 31, 2017, UPC Romania's cable network (which is currently based on DOCSIS technology as opposed to FTTB/FTTH) covered approximately 3.1 million households, or approximately 41.0% of total households, with speeds of up to 500 Mbps (*Source: Liberty Global plc. 2017 annual report*). As at December 31, 2017, approximately 92.0% of households covered by UPC Romania's cable network were also covered by other FTTB/FTTH networks (*Source: Liberty Global plc. 2017 annual report*), principally by our and Telekom Romania's FTTB/FTTH networks (*Sources:*

Group and peer reports). UPC Romania announced plans to deploy a new generation of gateways enabling DOCSIS 3.1 on their cable networks, to further improve their high-speed internet offers (*Source: Liberty Global plc. 2017 annual report*).

Mobile telecommunication services

There are four main operators competing in Romania for mobile telephony subscribers: Orange Romania, Vodafone Romania, Telekom Romania and us. All of our competitors operate advanced nationwide 2G, 3G and 4G mobile telecommunication networks, in each case covering virtually the entire territory of Romania (*Source: Peer reporting*). However, Orange Romania and Vodafone Romania have recently developed 3G+ and 4G+ networks, respectively (*Source: Peer reporting*). Telekom Romania, Orange Romania and Vodafone Romania have approximately 83.0%, 93.2% and 81.0% 4G coverage of the Romanian territory, as at the latest available reporting date for each provider (*Source: Peer reporting*). Unlike our principal competitors, we do not have legacy 2G networks as we developed our 3G and 4G from scratch. As at September 30, 2018, our 4G service covered approximately 61.0% of the country's territory.

At the moment, Romanian mobile telecommunication networks providers are focused on the development of 5G services, which are expected to be launched in 2020. In February 2018, Orange Romania announced a joint project with Samsung Electronics and Cisco to test its 5G capabilities, which test was completed in July 2018 in several urban areas. In September 2018, Vodafone Romania announced its launch of a country-wide live NB-IoT network for its business customers. In addition, in November 2018, Vodafone Romania and OMV Petrom successfully completed the first test of the NB-IoT technology on a commercial telecommunication network in the oil and gas industry. In 2017, Telekom Romania also showcased the potential of their 5G technology in live demonstrations (*Source: Peer reporting*). In December 2017, we entered into an arrangement with Ericsson to install its 5G and NB-IoT equipment on our network, in preparation for a potential future development of our own 5G offerings backed by IoT technologies. See "*Material Contracts—Agreements with key suppliers of our internet, data, mobile and fixed-line telephony businesses—Ericsson*." However, the development of such 5G offerings is not among our short or mid-term priorities, as we believe that technology is currently not sufficiently advanced and that our existing 3G and 4G networks are adequate to satisfy our customers' needs.

While our principal competitors have a long history of presence in the Romanian mobile telecommunications market, we only entered the market in 2007 and are the newest nationwide operator. However, since 2014, when we relaunched our mobile telecommunication services business line, we have been focused on growth in this area. Our mobile telecommunications RGUs increased from approximately 1.7 million as at December 31, 2013 to approximately 4.8 million as at September 30, 2018. Our strategy in the mobile telecommunication services business line is to maintain our ARPU lower than that of our principal competitors. For the year ended December 31, 2017, our mobile ARPU amounted to €4.3, while the blended mobile ARPU of Telekom Romania, Vodafone Romania and Orange Romania were €5.2, €6.0 and €7.4, respectively (*Source: Peer reporting*).

Pay TV market

As at June 30, 2018, there were approximately 7.5 million households subscribed to pay TV services in Romania. Therefore, the penetration rate of pay TV services (measured as a percentage of households subscribed to a service out of the total number of households) was 99.6% (*Source: ANCOM*).

The table below sets out the evolution of pay TV subscribers, by technology, and pay TV services penetration rates in Romania as at the dates and for the periods indicated:

	As at December 31,			**As at June 30,**	**CAGR**
	2015	**2016**	**2017**	**2018**	**2015-2017**
		(millions of subscribers)			
Cable TV	4.6	4.7	5.0	5.0	30.6%
DTH	2.4	2.4	2.3	2.3	(1.7)%
IPTV(1)	0.1	0.1	0.1	0.1	9.0%
Total	**7.1**	**7.3**	**7.5**	**7.4**	**16.0%**
Penetration rate (%)	*94.4%*	*97.1%*	*99.5%*	*99.6%*	

Source: ANCOM.

(1) Market not addressed by the Group.

Other technologies that could compete with pay TV offerings are mainly DTT, a digital technology that provides a greater number of channels and/or better quality through a conventional antenna or aerial connection, and OTT content, such as Netflix, Apple TV, Amazon Prime and Google Play. Netflix has been available via UPC Romania's TV platform since November 2017. Radiocom is currently the only telecommunication provider holding a license to offer DTT on the national level and Televiziunea Romana is the only broadcaster offering DTT channels. There is limited incentive to roll out DTT infrastructure in Romania. The shutdown of analog terrestrial television, originally scheduled for June 2015, has been postponed to the end of 2019.

Romanians have historically spent significant time watching TV. The table below sets out average times spent watching TV in Romania and certain other EU countries, as well as an average for the EU, for the periods indicated.

	For the year ended December 31,	
	2016	**2017**
	(minutes per day)	
Romania	329	317
Hungary	282	282
Poland	262	259
Bulgaria	236	249
Germany	221	223
France	222	223
UK	212	203
Czech Republic	211	211
EU average	**234**	**231**

Source: European Broadcasting Union.

Cable TV

As at June 30, 2018, approximately 5.0 million households, or 67.4% of pay TV RGUs in Romania, subscribed to cable TV services (*Source: ANCOM*). Cable TV subscribers are concentrated in urban areas, where cable accounted for an 85.4% share of total pay TV connections as at June 30, 2018, an increase from 78.2% as at December 31, 2011. At the same time, cable TV services are less widespread in rural areas and had a 44.2% share of total pay TV connections as at June 30, 2018, an increase from 34.1% as at December 31, 2011.

The Romanian cable TV market has been in transition from the analog platform to the digital platform since 2007. There were approximately 2.4 million digital cable TV subscribers as at June 30, 2018, compared with approximately 60,000 digital cable TV subscribers as at December 31, 2007. At the same time, the number of customers subscribed to the analog platform decreased to approximately 2.6 million as at June 30, 2018 from approximately 3.5 million as at December 31, 2007. (*Source: ANCOM*). However, the proportion of digital cable TV subscribers out of the total number of cable TV subscribers in Romania remained relatively low at 48.0% as at June 30, 2018 (compared with 74.7% average across Europe) (*Sources: ANCOM, Cable Europe*).

DTH

DTH was first launched in Romania in 2004 and thereafter went through a period of rapid expansion. As at June 30, 2018, there were 2.3 million DTH RGUs in Romania, which represented approximately 30.6% of all pay TV subscribers (*Source: ANCOM*). However, the DTH market decreased at a CAGR 1.9% in the period from June 30, 2016 to June 30, 2018 (*Source: ANCOM*) and is expected to give further way over time to competing alternatives. DTH services are more widespread in rural areas and small towns with limited or no cable TV coverage (subscribers from rural areas represented approximately 72.0% of all DTH users as at June 30, 2018). Its market share of total pay TV connections in the rural regions increased since December 31, 2011, while its share in urban areas decreased in the same period (*Source: ANCOM*).

The table below sets out information on our pay TV market share in Romania, compared to our principal competitors, as at June 30, 2018:

Pay TV market share (RGUs)[(1)]	**As at June 30, 2018**
	(%)
The Group	49.8%
Telekom Romania	19.6%
UPC Romania	12.5%
Other	18.0%
Total	**100.0%**

Source: Group and peer reporting.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU.*"

Fixed internet and data market

As at June 30, 2018, Romania had approximately 4.9 million households connected to the Internet via a fixed line. Therefore, the penetration rate of fixed internet and data in the country was approximately 59.8% as at June 30, 2018, compared with an average of approximately 79.6% in the European Union as at December 31, 2017. (*Sources: ANCOM, Eurostat*).

The table below sets out the evolution of fixed internet and data subscribers, by technology, and fixed internet and data penetration rates in Romania, as at the dates and for the periods indicated:

	As at December 31,			As at June 30,	CAGR
	2015	**2016**	**2017**	**2018**	**2015-2017**
	(millions of subscribers)				
Cable (including fiber)...............	3.2	3.4	3.8	3.9	9.0%
xDSL...	0.9	0.9	0.8	0.8	(5.7)%
Other...	0.2	0.1	0.2	0.2	0%
Total...	**4.3**	**4.4**	**4.8**	**4.9**	**6.7%**
Penetration rate (%)..................	*52.9%*	*53.7%*	*57.7%*	*59.8%*	

Source: ANCOM.

Cable (including fiber) was the most widely used technology in the Romanian market as at June 30, 2018 (with the rest mostly covered by xDSL) (*Source: ANCOM*). However, xDSL and other fixed internet technologies, accounted for approximately 35.0% of total internet subscribers in the business customer segment as at June 30, 2018 (*Source: ANCOM*). Romania has high rates of data usage via fixed lines, with an average of 102 GB of data per month per fixed connection for the six months ended June 30, 2018 (*Source: ANCOM*). Given the high usage via fixed lines, the risk of substitution of fixed internet traffic with mobile internet traffic in the Romanian market is relatively low, with average mobile data usage amounting to 2.26 GB per month in the same period (*Source: ANCOM*).

Romanian subscribers also generally benefit from high connection speeds, as approximately 66.0% of fixed connections in Romania as at December 31, 2017 had speeds of over 100 Mbps (*Source: ANCOM*), compared with approximately 11.0% and 15.0% in Germany and the UK, respectively (Source: European Commission). In Romania, this proportion has increased from 49.0% of fixed connections as at June 30, 2015 (*Source: ANCOM*).

The table below sets out the average download and upload connection speeds from customer tests in Romania as at December 31, 2017:

	As at December 31, 2017	
	Download	**Upload**
	(Mbps)	
The Group (mostly fiber)...	230	201
UPC Romania (DOCSIS)...	185	16
Telekom Romania (mostly xDSL)..	113	90

Sources: Netograf, ANCOM

In addition, operators have over time invested in Wi-Fi hotspot networks with approximately 5,100 Wi-Fi hotspots in Romania as at June 30, 2018, an increase from 3,100 as at December 31, 2013 (*Source: ANCOM*).

The table below sets out information on our fixed internet and data market share in Romania compared to our principal competitors, as at June 30, 2018:

Fixed internet market share (RGUs)[(1)]	**As at June 30, 2018**
	(%)
The Group..	49.6%
Telekom Romania...	24.1%
UPC Romania..	12.3%
Other[(2)]..	14.0%
Total...	**100%**

Source: ANCOM.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU*."

(2) Includes Orange Romania and Vodafone Romania.

Mobile telecommunication services market

Mobile telephony

As at June 30, 2018, the mobile telephony market had an active SIM penetration rate of 113.7% (*Source: ANCOM*). The penetration rate was lower than the European Union average of 123.0%, as at December 31, 2017 (*Source: GSMA Intelligence*). As at June 30, 2018, Romania had a total of 25.7 million mobile telephony users, 22.2 million of which were active. Although the Romanian mobile market still largely uses pre-paid services, which as at June 30, 2018 represented approximately 52.1% of the total mobile telephony market (*Source: ANCOM*), post-paid services were growing their market share at a CAGR of 8.0% in the period from December 31, 2015 to December 31, 2017 (*Source: ANCOM*). From December 31, 2015 to December 31, 2017, the percentage of total subscribers using post-paid services decreased from 40.0% to approximately 35.0% for Orange Romania, remained stable at approximately 29.0% for Vodafone Romania, and decreased from 19.0% to approximately 12.0% for Telekom Romania (*Sources: ANCOM, peer reporting*). MTRs have declined sharply from 5.03 euro cent per minute to 0.84 euro cent per minute since May 1, 2018. According to ANCOM, these tariffs are valid until the completion of a new cost model by ANCOM. They estimate that such completion will not take more than 16 months as of the date when the process will start (which it has not yet).

The table below sets out the evolution of active SIM users, by type of payment plans, and active SIM penetration rates in Romania as at the dates indicated:

	As at December 31,			June 30,	CAGR
	2015	**2016**	**2017**	**2018**	**2015-2017**
		(millions of subscribers)			
Post-paid personal	7.8	8.6	9.1	9.3	8.0%
Post-paid business	2.9	2.9	2.9	3.0	
Pre-paid	12.5	11.4	10.3	9.9	(9.2)%
Total	**23.2**	**22.9**	**22.4**	**22.2**	**(1.73)%**
SIM penetration rate (%)	*114.3%*	*115.9%*	*114.1%*	*113.7%*	

Source: ANCOM.

Mobile internet and data

The mobile internet and data market grew, in terms of subscribers, at a CAGR of 9.8% in the period from December 31, 2015 to December 31, 2017, reaching a penetration rate of 99.1% (and a penetration rate for 3G/4G technology of 84.6%) as at June 30, 2018 (*Source: ANCOM*). As at June 30, 2018, Romania had 19.4 million active users of mobile internet. The market has also experienced a transition from pre-paid to post-paid subscriptions, similar to the mobile telephony services market. At the same time, average data consumption per user per month grew at a CAGR of 86.1% in the period from December 31, 2015 to December 31, 2017 (*Source: ANCOM*). There was a further major increase in average data consumption per user per month to 2.27 GB as at June 30, 2018 from 1.56 GB as at December 31, 2017. These trends were largely driven by 4G coverage increasing its market share, in terms of RGUs, to approximately 9.0 million subscriptions, or 46.22% of total subscriptions, as at June 30, 2018 (*Source: ANCOM*).

The table below sets out the evolution of mobile internet users, by type of connection, mobile internet penetration rates and average data consumption per user per month in Romania as at the dates indicated:

	As at December 31,			June 30,	CAGR
	2015	**2016**	**2017**	**2018**	**2015-2017**
		(millions of subscribers)			
Post-paid personal	8.3	9.3	10.0	10.2	9.8%
Post-paid business	2.4	2.6	2.8	3.0	8.0%
Pre-paid	8.1	7.2	6.6	6.2	(9.7)%
Total	**18.8**	**19.1**	**19.4**	**19.4**	**1.6%**
Penetration rate (%)	*94.3%*	*96.4%*	*98.9%*	*99.1%*	*2.52%*
Traffic per user per month (GB)	*0.49*	*0.78*	*1.6*	*2.3*	

Source: ANCOM.

As at June 30, 2018, our share of Romanian mobile telecommunication services, in terms of RGUs, was 12.4%, while Orange Romania, Vodafone Romania and Telekom Romania had 35.2%, 32.9% and 19.5%, respectively (*Source: Group and peer reporting*).

The table below sets out information on our post-paid mobile communication services market share in Romania compared to our principal competitors:

Mobile telecommunication services market share (RGUs)(1)	Post-paid		
	As at December 31, 2017	**As at December 31, 2018**	**As at June 30, 2018**
		(%)	
The Group	23.3%	25.7%	27%
Orange	36.2%	34.8%	29%
Vodafone	26.0%	28.1%	30%
Telekom Romania	14.6%	11.4%	13%
Total	**100.0%**	**100.0%**	**100%**

Sources: Group and peer reports, ANCOM.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU*."

Fixed-line telephony market

The fixed-line telephony market in Romania was liberalized in 2003 when Telekom Romania lost its monopoly. As at June 30, 2018, it had a penetration rate of 40.1% (*Source: ANCOM*). As at the same date, there were approximately 3.8 million access fixed-lines and 3.2 million subscribers in Romania (*Source: ANCOM*).

We believe that the trend in the Romanian fixed-line telephony market is towards bundling such services with other communications offerings (such as cable TV and fixed internet). The degree, to which multiple-play offers are made available is generally dependent on the infrastructure available to each service provider.

The table below sets out information on our fixed-line telephony market share in Romania compared to our principal competitors, as at June 30, 2018:

Fixed-line telephony market share (RGUs)(1)	As at June 30, 2018
	(%)
The Group	35.0%
Telekom Romania	44.0%
UPC Romania	15.0%
Other	5.0%
Total	**100.0%**

Source: Group and peer reporting.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU*."

Multiple-play

Similar to the trends in some other EU countries, it is becoming increasingly common in Romania for operators to provide their services as multiple-play bundles, where consumers subscribe for two or more services. In order to incentivize customer acquisitions, individual services are often offered at a discount in such multiple-play bundles. The number of active subscribers consuming two or more services in Romania increased at a CAGR of 1.0% in the period between December 31, 2015 and December 31, 2017 and reached approximately 5.0 million as at June 30, 2018 (exclusive of certain mobile telephony and data bundled offerings) (*Source: ANCOM*).

HUNGARY

Overview

Hungary shares borders with Croatia, the Republic of Serbia, Austria, Slovenia, Romania, Ukraine and Slovakia and as at January 1, 2018 had a population of approximately 9.8 million (*Source: Eurostat*). The country's population decreased at a CAGR of 0.3% in the period from January 1, 2013 to January 1, 2018. However, the total number of households in Hungary increased from 4.0 million to 4.1 million at a CAGR of 0.2% in the period from January 1, 2013 to December 31, 2017 (*Source: Eurostat*).

The table below sets out the evolution of certain key economic indicators for Hungary for the periods indicated:

	As at and for the year ended December 31,				
Key economic indicators	**2013**	**2014**	**2015**	**2016**	**2017**
Real GDP growth (%)	2.1	4.2	3.5	2.3	4.1
Unemployment rate (%, annual average)(1)	5.8	4.5	4.1	3.1	2.6
Inflation (%, annual average)	1.7	0.0	0.1	0.4	2.4

Source: Eurostat.

(1) Unemployment is calculated as the number of people unemployed as a percentage of the entire Hungarian population.

The Hungarian economy has shown relatively high and stable real GDP growth in recent years and improving employment figures (*Source: Eurostat*). The recent growth was fueled by internal consumption and investment. Industry (automotive, heavy industry), as well as tourism plays an important role in the economy (*Source: Hungarian Central Statistical Office*).

Hungary has been a European Union member since 2004. In 2006, the country experienced major political upheaval and its government faced street protests. In 2010, that government was replaced by the current government, which has adopted a centralized and unilateral policymaking approach.

Telecommunication Services Market

Overview

The Hungarian telecommunication services market generated revenue of €2.5 billion for the year ended December 31, 2017 and grew, in terms of revenue, at a CAGR of 1.4% in the period from January 1, 2015 to December 31, 2017 (*Source: Ampere Analysis*). As at December 31, 2017, mobile telecommunication services represented the largest share, accounting for €1.5 billion, or 60.4% of total revenue, fixed internet and data accounted for €0.3 billion, or 14.1% of total revenue, pay TV accounted for €0.4 billion, or 15.8% of total revenue and fixed-line telephony accounted for €0.2 billion, or 9.7% of total revenue (*Source: Ampere Analysis*).

The table below sets out the evolution of revenue for the key segments of the Hungarian telecommunication services market for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
		(€ millions)	
Pay TV(1)	372.6	382.0	390.9
Fixed internet and data	324.5	334.0	348.5
Mobile telecommunication services	1,451.1	1,462.0	1,495.1
Fixed-line telephony	259.6	248.2	239.3
Total	**2,407.8**	**2,426.3**	**2,473.8**

Source: Ampere analysis.

(1) Includes services provided via cable TV, DTH, IPTV and other technologies.

There are a number of taxes specifically targeting the telecommunication or audio-visual media industry in Hungary. For example, every telecommunication operator is required to pay HUF2 (residential voice lines) or HUF3 (corporate voice lines) per minute of a voice call and per each SMS/MMS sent (capped at HUF700 per month on every residential voice line, and HUF5,000 per month on every corporate voice line). In addition, telecommunication services providers are required to pay a tax of HUF125 per meter of networks with a degressive discount for the first 500 km of the network (100% on 0-200 km, 70% on 200-350 km, and 25% on 350-500 km). Network developments enabling at least 100 Mbps data access shall be disregarded within the first five years of utilization when calculating the tax base and all their financial (non-cash) transactions are subject to a tax of 0.3%. In addition, the Hungarian Government increased the tax rate on television advertising revenue to 7.5% in 2017. Advertising revenue up to HUF100 million is exempt.

Competition

We offer cable TV, fixed internet and data and fixed-line telephony services in Hungary through our fixed fiber-optics network (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber). We also offer DTH TV services and resell mobile internet and data services provided by a third party.

The tables below provide a comparison of the segments of the Hungarian telecommunication services market that we cover with coverage by our principal competitors as at December 31, 2017:

	The Group[1]	**Magyar Telekom**	**UPC Hungary**
Pay TV			
Cable TV	✓	✓	✓
DTH	✓	✓	✓
Other[2]	✓	✓	✓
Fixed internet and data	✓	✓	✓
Mobile internet and data	✓[3]	✓	✓
Fixed-line telephony	✓	✓	✓

Source: Group and peer reporting.

(1) Including through Invitel's networks.

(2) Includes services provided via IPTV and other technologies.

(3) As a reseller through Telenor's local network.

All our competitors offer multiple-play packages, which combine two or more fixed and/or mobile telecommunication/entertainment services. See "—*Multiple-play*" below.

Our principal competitors in Hungary across all business lines are Magyar Telekom and UPC Hungary. The pay TV and fixed internet and data markets are dominated by us, UPC Hungary and Magyar Telekom. The acquisition of Invitel in 2018 allowed us to significantly increase our Hungarian fixed-line telephony RGUs. Our mobile internet and data operations in Hungary are currently less significant.

Pay TV market

As at December 31, 2017, there were approximately 3.5 million households subscribed to pay TV services in Hungary. Therefore, the penetration rate of pay TV services was 85.8% (*Source: Eurostat; NMIAH*).

The table below sets out the evolution of pay TV subscribers, by technology, and pay TV services penetration rates in Hungary as at the dates and for the periods indicated:

	As at December 31,			**As at September 30,**	**CAGR**
	2015	**2016**	**2017**	**2018**	**2015-2017**
	(millions of subscribers)				
Cable TV					
Analog cable	0.9	0.8	0.8	0.7	(8.5)%
Digital cable, IPTV[1] and other technologies[1]	1.3	1.5	1.6	1.8	12.7%
DTH	0.9	0.9	0.8	0.8	(3.6)%
DTT[1]	0.1	0.1	0.1	0.1	(3.2)%
Other[1]	0.3	0.3	0.2	0.2	(12.8)%
Total	**3.5**	**3.5**	**3.5**	**3.6**	**1.0%**
Penetration rate (%)	*83.8%*	*85.1%*	*85.8%*	*N/A*	

Source: NMIAH.

(1) Markets not addressed by the Group.

Cable TV

Cable TV, IPTV and DTH are the principal television signal distribution platforms in Hungary. As at September 30, 2018, cable TV had a share of 69.3%, in terms of RGUs, of the total pay TV market (*Source: NMIAH*). The digital cable TV, IPTV and other technologies market grew, in terms of RGUs, at a CAGR of 12.7% in the period from December 31, 2015 to December 31, 2017 (*Source: NMIAH*). The Hungarian pay TV market is still in the process of shifting from analog to digital cable and we believe that we are well positioned to benefit from this shift. As at

September 30, 2018, digital cable and IPTV technologies accounted for 49.5% of total subscriptions in Hungary, as compared to 37.4% as at December 31, 2015. As at September 30, 2018, analog cable accounted for 19.8% of total subscriptions in Hungary, as compared to 26.0% as at December 31, 2015 (*Source: NMIAH*).

DTH

The dynamics of the DTH sector in Hungary changed during 2006 with the introduction of our DIGI TV offer to rival the long-time established operator, UPC Direct (a brand of UPC Hungary). Prior to the launch of our DIGI TV service, UPC Direct service had been the only DTH operator in Hungary since its introduction in 2000. Magyar Telekom, which entered the market in 2008, became the biggest operator, in terms of RGUs, in March 2010, overtaking UPC (*Source: NMIAH*).

The table below sets out information on our cable TV market share in Hungary, compared to our principal competitors, as at September 30, 2018:

Cable TV market share (RGUs)[1]	**As at September 30, 2018**
	(%)
The Group	30.0%[2]
UPC Hungary	25.2%
Magyar Telekom	26.9%
Other	17.9%
Total	**100.0%**

Sources: Group and peer reporting, NMIAH.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU*."

(2) Includes Invitel, which we acquired on May 30, 2018. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Acquisitions and disposals*."

In Hungary, we also face competition from DTT offerings. Antenna Hungaria has completed the switchover to the DTT technology in 2013 and as at September 30, 2018, their MinDigTV Extra product reached 97,971 subscribers (*Source: NMIAH*). Netflix entered the Hungarian market in 2016, but we believe that there is a lower competitive threat due to Netflix's pricing and the preference for dubbed content among the Hungarian population.

Fixed internet and data market

Fixed internet and data services are currently widely available in Hungary. The total number of households consuming these services increased from approximately 2.6 million as at December 31, 2015 to approximately 2.8 million as at December 31, 2017 (*Source: NMIAH*). Therefore, the fixed internet and data household penetration rate in the country was approximately 68.9% as at December 31, 2017, compared with an average of approximately 75.0% in the EU (*Sources: NMIAH and Eurostat*).

The table below sets out the evolution of fixed internet and data, by technology, and fixed internet and data penetration rates in Hungary as at the dates and for the periods indicated:

	As at December 31,			**As at September 30,**	**CAGR**
	2015	**2016**	**2017**	**2018**	**2015-2017**
	(millions of subscribers)				
xDSL	0.8	0.8	0.8	0.7	(2.2)%
Cable DOCSIS 3.0	0.9	1.0	1.1	1.2	7.8%
Cable DOCSIS 2 or lower	0.2	0.1	0.1	0.1	(11.5)%
FTTx	0.4	0.5	0.6	0.7	18.0%
Other	0.2	0.3	0.3	0.3	4.9%
Total	**2.6**	**2.7**	**2.8**	**3.0**	**5.3%**
Penetration rate (%)	*61.9%*	*64.7%*	*68.9%*	*N/A*	

Source: NMIAH.

Cable is the leading internet connectivity technology, having overtaken xDSL in 2010 (*Source: Hungarian Central Statistical Office*). As at December 31, 2017, cable internet subscriptions accounted for 42.3% of total fixed internet and data subscriptions (*Source: NMIAH*).

The table below sets out information on our fixed internet and data market share in Hungary, compared to our principal competitors, as at September 30, 2018:

Fixed internet and data market share (RGUs)[1]	As at September 30, 2018
	(%)
The Group	24.7%[2]
UPC Hungary	21.9%
Magyar Telekom	35.6%
Other	17.8%
Total	**100.0%**

Sources: Group and peer reporting, NMIAH.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU.*"

(2) Includes Invitel, which we acquired on May 30, 2018. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Acquisitions and disposals*."

All three leading fixed internet and data providers have been investing in next generation access ("**NGA**") infrastructure (including FTTB/FTTH, Cable DOCSIS 3.0, VDSL and other superfast broadband technologies with download speeds of at least 30 Mbps). UPC Hungary has recently upgraded its network to DOCSIS 3.0 standard and as at September 30, 2018, their fiber network passed approximately 1.8 million homes in Hungary (*Sources: NMIAH and peer reports*). As at December 31, 2017, Magyar Telekom's was offering at least 30 Mbps fixed service to more than 3 million households in the country (*Sources: NMIAH and peer reports*). We upgraded approximately 90.0% of our FTTB/FTTH networks in Hungary (excluding Invitel) to GPON or comparable technology (excluding Invitel's network). As at September 30, 2018, our fiber network covered 46.8% of households in Hungary, with approximately 2.1 million homes passed. According to the European Digital Agenda, Hungary increased its coverage of NGA from 2.4 million households, or 59.7% of total households, as at December 31, 2012 to 3.4 million households, or 82.0% of total households, as at December 31, 2017, at a CAGR of 6.8%. This is the result of both the European Commission's strategy to upgrade infrastructure across the EU as well as increasing demand for higher speeds. Speeds over 30 Mbps account for a high proportion of the market, with 80.0% of total households as at December 31, 2017, which was an increase from 74.8% as at December 31, 2014 (*Source: NMIAH*).

The table below sets out the download and upload connection speeds from customer tests in Hungary as at September 30, 2018:

	As at September 30, 2018	
	Download	Upload
	(Mbps)	
The Group	244	113
Magyar Telekom	94	66
UPC Hungary	92	12

Source: NMIAH (Szelessay).

Fixed-line telephony market

There were approximately 3.1 million telephone main lines in Hungary as at September 30, 2018 (*Source: NMIAH*). Therefore, fixed-line telephony penetration rate was 64.7% as at September 30, 2018, a slight decrease from 65.7% as at December 31, 2015. The numbers of fixed telephony lines in Hungary increased slightly in the period from December 31, 2015 to December 31, 2017 at a CAGR of 0.6%, as a fixed-line telephony service is included in bundles provided to consumers.

The table below sets out information on our fixed internet and data market share in Hungary, compared to our principal competitors, as at September 30, 2018:

Fixed-line telephony market share (RGUs)[1]	As at September 30, 2018
	(%)
The Group	22.9%[2]
UPC Hungary	20.1%
Magyar Telekom	48.9%
Other	8.1%

Fixed-line telephony market share (RGUs)[1]	As at September 30, 2018
	(%)
Total	**100.0%**

Sources: Group and peer reporting, NMIAH.

(1) Our RGU figures may not be comparable to RGU figures of our competitors. See "*Presentation of Financial and Other Data—Operating and Market Data—RGUs and ARPU*."

(2) Includes Invitel, which we acquired on May 30, 2018. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Trends and Other Key Factors Impacting Our Results of Operations—Acquisitions and disposals*."

Multiple-play

Similar to the trends in some other EU countries, it is becoming increasingly common in Hungary for operators to provide their services as multiple-play bundles, as part of which consumers subscribe for two or more services. In order to incentivise customer acquisitions, individual services are often offered at a discount in such multiple-play bundles. For example, among our Hungarian subscriber base the average number of services per network customer was 2.3 (excluding DTH) and the percentage of customers using more than one service was approximately 80%, in each case, as at December 31, 2017.

SPAIN

Overview

Spain is located on the Iberian Peninsula in South-Western Europe and shares borders with France, Andorra and Portugal. It had a population of approximately 46.7 million as at January 1, 2018 (*Source: Eurostat*).

The table below sets out the evolution of certain key economic indicators for Spain for the periods indicated:

	As at and for the year ended December 31,				
Key economic indicators	**2013**	**2014**	**2015**	**2016**	**2017**
Real GDP growth/contraction (%)	(1.7)%	1.4%	3.6%	3.2%[1]	3.0%[1]
Unemployment rate (%, annual average)[2]	17.3%	16.0%	14.5%	12.8%	11.2%
Inflation/deflation (%, annual average)	1.5%	(0.2)%	(0.6)%	(0.3)%	2.0%

Source: Eurostat.

(1) Estimated growth.

(2) Unemployment is calculated as the number of people unemployed as a percentage of the entire Spanish population.

The Romanian population in Spain was approximately 0.67 million as at June 30, 2018 (provisional). Romanians formed the second largest group of foreigners in the country, representing approximately 14.4% of the Spanish total foreign population of approximately 4.66 million as at June 30, 2018 (provisional) (*Source: Instituto Nacional de Estadistica*).

Mobile Telecommunication Market Overview

Spain has one of the largest mobile markets in Europe (*Source: European Commission*). The total number of subscribers as at September 30, 2018 was 53.4 million, with 78.4% subscribing on a post-paid basis (*Source: CNMC*). Despite penetration exceeding 100% as far back as 2005, subscriber growth continued until the end of 2011, although at a slower rate (*Source: CNMC*). More recently, annual declines in subscriber numbers have occurred predominantly in the pre-paid segment (at a CAGR of 7.0% in the period from December 31, 2012 to September 30, 2018) with post-paid subscribers showing some growth (at a CAGR of 4.2% in the period from December 31, 2012 to September 30, 2018) (*Source: CNMC*).

The major mobile telecommunication service providers in Spain are Telefónica (Movistar), Vodafone Spain, Orange España and Yoigo (acquired by Másmóvil in June 2016). Despite its privatization, Telefónica (Movistar) remains the dominant player (*Source: CNMC*).

The CNMC actively encouraged the entrance of virtual operators, which now compete with the four operators named above (*Source: European Commission*). Despite the saturated mobile market and the economic crisis, a number of MVNOs have entered the Spanish mobile market in the last ten years. Notable examples include cable operators such as Ono (acquired by Vodafone in March 2014) or Euskaltel, fixed operators such as Jazztel (acquired by Orange in September 2014) or pure MVNO operators like Lycamobile. There were 4.7 million MVNO subscribers as at

September 30, 2018, representing approximately 8.0% of the total mobile market (*Source: CNMC*). Our overall market share in the Spanish telecommunication services market as at December 31, 2018, was approximately 2.75%.

According to the CNMC's telecommunication report for the third quarter of 2018 on competition among network operators, the fast development of the multiple-play market and the development of MVNOs in Spain exerted continuous pressure on prices. According to the CNMC, since the introduction of MVNOs in 2006, the monthly ARPU has fallen from €24.2 for the quarter ended December 31, 2006 to €14.8 for the quarter ended at September 30, 2018.

Fixed internet and data market

Spain has also one of the largest fixed internet markets in Europe (*Source: European Commission*). In the past, the fixed internet market experienced a constant growth of a minimum of 0.5 million subscribers per year reaching a total number of subscribers of 14.8 million broadband subscribers as at September 30, 2018 (*Source: CNMC*).

The major fixed internet telecommunication service providers in Spain are Telefonica (Movistar) Vodafone Spain, Orange España and Masmovil group, representing approximatively 95.1% of the total fixed internet market. (*Source: CNMC*).

The decision of the operator of the largest fixed internet network, Telefonica, to invest during the last seven years in the modernization of traditional xDSL network to a FTTH GPON technology-based network rapidly changed the market. xDSL subscribers represented only 31% of the total fixed internet market as at September 30, 2018 compared to 78% as at December 31, 2012. FTTH fixed internet subscribers represented 50% of the total fixed-internet market as at September 30, 2018 compared to 2% as at December 31, 2012.

Fixed-line telephony market

The Spanish fixed-line telephony market amounted to a total of 19.4 million subscribers as at September 30, 2018, in which the major fixed telephony providers are Telefonica (Movistar) Vodafone Spain, Orange España, Masmovil group and Euskaltel, representing approximatively 98.7% of the total fixed internet market. (*Source: CNMC*).

ITALY

Overview

Italy is located in Southern Europe and shares borders with France, Switzerland, Austria and Slovenia. As at December 31, 2017, it had a population of approximately 60.5 million (*Source: Eurostat*).

The table below sets out the evolution of certain key economic indicators for Italy for the periods indicated:

	As at and for the year ended December 31,				
Key economic indicators	**2013**	**2014**	**2015**	**2016**	**2017**
Real GDP growth (%)	(1.7)%	0.1%	0.9%	1.1%	1.6%
Unemployment rate (%, annual average)[1]	6.7%	7.1%	6.7%	6.6%	6.4%
Inflation (%, annual average)	1.2%	0.2%	0.1%	(0.1)%	1.3%

Source: Eurostat.

(1) Unemployment is calculated as the number of people unemployed as a percentage of the entire Italian population.

The Romanian population in Italy was approximately 1.2 million as at January 1, 2018. As at the same date, Romanians formed the largest group of foreigners in the country, representing 23.0% of Italy's total foreign population of approximately 5.1 million (*Source: ISTAT*).

Mobile Telecommunication Market Overview

As at December 31, 2017, Italy had 83.9 million active mobile subscriptions (excluding "machine-to-machine" mobile SIMs) (*Source: AGCOM*). In Western Europe, Italy's mobile user base was the second largest behind Germany, with a mobile penetration rate of more than 139.0% as at December 31, 2017, and it is one of the most saturated wireless markets in the world (*Source: European Commission*). The market was also characterized by a high percentage of pre-paid customers at 85.6% as at December 31, 2017, which has been relatively stable since 2013.

Italy has four mobile telecommunication service providers: TIM (a former state monopoly), Vodafone Italy, Wind Tre and Iliad, which launched its mobile services in 2018. Our overall market share in the Italian telecommunication services market as at December 31, 2017, was approximately 0.2% (*Source: AGCOM*).

Due to the launch of Iliad with offers including large amounts of data, the market has responded with significant adjustments in the mobile offering. As a consequence the average consumption of data per mobile user at September 30, 2018 was 50% higher than the same period for the previous year, at 3.88 GB/user *(Source: AGCOM).*

Italy's first MVNOs were launched in mid-2007, and there were at least seven MVNOs with significant market power in the relevant markets as at September 30, 2018 (*Source: AGCOM*). AGCOM reported that there were 8.56 million MVNO subscriber accounts in Italy as of September 30, 2018, as compared to 6.7 million as at December 31, 2014, resulting in a market share of 8.3% as at September 30, 2018.

BUSINESS

Investors should read this section in conjunction with the more detailed information contained in this prospectus including the financial and other information appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Where stated, financial information in this section has been extracted from the Financial Statements.

OVERVIEW

INTRODUCTION

We are a European leader in geographically-focused telecommunication solutions, based on the number of RGUs (*Sources: Group and peer reporting*). We are a leading provider of telecommunication services in our core Romanian and Hungarian markets and are also active in Spain and, to a lesser extent, Italy.

- Romania. Our offerings in Romania include cable TV, fixed internet and data, mobile telecommunication services, fixed-line telephony and DTH. Our technologically-advanced fixed fiber-optic network covered 73.2% of households as at September 30, 2018, according to our estimates. 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.
- Hungary. We provide cable TV, fixed internet and data, fixed-line telephony and DTH services in Hungary. Our fixed telecommunication and entertainment products are offered through a technologically-advanced fixed fiber-optic network (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber), which covered 46.8% of households as at September 30, 2018 (*Source: Hungarian Central Statistical Office*). In addition, we are in the advanced stage of our own mobile network's development and currently expect to launch our services in 2019. The country is entirely within the footprint of our DTH signal.
- Spain. We provide mobile telecommunication services as an MVNO through the mobile network of Telefónica, primarily to the large local Romanian community. Following its launch, we now also offer fixed internet and data and fixed-line telephony services as a reseller through Telefónica's fixed line network.
- Italy. We provide mobile telecommunication services as an MVNO through the mobile network of TIM, primarily to the large local Romanian community.

For the year ended December 31, 2017, our four geographies accounted for the following portions of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations): Romania for €655.2 million, or 71.5%; Hungary for €150.4 million, or 16.4%; Spain for €92.7 million, or 10.1%; and Italy for €18.3 million, or 2.0%. For the nine months ended September 30, 2018, our four geographies accounted for the following portions of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations): Romania for €514.2 million, or 68.0%; Hungary for €135.0 million, or 17.8%; Spain for €90.0 million, or 11.9%; and Italy for €17.2 million, or 2.3%. Although in the past we had operations in other Eastern European countries, all such operations were disposed of in 2013 and 2015.

We have grown mainly organically from approximately 0.7 million RGUs as at December 31, 2002 to approximately 14.7 million RGUs as at September 30, 2018. As at September 30, 2018, we had approximately 3.9 million cable TV RGUs, approximately 3.2 million fixed internet and data RGUs, approximately 4.8 million mobile telecommunication services RGUs, approximately 1.9 million fixed-line telephony RGUs and approximately 0.8 million DTH RGUs. Our acquisition of Invitel in May 2018 contributed approximately 733,000 RGUs to those numbers (see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Trends and Other Key Factors Impacting our Results of Operations—Acquisitions and disposals*").

We have historically generated strong revenue streams. Our revenue of continuing operations (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) amounted to €746.3 million, €842.8 million, €916.6 million and €756.4 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. Our Adjusted EBITDA of continuing operations has grown from €237.5 million for the year ended December 31, 2015 to €263.3 million, €287.5 million and €240.9 million for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2018, respectively. In addition, our Adjusted EBITDA margin of continuing operations has remained at the same level at 31.8% for the year ended December 31, 2015 and the nine months ended September 30, 2018.

We offer five principal types of services:

- **Cable TV** is our original line of business. As at September 30, 2018, we had approximately 3.2 million Romanian and approximately 685,000 Hungarian RGUs for cable TV services. Cable TV services accounted for 25.1% and 24.4% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

- We offer **fixed internet and data** services through our fixed fiber networks in Romania and Hungary (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) and, since September 2018, as a reseller through Telefónica's fixed line network in Spain. As at September 30, 2018, we had approximately 2.5 million and approximately 741,000 fixed internet and data RGUs in Romania and Hungary, respectively (we did not yet have any fixed internet and data RGUs in Spain, as the necessary installation works were still in progress). Fixed internet and data services accounted for 23.2% and 23.0% of our revenue (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

- We provide **mobile telecommunication services** using our own 3G and 4G networks in Romania, as a reseller using a third-party network in Hungary and as an MVNO in Spain and Italy primarily targeting local Romanian communities. As at September 30, 2018, we had approximately 3.4 million mobile telecommunication services RGUs in Romania, approximately 16,000 RGUs in Hungary (which related to the resale of mobile voice and data of Telenor's local network), approximately 1.2 million RGUs in Spain and approximately 202,000 RGUs in Italy. In addition, we are in advanced stages our own mobile network's development in Hungary and currently expect to launch our services in 2019. Mobile telecommunication services accounted for 30.1% and 31.8% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

- We offer **fixed-line telephony** services through our fixed fiber networks in Romania and Hungary (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) and, since September 2018, as a reseller through Telefónica's fixed line network in Spain. As at September 30, 2018, we had approximately 1.2 million Romanian fixed-line telephony RGUs and approximately 697,000 Hungarian fixed-line telephony RGUs (we did not yet have any fixed-line telephony RGUs in Spain, as the necessary installation works were still in progress). Fixed-line telephony services accounted for 3.2% and 3.6% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) for the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

- Our **DTH satellite television** services are offered in Romania and Hungary. As at September 30, 2018, we had approximately 544,000 DTH RGUs in Romania and approximately 288,000 DTH RGUs in Hungary. DTH services accounted for 7.6% and 6.5% of our revenue (in each case, excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) in the year ended December 31, 2017 and the nine months ended September 30, 2018, respectively.

KEY STRENGTHS

We consider our key strengths to include the following:

- ***Attractive local markets with stable structural growth.*** We focus our telecommunication offerings primarily on two core geographic segments, Romania and Hungary. Both 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 home jurisdiction, Romania, has a large and dynamic economy, the real GDP of which grew at the rate of 3.9%, 4.8% and 7.0% in 2015, 2016 and 2017, respectively, outperforming the EU's real GDP growth rate of 2.3%, 2.0% and 2.4%, respectively, for the same periods (*Source: Eurostat*). Final aggregate consumption expenditure of households in Romania in the period between January 1, 2015 and January 1, 2018 increased at a CAGR of 8.6%, from approximately €92.5 billion to approximately €118.3 billion (*Source: Eurostat*), and the country's telecommunication and entertainment industries have benefited from this growth. There is limited free TV in Romania, while pay TV offers a variety of popular programming, including exclusive live content. In addition, only 48.0% of the country's cable TV subscribers used digital technology as at June 30, 2018 (*Source: ANCOM*), which provides an opportunity to transfer existing subscribers from the analog platforms that they are currently using to our advanced digital platform. As regards fixed internet and data, it had a 59.8% household penetration rate in Romania as at June 30, 2018 (compared to an average of approximately 79.6% in the EU) (*Sources: ANCOM, Eurostat*). Given our technologically advanced fixed fiber network, we are well positioned to take advantage of remaining penetration opportunities and increase our number of fixed internet and data subscribers. Finally, the Romanian mobile telecommunication services market is currently generating approximately as much revenue as the country's internet and pay TV markets combined and is experiencing rapid data consumption growth (*Source: ANCOM*). However, it is still experiencing low convergence with fixed pay TV and internet and data offerings. Given our established and leading positions in the country's pay TV and fixed internet and data markets, based on number of RGUs, as well as our advanced and extensive mobile network, we are well placed to capitalize on these conditions in order to grow our share of the mobile telecommunication services market.

- ***Market leadership in core business lines and robust RGU growth.*** We are the leading provider of pay TV services in Romania and Hungary, by number of RGUs. As at June 30, 2018, we had a share of 49.8% of the Romanian pay TV services market (*Sources: Group and peer reporting; ANCOM*). As at September 30, 2018, we had a share of 30.0% of the Hungarian cable TV services market (*Sources: Group and peer reporting, NMIAH*). We also lead Romania's fixed internet and data market with a 49.6% market share as at June 30, 2018, while being second in Hungary with a 24.7% market share as at September 30, 2018 (*Sources: Group and peer reporting, ANCOM, NMIAH*). In addition, we are the second-largest provider of fixed-line telephony services in Romania with a 35.0% market share as at June 30, 2018 and are second in Hungary with a 22.9% market share as at September 30, 2018 (*Sources: Group and peer reporting, ANCOM, NMIAH*). Finally, we are the fourth-largest provider of mobile telecommunication services in Romania as at June 30, 2018 with a 27.3% share of the post-paid market (*Sources: Group and peer reporting, ANCOM*). We are focused on increasing market penetration in our existing 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; increasing our total RGUs across all business lines from approximately 0.7 million as at December 31, 2002 to approximately 14.7 million as at September 30, 2018.

- ***Advanced infrastructure, including nationwide fiber networks in Romania and Hungary and fast growing, in terms of RGUs, mobile network in Romania.*** Our fixed fiber-optic networks in Romania and Hungary are technologically advanced and cover 73.2% and 46.8%, respectively, of households in those countries as at September 30, 2018 (*Sources: Group reporting; Hungarian Central Statistical Office*). We have upgraded more than 90% of our Romanian and Hungarian (excluding the recently acquired Invitel's network, which we are currently upgrading to fiber) fixed fiber-optic networks to GPON or comparable technology and are currently able to offer transmission speeds of up to 1,000 Mbps for internet and data services, the fastest available to residential users in those markets. As at September 30, 2018, our 3G and 4G mobile telecommunication services in Romania covered approximately 99.5% (outdoor voice coverage) and 61.0% of the population, respectively, and were provided via approximately 4,400 base stations (approximately 2,700 of which were used to provide 4G connectivity). Since we refocused on our Romanian mobile telecommunication services in 2014, our extensive coverage and attractive mobile offerings have allowed us to grow RGUs in this business line from approximately 1.7 million as at December 31, 2013 to approximately 4.8 million as at September 30, 2018.

- ***Leading commercial proposition for customers.*** Our technical capabilities, wide network coverage and multiple service offerings, including mobile services, enable us to provide our 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 offer flexible packages in Romania, which include a comprehensive cable TV offering (including analog and digital packages with optional add-ons for HBO, MAXPAK, Adult, Film NOW and DIGI 4K), our superfast fixed internet and data (at speeds of 300 Mbps, 500 Mbps or 1,000 Mbps), fixed-line telephony and mobile packages (with solutions offering various call minutes allowances and generous mobile traffic of up to 50 GB per month at 4G speeds). Customers have recognized the value of our commercial proposition as we experienced approximately 139,000 and 158,000 net organic add-ins in the cable TV and fixed internet and data business lines, respectively, in the year ended December 31, 2017 and 183,000 and 164,000 in the nine months ended September 30, 2018, respectively.

- ***Robust financial performance.*** Our business has consistently generated strong revenue streams. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, our revenue of continuing operations (excluding intersegment revenue, other income and gain/(loss) from sale of discontinued operations) was €746.3 million, €842.8 million, €916.6 million and €756.4 million respectively. We have historically had robust Adjusted EBITDA and a disciplined approach to capital expenditure. Our Adjusted EBITDA of continuing operations was €237.5 million, €263.3 million, €287.5 million and €240.9 million for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, respectively. Our total capital expenditure was €197.6 million, €216.5 million, €243.2 million and €199.9 million (excluding the cost of Invitel acquisition) for the same periods, respectively. This represented 26.5%, 25.7%, and 26.5%, respectively, of our revenue of continuing operations, for the years ended December 31, 2015, 2016, and 2017. In addition, we have historically maintained prudent capital and liquidity structures with a leverage ratio of 2.7x, 2.9x, and 2.6x for the years ended December 31, 2015, 2016, and 2017 respectively, and an interest coverage ratio of 4.8x, 5.8x, and 7.9x, respectively, for the same periods.

- ***Highly experienced management team***. Our senior management team is made up of professionals who have, on average, more than 19 years of experience in the telecommunication industry and the Group. Our controlling shareholder, Mr. Zoltán Teszári, has been, and continues to be, involved in all key management decisions in relation to the Group since its foundation in 1992. Our Chief Executive Officer, Mr. Serghei Bulgac, joined the Group in 2003 as its Chief Financial Officer and became the Chief Executive Officer in 2015. The majority of our experienced management team members have been with us for more than 10 years and made significant contributions to our transformation from a small cable TV business to a leading provider of telecommunication services in our core markets. We believe that the collective industry knowledge and leadership capabilities of our senior management team will enable them to continue a successful execution of our strategy.

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 fiber network, offering high-quality service, while maintaining competitive prices.*** The current technological state of our Romanian and Hungarian fixed fiber networks allows us to offer a wide range of high-quality services to our customers at competitive prices, while maintaining low infrastructure operating expenses. We plan on leveraging our existing high speed networks to increase our cable TV and fixed internet and data subscribers, as our fiber network throughout Romania and Hungary (excluding the recently acquired Invitel's network) is faster and more cost-effective than traditional networks operated by our competitors. We also plan to continue expanding our fixed fiber networks in both countries (particularly, in rural areas) and to upgrade Invitel's Hungarian network to fiber, along with further upgrades to FTTH elsewhere.

- ***Expand our mobile network in our core geographic segments and grow our mobile communication services business line.*** As at September 30, 2018, our 3G and 4G mobile telecommunication services covered approximately 99.5% (outdoor voice coverage) and 61.0% of the Romanian population, respectively. In Hungary, we hold certain licenses entitling us to develop our own 4G mobile proposition and are currently developing the network that will support our service, with a view to launch in 2019. In both countries, we plan on expanding coverage while growing our mobile RGUs through competitive pricing and convergence offerings. We believe that our dense fiber network and existing licenses provide a solid foundation for future technological developments in the mobile telecommunication industry.

- ***Focus on current markets and expanding market shares.*** We intend to focus on Romania and Hungary, our core markets, while remaining open to opportunities in Spain and Italy. In the core jurisdictions, our advanced networks allow us to efficiently deliver multiple services in the areas they cover and we believe there is scope for increase in uptake of our services in these areas with relatively low additional investment. Our large and growing customer base creates significant economies of scale. For example, it allows us to make use of common infrastructure design and centralized facilities, as well as exploit centralized purchasing opportunities with respect to programming, equipment, TV broadcast rights and other assets and services. We also see potential for growth of our mobile telecommunication and internet and data services, as we believe that the core Romanian and Hungarian mobile markets still offer opportunities for us to expand. In addition, we remain open to attractive opportunities in Spain and Italy, such as our expansion into Spain's fixed telecommunications market with a resale offering through Telefónica's local network, which we launched in the Community of Madrid in September 2018. We expect to develop this offering in further parts of the country.
- ***Continue to grow our RGU base through product cross-selling, increased penetration of our services and opportunistic acquisitions.*** Our goal is to achieve continued organic RGU growth by cross-selling our services to existing and prospective customers and increasing the penetration of our cable TV, fixed internet and data, mobile telecommunication, fixed-line telephony and DTH services in Romania and Hungary through multiple service offers. We have seen strong growth in RGUs, from approximately 0.7 million as at December 31, 2002 to approximately 14.7 million RGUs as at September 30, 2018, which was mainly due to the expansion of our fixed fiber-optic networks and cross-selling of additional services to our existing customers, as well as to the refocusing on our mobile telecommunication business in Romania. In addition to organic growth, we seek to explore acquisition opportunities in our core Romanian and Hungarian markets on an opportunistic basis in line with, or complementary, to our current businesses. Our acquisition of Invitel was a recent example of such opportunistic growth.
- ***Offer premium and/or exclusive content to increase the attractiveness of our product offerings.*** We intend to maintain and increase the attractiveness of our cable TV and DTH services by continuing to offer sports, film and other premium and exclusive content through our existing own channel line-up, which may be further developed or expanded in the future. Our large number of pay TV RGUs results in economies of scale enabling an attractive cost structure.

HISTORY

Our Development in Romania

Our cable TV business was started in 1992 by a group of Romanian individuals, including Mr. Zoltán Teszári, when they founded TVS Holding Brasov to build cable networks and offer cable TV services in Timisoara and Brasov, two major Romanian cities. In 1996, Mr. Teszári merged certain assets of his Bucharest-based cable TV network company, Kappa, with Analog CATV to form Romania Cable Systems S.A. ("**RCS**"). Thereafter, RCS grew mainly organically, but also through acquisitions of numerous fixed internet and data networks throughout the country.

In 1997, RCS established an internet and data subsidiary, Romania Data Systems S.A. ("**RDS**"). In 2001, RDS began rolling out residential internet services over RCS' cable network, and, by 2002, it had grown to become the leading ISP in Romania in terms of revenue. It started offering limited fixed-line telephony services to business and international customers in 2003, immediately following the liberalization of the Romanian fixed-line telephony market. In 2004, after completing an interconnection agreement with Telekom Romania, it launched mass-market fixed-line telephony services.

In December 2004, we launched DTH services in Romania under the brand name "**DIGI**."

In 2005, RCS merged with TVS Holding Brasov and RDS to form RCS & RDS S.A.

In 2007, we launched 3G mobile telecommunication services in Romania under the brand name "**DIGI Mobil**." Thereafter, we have acquired additional frequency blocks in various bandwidths in order to expand our capacity and develop our 3G and 4G networks.

In 2017 and 2018, we undertook a major re-branding exercise aimed at increasing our "DIGI" brand recognition. See "*—Marketing*."

Expansion to Foreign Jurisdictions

We began our international expansion in 1998 by commencing operations in Hungary through the acquisition of 15 small to medium networks in Budapest and three other cities in Hungary. In 1999, we established a smaller footprint in Slovakia with the acquisition of 10 small and medium operators. In 2006, we started to provide DTH services in a number of central and eastern European countries that fall within our satellites' footprint: Hungary, Slovakia, the Czech Republic, the Republic of Serbia and Croatia. We also launched MVNO services in Spain (in 2008) and Italy (in 2010), targeting the large Romanian communities in those countries. Additionally we hold several frequency blocks in various bandwidths in Hungary, which may enable us to develop an offering of mobile communication services in the future.

In recent years, we sold a number of our subsidiaries in non-core central and eastern European jurisdictions and terminated our operations there. Most recently, we sold our subsidiary in the Czech Republic in April 2015.

Further Evolution of our Corporate Structure and the IPO

In 2000, Digi Communications N.V., the holding company for the Group, was established.

In 2017, Digi Communications N.V. conducted an IPO on the Regulated Market of the Bucharest Stock Exchange. Class A and Class B ordinary shares were created and the latter were offered to (i) the public in Romania and (ii) certain institutional and professional investors. The IPO was carried out to allow certain minority shareholders to sell their shares on the market. The aggregate proceeds received by such shareholders amounted to approximately €207.0 million. For details of our current shareholding structure, see "*Principal Shareholders*."

AREAS OF OPERATIONS

We operate in Romania, Hungary, 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 geographic segments:

	Cable TV	Fixed Internet and Data	Mobile Telecommunication services	Fixed-line Telephony	DTH
Romania	✓	✓	✓	✓	✓
Hungary	✓	✓	✓(1)	✓	✓
Spain	—	✓(2)	✓(3)	✓(2)	—
Italy	—	—	✓(3)	—	—

(1) Data only, as a reseller through Telenor's local network.
(2) As a reseller through Telefónica's network.
(3) As an MVNO through Telefónica's network in Spain and TIM's network in Italy.

Our core geographic segments are Romania and Hungary.

PRODUCTS AND SERVICES

Business Lines

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

To customers in Romania and Hungary whose homes or businesses are covered by our fixed fiber-optic network, we offer our branded cable TV, fixed internet and data and fixed-line telephony products (and in Hungary, we now also offer certain Invitel-branded products), either individually or in combination. Since September 19, 2018, we have also offered fixed internet and data and fixed-line telephony services in Spain as a reseller through Telefónica's network.

We offer mobile telecommunication services in Romania. In Hungary, we resell our branded mobile internet and data on Telenor's local network. We also offer mobile telecommunication services in Spain and Italy as an MVNO.

Finally, we offer DTH services to customers in Romania and Hungary.

The table below sets out the number of RGUs per business line and per geographic segment as at September 30, 2018:

	Romania	Hungary	Spain	Italy	Total RGUs per service
			(thousands)		
Cable TV	3,234	685	—	—	**3,919**
Fixed Internet and Data	2,459	741	—(1)	—	**3,200**
Mobile Telecommunication Services	3,379	16(2)	1,213(3)	202(3)	**4,810**
Fixed-line Telephony	1,207	697	—(1)	—	**1,904**
DTH	544	288	—	—	**832**
Total RGUs per country	**10,823**	**2,427**	**1,213**	**202**	**14,665**

(1) Although we started offering fixed internet and data and fixed-line telephony services in Spain as a reseller through Telefónica's network from September 19, 2018, up to September 30, 2018 we were performing the necessary installations and therefore had no relevant RGUs in Spain as at that date.

(2) Data only, as a reseller through Telenor’s local network.

(3) As an MVNO through Telefónica’s network in Spain and TIM’s network in Italy.

Cable TV Services

Our cable TV services consist of distributing local and international programming content through our cable TV networks. We offer cable TV services in Romania and Hungary, where we are the largest pay TV operator, by number of RGUs (*Source: Group and peer reports, ANCOM, NMHH*), in each case, as at September 30, 2018.

As at September 30, 2018, we had approximately 3.2 million cable TV RGUs in Romania, an increase of 8.7% compared with approximately 3.0 million as at September 30, 2017 and approximately 685,000 in Hungary, an increase of 38.4% compared with 495,000 as at September 30, 2017. As at the same date, we served approximately 7.6 million homes passed in the two countries.

Since 2009, we have been expanding our services into 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. In addition, our acquisition of Invitel contributed approximately 174,000 RGUs in Hungary as at September 30, 2018.

Our cable TV services have historically generated stable revenue, have low maintenance and other operational costs due to our recent investment in the fixed-fiber network and provide a stable and growing base of customers. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, cable TV services generated revenue of €203.4 million, €216.7 million, €230.1 million and €184.9 million, representing 27.1%, 25.7%, 25.1% and 24.4% of total revenue, respectively.

Cable TV product packages

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

In Romania, we offer two main packages—an analog package and a digital package. Each package has two further versions: a standard version, which is addressed to all customers; and a reduced version, which is addressed to customers in rural areas, on EOC infrastructure. As at September 30, 2018, approximately 56% of our cable TV customers were subscribed to the analog package and approximately 44% of our cable TV customers were subscribed to the digital package. We believe that our standard packages are attractive to customers in terms of content offered for the price and as they provide access to our own channels (other than Film NOW and DIGI 4K, our premium pay TV channels) for no additional fee. In combination with the standard version of the digital package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV markets in Romania, with certain local variations regarding the number and composition of channels included in each package.

In Hungary, we offer three packages of cable TV services, each for a monthly fee. Firstly, due to local “must carry” regulations, we offer a limited package, including all the channels we are required to carry under the “must carry” regulations, with a minimum of four national channels, plus local channels of public interest. Secondly, we offer a “Mini” package consisting of up to 20-25 channels. Thirdly, we offer the basic package “DIGITV,” which is made up of over 100 local and international solely digital channels. We believe that our “DIGITV” package is attractive to customers in terms of content offered for the price and as they provide access to our own 3 DIGI Sport channels for no additional fee. In combination with the “DIGITV” package, we offer premium movie channels such as Film NOW, HBO and MAXPAK at competitive prices. This product structure is available in all of our cable TV markets in Hungary, with certain local variations regarding the number and composition of channels included in each package.

Fixed Internet and Data

We provide fixed internet and data services through our fixed fiber-optic network in Romania and Hungary 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 Hungary, as well as on a standalone basis. Since late September 2018, we also offer fixed internet and data services in Spain as a reseller through Telefónica's local network.

As at September 30, 2018, we had approximately 2.5 million fixed internet and data RGUs in Romania and approximately 741,000 such RGUs in Hungary (including approximately 245,000 out of approximately 559,000 fixed internet and data and fixed-line telephony RGUs contributed by Invitel). We had no such RGUs in Spain as until September 30, 2018 we were performing the necessary installations and did not yet generate RGUs. Business subscribers represent an important part of our fixed internet and data business in Romania, as they generate a significant part of our revenue, although they are much fewer in number than residential subscribers. As at September 30, 2018, we had approximately 154,000 business internet and data RGUs in Romania.

We consider our fixed internet and data offering to be a premium service and a potential major growth driver for our overall business. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, fixed internet and data services generated revenue of €189.3 million, €201.6 million, €212.4 million and €174.2 million, representing 25.2%, 23.9%, 23.2% and 23.0% of total revenue, respectively.

Fixed internet and data product packages

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

We offer the following packages to residential customers:

- "Fiberlink 300," "Fiberlink 500" and "Fiberlink 1,000" are our main residential fixed internet and data offerings in Romania. "Fiberlink 300" allows unlimited traffic at speeds of up to 300 Mbps. "Fiberlink 500" and "Fiberlink 1,000" allow unlimited traffic at speeds of up to 500 Mbps and 1,000 Mbps, respectively, the fastest internet service currently offered to residential users in Romania. We also offer the "Fiberlink Popular" package to certain of our rural customers. It allows unlimited traffic at speeds of up to 300 Mbps.
- "DIGINet 100" and "DIGINet 500" are our main residential fixed internet and data offerings in Hungary. "DIGINet 100" allows unlimited traffic at speeds of up to 100 Mbps, "DIGINet 500" allows unlimited traffic at speeds of up to 500 Mbps. In addition, we offer "DIGINet 1,000" (our fastest internet service in Hungary) which allows unlimited traffic at speeds of up to 1,000 Mbps.
- Since September 19, 2018, we offer fixed internet and data in Spain under "*Digi Fibra 30 MB*" and "*Digi Fibra 500 MB*" packages. We offer this service as a reseller using Telefónica's network. We originally launched the service to customers from the Community of Madrid in September 2018. We expect to expand the offering to other provinces of Spain in the future.

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

Mobile Telecommunication Services

As at September 30, 2018, we were one of four licensed providers of mobile services in Romania. We provide mobile telecommunication services, which include both voice and data services, using our 3G and 4G networks in Romania, and as an MVNO primarily focused at large Romanian communities in Spain and Italy. In Hungary, we resell certain third-party mobile data services to our customers through Telenor's local network. Also in Hungary, we hold certain licenses entitling us to develop our own mobile network and we are currently developing the network that will support our service, with a view to being in the position to launch in 2019.

As at September 30, 2018, our 3G and 4G networks coverage extended to approximately 99.5% (outdoor voice coverage) and 61.0% of Romania's population, respectively. We have frequency blocks in the bandwidths of 900 MHz;

2,100 MHz; 2,600 MHz and 3,700 MHz in the country. We are the leader in inbound number porting in mobile, with 1.6 million numbers ported between 2008 and October 15, 2018. In the period from January 1, 2018 until October 15, 2018, 201,472 mobile numbers were ported to us, the largest share of 644,761 mobile telephony numbers ported in Romania during this period (*Source: ANCOM*).

As at September 30, 2018, we had approximately 3.4 million mobile telecommunication services RGUs in Romania, approximately 16,000 such RGUs in Hungary, approximately 1.2 million such RGUs in Spain and approximately 202,000 such RGUs in Italy.

We intend to continue increasing the coverage of our mobile telecommunication service and achieve growth in subscriber numbers and revenue. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, mobile telecommunication services generated revenue of €165.2 million, €214.9 million, €276.0 million and €240.5 million, representing 22.0%, 25.5%, 30.1% and 31.8% of total revenue, respectively.

Mobile telecommunications product packages in Romania

We offer mobile telecommunication product packages structured to meet the needs of our subscribers. The service plans offer flat rates allowing either generous or unlimited number of minutes of voice communications across the main networks, as well as mobile internet traffic up to 50 Gigabytes ("GB") per month at 4G speeds.

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

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

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

Our current mobile telecommunication services offerings in Hungary as a reseller are insignificant and have been decreasing over the last few years in terms of RGUs in anticipation of the expected launch of our own service.

Mobile telecommunications product packages in Spain and Italy

We offer voice and data mobile services in Spain under the brand name "Digi Mobil" using Telefónica's network. The service is primarily targeted at the large local Romanian community. We offer prepaid and post-paid tariff packages for voice, SMS and mobile data. Starting from March 2018, we introduced new tariffs, which include unlimited voice traffic bundles, more data volume and very competitive prices. These products were, we believe, very well received by the market.

We offer MVNO voice and data mobile service in Italy under the brand name "Digi Mobil "using the TIM network. The service is primarily targeted at the large local Romanian community. We offer prepaid packages for voice, SMS and data in Italy, which are distinguished by varying mixes of predefined options on top of our standard tariffs.

Fixed-line telephony

As at September 30, 2018, we were the second largest fixed-line telephony operator in Romania and the second largest operator in Hungary (*Source: Group, peer reports, ANCOM, NMHH*). Since late September 2018, we also offer fixed-line telephony services in Spain as a reseller through Telefónica's local network.

As at September 30, 2018, we had approximately 1.2 million fixed-line telephony RGUs in Romania and approximately 697,000 such RGUs in Hungary. We had no such RGUs in Spain as at September 30, 2018 as our system was not yet fully operational.

For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, fixed-line telephony services generated revenue of €32.7 million, €31.9 million, €29.7 million and €27.3 million, representing 4.4%, 3.8%, 3.2% and 3.6% of total revenue, respectively.

Fixed-line telephony product packages

We offer fixed-line telephony services in Romania and Hungary in the form of service plans structured to meet the needs of our subscribers. We also believe that our fixed-line telephony service offering helps increase customer retention on our network.

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

- "**Digi Tel Family**." 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 3G mobile telecommunication subscribers and 100 minutes for calls to other national fixed networks.
- "**Digi Tel National**." 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 3G 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 includes extended numbering, preferred numbers, short numbering, CLIP/ CLIR, call barring, call forward and call-on-hold services.

In Hungary, our primary offering is "Digitel 200," which is a package available to customers that also subscribe to cable TV and fixed internet and data and includes unlimited free minutes for calls within our own network in Hungary and our fixed network in Romania.

In Spain, we offer "Digi Tel 1" and "Digi Tel 5" packages as a reseller through Telefónica's network. Initially, the service was available to customers from the Community of Madrid in September 2018. We expect to expand the offering to other provinces of Spain in the future.

DTH

Our DTH services consist of distributing programming content via satellite transmission primarily to rural or small town residential subscribers who receive our services through satellite dish receivers and set-top boxes installed in their homes. To provide this service in Romania and Hungary, we lease from Intelsat Global Sales & Marketing Ltd ("**Intelsat**") certain transponders installed on satellites operated by Intelsat and Telenor, which had leases extended in 2017 for a further period of five years.

As at September 30, 2018, we had approximately 544,000 DTH RGUs in Romania and approximately 288,000 such RGUs in Hungary.

We are a leading DTH operator in Romania and Hungary and both countries are entirely within the footprint of our signal. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, DTH services generated revenue of €74.5 million, €70.1 million, €69.6 million and €48.9 million, representing 9.9%, 8.3%, 7.6% and 6.5% of total revenue, respectively.

DTH product packages

Our product offerings include four types of packages ("Popular," "Basic," "Extra 1" and "Extra 2") for Romania and two types of packages ("Digimini" and "DigiTV") for Hungary. As part of these packages, we offer premium movie channels such as Film NOW, HBO, MAXPAK and an Adult option. In addition, our offers have certain local, country-specific variations regarding the number and composition of channels included in each package. These variations are mainly driven by local demand and competition.

Content

Own TV channels

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

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

All of our own channels are broadcast in standard definition and HD (except Music Channel and Hora TV, which are only broadcast in standard definition and DIGI 4K, which is broadcast in ultra HD). Our premium sports channels own exclusive rights for Romania and Hungary over certain major sports competitions, such as Serie A, Ligue 1, UEFA Europa League, Women's Tennis Association ("WTA") and Association of Tennis Professionals ("ATP") 1000 Masters Series and Finals. Furthermore, we are one of the few providers with co-exclusive rights to broadcast the following events in Romania: UEFA Champions League, UEFA Super Cup, Romanian Football League 1 and Cup, Romanian Football League 2, La Liga, Bundesliga, European Handball Federation ("EHF") Champions League, Formula One, ATP 500 Masters Series and Romanian Basketball League. We also have co-exclusive rights for the basketball EuroLeague in Romania and Hungary.

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

Sport	Competition	Romania	Hungary	Period
Football	Romanian Football Championship "League 1"	✓		2015 – 2019
Football	UEFA Champions League and UEFA Super Cup	✓		2018 – 2021
Football	UEFA Europa League	✓	✓	2018 – 2021
Football	Spanish Football Championship "La Liga"	✓		2018 – 2021
Football	Italian Football Championship "Serie A"	✓	✓	2018 – 2021
Football	French Football Championship "Ligue 1"	✓	✓	2018 – 2021
Football	German Football Championship "Bundesliga"	✓		2018 – 2021
Football	Romanian Football Championship "League 2"	✓		2018 – 2021
Football	Romanian Football Cup "Cupa Romaniei"	✓		2018 – 2021
Handball	EHF Champions League	✓		2018 – 2020
Racing	Formula One	✓		2018 – 2019
Tennis	ATP 1000 Masters Series and Finals	✓	✓	2017 – 2019
Tennis	ATP 500 Masters Series	✓		2017 – 2019
Tennis	WTA	✓	✓	2017 – 2021
Basketball	EuroLeague	✓	✓	2015 – 2019
Basketball	Romanian Basketball League	✓		2018 – 2020

The aggregate value of the licensing fees under these agreements is €131.5 million as at September 30, 2018. In addition to licensing fees, some of these agreements require us to bear certain technical costs, such as costs related to up- and down-linking.

We also plan to acquire additional broadcasting rights in the future in order to renew or further upgrade our content offering. In addition to broadcasting them through our Pay TV platforms, we offer our own TV channels to our 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, Chill FM, Dance FM, Digi FM.

Third-party content

Separately from the channels that we own, we acquire the rights to distribute 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-optic transmission. As at September 30, 2018, we had distribution agreements in place with 72 content providers. In Romania and Hungary we were entitled to retransmit 295 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. We retransmit leading local channels and international channels (in most cases with subtitles, or dubbed, depending on market practice). The programming content generally consists of films, sports, general entertainment, documentaries, children's programs, news and music.

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

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

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

Multiple Offerings

The 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, so has the number of customers who subscribe to multiple services. In Romania, the average number of services per one residential customer (excluding DTH customers) was 2.3 and the percentage of network customers using more than one service was approximately 74.0%, in each case, as at September 30, 2018. In Hungary, the average number of services per one network customer was 2.3 and the percentage of network customers using more than one service was approximately 78.0% as at the same date.

The table below sets out the percentage of network customers that subscribe to multiple services in Romania and Hungary, as a percentage of our base subscribers as at September 30, 2018:

	Romania	Hungary
Single-play	26.0%	22.0%
2 or more	74.0%	78.0%
of which 3 or more	40.0%	53.0%
of which quad-play	13.0%	0.2%

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 on the basis of 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 September 30, 2018, 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 September 30, 2018, we accumulated €4.3 million of green certificates generated by our solar energy production activities. We intend to sell those green certificates when they become tradable.

In 2015, we started operating an electricity supply business, initially targeting business customers. In 2016, it was extended to residential customers. Our electricity supply business consists of us buying electricity on centralised wholesale trading platforms (in line with applicable legal provisions which forbid “over the counter” agreements) and selling it to our customers. In general, our customer contracts are fixed price for up to one year and have no limits on the amount of electricity the customer can require us to supply. In the year ended December 31, 2017 and the nine months ended September 30, 2018, we purchased electricity on both forward electricity market, as well as spot market. Electricity supply is not a core activity for us. By the end of 2016, we decided to significantly reduce our exposure to business customers in this business, so that we are less dependent on seasonality and factors, such as unexpected weather conditions, which have significantly affected these operations in the past. To that end, starting from 2017, we have been decreasing volumes traded with our business customers. See *“Risk Factors—Risks Relating to Our Business and Industry—The results of our energy supply business are dependent on the price at which we are able to acquire electricity from third parties. Volatility in the cost of electricity may negatively impact our financial condition and results of operation.”*

OPERATIONS

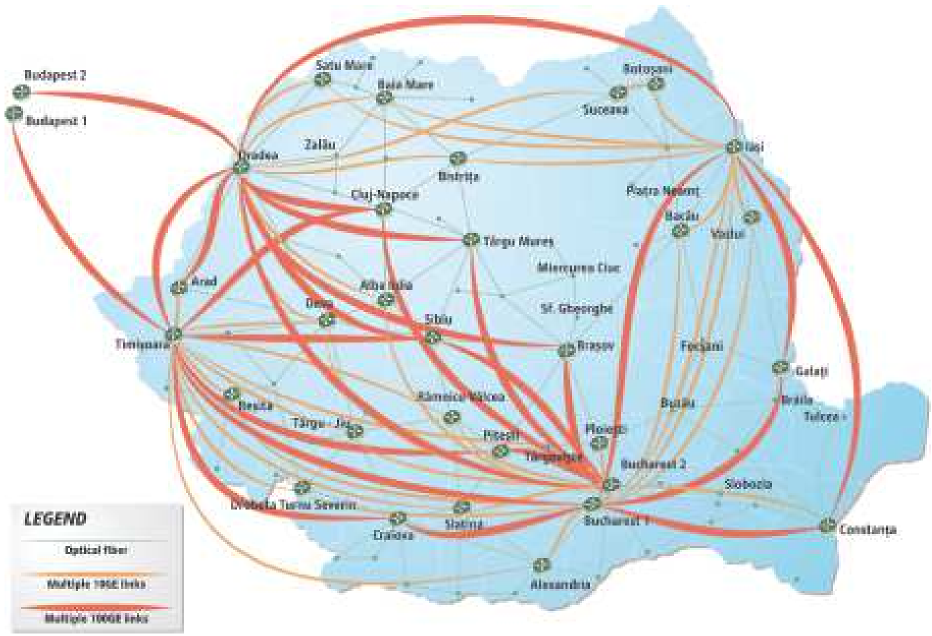
Fixed Fiber Networks

Romania

In Romania, we own and operate an advanced, fully digitalized and two-way capable fixed fiber-optic network. The network architecture provides approximately 90% 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 backbone network of approximately 28,000 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-fiber network in Romania passed a total of approximately 5.5 million homes as at September 30, 2018. In addition to residential customers, we service business customers in all counties and major cities of Romania. As at September 30, 2018, approximately 76% of this network was aerial, with the remaining approximately 24% underground. Most of our intercity aerial network is built along the power lines of the national electricity distribution and public transportation companies on the basis of leases. For our metropolitan networks we lease poles or underground rights of way from private or state-owned transportation companies (such as Metrorex Bucuresti S.A., the Bucharest underground operator, and certain overground municipal transportation operators in various locations of the country). Starting in 2011 (and earlier in certain towns and cities), Romanian authorities implemented a series of regulatory measures which led to a virtual prohibition on building aerial networks in certain cities on public property (in particular, in urban areas) and imposed pressure to move our existing aerial networks there. Although in recent years urban regulations were partially relaxed so as to allow above-ground infrastructure building in rural areas, this regulatory trend is continuing and may lead to forced change in network building practices, as well as to obligations to change existing network locations.

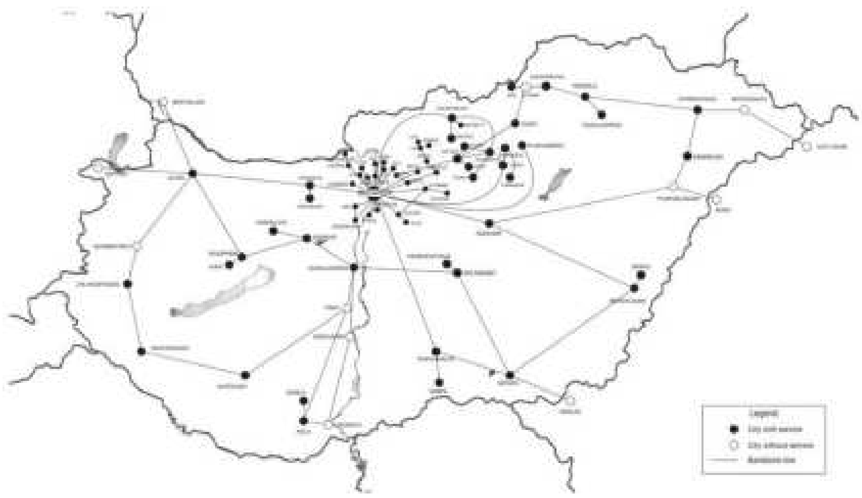
The map below sets out our fixed fiber backbone network in Romania as at September 30, 2018:



Hungary

In Hungary our FTTB/FTTH network has similar technical capabilities to our Romanian network. Our Hungarian fixed fiber network (which currently includes Invitel's network) passes approximately 2.1 million homes. We use approximately 8,570 km of backbone fixed fiber-optic network, approximately 63.0% of which is owned by us, approximately 24.0% is subject to long-term leases and the remaining approximately 13% is subject to regular lease contracts.

The map below sets out our fixed fiber backbone in Hungary as at September 30, 2018:



The table below sets out the number of homes passed and percentages of homes covered by jurisdiction as at the dates indicated:

	As at December 31,			As at September 30,
	2015	2016	2017	2018
Romania				
Number of homes passed (millions)	4.6	4.7	5.0	5.5
Percentage of homes covered(1)	61%	62%	68%	73%
Hungary				
Number of homes passed (millions)	1.0	1.1	1.2	2.1(2)
Percentage of homes covered(1)	23%	24%	27%	47%

(1) Calculated based on the total number of households from Eurostat for Romania and www.ksh.hu for Hungary.

(2) Includes homes covered by Invitel's network.

In Romania and Hungary we continue to pursue technological improvements of our network as well as expansion of our coverage. Due to these efforts and our acquisition of Invitel, the increase in the number of homes passed as at September 30, 2018 compared with December 31, 2017 was significantly higher than in prior periods. We believe that our network provides the opportunity to market attractive fixed internet and data and fixed-line telephony services, offering significant growth opportunities in terms of subscribers and revenue with limited additional investment. Nevertheless, we plan to continue to expand our FTTB/FTTH network to areas not covered by our cable TV operations and to upgrade Invitel's network to fiber, as well as to upgrade smaller networks in Romania to FTTB/FTTH standard using GPON technology to allow higher penetration of fixed internet and data and fixed-line telephony services.

SET-TOP BOXES AND ROUTERS

No set-top boxes are required for analog TV customers connected to our fixed networks, and we offer digital set-top boxes and standard conditional access modules ("**CAM**") for our digital TV customers. The first set-top box rental is included in the digital TV tariff, with additional boxes requiring a supplemental fee; though customers can also opt to purchase rather than rent the boxes. We currently source set-top boxes from Kaon, Humax, and EKT.

The set-top boxes have the ability to connect an external hard drive to record content to create a personal video recorder ("**PVR**") functionality, which provides customers with a more efficient setup as they are usually not willing to pay for expensive high-speed PVRs. Additionally, customers get access to our proprietary electronic program guide.

Routers that are able to offer speed of more than 900 Mbps over Ethernet and over 400 Mbps over Wi-Fi (depending on the receiving device's capability), are provided to our fixed internet and data customers. In case of technical issue, we can access rented routers, which allows remote troubleshooting.

Spain

We offer fixed line services in Spain as a reseller on the basis of a wholesale indirect access NEBA agreement with Telefónica.

Mobile Telecommunication Services Networks

Romania

Our mobile telecommunication network in Romania is based on the equipment and solutions provided by leading vendors (Huawei, Nokia and Ericsson). We lease technical premises and antenna supports from a large number of land and premises owners, as well as the national radio communications operator, Societatea Nationala de Radiocomunicatii S.A., on the basis of a long-term lease. In addition, we have acquired ownership rights over numerous small plots of land in order to build the necessary communication towers for the deployment of our mobile network and have also entered into long-term leases (10 to 15 years) for locations where we have installed base stations, antennas and other related equipment.

As at September 30, 2018, our 3G and 4G mobile telecommunication services covered approximately 99.5% (outdoor voice coverage) and 61.0% of the Romanian population, respectively. As at the same date, our mobile telecommunication services were provided through approximately 4,400 base stations (approximately 2,700 of which were used to provide 4G connectivity).

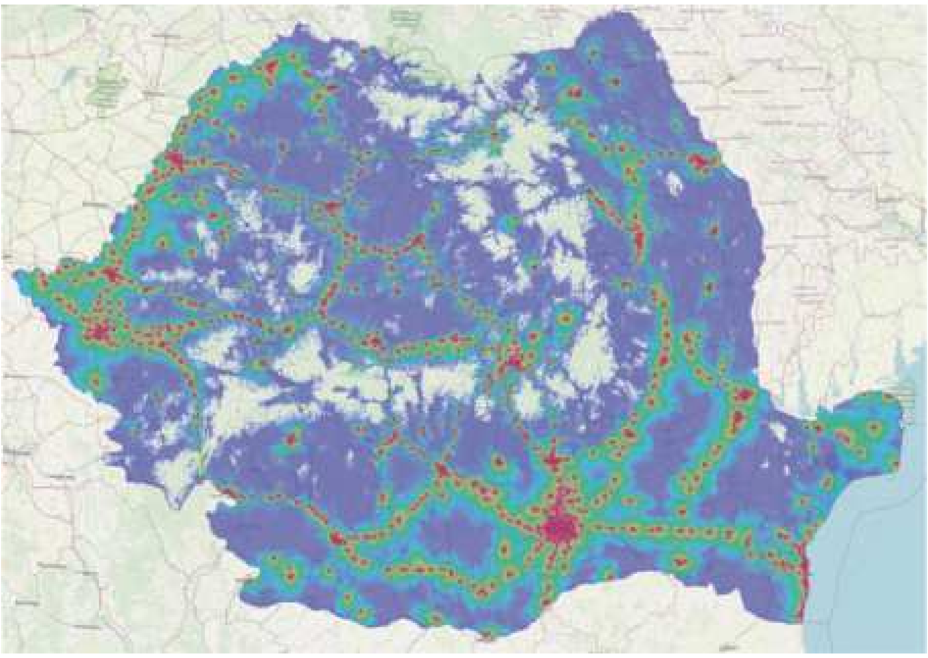
The mobile telecommunication network is integrated at the transmission level with our fixed fiber-optic backbone to take advantage of the high available capacity. We have teams of employees that undertake the high-level radio design, set-up, operation, maintenance, network optimization and drive-test of the combined network.

For the purposes of developing our 3G and 4G mobile telecommunication network in Romania, we have acquired several frequency blocks in various bandwidths, which are set out in the table below:

Bandwidth	Frequency blocks	Year of acquisition	Validity period	Additional information
2,100 MHz	3 X 2 X 5MHz	2007	Until 2022	3G license. Can be extended with six months prior notice for an additional 10 years. Can also be used to offer other services, like 4G-LTE. We fulfilled our license obligations, as reviewed by ANCOM.
900 MHz	2X5 MHz	2012	Until 2029	3G license. Requires us to increase voice coverage to 98% of the Romanian population by April 5, 2019 (based on ANCOM's technical criteria, which may be different from our operational measurements), ensure data coverage of 60% of the Romanian population by April 5, 2021 and allow access to MVNOs.

Bandwidth	Frequency blocks	Year of acquisition	Validity period	Additional information
2,600 MHz	6 X 1 X 5MHz	2015	Until 2029	4G license.
3,700 MHz	10 X 1 X 5MHz	2015	Until 2025	4G license.

The map below sets out the territorial coverage of our own 3G and 4G mobile telecommunication network in Romania as at September 30, 2018:



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

In November 2016, we entered into a frame agreement to acquire an IP Multimedia System ("IMS") which enabled Voice over LTE ("VoLTE")/4G, Voice over WiFi ("VoWiFi") and Voice over broadband ("VoBB") on our 4G networks. The service was launched in 2017 and as at September 30, 2018, we had approximately 190,000 VoLTE users and approximately 25,000 VoWiFi users.

In December 2017, we entered into an arrangement with Ericsson to install its 5G and NB-IoT equipment on our network, in preparation for a future launch our own 5G offerings backed by IoT technologies. See "*Material Contracts—Agreements with key suppliers of our internet, data, mobile and fixed-line telephony businesses—Ericsson*."

Hungary

In Hungary, we hold certain licenses entitling us to develop our own mobile telecommunication network and we are currently developing the network that will support our service, with a view to being in the position to launch in 2019.

The table below sets out the frequency blocks in various bandwidths, which we acquired in Hungary:

Bandwidth	Frequency blocks	Year of acquisition	Validity period	Additional information
1,800 MHz	1 duplex X 5 MHz	2014	Until 2029	3G/4G license. Five-year automatic renewal if the initial contract is not breached during the initial term.
3,800 MHz	4 X 5 MHz	2016	Until 2034	3G/4G license.

MVNO operations in Spain and Italy

We offer mobile telecommunication services in Spain using Telefónica's network on the basis of the Spanish MVNO Agreement. See "*Material Contracts—MVNO, Roaming and Interconnection Agreements—Spanish MVNO Agreement.*"

We offer mobile telecommunication services in Italy using TIM's network on the basis of the Italian MVNO Agreement. See "*Material Contracts—MVNO, Roaming and Interconnection Agreements—Spanish MVNO Agreement.*"

Fixed-line Telephony

Our fixed-line telephony network in Romania and Hungary is based on current technologies, combining IP (flexibility) and time division multiplexing (quality and reliability) equipment for a better user experience and is based on Alcatel voice switches. We have more than 100 national and international points of interconnection with major carriers (including Telekom Romania, Orange, Vodafone, Telecom Italia, Proximus, Deutsche Telekom, Telekom Austria, Telia Carrier, Turk Telecom, Tata, etc.).

In order to minimize the potential for a system failure, we maintain a system of back-up generators and spare batteries in the event of a blackout or disruption in the power lines. In addition, our redundant network operates with reserve, or back-up channels, to ensure that voice and data traffic continue to flow uninterrupted in the event that one or more channels fail to function properly.

Our new IMS will enable 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.

In Spain, we offer fixed-line telephony services as a reseller on the basis of a wholesale indirect access NEBA agreement with Telefónica.

DTH Operations

We manage our DTH satellite retransmission operation using the up-link infrastructure we own. International turnaround channels are received via our dishes, digitized and sent to the single turnaround center. Channels from some local terrestrial broadcasters are received via fiber-optic cables and re-broadcast without modification. In the turnaround center channels are then compressed, encrypted and multiplexed (thus combining a number of channels in a single signal). The equipment required to carry out this process is collectively called the "head end." We operate two head ends in Bucharest and one in Budapest.

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

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

Satellites and transponders

As at September 30, 2018, we use nine high-powered transponders: two on the Intelsat satellite and six on the Telenor satellite to transmit our DTH signal; and one additional transponder on the Intelsat satellite to transmit non-DTH signals. The lease agreement with Intelsat (which covers all transponders that we use) was extended in 2017 for a further five-year period. The number of television channels that can be broadcast to subscribers is dictated by the amount of transponder space available. Currently, we are using nearly all of our available transponder capacity. We also use simulcrypt agreements.

The eight satellite transponders used for DTH signal transmission receive the video, audio and data signals transmitted from our up-link facilities, convert the frequency of the 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 at a later date.

Disaster recovery facilities

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

Set-top boxes and encryption

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

DISTRIBUTION AND SALES

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

As at September 30, 2018, we had 408 sales and collection points and a sales force of 2,513 individuals in Romania; 84 sales and collection points and a sales force of 240 individuals in Hungary; approximately 3,500 external sales and collection points in Spain and approximately 2,150 external and collection sales points in Italy.

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).

As at September 30, 2018, our customer service department in Romania consisted of 1,948 employees spread across our physical service centers and six call centers (servicing our Romanian, Spanish and Italian clients). As at the same date, our customer service department in Hungary consisted of 719 employees spread across our physical service centers and six call centers. In Spain, our customer service department consisted of 116 employees and one call center.

As at September 30, 2018, our customer service department had 1,114 call center employees, of whom 797 were based in Romania, 226 in Hungary and 91 in Spain.

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 as 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 our traditional markets of Romania and Hungary. 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 Animal World,” “DIGI Life,” “DIGI Sport,” “Film NOW,” “DIGI World” and “DIGI 24” for our TV channels, “DIGI 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 of the markets in which we operate, we use a variety of advertising and campaigning channels to promote our services and brand names. Traditionally we have preferred to advertise through “below-the-line” marketing (e.g., targeted local marketing through flyers, stickers, local billboards and local or national press), as we believe these fit better with the nature of most of our service offerings. However, we also use TV channels (our own and third-party) to promote our service offerings. Promotions are addressed to both new and existing customers and focus on increasing awareness of new services and cross-selling. The campaigns also emphasize our brand and the high quality of our products at low prices. In the markets where we offer multiple services, we have actively promoted our image as an integrated telecommunications and media provider.

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

PRICING

Our overall pricing strategy is to offer competitive products for prices that are lower than those of our competitors. This has been instrumental in delivering the RGU growth that is the cornerstone of our strategy in our core jurisdictions, Romania and Hungary.

Our value-for-money propositions capitalize on expert knowledge of the local market, are tailored to specific consumer groups and facilitate cross selling and customer retention.

We offer service packages at all price points, ranging from entry-level to premium subscriptions. Pricing varies depending on the number of services that the customer subscribes to and the package level they choose for each service.

BILLING

Our billing system is based on invoices issued monthly. Prices for the majority 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 (including by postal order in Hungary) or at ATMs of certain banks, on our website using e-commerce or by payment order. The terms of payment are by the end of the service month for services with flat subscription fees. Disconnection periods for non-payment vary by service and market depending on our customer relationship strategy.

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

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

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

EQUIPMENT SUPPLIERS

In our cable TV business line, our principal supplier for video receivers and modulators is Kaon. Nagravision supplies the encryption and subscriber management system. For fixed internet and data services, our main suppliers are Cisco, Juniper and Huawei for high end routers and ECI for DWDM transmissions. Our GPON infrastructure relies on equipment provided by Huawei and ZTE.

In our fixed-line telephony business line, our main supplier is Nokia (using Alcatel switches; Alcatel is currently part of Nokia).

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

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

SERVICE SUPPLIERS

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

Our main suppliers for global internet interconnection and IP transit services are the leading industry operators: Telia Company and NTT Communications.

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

Our supplier of DTH satellite services is Intelsat.

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

INTELLECTUAL PROPERTY

We own a relatively large number of trademarks including verbal trademarks (protecting words) and combined trademarks (protecting both words and image), including: "RCS & RDS," "DIGI," "DIGI TV," "Film NOW," "DIGI SPORT," "DIGI MOBIL," "DIGI LINK," "DIGI TEL," "DIGI NET," "DIGI 24 HD," "DIGI LIFE," "DIGI WORLD," "UTV," "DIGI Oriunde," "DIGI Online," "DIGI PLAY," "DIGI Energy," "Pro FM," "DIGI FM," "CHILL RADIO," "DIGI COMMUNICATIONS N.V." and "ROMANIA FURATA." 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 of the above cases, the protection offered by the registration of the trademarks lasts for ten years and can be extended for another ten years on the basis of a specific request. We regularly renew our trademarks and register new trademarks (most of the later relate to our TV and radio broadcast activities).

We are generally not party to any license agreements in connection with any of the trademarks we own. As an exception, we provided licenses for the use of our trademarks by third parties as a post-closing covenant at the disposal of our subsidiaries in Croatia, Slovakia and the Czech Republic. Each such temporary arrangement was limited to the exited territory(ies), with no impact on our business in the countries where we have continued to operate. The license agreement applicable to the trademarks used in the Czech Republic is in force until April 2020, while the Croatian trademark agreement has expired. In addition, in Slovakia, we entered into a new trademark license agreement in 2016, which was subsequently extended until December 2019.

INSURANCE

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 €36.8 million equivalent as at September 30, 2018. We also maintain civil liability insurance policies and property damage insurance policies for our car fleet. In Hungary, we maintain mandatory third-party liability and casual and collision insurance for our car fleet, as well as an insurance policy for our equipment. Additionally, we have liability insurance for our directors.

We consider such insurance coverage to be adequate and in accordance with customary industry practice in the markets where we operate. However, we currently do not have coverage for business interruption and loss of key management personnel and a substantial part of our assets is not insured.

PROPERTIES

We lease most of the principal properties upon which we operate our activities. We own some of our original headquarters in Romania, as well as the premises we use as production studios for certain of our own channels. Outside Romania, we lease our principal premises. See also "*—Operations—Fixed Fiber Networks—Romania*," "*—Operations—Fixed Fiber Networks—Hungary*" and "*—Operations—Fixed Fiber Networks—Spain*" for a discussion of rights related to our networks.

The following table sets out our key properties:

Country	Location	ID	Primary Function	Owned/ leased	Size (sqm)
Romania.........	Bucharest	Forum 2000	Administrative, Head End, NOC, Teleport	owned	4,538
Romania.........	Bucharest	Forum 2000	Administrative, Head End, NOC, Teleport	lease-back	4,493
Romania.........	Bucharest	Oltenitei	Administrative, Call Center	leased	2,726
Romania.........	Bucharest		Administrative, Warehouse	leased	3,257
Romania.........	Bucharest	Panduri	TV Studios	owned	2,244
Romania.........	Bucharest	Panduri	TV Studios	leased	7,532
Romania.........	Timisoara		Administrative, Head End, NOC, TV Studios	owned	470
Romania.........	Craiova		Administrative, Head End, NOC, Call Center, TV Studios	owned	3,551
Romania.........	Arad		Administrative, Head End, NOC, Call Center	owned	804
Romania.........	Iasi		Administrative, Head End, TV Studios	owned	850
Romania.........	Iasi		Administrative, Head End, NOC, Call Center	owned	438
Romania.........	Constanta		Administrative, Head End, NOC, TV Studios	owned	1,156
Romania.........	Oradea		Administrative, NOC, Call Center, TV Studios	owned	3,806
Romania.........	Oradea		Administrative, Head End	owned	200
Romania.........	Brasov		Administrative, Head End, NOC, Call Center, TV Studios	owned	2,078
Romania.........	Brasov		Administrative	owned	588
Romania.........	Targu Mures		Administrative, Head End, NOC	owned	325
Romania.........	Galati		Administrative, Head End, NOC, TV Studios	owned	1,601
Romania.........	Resita		Administrative, Head End, Warehouse	owned	1,041
Romania.........	Slatina		Administrative, Head End	owned	743
Romania.........	Dr. Turnu Severin		Administrative, Head End	owned	850
Romania.........	Pitesti		Administrative, Head End, NOC, Call Center	owned	1,308
Romania.........	Cluj-Napoca		TV Studios	leased	831
Romania.........	Cluj-Napoca		Administrative, Call Center	leased	791
Romania.........	Cluj-Napoca		Administrative	owned	2,164
Romania.........	Baia-Mare		Administrative	owned	1,415
Romania.........	Ramnicu Valcea		Administrative	owned	930
Romania.........	Timisoara		Administrative	owned	4,489
Romania.........	Arad		Administrative	owned	1,016
Romania.........	Bucharest		Administrative	owned	4,829
Hungary	Budapest		Headquarter	leased	1,235
Hungary	Budapest		Administrative	leased	779
Hungary	Budapest		Land	owned	1,955
Hungary	Budapest		Data center	owned	600
Hungary	Budapest		Land	owned	1,379
Hungary	Budapest		Administrative	owned	1,381
Hungary	Budapest		Land	owned	2,828
Hungary	Budapest		Administrative	owned	850
Hungary	Nagytarcsa		Warehouse	owned	2,000
Hungary	Nagytarcsa		Land	owned	10,146
Spain	Madrid		Administrative	leased	1,800
Spain	Madrid		Warehouse	leased	1,045
Spain	Madrid		Warehouse	leased	985
Italy	Milan		Administrative, Sales, Warehouse	leased	498
Italy	Milan		Warehouse	leased	410

EMPLOYEES

As at September 30, 2018, we had 16,443 employees. Most of our workforce consists of full-time employees. The table below sets out an overview of our employees by country:

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
Country				
Romania	11,017	11,708	11,900	13,446
Hungary	1,296	1,522	1,821	2,683
Spain	99	120	187	263
Italy	40	49	63	68
The Netherlands	1	1	5	8
Total	**12,453**	**13,400**	**13,976**	**16,443**

The table below sets out the allocation of our employees per department as at the dates specified:

	As at December 31,			As at September 30,
	2015	**2016**	**2017**	**2018**
Department				
Customer Service	1,985	2,395	2,457	2,783
Administrative, Purchasing, Logistics	1,520	1,686	1,686	1,836
Technical	5,293	6,242	6,665	7,671
Sales and marketing	2,301	1,836	1,931	2,897
TV	1,354	1,241	1,237	1,256
Total	**12,453**	**13,400**	**13,976**	**16,443**

Our employees are not members of any trade union.

ENVIRONMENTAL MATTERS

We do not believe that our activities generally have a significant environmental impact. However, we are subject to a large number of environmental laws and regulations. These laws and regulations govern, among other things, the management and disposal of hazardous materials, air emissions and water discharge, the clean-up of contaminated sites and health and safety matters. We are also required to obtain environmental permits, licenses and/or authorizations or provide prior notification to the appropriate authorities when building parts of our network, importing electronic equipment or opening new shops. Some of our sites also store small amounts of diesel fuel for back-up power generator use and/or have a history of previous commercial operations. As a result of these activities or operations at our sites, we could incur significant costs, including fines, penalties and other sanctions, clean-up costs and third-party claims for property damage or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. See "*Risk Factors—Risks Relating to Legal and Regulatory Matters and Litigation—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 sanctions or court judgments*." We believe that the principal environmental considerations arising from our operations also include the potential for electromagnetic pollution. We use various network infrastructure strategies in order to achieve radiation emission ranges that are lower than the maximum levels permitted by applicable Romanian regulations. Where requested under the relevant planning certificates, we have also obtained or are in the process of obtaining certificates from the public health authorities of each county where we install mobile telecommunication base stations that we are complying with accepted electromagnetic radiation standards in our mobile telecommunication activity.

We have not been subject to any material fines or legal or regulatory action involving non-compliance with applicable environmental regulations. We are unaware of any material non-compliance with or liability from relevant environmental protection regulations.

ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING MATTERS

Compliance framework

We have put in place and continue to seek to improve an internal compliance framework, which includes the following policies and procedures (collectively, the "**AC and AML Policies**") designed to identify, prevent or combat potential corruption or money laundering offences and ensure the overall integrity of our business:

- the Code of Conduct adopted in May 2017 (the "**Code of Conduct**"), which sets out the principles and standards for any of the Group's activities;
- the Terms of Reference of the Audit Committee of the Issuer's Board of Directors adopted in May 2017 (the "**Terms of Reference**"), which set out the guidance for the Audit Committee's considerations of any related matters; and
- the Whistleblowing Policy adopted in May 2017 (the "**Whistleblowing Policy**"), which sets out the framework under which an employee or other stakeholder can report concerns or complaints about any activity of a general, operational or financial nature, which in his opinion (i) is in violation of applicable law, regulation or any generally accepted Group practice; and (ii) may have significant negative impact on the operations of the Group.

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

In order to help ensure that no Group employee, director or individual subcontractor acts in violation of the AC and AML Policies we, among other things:

- have established a designated global compliance function;
- have established a centralized procurement system, providing for prior approvals of any procurement activities by the Group's legal, accounting and internal control functions, as well as top management review and approval of major transactions and arrangements;
- require that interactions with government officials be monitored by our global compliance and legal functions; and
- seek to carefully account for, and monitor, any incoming and outgoing payments (including seeking to ensure that all such payments are properly documented).

In addition to our global compliance function, every Group department and business unit is tasked with identifying potential risks of violation of the AC and AML Policies and preventing those if it can. Managers of those departments and business units periodically report on relevant issues to our global compliance function. Should any serious irregularity be identified, it is required to be elevated to the Group's top management in a prompt manner.

Anti-corruption and Business Ethics Procedure

We continue to refine our AC and AML Policies and aspire to constantly strengthen our anti-corruption and anti-money laundering compliance efforts.

For example, the Group has been working on a detailed Anti-corruption and Business Ethics Procedure (the "**Anti-corruption and Business Ethics Procedure**"), that we expect to put in place in 2019. Once adopted, we expect that the Anti-corruption and Business Ethics Procedure will be applicable to all entities within the Group and mandatory for all our employees and directors and we also expect to strongly recommend that all our business partners adhere to its principles. It is expected to be designed to incorporate, and build on, the requirements of otherwise applicable relevant legislation and will provide for a set of common internal rules and principles of professional conduct and ethical behaviour to be followed by our directors, employees and service providers.

Among other things, the Anti-corruption and Business Ethics Procedure is expected to provide for: (a) ethical behaviour standards for our directors, employees and service providers; (b) avoiding conflicts of interests and addressing conflicts when they arise; (c) the prohibition of bribery and money laundering; (d) the prohibition of inappropriate charitable and social activities and political contributions; (e) where appropriate, the inclusion of anti-corruption clauses in agreements with and diligence on Group customers and business partners; (f) the prohibition of non-competitive arrangements; (g) the prohibition of the unlawful use of inside information; and (h) maintaining the confidentiality of sensitive information.

The Anti-corruption and Business Ethics Procedure is expected to require any individual within the Group to report any suspected violations thereof to the head of the relevant department or business unit who, in turn, is expected to be required to escalate to the Group's compliance function. In 2018, employees from several key procurement departments within the Company received training designed to ensure that they understand the requirements of the AC and AML Policies and the draft Anti-corruption and Business Ethics Procedure that we are working to adopt.

LITIGATION AND LEGAL PROCEEDINGS

Our operations and properties are subject to regulation and control by various independent regulators and government authorities that exercise considerable discretion, and we are involved in various litigation and administrative proceedings with such authorities in the countries where we operate. Similarly, we encounter disputes with our partners and/or competitors in the ordinary course of business that can ultimately lead to litigation. Due to the nature of these proceedings, their results are uncertain. We believe that, except as set forth below, no member of the Group is or, in the 12 months preceding the date of this prospectus, has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened, of which we are aware) which may have or have had a significant effect on the Group's financial position or profitability. See also note 17 to the Interim Financial Statements.

Legal proceedings against Intact Media Group

Since March 2011, we have been engaged in a number of legal proceedings against Intact Media Group, which is a leading media group in Romania. In particular, Intact Media Group (largely, through Antena Group) initiated a series of legal proceedings against us, *inter alia*, alleging violations of Romanian "must carry" regulations, claiming damages because of our refusal to retransmit certain of their channels, claiming copyright infringement and alleging our abuse of dominant market position. We also initiated proceedings against Intact Media Group claiming compensation of damages to reputation and violations of certain contractual arrangements.

On June 15, 2018, we settled all underlying disputes with Intact Media Group and both parties waived all their remaining claims and agreed to formally terminate all pending legal proceedings. As at the date of this prospectus, Romanian courts have acknowledged the settlement and formally terminated all such proceedings, except for the following (in each case, applications were submitted and formal termination is pending):

- a litigation where Antena Group is challenging the RCC's dismissal of its claim alleging our abuse of dominant position in relation to their GSP TV channel (Antena Group's claims were dismissed by the court of first instance, and termination hearing of the appellate court is currently scheduled for September 26, 2019); and
- a litigation where we are claiming damages from Antena Group for breach of certain contracts, to which Antena Group has filed certain counterclaims (termination hearing is expected to be scheduled following the transfer of this case to the Romanian High Court of Cassation and Justice).

Legal proceedings against the National Cinematography Centre

On November 4, 2016, Romania's National Cinematography Centre (the "**NCC**") filed a lawsuit against us in the Bucharest Tribunal claiming approximately €1.2 million (including penalties). The NCC claimed that we had allegedly failed to pay certain fees relating to retransmission of TV content that were due to them under Romanian law. On May 7, 2018, the court awarded the NCC's claims in the amount of RON 3.9 million. As at the date of this prospectus, the judgment is not yet final. We appealed that judgment, and the first hearing in the Bucharest Court of Appeal has been scheduled for March 2019.

Legal proceedings against Electrica Distribuţie Transilvania Nord

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

However, upon our request, the trial at the appellate court was suspended pending final settlement of a separate lawsuit in which two Group companies are challenging the validity of the alleged exclusivity rights of incumbent electricity distributors (the court of first instance had earlier dismissed those claims). Should the final court decision be unfavorable to us, it may result in a partial or total loss of our investment in the underground cable trough.

Legal proceedings against certain U.S. individuals in relation to a 2007 default judgment

On May 2, 2017, certain individuals (William Hawkins, Eric Keller, Kristof Gabor, Justin Panchley, and Thomas Zato) (collectively, the "**Plaintiffs**") filed in the United States District Court for the Eastern District of Virginia—Alexandria Division (the "**US Court**") a motion to enforce a default judgment (the "**Motion**") that was issued in favor of the Plaintiffs by the US Court in the Civil Action No. 1:05-cv-1256 (LMB/TRJ) in February 2007 (the "**Default Judgment**") against Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. (i-TV's predecessor) (the "**Defendants**") jointly and severally. Additionally, the Motion sought to extend the enforcement of the Default Judgment against the following entities that were not parties to the original proceedings and not named in the Default Judgment: i-TV, DIGI Hungary, the Company, RCS Management S.A. and the Issuer.

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately US$1.8 million in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants in Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

The Motion alleges that i-TV, DIGI Hungary, the Company, the Issuer and RCS Management S.A. violated the Default Judgment, to which these companies were not party, when, ten years ago, DIGI Hungary entered the share capital of DMCC Kommunikacios Rt. (i-TV's predecessor).

For more than ten years after the entering of the Default Judgment, the Plaintiffs filed no actual claim against i-TV, DIGI Hungary, the Company, RCS Management S.A. or the Issuer. During the same period, the Plaintiffs never sought to enforce the Default Judgment against i-TV, DIGI Hungary, the Company, RCS Management S.A. or the Issuer in Hungary or another foreign jurisdiction. Nor did they seek to enforce the Default Judgment against any of the Defendants in their domestic countries.

We believe the Motion, which requests payment from the Defendants, i-TV, DIGI Hungary, the Company, RCS Management S.A. and the Issuer, jointly and severally, of US$1.8 million, plus interest, as well as other compensation, damages, fees and expenses, is vexatious for numerous legal and factual reasons.

On February 8, 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (the "**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The hearing before the Appellate Court took place at the end of January 2019 and the court is expected to render its judgment in the forthcoming months.

Investigation by the Romanian National Anti-Corruption Agency

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

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

By 2015, the JV became virtually insolvent, as initial expectations on its prospects had failed to materialize. In 2015, in order to recover the €3.1 million 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, the Company entered into a settlement agreement with Bodu S.R.L. In 2016, in accordance with that settlement agreement, the Company acquired (at a discount to nominal value) Bodu S.R.L.'s outstanding bank debt (which was secured by its share of, and assets it contributed to, the JV). Thereafter, the Company 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 the Company's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries.

Following this acquisition, in addition to its investigation of Antena Group's bribery allegations in relation to our investment into the JV, the DNA opened an enquiry as to whether the transactions that followed (including the 2015 settlement and the 2016 acquisition) represented unlawful money-laundering activities. On June 7, 2017, the DNA indicted Mr. Ioan Bendei on the charges of bribery and accessory to money laundering. On July 25, 2017, the DNA indicted the Company on the charges of bribery and money laundering, Integrasoft S.R.L. on the charge of accessory to money laundering, Mr. Mihai Dinei (a member of the board of directors of the Company) on the charges of accessory to bribery and accessory to money laundering and Mr. Alexandru Oprea (a former Chief Executive Officer and President of the board of directors of the Company) on the charges of accessory to bribery. On July 31, 2017, the DNA indicted

Mr. Serghei Bulgac (the current Chief Executive Officer and President of the board of directors of the Company) on the charges of money laundering. During the DNA's investigation, the Company offered as a bond two real estate assets valued at approximately €3.1 million (which equals our investment into the JV pre-2016 acquisition) that were attached by the DNA; those assets are not material to our business.

The DNA initiated criminal proceedings in the Bucharest Tribunal on August 22, 2017. The merits hearing at the Bucharest Tribunal was held on October 2, 2018, and on January 15, 2019, the judgment (the "**January Judgment**") was issued:

- dismissing the giving of bribe related allegations against the Company and its past and current directors on the basis that they had become time-barred;
- convicting the Company of money laundering and (a) ordering it to pay a criminal fine of approximately RON1.25 million; (b) confiscating €3.1 million of our original investment in the JV and RON655,124 as alleged unlawful profits derived by the Company from the JV; and (c) maintaining seizure of the attached two real estate assets;
- convicting Integrasoft S.R.L. of accessory to money laundering and ordering it to pay a criminal fine of approximately RON 700,000;
- cancelling (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 the Company of the events hall's real estate and business;
- convicting Mr. Ioan Bendei of accessory to money laundering (in his capacity as a director of Integrasoft S.R.L.) and sentencing him to four years' imprisonment;
- acquitting Messrs. Serghei Bulgac, Mihai Dinei and Alexandru Oprea of all charges; and
- convicting 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. We continue to deny any allegations against 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 the Company, Integrasoft S.R.L. and Messrs. Ioan Bendei, Serghei Bulgac and Mihai Dinei. The full appeal motions will be submitted shortly after the complete text of the January Judgment becomes available. The January Judgment will not become final or enforceable pending the Bucharest Court of Appeal's resolution on the appeal, which will involve a full re-trial of the factual matters and legal issues in this case.

Indemnity claims related to the sale of our Czech Republic subsidiary in 2015

In March 2018, Yolt Services s.r.o. initiated proceedings against the Company in the Vienna International Arbitral Centre (the "**VIAC**") related to the 2015 sale of our Czech Republic subsidiary to Lufusions s.r.o. The underlying sale and purchase agreement contained certain customary indemnification provisions, including with respect to representations concerning pre-sale activities of the sold entity.

Following completion of the sale, we in good faith provided certain transitional services to the sold entity. However, over time the new owners (i) failed to adequately manage the matters subject to indemnity; and (ii) implemented a series of corporate changes (including a de-merger) that ultimately resulted in the sold entity no longer operating the business it had operated at the closing date of the sale and purchase agreement. That entity (now renamed Yolt Services s.r.o. and stripped of any commercial substance) is currently claiming approximately €4.5 million plus accrued default interest (together with other costs amounting to approximately €2.8 million) from us as indemnity under the sale and purchase agreement, *inter alia*, in relation to certain tax and copyright claims against it (the latter in favor of a Czech collective rights management body) allegedly related to the pre-sale period.

We believe that those claims are without merit, abuse the sale and purchase agreement's indemnification regime and, to a certain extent, are prescribed by applicable statutes of limitations. In addition, we submitted a counterclaim in the aggregate amount of approximately €1.1 million, primarily for unpaid amounts for the services that we had provided to Yolt Services s.r.o. post-closing.

The arbitration hearing took place on January 23, 2019. Post-hearing briefs and final evidence are expected to be submitted by the parties in the upcoming weeks.

Further investigation by the GVH of our acquisition of Invitel

Our acquisition of Invitel was approved by the GVH in May 2018. However, on November 14, 2018, the GVH withdrew its original approval and launched a new investigation to re-assess certain market overlaps between Invitel and i-TV. The stated reason for such withdrawal and investigation was that at the time of the initial evaluation DIGI Hungary had allegedly failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV. In addition, the GVH imposed on DIGI Hungary a fine of approximately €280,000.

However, the GVH's withdrawal of its original approval will not undermine our ownership of Invitel pending the GVH's investigation (the GVH specifically decided to allow us to continue to exercise full control over Invitel). Therefore, our acquisition of Invitel is not currently affected in any way by the GVH's withdrawal decision, except for the reinstatement of certain limited behavioral restrictions that were lifted by the original clearance.

We continue to believe that DIGI Hungary fully cooperated with the GVH during the initial review by providing complete and accurate information and that the GVH's decision to withdraw the original clearance and to apply a fine and restrictions is incorrect. In December 2018, we appealed the parts of the GVH's withdrawal decision alleging our guilt and setting the fine to the competent court of law. We are fully cooperating with the GVH's further investigation and are hopeful that it will result in a final re-authorisation of the Invitel acquisition.

MATERIAL CONTRACTS

MVNO, Roaming and Interconnection Agreements

Spanish MVNO Agreement

DIGI Spain is party to a mobile communication network and infrastructure agreement with Telefónica, based on which Telefónica currently provides access to its radio spectrum and mobile communication network and infrastructure (the "**Spanish MVNO Agreement**"). The Spanish MVNO Agreement is effective until March 31, 2020.

DIGI Spain pays certain fixed and variable fees to Telefónica, calculated based on historic traffic generated by its users on Telefónica's network, which are subject to periodic revisions.

Italian MVNO Agreement

DIGI Italy is party to an agreement with TIM, granting it access to TIM's radio spectrum and mobile communication network and infrastructure (the "**Italian MVNO Agreement**"). The Italian MVNO Agreement is a full MVNO-type agreement.

The Italian MVNO Agreement has an initial validity term of five years starting from December 2015. Following the expiration of this initial term, automatic yearly extensions are possible.

DIGI Italy pays TIM monthly fees, both fixed and variable (a minimum yearly turnover is guaranteed by DIGI Italy for voice and SMS services until December 2020). DIGI Italy's payment obligations under the Italian MVNO Agreement are secured by a €500,000 bank guarantee and a €1 million guarantee from the Company.

Telecom Italia mobile roaming agreement

On November 3, 2008, we entered into a master service agreement with Telecom Italia Sparkle S.p.A. ("**Telecom Italia**"), under which Telecom Italia provides (i) access to Telecom Italia's 2G and 3G network in Italy; (ii) outbound roaming services through its international roaming agreements with other mobile operators and (ii) its international mobile subscriber identity numbers.

This agreement is automatically renewable on an annual basis, but either party is entitled to terminate it: (i) in the event of a material breach by the other party and a failure to remedy such breach within 60 days after a written notice, followed by a 7 days written notice of termination; (ii) if the other party becomes insolvent; (iii) subject to a 7 days written notice in the event of a final order by a governmental authority revoking the licenses required for the operation of the service; or (iv) subject to a 7 days written notice in the event of a regulatory development that materially affects either party's use of the roaming platform.

Interconnection and IP-related Agreements

We have entered into various domestic and international interconnection agreements for our fixed-line and mobile telephony operations, as well as certain IP-transit or related agreements with other providers of electronic telecommunications services. Our interconnection agreements generally have indefinite terms and may be terminated in the event of a material breach (predominantly, subject to a cure period) or the commencement of liquidation or insolvency proceedings. Our main supplier for global internet interconnection is TeliaSonera. Our main suppliers of interconnection services for fixed-line and mobile telephony are Telekom Romania, Orange Romania, Vodafone Romania, Telecom Italia, Belgacom, Telekom Austria, Telia Carrier, Turk Telecom, Tata Communications, Orange Espagne, S.A.U. and Telefónica.

Lease Agreements

Network lease agreements with energy distribution companies

On July 20, 1999, we entered into a framework agreement with Electrica S.A. ("**Electrica**"), a Romanian state-owned energy supply and distribution company, for the development of our fixed fiber-optic and cable network. Within the framework of this agreement, we entered into several lease agreements with Electrica's distribution subsidiaries for the use of their high-, medium- and low-tension poles to support our fiber-optic cables. Five of these lease agreements are still effective, with an average remaining life of one to two years. In addition, we entered into an agreement under which we lease certain fiber-optic cables to one of Electrica's distribution subsidiaries. This agreement has a remaining life of less than six months.

We have also entered into eight lease agreements with Enel's, CEZ's and EON's Romanian energy distribution subsidiaries (former subsidiaries of Electrica) for the use of their high- and low-tension poles, as well as two lease agreements under which we lease our fiber-optic cables to Enel's distribution subsidiaries. As at the date of this prospectus, these agreements have been renewed annually.

Netcity lease agreement

On May 15, 2009, we entered into an agreement with Netcity Telecom S.A. ("**Netcity**") for the lease of underground micro-ducts and dark fiber infrastructure, as well as for fiber installation services. The term of the agreement is ten years. Our agreement with Netcity is on the same terms as it offers to all other fiber network operators, as it was set-up as a public-private partnership with the Bucharest Municipality with the purpose of developing a passive telecommunications infrastructure in the Bucharest metropolitan area.

Other network lease agreements

On June 27, 2007, we entered into a lease agreement with Societatea Nationala de Radiocomunicatii S.A. for the use of technical premises and antennae supports for the development of our mobile telecommunications network in Romania. The term of the agreement is 15 years, which can be further extended for the entire validity of our 3G licenses.

On June 29, 2018, we entered into a new lease agreement with Metrorex S.A., the Bucharest underground public transportation operator, for the right to use Metrorex S.A.'s underground network for installing our fiber-optic cables and ancillary equipment. This agreement is currently set to expire on June 31, 2020.

We have also entered into several agreements with the National Company of Highways and National Roads in Romania, in respect of the use of the land under these authorities' administration, for the installation of our fiber-optic cables. These agreements are generally entered into for an average period of five years and many of them allow for an automatic extension.

Office spaces lease agreements

On May 11, 2009, we entered into a sale and leaseback transaction with ING Lease Romania IFN S.A. in respect of five floors of the FORUM 2000 Phase I Building and six floors of the FORUM 2000 Phase II Building (where our headquarters and the production studio for our sports channels are located). The aggregate purchase price of the property was US$13.6 million plus VAT, US$9.5 million of which came as external financing. On October 7, 2013, ING Lease Romania IFN S.A assigned its rights under this agreement to Raiffeisen Leasing IFN.

On November 25, 2015, we entered into an addendum to the leaseback agreement, which provided, among other things, an extension of its term for 36 months, a change of currency (from US$ to EUR) and interest rate, as well as an amended payment schedule. Pursuant to the amended payment schedule, the total amount of installments (which does not include installments paid up until December 1, 2015) is €5,659,593 (inclusive of VAT), with a residual amount of €47,625 (inclusive of VAT). We are entitled to terminate this agreement subject to the payment of an amount equal to 100.15% of the unpaid principal as of the termination date.

In addition, in 2008 and 2009, we leased the remaining floors of the FORUM 2000 Buildings, which are extended automatically every year. These agreements also provide for pre-emption rights in the event the respective owners decide to sell their properties.

Intelsat Satellite Agreement

We lease satellite capacity from Intelsat on the basis of a master service agreement effective until November 2022 (the "**Intelsat Agreement**"). Under the Intelsat Agreement, we have leased eight transponders to transmit our DTH signal, operated by Intelsat and Telenor (and an additional transponder for the transmission of non-DTH signal), with an aggregate total capacity of 477 MHz. The contract allows us to further reduce the number of dedicated transponders.

If Intelsat decides to (i) take a satellite out of commercial service at its orbital location and not replace such satellite, or (ii) replace a satellite without providing any replacement service, the Intelsat Agreement will be automatically terminated on the date the satellite is taken out of commercial service or redeployed. Intelsat is also entitled to manage satellite capacity (*i.e.*, change beam pointing, move, replace, relocate or reconfigure satellites), subject to a reasonable written notice, and we have agreed to operate on either side of polarization and across the entire frequency band. In addition, Intelsat may require bank guarantees for payments due under the Intelsat Agreement and certain separate service contracts.

Cable TV and DTH Equipment Agreements

Kaon

On July 12, 2013, we entered into an agreement with Kaon Media Co. Ltd. (the "**Kaon Agreement**") for the supply of digital set-top boxes. The Kaon Agreement had an initial term of two years. Following the expiry of such initial term, it has been, and will continue to be, automatically renewed for additional two years, unless terminated.

Nagravision

On December 9, 2004, we entered into a five-year agreement with Nagravision S.A. ("**Nagravision**") for the acquisition of the Nagra Conditional Access System ("**CAS**") (including the Nagra Subscriber Management System ("**SMS**") for the encryption and transmission of digital content via satellite and maintenance and support (the "**Nagravision Agreement**"). The Nagravision Agreement is currently effective until December 31, 2019 and provides for: (i) sale and installation of CAS and SMS; (ii) sale and delivery of smartcards; (iii) a license within, among other territories, Romania and Hungary for the intellectual property rights attached to CAS and SMS and smartcards; and (iv) certain maintenance, support and security services. In addition, Nagravision also refurbishes used smartcards. We also entered into a related maintenance agreement with Nagravision for the operation of CAS and SMS.

Agreements with key suppliers of our internet, data, mobile and fixed-line telephony businesses

ECI

From time to time we purchase DWDM and SDH transmission equipment from ECI. On February 19, 2017, we entered into a maintenance support contract with ECI for the acquisition of various support services. This agreement is currently effective until January 31, 2020 and either party is entitled to terminate it: (i) in the event the other party is in material or persistent breach of any of its obligations under the agreement and either that breach is incapable of remedy or the other party shall have failed to remedy that breach within 30 calendar days after receiving written notice requiring to remedy that breach; or (ii) in the event the other party is unable to pay its debts, becomes insolvent or is dissolved.

Huawei

We entered into certain agreements with Huawei Tech. Investment Co. Ltd. and certain other companies in the Huawei group (collectively, "**Huawei**") to purchase handsets, tablets, switches, hard disks, routers, storage systems, as well as related equipment and services. Products and services are supplied on the basis of separate orders with specific pricing terms. We typically purchase equipment from Huawei as and when needed for our business and maintain low inventories. Our main supply agreement concluded with Huawei on November 29, 2016 is valid for a seven years term and either party is entitled to terminate it: (i) in the event of failure by any party to perform any of its obligations under this contract and failure to remedy such breach in an indicated term or (ii) in the event the other party ceases or threathens to cease to carry on its principle business, or (iii) in the event of dissolution or material changes to the other party's ownership or control which affects the ability to perform its duties under the agreement.

Ericsson

On December 22, 2017, we entered into a framework supply agreement for WCDMA & LTE RAN Network with Ericsson Telecommunications Romania S.R.L. ("**Ericsson**"). Under this agreement we purchased various equipment, as well as rendered support services from Ericsson, through a series of purchase orders. On the basis of this commercial relationship, we aim to develop our mobile network, by expanding cellular network coverage and capacity, *inter alia*, by the introduction of cellular internet of things services (IoT), to allow access to 5G capabilities in the future. This agreement is currently valid until December 22, 2024.

Wuhan

On June 20, 2017, we entered into a Frame Supply Contract for telecommunication equipment and the ancillary software with Wuhan FiberHome International Technologies Co. Ltd. in connection with the development of our nationwide FTTX project in Romania.

ZTE

We have entered into certain agreements with ZTE Corporation for the acquisition of equipment related to GPON and wireless routers, including hardware, software and other components.

Nokia

On November 30, 2006 and February 6, 2007, we entered into two framework agreements for the supply of equipment, software and services with certain companies in the Nokia group. Under these agreements, we purchase various equipment, such as radio access network components for our mobile network in Romania and related services, as well as other equipment (including fixed-line telephony equipment), software and services, through a series of purchase orders.

Key Content

Licensing Agreements for Broadcasting Rights

In order to provide content for our own DIGI Sport channels, we acquire broadcasting rights (for Romania, or Hungary, or both) in relation to various sports events (including one-off events) and competitions and related content. For a list of principal sports competitions, for which we have acquired certain broadcasting rights, as well as the relevant licensed territories, see "*Business—Products and Services—Content—Own TV Channels*." The aggregate value of the annual licensing fees under the underlying licensing agreements was €131.5 million as at September 30, 2018.

Programming Agreements

Pro TV Agreements

On July 15, 2013, we entered into an agreement with Pro TV S.A. ("**Pro TV**") for the retransmission of certain TV and radio channels. The term of this agreement automatically extends for successive one-year periods, unless unilaterally terminated by either party.

Antena Group

On June 15, 2018, we entered into a settlement agreement with Antena TV Group S.A. and Antena 3 S.A., which terminated all existing legal proceedings between us and waived all claims in relation thereto. See "*Business—Litigation and Legal Proceedings—Legal proceedings against Intact Media Group*." On the basis of this settlement agreement, we obtained broadcasting rights to (and undertook to broadcast) the following channels: Antena 1, Antena Stars, Happy Channel, Zu TV and Antena 3.

Other programming agreements

We also carry multiple other local and international TV channels on our platform. Certain of these TV channels are "must-carry" channels, while others are only available on a pay-tv or a premium-pay TV basis. The majority of these agreements have generally been concluded for a duration of two to three years, with different expiration dates. Upon expiration, these agreements may automatically extend, can be renegotiated or terminated.

INDUSTRY REGULATION

GENERAL

We are subject, in the various jurisdictions in which we operate, to a combination of national and European Union regulations. Legislation on electronic communications and audiovisual media services in our countries of operation is generally harmonized with the relevant European Union directives applicable to the sector. These directives include the Authorization Directive, the Framework Directive, the Universal Service Directive, the Access Directive, the Directive on Privacy and Electronic Communications, the Audiovisual Media Services Directive and the EU Regulation 2016/679 on data protection (the "**GDPR**").

ROMANIA

Electronic Communications Networks and Services

The provision of electronic communication services and networks in Romania is primarily regulated by Government Emergency Ordinance No. 111 of December 14, 2011 on electronic communications, as amended (the "**Framework Ordinance**").

The Framework Ordinance is supplemented by secondary legislation, which generally consists of norms issued by the regulatory authorities in the sector, as well as government decisions and norms issued by governmental bodies with incidental powers in the sector, such as the RCC, the NACP, the Ministry of Health and the National Supervisory Authority for Personal Data Processing.

Relevant Regulatory Authorities

The regulatory authorities in the field of electronic communication services and networks are the Ministry of Communications and Information Society and ANCOM.

The Ministry of Communications and Information Society, the central authority governing the telecommunications sector in Romania, is generally responsible for, among other things, defining the sector's strategies and policies, drafting regulations under the applicable legal framework, monitoring the implementation of European Union legislation and in its capacity as a public authority, monitoring compliance with applicable regulations.

ANCOM is an autonomous public institution under the control of the Romanian Parliament. ANCOM is in charge of applying the national policies and strategies in electronic communications, audio-visual communications and postal services and managing financial resources for the sector, as well as:

- regulating the activity in these fields;
- drafting and updating the content of the general authorization for operators to provide electronic communication networks and/or services (the "**General Authorization**");
- monitoring and managing the use of telephone numbers and issuing licenses for assigning telephone numbers and authorizing customers to use these numbers ("**Numbering License**");
- monitoring and managing the use of radio frequencies by, among other things, issuing licenses for the use of radio frequencies (the "**Spectrum Licenses**"), broadcasting licenses and any ancillary technical authorizations;
- establishing (subject to legal or regulatory ceilings, floors and other applicable criteria) and collecting fees and tariffs payable by operators, such as the tariff for monitoring services by ANCOM, the contribution for universal service and fees due in connection with Spectrum Licenses;
- acting as the decision-making authority in the resolution of disputes between operators;
- monitoring and controlling the application of the regulations applicable to the sector as well as the obligations set out in the various licenses, authorizations and permits, and applying any related sanctions; and
- promoting and monitoring the level of competition in the sector by defining the relevant markets and carrying out market analysis, assessing whether an operator has significant market power and imposing specific restrictions and obligations on operators having significant market power.

General Authorization

In order to obtain a General Authorization, a company is required to file a notification with ANCOM containing information about itself, the networks and services to be provided and the estimated date for the launch of such networks and services. ANCOM then issues a standardized certificate attesting that the operator has been granted a General Authorization by having filed the required notification. The General Authorization is granted for an indefinite period of time and is non-transferable, but may be suspended or withdrawn by ANCOM in certain circumstances, (e.g., if an operator repeatedly breaches applicable regulations).

The General Authorization can also be amended or withdrawn by ANCOM for reasons independent from the operator's conduct, if such measure is necessary to ensure compliance with international treaties to which Romania is a party or in case of a change in circumstances under which the General Authorization was issued. Such amendment must, however, be proportional, objective and preceded by public consultation.

Once an operator obtains a General Authorization it is bound by the obligations currently set out in ANCOM Decision 987 of December 6, 2012 and has a number of rights, which include: (i) the right to install facilities on third-party properties by entering into agreements in accordance with Law No. 159/2016 regarding the physical infrastructure of electronic communications networks and the establishment of certain measures to reduce the cost of installation of electronic communications networks, entered into force on July 28, 2016 (the "**Access Law**"); (ii) the right to negotiate and conclude interconnection and access agreements; and (iii) the opportunity to be designated by ANCOM to provide different elements of universal service.

The main obligations which accompany a General Authorization include the following:

- paying annual contributions for the funding of universal service in accordance with the provisions of the Framework Ordinance; as of December 30, 2018, no decision has been issued by ANCOM imposing the payment of contributions for the funding of the universal service for the years 2016, 2017 or 2018;
- paying the annual monitoring tariff due by all operators and determined by ANCOM, which starting with January 1, 2019 is calculated as a percentage of 3% of the turnover of the operator from the previous year (except for postal and courier services). Until January 1, 2019, such tariff was of up to 0.4% of the turnover of the operator from the previous year and was, in practice, not perceived as the ANCOM costs were covered from other sources. If certain conditions are met, the provider may request that only the revenue derived from provision of electronic communications networks and services and postal services be taken into account for the purpose of calculating the monitoring tariff. There were no tariffs imposed on us during the years 2014, 2015, 2016, 2017 and 2018;
- obligations regarding the negotiation of interconnection and access agreements;
- permitting the sharing of premises and facilities by operators, to the extent authorized by ANCOM;
- obtaining all licenses, permits and authorizations required by environmental protection and construction legislation and observing all urban planning requirements;
- legal processing of personal data;
- enabling legal interception of communications;
- ensuring continuity of service, preventing and eliminating harmful interferences and providing access to networks and services for public usage in exceptional circumstances such as major disasters;
- obligations regarding the usage of spectrum and telephone numbers; and
- reporting certain information to ANCOM within specified timeframes, such as information regarding the services/networks provided and the area where it operates; information regarding quality parameters of the services; copies of certain contracts including contracts for installation of facilities on third-party property, access and interconnection contracts and satellite access contracts; any amendments to the information provided to ANCOM in the notification for the General Authorization, and copies of financial statements.

ANCOM may set out specific rights and obligations for operators of particular types of networks or services on a non-discriminatory, proportional and transparent basis.

The General Authorization is a prerequisite for obtaining other authorizations needed in order to provide our services, such as Spectrum Licenses or a Numbering License.

We hold a General Authorization, issued by ANCOM under No. SC-DEASRN-B55 on January 10, 2014, which entitles us to provide the following telecommunication services: (i) public electronic communication networks, including (a) terrestrial public networks with fixed access or limited mobility, (b) public cellular mobile radio networks and (c) public networks with access through satellite; and (ii) electronic communication services for the public, including (a) telephony services for the public, (b) leased lines services, (c) data transmission services, (d) internet access services, (e) retransmission of linear audiovisual programs to end users and (f) other electronic communications services.

The General Authorization also entitles us to (i) access public and/or private properties with the purpose of providing electronic communications services (including building, installation, maintenance, replacement and relocation of electronic communication networks); (ii) negotiate and conclude interconnection agreements; and (iii) negotiate and conclude access agreements.

Interconnection

Interconnection is regulated by the Framework Ordinance. In addition to the general obligations applicable to all operators, ANCOM imposes upon operators with significant market power in the electronic communications sector one or more specific obligations, including certain transparency obligations regarding interconnection tariffs and contracts, maximum interconnection tariffs for call termination services, the obligation to grant interconnection services to other providers, prohibitions against discriminatory behavior (including publication of a reference offer) and requirements for separate accounting. If ANCOM considers there to be a lack of effective competition in a particular market, it may impose on operators the obligation to apply cost-oriented tariffs. Such obligations must be proportional and well-grounded and must be preceded by public consultation and consultation at the European Union level. Vertically integrated operators which have been designated as having significant power on the wholesale market must notify ANCOM of any intention to transfer all or a substantial part of their assets to a third party or to incorporate a new entity aimed at providing equivalent access services to retail operators. Within 12 months from the date of receipt of this notification, ANCOM must decide if and how the relevant operators' obligations should be amended.

In exercising its authority, ANCOM has decided that we, Telekom Romania, Orange Romania, Vodafone Romania, UPC Romania and other operators each have significant market power in the market for call termination services at fixed points and/or mobile points in our respective public phone networks and has imposed upon us certain transparency, interconnection and access obligations, as well as a maximum interconnection tariff for call termination services. Since May 1, 2018, the maximum interconnection tariff for call termination services in each relevant operator's public phone network has been set to 0.84 eurocents per minute, exclusive of VAT, for call termination services at mobile points, decreasing by 12.5%, from 0.96 eurocents per minute. As regards the maximum interconnection tariff for call termination services at fixed points, since April 1, 2014 it has been set to 0.14 eurocents per minute, exclusive of VAT.

Specific obligations of RCS & RDS regarding interconnection

Pursuant to ANCOM Decision 2849 of August 6, 2007, we were made subject to several obligations in relation to the interconnection of our fixed-line telephony network, including (i) a maximum tariff for our interconnection services, which cannot exceed 1.15 eurocents/minute, exclusive of VAT (whereas the interconnection tariffs charged at the time were generally higher); (ii) obligations to publish the tariffs and technical means for interconnection-related services and facilities; and (iii) other obligations which will facilitate third-party access to our network, reduce our ability to negotiate the terms of the interconnection agreements and make it impossible for us to refuse entering into this type of agreement.

In August 2008, ANCOM decided that we are an operator with significant power in the market for call termination services at fixed points in our public phone network and imposed on us certain transparency, nondiscrimination, tariff control, interconnection and access obligations, as well as limitations of our ability to negotiate interconnection agreements, similar to those imposed through ANCOM Decision 2849 described above. This decision has been repealed by ANCOM Decision 643/2008 (subsequently superseded by ANCOM decision 89/2012), under which we were re-confirmed as operator with significant power in the market for call termination services at fixed points in our public phone network and similar obligations to those mentioned above have been imposed on us. In addition, we have an obligation under Decision 89/2012 to apply cost-oriented tariffs, determined on the basis of a long-term calculation model for incremental costs prepared by ANCOM. On July 1, 2012, the maximum interconnection tariff for call termination services at fixed points in our public phone network became 0.67 eurocents per minute, exclusive of VAT.

In 2012, through ANCOM Decision 106/2012, we were re-confirmed as an operator with significant power in the market for call termination services at mobile points in our public phone network and certain obligations were re-confirmed for us, such as, an obligation to publish (i) an interconnection reference offer, mentioning at least the set of minimum interconnection services established by the decision and the conditions (including tariff arrangements) for provision of these services; and (ii) a standard interconnection agreement intended to offer beneficiaries necessary information regarding interconnection options and capabilities and related tariffs. We are also obliged, to the extent technically possible, to supplement the interconnection capacity upon request of the beneficiary. There is no obligation for the beneficiary to pay for additional capacities which it does not need or which it has not requested.

We are required to periodically update the reference offer and the standard interconnection agreement and notify ANCOM in relation to any such updates or amendments. We are also required to provide certain minimum interconnection services and to notify beneficiaries in advance in case of modifications in the network or removal of switches. The decision also provides for further limitations to our negotiating power on interconnection agreements.

Pursuant to Decision 106/2012, we were required to apply cost-oriented tariffs, determined on the basis of a long-term calculation model for incremental costs prepared by ANCOM. On September 1, 2012 the maximum interconnection tariff for call termination services at mobile points in our public network became 3.07 eurocents per minute, exclusive of VAT.

In 2013, ANCOM completed a long-term calculation model for incremental costs related to electronic communications services. Based on this new long-term calculation model, new tariff ceilings have been imposed on operators designated as having significant market power in the market for call termination services at fixed and/or mobile points, on the basis of individual decisions.

Pursuant to Decision 364/2014, as of April 1, 2014, the maximum interconnection tariff for call termination services at fixed points decreased from 0.67 eurocents per minute, exclusive of VAT, to 0.14 eurocents per minute, exclusive of VAT. The maximum interconnection tariff for call termination services at mobile points decreased from 3.07 eurocents per minute, exclusive of VAT, to 0.96 eurocents per minute, exclusive of VAT. Other maximum tariffs for ancillary interconnection services have been imposed as well.

In 2018, ANCOM confirmed the maximum interconnection tariff for call termination services at fixed points to 0.14 eurocents per minute, exclusive of VAT pursuant to Decision 33/2018 and the maximum interconnection tariff for call termination services at mobile points to 0.96 eurocents per minute, exclusive of VAT, pursuant to Decision 48/2018. As of May 1, 2018, pursuant to Decision 314/2018, the maximum interconnection tariff for call termination services at mobile points decreased from 0.96 eurocents per minute to 0.84 eurocents per minute. The other maximum tariffs for ancillary interconnection services remain the same as of 2014.

Specific interconnection obligations of other operators

In 2009, Vodafone Romania, Orange Romania and Telekom Romania were designated as operators with significant power in the market for call termination services at mobile points in their public phone network and were re-confirmed in that position by ANCOM in 2012 and, respectively, 2018.

As a consequence, the abovementioned operators have an obligation to publish interconnection reference offers (standard offers applicable to all beneficiaries that desire to enter into interconnection agreements with these operators), as well as standard interconnection agreements. They also have an obligation to apply cost-oriented tariffs, determined on the basis of a long-term calculation model for incremental costs prepared by ANCOM.

Telekom Romania has been designated as having significant market power in several interconnection markets and has the obligation to publish an interconnection reference offer (a standard offer applicable to all operators that desire to enter into an interconnection agreement with Telekom Romania containing a list of applicable tariffs. ANCOM also designated Telekom Romania as having significant market power in the market for unbundled access, full or shared, by broadband internet and fixed-line telephony service providers to the local fixed-line telephone loop. As such, Telekom Romania has, among other things, an obligation to publish an access reference offer (a standard offer applicable to all operators that desire to enter into agreements with Telekom Romania with respect to access to the local loop) and to apply cost-oriented tariffs to access services on the basis of calculation models or methods approved by ANCOM. Operators have the option to choose between full access to the local loop (i.e., exclusive for any types of services) and shared access (i.e., Telekom Romania will continue to use low frequencies for provision of telephony services, and the operator will be able to use the free frequencies for broadband internet services).

In 2008, Telekom Romania was designated as an operator with significant power in the market for call termination services at fixed points in its public phone network and was re-confirmed in that position by ANCOM in 2012 and, respectively, in 2018.

In 2014, Telekom Romania was designated as an operator with significant power in the market for national commuted transit of calls in public telephone networks and in 2018 it was also designated as an operator with significant power in the market for call termination services at mobile points in its public phone network.

As of April 1, 2014, Telekom Romania's maximum interconnection tariff (i) for call termination services at fixed points was set to 0.14 eurocents per minute, exclusive of VAT; (ii) for call termination services at mobile points was set to 0.96 eurocents per minute, exclusive of VAT; and (iii) for national commuted transit of calls was set to 0.18 eurocents per minute, exclusive of VAT. Other maximum tariffs for ancillary interconnection services have been imposed as well.

In January 2018, Telekom Romania's maximum interconnection tariffs set in 2014 were re-confirmed and in May 1, 2018, the maximum interconnection tariff for call termination services at mobile points decreased from 0.96 eurocents per minute to 0.84 eurocents per minute.

Television and Radio Services

Regulatory framework

Our core activity consists of providing subscription television services in the form of cable TV and DTH services. We also broadcast several channels for which we determine the editorial content: sports channels (DIGI Sport 1, DIGI Sport 2, DIGI Sport 3 and DIGI Sport 4), a pay TV movie channel (FILM NOW), a news channel (DIGI 24, with its local news stations, DIGI 24 Brasov, DIGI 24 Cluj-Napoca, DIGI 24 Constanta, DIGI 24 Craiova, DIGI 24 Galati, DIGI 24 Iasi, DIGI 24 Oradea and DIGI 24 Timisoara), documentary channels (DIGI World, DIGI Life and DIGI Animal World) and music channels (U Televiziune Interactiva). Starting with February 2019, we envisage to restructure our media assets by consolidating the central office of DIGI 24 news channel and closing down DIGI 24 local news stations. Starting with December 2018, we are also offering to our customers Digi 4K, the first ultra high-definition ("HD") channel in Romania, by which we broadcast sport content and documentary programs. We also own an interest in Music Channel and H!t Music Channel televisions.

Since May 2015, we have also been operating radio stations in Romania (Pro FM, Info Pro, Music FM and Dance FM). In November 2015 we launched DIGI FM, a new radio station. DIGI FM is operated on the basis of the license and audiovisual authorization initially issued for Info Pro, which was subsequently closed down. In September 2018, we changed the name of Music FM to Chill FM for Bucharest area, Chill FM is currently operating on the basis of the license and audiovisual authorization initially issued for Music FM in Bucharest. The other two frequencies that were allocated to Music FM (*i.e.,* for Cluj-Napoca and Targu Mures) currently belong to Dance FM, which is the new name of this radio channel for these two areas. Dance FM Cluj-Napoca and Targu Mures are operated on the basis of the relevant licenses and audiovisual authorizations initially issued for Music FM in these two areas.

In Romania, our cable TV, DTH and radio services are principally regulated by Audiovisual Law No. 504 of July 11, 2002 as amended (the "**Audiovisual Law**") and Copyright Law No. 8 of March 14, 1996, republished (the "**Copyright Law**").

Regulatory authorities

The Romanian regulatory authorities in the audio-visual sector are:

- ANCOM, which is responsible for regulating and overseeing the infrastructure and media for the broadcasting and retransmission of audiovisual programming; and
- The NAC, which is responsible for regulating and overseeing (i) programming content, including the content of the programming offered by broadcasters and the programming offered by distributors; (ii) the issuance of retransmission authorizations and the procedure for such issuance; (iii) the issuance of norms for the implementation of the Audiovisual Law in its field of competence; and (iv) the promotion of competition in the sector.

Licenses

A General Authorization, together with retransmission authorizations and retransmission endorsements issued by the NAC is required to provide cable TV and DTH services.

For radio air-broadcasting, operators must also obtain Spectrum Licenses and authorizations for assigning frequencies, and technical authorizations must be issued by ANCOM for an operator to use terrestrial broadcasting stations.

Providers of "Pay-per-View" services must also obtain broadcasting endorsements issued by the NAC.

We hold all relevant material licenses that are necessary for the Company to perform its activities, and the Company works to prolong all licenses which it holds. In the telecommunications and media sector licenses are generally not exclusive. Any private operator meeting specific requirements set by the law can be granted necessary licenses and permitting to perform telecommunications and media activities in Romania. However, once granted and as long as the operator ensures compliance with regulatory requirements, any license can be freely exploited by such operator.

The table below sets out our current material licenses in Romania, the type of service for which the license is granted, whether the license was obtained through a public tender and the year until which the license is valid.

License	Service Type	Public Tender	Valid Until
TV carriage business			
Numerous (approx. 70) retransmission authorizations issued by the NAC—this number varies over time	Cable	NO	N/A
A4069.1/22.08.2005	DTH	NO	N/A
FS-LCX 03/2005—Spectrum License issued by the ANCOM	Satellite—DTH	NO	2020
Electronic communications services			
Certificate no SC-DEASRN-B55/10.01.2014	Internet	NO	N/A (until further change)
TV and Radio broadcast business			
Licenses issued by the NAC:			
S-TV 273.6/07.12.2010—Digi 24	TV	NO	2019
TV-C 631.5/15.03.2012—Digi 24 Brasov	TV	NO	2022
TV-C 636.5/15.03.2012—Digi 24 Cluj Napoca	TV	NO	2022

License	Service Type	Public Tender	Valid Until
TV-C 634.6/15.03.2012—Digi 24 Constanta	TV	NO	2021
TV-C 635.6/15.03.2012—Digi 24 Craiova	TV	NO	2021
TV-C 633.6/15.03.2012—Digi 24 Galati	TV	NO	2023
TV-C 630.6/15.03.2012—Digi 24 Iasi	TV	NO	2021
TV-C 632.6/15.03.2012—Digi 24 Oradea	TV	NO	2021
TV-C 637.6/15.03.2012—Digi 24 Timisoara..................	TV	NO	2021
S-TV 254.11/06.10.2009—FILM NOW	TV	NO	2025
S-TV 216.9/20.03.2008—Digi Life................................	TV	NO	2026
S-TV 238.11/18.11.2008—Digi World	TV	NO	2027
S-TV 302.6/30.10.2012—Digi Animal World	TV	NO	2022
S-TV 246.10/28.04.2009—DIGI Sport 1	TV	NO	2027
S-TV 348/10.07.2018—DIGI Sport 2	TV	NO	2027
S-TV 349/10.07.2018—DIGI Sport 3	TV	NO	2027
S-TV 350/10.07.2018—DIGI Sport 4	TV	NO	2027
S-TV 352/30.10.2018—DIGI 4K....................................	TV	NO	2027
S-TV 84.5/16.03.2004—U Televiziune Interactiva.........	TV	NO	2022
31 local licenses (terrestrial)—Pro FM Network.............	Radio	NO	linked to the licenses issued by ANCOM
R460.12/03.05.2004(terrestrial)—Digi FM Network.......	Radio	NO	linked to the licenses issued by ANCOM
R428.10/26.04.2004(terrestrial)—Dance FM Network....	Radio	NO	linked to the licenses issued by ANCOM
R635.8/18.01.2005(terrestrial)—Dance FM Network......	Radio	NO	linked to the licenses issued by ANCOM
R650.8/20.01.2005(terrestrial)—Dance FM Network......	Radio	NO	linked to the licenses issued by ANCOM
R633.8/17.01.2005(terrestrial)—Chill FM......................	Radio	NO	2024
S-R 06.13/11.07.1996(satellite)—Pro FM.......................	Radio	NO	2023
S-R 10.13/23.09.1997(satellite)—Digi FM	Radio	NO	2025
Licenses issued by the ANCOM:			
Over 70 licenses issued by the ANCOM for the Pro FM, DIGI FM, Chill FM and Dance FM radio stations (per city)	Radio	NO	Valid for 9 years (different expiry dates)
FS-SNG 01/2012 (radio frequencies)	Broadcasting TV events	NO	2022
Telephony business			
MT-CEL 01/2007 (radio frequencies 2100 MHz)...........	Mobile telephony	YES	2022
MT-CEL 04/2013 (radio frequencies 900 MHz).............	Mobile telephony	YES	2029
FX- CFM 04/2015 (radio frequencies 3600 MHz)..........	Mobile telephony	YES	2025
MT-CEL 05/2013(radio frequencies 2600 MHz)............	Mobile telephony	YES	2029
FS-SNG 01/2012 (radio frequencies)	Fixed telephony	NO	2022
Online & SVOD platforms			
SMAC 010/19.12.2013—Digi Online.............................	Online / mobile	NO	N/A[(2)]
SMAC 012/02.09.2014—Digi Play.................................	Online / mobile	NO	N/A[(1)]

Satellite Spectrum License

We obtained the Satellite Spectrum License on February 22, 2005 and last amended it on November 12, 2018 for the use of the spectrum in order to supply electronic communications via satellite at the national level. The Satellite Spectrum License allows us to install and operate a satellite communication station for the satellite up-link and down-link of sound and TV broadcasting programming. The Satellite Spectrum License is valid until February 21, 2020. The Satellite Spectrum License covers the frequency bands 13.750-14.000 GHz and 17.300-18.400 GHz for the satellite up-link, 11.700-12.500 GHz for the satellite radio service (down-link), and 12.500-12.750 GHz for the satellite down-link. The frequency bands 13.750-14.000 GHz and 17.300-18.400 GHz are subject to shared use between civil and governmental systems.

We have also obtained the Satellite Spectrum License FS-SNG 01/2012, issued on May 28, 2012 and valid until May 28, 2022. The Satellite Spectrum License covers the frequency bands 13.750-14.000 GHz for the satellite up-link and 12.500-12.750 GHz for the satellite down-link. The frequency band 13.750-14.000 GHz is subject to shared use between civil and governmental systems. We use this license for portable satellite communications stations destined for occasional and temporary transmissions to studios (i.e., portable stations mounted on cars).

Under the Audiovisual Law, a broadcaster is required to obtain an analog or digital audiovisual license, an audiovisual decision and an analog or digital broadcasting license as well as, generally, for terrestrial broadcasting, a technical authorization. No such audiovisual or broadcasting license or audiovisual decision is required for a service distributor (defined as a person who establishes and offers to the public a programming offer by way of retransmission, based on contractual relations with broadcasters or other distributors).

We act as a broadcaster as regards the transmission of our own channels and as a service distributor for the retransmission of other channels. Therefore, we submit to rules and regulations applying to both activities. See "—*Retransmission licenses*," "—*Broadcasting endorsement*" and "—*Audiovisual License and related authorizations*."

Retransmission licenses

The retransmission by service distributors of unaltered programming produced by others can only be done on the basis of a retransmission endorsement issued by the NAC. To obtain a retransmission endorsement, distributors must notify the NAC of their programming offerings and file supporting documentation. Any change in the programming offerings must also be approved, in advance, by the NAC. The NAC may withdraw the retransmission endorsement (i) if the distributor retransmits programming without having the required rights; (ii) if ANCOM withdraws the distributor's right to provide electronic communication networks or services; or (iii) upon request of the holder of the retransmission endorsement. Retransmission endorsements are nontransferable, but if the holder intends to transfer its electronic communication network, the transferor and transferee must submit requests to the NAC for the cancellation and issuance of a new retransmission endorsement.

We have obtained 71 retransmission endorsements for cable TV covering over 3,000 localities throughout Romania. We also hold a general retransmission endorsement for DTH No. 4069.1 of August 22, 2005 which covers all 114 channels we currently retransmit. Due to the frequent changes in our programming offerings, we notify the NAC of such changes relatively often, although not always on time. The NAC does not always approve these changes in programming in a timeframe which is adequate for our operational needs. We have notified the NAC in relation to the extended terms of some of our retransmission agreements, such as our agreement with Pro TV.

Other than the retransmission endorsement, the retransmission of programming is in principle not subject to any authorization or licensing procedure in Romania if it was originally broadcast by broadcasters under Romanian jurisdiction, under the jurisdiction of any of the European Union member states or under the jurisdiction of a state with which Romania has entered into a free retransmission agreement. Distributors which retransmit programming broadcasted by such broadcasters must notify the NAC of the jurisdiction in which the respective broadcaster is located and file any agreement regarding the retransmission with the NAC. In all other cases (i.e., if the broadcaster is located in any other jurisdiction), a program-specific retransmission authorization must be obtained from the NAC. The NAC may temporarily restrict the free retransmission of a programming broadcasted from a European Union member state only in certain very limited circumstances.

Retransmission authorizations may be requested by any interested person having editorial responsibility for the programming and such authorizations relate to the content of the programming rather than to the distributor. Therefore, once the retransmission authorization has been obtained for a particular program, any distributor having a retransmission endorsement may retransmit such program without an additional authorization. The NAC is required to publish annually a list of programming as to which it has granted a retransmission authorization.

Broadcasting endorsement

Under NAC Decision 320/2012 regarding on-demand audio-visual services, all providers of "Pay-per-View" services must notify the NAC of their intention to provide such services at least seven days before beginning broadcasting, or in the case of operators already providing "Pay-per-View" services at the time of adoption of NAC Decision 320/2012 (as was our case), by September 3, 2012.

Based on the notification, the NAC issues a broadcasting endorsement, which entitles the applicant to start providing the "Pay-per-View" services mentioned in the broadcasting endorsement. The broadcasting endorsement is non-transferable.

We currently provide such services through DIGI Play, a video on demand service, as per Broadcasting Endorsement No. SMAC 012 issued by the NAC on September 2, 2014 and through DIGI Online, a mixed audiovisual service (containing the video on demand service), as per Broadcasting Endorsement No. SMAC 010 issued by the NAC on December 19, 2013.

Audiovisual licenses and related authorizations

For broadcasting our own TV and radio channels we are required to obtain an analog or digital audiovisual license, an audiovisual decision and a technical authorization.

Television

For satellite broadcasting of the FILM NOW channel, we obtained the Audiovisual License No. S-TV 254.11 of October 6, 2009, and the audiovisual authorization decision No. 1641.1-3 of September 13, 2016, both valid until March 20, 2025.

In relation to the DIGI Sport 1 channel, we obtained the Audiovisual License No. S-TV 246.10 of April 28, 2009 issued on July 23, 2018 by the NAC for broadcasting via satellite in Romania and Central and South-Eastern Europe states and the Audiovisual Authorization Decision for satellite broadcasting No. 1623.1-6 of July 22, 2014 issued on July 23, 2018, both valid until July 9, 2027.

On July 23, 2018, the NAC also issued separate licenses for DIGI Sport 2, DIGI Sport 3 and DIGI Sport 4, which are all valid until August 28, 2027. As of December 2018, we are also offering a new sport channel, Digi 4K, the first ultra high-definition channel in Romania, for which we hold the NAC license S-TV 352 of October 30, 2018 and the Audiovisual Authorization Decision for satellite broadcasting 2188.0 of November 27, 2027.

For the DIGI 24 channel, we have obtained the Audiovisual License No. S-TV 273.6 of December 7, 2010, the latest amended version was issued on July 18, 2017 by the NAC and the corresponding Audiovisual Authorization Decision No. 1727.1-5 of February 9, 2012 is valid until December 9, 2019. DIGI 24 is a themed news channel broadcasting nationally, but we also have regional versions: (i) DIGI 24 Brasov, (ii) DIGI 24 Cluj-Napoca, (iii) DIGI 24 Constanta, (iv) DIGI 24 Craiova, (v) DIGI 24 Galati, (vi) DIGI 24 Iasi, (vii) DIGI 24 Oradea and (viii) DIGI 24 Timisoara. Starting from February 2019, we envisage to restructure our media assets by consolidating the central office of DIGI 24 news channel and closing down DIGI 24 local news stations.

We also have a range of documentary channels, broadcasted via satellite: (i) DIGI Animal World, covered by Audiovisual License No. S-TV 302.6 of October 30, 2012 and the corresponding Audiovisual Authorization Decision No. 1856.0-6 of January 10, 2013, valid until 2022, (ii) DIGI Life (previously named DIGI TV Info), covered by Audiovisual License No. S-TV 216.9 of March 20, 2008 and the corresponding Audiovisual Authorization Decision No. 1479.1-7 of October 2, 2012, valid until June 18, 2026 and (iii) DIGI World, covered by Audiovisual License No. S-TV 238.11 of November 18, 2008 and the corresponding Audiovisual Authorization Decision No. 1568.2-7 of October 2, 2012, valid until February 5, 2027.

Our subsidiary New Trend Media S.R.L. broadcasts the music channel U Televiziune Interactiva, for which it determines the editorial content. For this channel New Trend Media S.R.L. obtained the Audiovisual License No. S-TV 84.5 of March 16, 2004 and the corresponding Audiovisual Authorization No. 737.3-2 of June 28, 2011 valid until October 21, 2022.

Furthermore, a company in which we indirectly hold a participating interest, Music Channel S.R.L., broadcasts Music Channel and H!T Music Channel, for which it determines the editorial content.

Radio

In 2015, following a transfer of licenses approved by the NAC, we obtained the licenses used to broadcast DIGI FM, Pro FM and Pro Classic (which expired on November 12, 2016).

For satellite broadcast of DIGI FM we have obtained License No. S-R 10.13 of September 23, 1997, the latest amended version was issued on July 18, 2017 by the NAC, and the Audiovisual Authorization Decision No. 270.2-3 of November 10, 2015, valid until September 15, 2025. For terrestrial broadcast of DIGI FM we have obtained License No. R460.12 of May 3, 2004, the latest amended version was issued on July 18, 2017 by the NAC and is valid until October 15, 2022. 41 audiovisual authorization decisions for local stations were issued in connection with this license.

Pro FM is broadcasted via satellite under License No. S-R 06.13 of July 11, 1996, the latest amended version was issued on July 18, 2017 by the NAC, and the Audiovisual Authorization Decision No. 201.3-3 of June 14, 2016, valid until December 19, 2023. As regards terrestrial broadcast of Pro FM, in March 2018, following our request, the NAC approved the replacement of the national license for the PRO FM network with thirty-one local audiovisual authorization licenses. These licenses are valid as at the date of this prospectus.

In addition to DIGI FM and Pro FM, we also broadcast Dance FM and Chill FM. Chill FM is broadcast only in Bucharest being the new name of Music FM in Bucharest area, through the Terrestrial Spectrum License No. R633.8 of January 17, 2005. The latest amended version was issued on October 3, 2018 by the NAC, and the Audiovisual Authorization Decision No. 1141.3-1 of September 13, 2016. This license is valid until June 7, 2024.

Dance FM is broadcast in Bucharest, through the Terrestrial Spectrum License No. R428.10 of April 26, 2004, the latest amended version was issued on October 3, 2018 by the NAC, and the Audiovisual Authorization Decision No. 961.2-2 of September 13, 2016, valid until October 18, 2023. Following the change of name from Music FM to Dance FM for Targu Mures and Cluj-Napoca areas, Dance FM is additionally broadcast through the Terrestrial Spectrum Licenses No. R635.8 of January 18, 2005 and No. R650.8 of January 20, 2005 respectively, the latest amended version of such licenses was issued on January 16, 2019 by the NAC, and the Audiovisual Authorization Decisions for the broadcast of Dance FM No. 1149.2-2 of September 13, 2016 for Cluj-Napoca and No. 1160.2-1 of September 13, 2016 for Targu Mures, which are valid until June 16, 2024 and July 14, 2024 respectively.

Other relevant provisions for the audiovisual sector

The Audiovisual Law sets out certain rules applicable to retransmission of programming, including the following:

- At least 25% of all programs retransmitted by a distributor (except for distributors that exclusively use radio spectrum/DTH) must come from broadcasters located within the Romanian jurisdiction. The entity retransmitting that programming must pay applicable copyright fees for such retransmission. In applying this provision, the NAC has established a "must carry" obligation for retransmission of state-owned local channels, certain regional channels, the international channel TV5 and the Moldovan channel Moldova 1 (postponed until issues regarding the broadcasting of this channel on Romanian territory are solved). In order to reach the 25% quota, apart from the broadcasters located within the Romanian jurisdiction for which the "must carry" obligation applies, the distributor must retransmit programs free for retransmission from other broadcasters in the Romanian jurisdiction chosen in the reverse order of their ratings.
- All distributors must include in their offerings the programs of the state-owned Romanian Television Company (with the exception of those programs which are not addressed to the Romanian public) as well as programs for which an obligation of retransmission has been established by the international treaties to which Romania is a party.
- Distributors have an obligation to include in their program offerings, at the local and regional levels, at least two regional programs and two local programs, where such exist; the relevant programs to be included in the offerings shall be determined by the reverse order of their rating.
- Distributors have an obligation to ensure retransmission (free of charge) of programming in the national minority language in those municipalities in which national minorities represent more than 20% of the population.

The NAC also requires broadcasters to reserve at least 50% of their air time for European origin programming content.

In the case of channels operating under the "Pay-per-View" system, operators must ensure that at least 20% of their catalogue is formed of European programs, except for informative, sports and teleshopping programs.

To the extent possible, "Pay-per-View" programs should promote the production and access to European audio-visual work. This promotion may consist either of ensuring financing means for production of or acquisition of rights over European audio-visual work or ensuring coverage of European audiovisual works in the catalogue of programs offered.

Romania does not have specific price control legislation for the cable TV market. Operators are free to set prices according to the competitive environment and in line with their own strategy.

Sanctions in the audiovisual sector

Generally, breaches of the Audiovisual Law constitute administrative offenses. Certain of the more serious administrative offenses are punishable by fines of up to RON200,000. Other less serious administrative offenses are punishable by fines of up to RON100,000. In the event of repeated breaches, the NAC may decide to apply one of the following sanctions: (i) impose an obligation on the broadcaster to broadcast the text of the sanctioning decision; or (ii) reduce to half the term of validity of the audio-visual license together with the sanction mentioned at (i) above. In all cases, the breach may also result in the suspension of the offending activity. Also, if the broadcasted content is repeatedly inappropriate (such as promoting hate, violence, and actions against the state or terrorism) the license could be cancelled altogether.

Some breaches of the Audiovisual Law constitute criminal offenses punishable by imprisonment or criminal fines of up to RON1,600,000; these may also result in the confiscation of the assets used for or resulting from such breach.

We have not always paid the fees and tariffs due to ANCOM in a timely manner and we have sometimes been sanctioned for such delays in payment. ANCOM could impose a number of sanctions as a result of any future late payments, including significant fines, attaching our bank accounts and terminating our licenses or general authorizations (including the General Authorization).

Copyright

The Romanian Copyright Law contains specific provisions applicable to the retransmission of protected works. The Romanian Office for Copyright (the "**ORDA**") is the governmental body that monitors compliance with copyright legislation.

Rights of authors include, among others, the right to authorize or prohibit the broadcasting or retransmission of works by cable, air or any other means. Holders of related rights (e.g., performing artists and producers of phonograms and audio-visual works) also have the exclusive right to authorize or prohibit the retransmission of their works. Television and radio broadcasters, as holders of related rights, have an exclusive ownership right to authorize the retransmission or re-broadcasting of their own radio or television programming by wireless, wire, cable, satellite or by any other similar means.

Except with respect to television and radio broadcasting bodies, the holders of the copyright or related rights may exercise their rights to authorize or prohibit the retransmission only through a collective administration body. Collective administration bodies are not-for-profit associations of the holders of copyright and related rights. The purpose of these bodies is the collection and distribution of royalties deriving from copyrights they manage. The creation of collective administration bodies must be endorsed by the ORDA. The amount of royalties due is established under a methodology negotiated between the collective administration bodies and the representative bodies of distributors. If the parties do not reach an agreement on the methodology, they have recourse to non-binding mediation and, subsequently, to an arbitration procedure organized by the ORDA. A collective administration body may charge distributors lump sums or percentages of royalties, calculated by reference to the income derived from the retransmission activities in which protected works are used.

Television and radio broadcasters exercise their rights regarding their own programming, irrespective of whether they are the holders of such rights or whether such rights have been assigned to them, through contracts entered into with the distributors, except where the retransmission is required by law.

The retransmission of works subject to copyright or related rights without the consent of the right holder is deemed a criminal offense punishable by up to one year imprisonment. Among other criminal offenses, the sale or rental of pirated access control devices is punishable with up to five years imprisonment. These criminal offenses are also applicable to legal persons and are punishable by fines of up to RON1,600,000 and ancillary sanctions such as dissolution or suspension of the offending activity.

On July 5, 2011, we obtained a non-exclusive license for retransmission of videos managed by the Romanian Union of Film and Audiovisual Producers—Romanian Association for Collective Management of Audiovisual Works. On January 9, 2013, we obtained a non-exclusive license for the broadcasting on our own channels of audio works managed by the Romanian Musical Performing and Mechanical Rights Society.

Telephony and Data Transfer Services

A General Authorization is required to provide data transfer and internet access services through cable, and in addition to General Authorization, a Numbering License and a Signaling Points License are required to provide telephony services. A General Authorization, a Spectrum License, a Numbering License and a Signaling Points License are required to provide mobile voice telephony services and data transfer and internet access services through a wireless network (e.g., using the radio spectrum). The award and utilization of Spectrum Licenses are subject to a more restrictive set of requirements than the General Authorization.

Radio spectrum

Since radio frequencies are deemed limited resources, they are declared public property of the state, and their use, with the exception of free frequencies, is allowed only based on a Spectrum License, which can be granted by ANCOM to operators having a General Authorization. ANCOM issues Spectrum Licenses in accordance with the national table of allocation of frequency bands through an open, transparent and non-discriminatory procedure, generally on a competitive basis (i.e., public tender). In order to promote competitiveness, ANCOM may decide to exclude certain persons from participating in the selection process for granting a Spectrum License, with prior consultation with the RCC and the public.

After adequate public consultation, ANCOM may limit the number of Spectrum Licenses to be granted when such action is necessary to ensure the efficient use of spectrum or to prevent harmful interferences. The limited number of Spectrum Licenses granted is generally awarded on the basis of a competitive public auction or a comparative basis. The number of 3G licenses in the 2100 MHz spectrum has been limited to four by Romanian Government Decision No. 1113 of October 10, 2002. ANCOM must re-analyze its decision to limit the number of the Spectrum Licenses when it deems necessary and upon request of any party directly affected by the limitation decision.

Spectrum Licenses may contain network roll-out and coverage requirements and they may be granted for a specific type of network or technology. Spectrum Licenses are generally issued for five years. Spectrum Licenses issued following a comparative or competitive selection process are issued for a maximum duration of 10 years. By way of exception, under certain applicable provisions of Romanian law (e.g., taking into consideration the objective considered when granting the license and an adequate period for amortizing investments), Spectrum Licenses may be issued for a duration of up to 15 years. Spectrum Licenses may be renewed for additional periods of time each with a maximum duration equal to the initial duration.

Under the December Ordinance, for Spectrum Licenses awarded on a competitive or comparative basis, renewal is subject to the payment of a license fee of 4% of the turnover from mobile telephony operations in the year preceding the renewal, multiplied by the number of years for which the license is granted.

Under Romanian Government Decision No. 1113 of October 10, 2002, Spectrum Licenses are issued for a duration of fifteen years and may be renewed upon request for an additional period of 10 years.

The following types of tariffs are payable in connection with Spectrum Licenses:

- A license fee, which is a one-off payment obligation that may be payable in installments. A license fee is charged for every Spectrum License granted through a competitive or comparative selection process and following the entry into force of the December Ordinance such fee is calculated depending on the type of license that is granted, as follows:
  (a) for the 703—733 MHz/ 758—788 MHz (2x30 MHz), 738—753 MHz (1x15 MHz), 880—915 MHz/925—960 MHz (2x35 MHz) radio frequency bands, a minimal fee of 4% of the turnover from mobile telephony operations in the preceding year, multiplied by the number of years for which the license is granted; and
  (b) for 791—821 MHz/ 832—862 MHz (2x30 MHz), 1920—1980/2110—2170 MHz (2x60 MHz), 3400—3800 MHz (400 MHz) radio frequency bands, a minimal fee of 2% of the turnover from mobile telephony operations in the preceding year, multiplied by the number of years for which the license is granted.

Under the previously applicable regulations we paid a total license fee of $35 million for the 2100 MHz license acquired in 2007, whereas for the 900 MHz license acquired in 2012 we paid a total license fee of €40 million. Both license fees have been paid in full in accordance with the obligations applicable at that time.

- Annual/quarterly tariffs for the use of the radio spectrum. The minimum annual tariffs for the use of Spectrum Licenses are as follows: (i) €2.3 million per each pair block of 5 MHz allocated at the national level for the 900 MHz Spectrum License; (ii) €1.2 million per each pair block of 5 MHz allocated at the national level and €0.3 million per each non-pair block of 5 MHz allocated at the national level for the 2100 MHz Spectrum License; and (iii) €0.9 million per each pair block of 5 MHz allocated at the national level and €250,000 per each non-pair block of 5 MHz allocated at the national level for the 2600 MHz Spectrum License. The annual tariffs for the usage of the spectrum are payable based on individual decisions issued by ANCOM on a quarterly basis, on the basis of the tariff matrix and computation procedure approved by ANCOM in its Decision 551/2012.

Spectrum Licenses may only be transferred with the prior consent of ANCOM and subject to certain conditions. For example, the transfer of Spectrum Licenses granted following a comparative or competitive selection process is allowed only if all the conditions taken into account at the moment of granting the license will be satisfied following the transfer. Transfer of the Spectrum License without the prior approval of ANCOM is null and void.

ANCOM may amend the terms of the Spectrum Licenses in order to ensure efficient and rational use of the spectrum, prevent harmful interferences, ensure European Union harmonization, observe international conventions, address situations of insufficiency of radio frequencies in certain areas for the frequency bands covered by the respective Spectrum License, implement the electronic communications development strategy and radio spectrum management policy or amend the national table for the allocation of frequency bands. However, to our knowledge, ANCOM rarely, if ever, exercises this authority and, in any event, upon performing such amendments, ANCOM must grant the affected operators a period of time to perform the required amendments, such time period to be proportional to the qualitative and quantitative nature of the required changes.

900 MHz license

Following an auction process carried out in September 2012, we were awarded one double frequency block of 5 MHz of bandwidth in the 900 MHz frequency spectrum valid for a period of 15 years commencing on April 6, 2014. The license for this frequency block was issued by ANCOM on July 26, 2013 under No. MT-CEL 04/2013. As the holder of the license, we may use any technology permitted for the 900 MHz frequency band under the national table of attributing radio frequencies and in accordance with national and European Union laws.

The 900 MHz license requires compliance with certain obligations including those related to the interaction with other operators, such as, (i) awarding access to the MVNO operators; (ii) negotiating and entering into agreements with the other license holders for granting access to the emergency number 112; and (iii) negotiating and entering into national roaming agreements with the other license holders (that meet certain criteria)—this obligation is limited to three years from the signing of the roaming agreement and excludes the municipalities of Bucharest, Timisoara, Constanta, Iasi, Cluj-Napoca, Galati, Craiova, Brasov, Ploiesti, Oradea and Braila.

With regard to coverage requirements, we had the obligation to cover by April 5, 2016, 95% of the population in the localities where we may use the 900 MHz license with mobile communications services with UMTS (which we complied with), improved IMT (HSPA, HSPA+), LTE or equivalent technologies, with a direct downlink speed of at least 384 kbps, through our own radio networks, including through the 3G network in the 2100 MHz broadband. We also must increase voice coverage using 900 MHz technology to 98% of the Romanian population by April 5, 2019 (based on ANCOM's technical criteria, which may be different from our operational measurements), and increase broadband services with direct downlink speeds of at least 1 Mbps, with a probability of indoor reception of 95% in areas inhabited by at least 60% of the population, through our own radio networks, including coverage by the 3G network in the 2100 MHz broadband, by the same date. At the latest by April 5, 2021, we must provide broadband services with a direct downlink speed of at least 2 Mbps with a probability of indoor reception of 95% in areas inhabited by at least 60% of the population, through our own radio networks, including coverage by the 3G network in the 2100 MHz broadband.

2100 MHz license

Following an auction process carried out in the second half of 2006, we were awarded a Spectrum License for the supply of a public network and of 3G mobile communication services, pursuant to License MT-CEL 01 of 2007 issued by the Romanian General Inspectorate of Communications Information Technology on January 5, 2007, as amended by ANCOM on April 2, 2013. The technologies permitted under the 2100 MHz License are any terrestrial systems capable of providing electronic communications, on the condition of complying with the European Commission's Decision No. 2012/688/EU for some frequency sub bands and CDMA Time Division Duplex ("**TDD**") ULTRA TDD for other sub bands. The 2100 MHz License is valid until January 5, 2022 and it may be extended for another 10 years upon request, filed at least six months before the expiration of the license term.

The 2100 MHz license imposes certain coverage obligations regarding population and roads to be fulfilled in three subsequent stages by December 31, 2011. By December 31, 2009, we had finalized the implementation of all coverage obligations imposed by the 2100 MHz license. This was certified by ANCOM.

2600 MHz license

In July 2015, we purchased 30 MHz of bandwidth in the 2600 MHz frequency spectrum from 2K Telecom for €6.6 million. The 2600 MHz license issued by ANCOM on July 26, 2013 under No. MT-CEL 05/2013 was initially awarded to 2K Telecom following an auction process carried out in September 2012 and is valid for a period of 15 years, commencing on April 6, 2014, being last amended on August 19, 2015. As the holder of the license, we may use any technology permitted for the 2600 MHz TDD frequency band under the national table of attributing radio frequencies and in accordance with national and European Union laws.

With regard to coverage requirements, we must cover by April 5, 2021, at least 30% of the population through our own radio networks. We also must increase broadband services with direct downlink speeds of at least 1 Mbps, with a probability of indoor reception of 95% in areas inhabited by at least 15% of the population, through our own radio networks, by April 5, 2019. We also must increase broadband services with direct downlink speeds of at least 1 Mbps, with a probability of indoor reception of 95% in areas inhabited by at least 30% of the population, through our own radio networks, by April 5, 2021. At the latest by April 5, 2023, we must provide broadband services with a direct downlink speed of at least 2 Mbps with a probability of indoor reception of 95% in areas inhabited by at least 30% of the population, through our own radio networks.

3700 MHz license

Following an auction process carried out in October 2015, we were awarded ten unpaired blocks of 5 MHz in the 3700 MHz bandwidth, valid for a period of ten years commencing on January 1, 2016. The license for this frequency block was issued by ANCOM on December 16, 2015 under No. FX-CFM 04/2015. As the holder of the license, we may use any technology permitted for the 3700 MHz TDD frequency band, in accordance with national and European Union laws.

With regard to spectrum use requirements, we must have 25 base stations in function, installed anywhere in Romania within one year as of entry into force of the license. The number of required functioning base stations increases to 50 and 100 within two and four years as of entry into force of the license, respectively.

Other spectrum licenses

In order to provide services to corporate customers located on the outskirts of cities, who are not immediately reachable by our fiber-optic network, and until we can expand our fiber network to the respective locations, we sometimes use the

2.4 GHz spectrum, which has been declared free for certain applications by ANCOM. See also "*—Television and Radio Services—Licenses—Satellite Spectrum License*."

In addition to a Spectrum License, operators of mobile telecommunication networks must obtain individual authorizations for the assignment of frequencies from ANCOM for every individual base station in their network, which is an integral part of a Spectrum License.

ANCOM has recently announced that it intends to open the 700 MHz spectrum in 2019, which, along with other radio frequencies, will allow the implementation of the 5G network in Romania. A public tender will be organized for the allocation of the relevant license for the award of the radio frequency spectrum, which is envisaged to be finalized until December 15, 2019.

Equipment compliance

The radio equipment and terminals that we use in connection with our Spectrum Licenses are subject to certain regulatory requirements, including those relating to the general conformity of radio equipment and terminals, electromagnetic compliance, human exposure to electromagnetic fields, specific requirements for equipment and systems using the CDMA technology and specific terminals energy absorption rate ("**SAR**") requirements. Failure to comply with these requirements constitutes breach of the obligations under the General Authorization and the Spectrum License and may result in sanctions.

We must also comply with certain technical requirements and specifications regarding the quality of the cable networks for distribution of TV and radio signals.

Numbering License

Since telephone numbers are deemed limited resources, both fixed and mobile telephony service providers having a General Authorization are required to obtain a Numbering License granted by ANCOM.

Telephone numbers are granted by ANCOM upon request, and depend on certain parameters (e.g., degree of utilization of previously-allocated numbers and for certain numbers having an exceptional economic value as determined by ANCOM, following competitive or comparative selection procedures). Numbering Licenses are granted for a limited period of time (ten years) and a new Numbering License may be successively renewed for the same period.

Certain obligations may be imposed on the holder of a Numbering License regarding, among other things, the service for which the numbers may be used, obligations designed to ensure their effective, efficient and rational use, the portability of numbers and public subscribers' registries, transfer and duration. Operators also have an obligation to submit annual reports to ANCOM regarding the degree of utilization of the numbering resources allocated. In the event ANCOM determines that the operator has not used the allotted numbering blocks during the preceding 12 months (prior to June 2013, the relevant term was nine months), it may suspend or withdraw the operator's Numbering License with respect to the unused numbering blocks.

We have not activated all the numbers assigned to us in the legal timeframe, and this situation is known to ANCOM, as it is reflected in our reports on use of Numbering Licenses. However, we have not been notified by ANCOM that it intends to withdraw any numbers.

Furthermore, ANCOM has imposed fees for the usage of numbering resources, depending on the type of numbers allocated. Decisions imposing such fees are issued each year by ANCOM for the previous year. For the year 2014, ANCOM imposed on us a fee for the usage of numbering resources in an amount of RON295,417, for the year 2015, a fee of RON337,416 and for the year 2016 a fee of RON378,571.

The Numbering License may be transferred only upon prior consent of ANCOM and provided certain conditions are met. However, the rights to use certain categories of numbering resources granted through numbering licenses may be transferred without prior consent of ANCOM (but this authority still needs to be notified in advance by providing certain documents to which it should reply confirming whether the relevant conditions for the transfer were or were not met) provided that certain conditions are met. In this latter case, the holder of the Numbering License must ensure the transferee observes the relevant obligations regarding the use of numbering resources.

We hold Numbering Licenses with validity periods expiring between 2023 and 2028. The numbers that we can use encompass: (i) non-geographical numbers with the "07" prefix, used for telephony services provided at mobile points; (ii) numbers with the "08" prefix, used for general telephony services, including numbers with free access for the caller, numbers for services with atypical traffic, numbers for indirect access to services and numbers for access to data transmission and internet numbers; (iii) numbers with the "03" prefix (geographical numbers, numbers independent of location and short numbers), used for telephony services provided at fixed points; (iv) short numbers (e.g., 118881); and (v) numbers with the "09" prefix (non-geographic numbers with special tariffs), used for gaming, general information and entertainment (including adult entertainment).

According to ANCOM Decision No. 144/2006 regarding the portability of numbers, all providers of electronic communications services need to implement a system ensuring the portability of numbers. On January 18, 2008, ANCOM Decision No. 3444 of 2007 on the technical and commercial conditions implementing the above decision was published in the Official Gazette of Romania. All of our interconnection agreements have been amended accordingly so as to be compliant with legal portability provisions. We currently comply with portability requirements in our business relations with other operators.

Signaling Points License

In order to provide services under our Spectrum Licenses, we also require an authorization issued by ANCOM for the use of identification, signaling and routing codes (the "**Signaling Points License**"). The Signaling Points License is issued for an indefinite duration. The Signaling Points License is issued following an open, transparent, non-discriminatory and proportional procedure, upon request, in general if it is necessary for the functioning of the network of the requesting operator. A Signaling Points License is issued to a specific operator and for a specific network and, therefore, it is generally non-assignable. In special cases, the Signaling Points License may be transferred for justified reasons and only to a person already holding a General Authorization and with the prior approval of ANCOM. The transfer may take place only if the transferee takes over entirely or partially the transferor's network, regardless of the legal take-over method used. The grant of Signaling Points Licenses creates the obligation for operators to report to ANCOM within one month from the date of activation on the effective use of the signaling points. Operators must also inform ANCOM in the event they undergo mergers or split-offs.

In 2003, we were granted, by ANCOM Decision No. 1363/EI of December 8, 2003, a Signaling Points License for using eight national signaling point codes and two international signaling points codes. By ANCOM Decision No. 96/EI of April 21, 2005, we were granted eight other national signaling points codes and one other international signaling points code. We have not always complied with the obligation to activate signaling points within six months since the decision granting them has been communicated to us. However, all such signaling points codes are currently activated and in use and we have not been subject to any sanctions by ANCOM for late activation of signaling points.

The additional Signaling Points License granted to us through ANCOM Decision No. 1877/EI of April 23, 2007, issued for an unlimited duration, allows us to use certain international signaling points codes on the Romanian territory, for interconnection with public electronic communications networks from outside Romania.

In 2008, through ANCOM Decision No. 893 of October 1, 2008, we obtained an additional Signaling Points License which allows us to use certain national signaling points codes for interconnection with other electronic communications networks. We had an obligation to activate a significant number of signaling points within six months from receipt of the decision. We have not timely complied with this obligation as we have experienced delays in activating certain points, while other signaling points are still inactive. By Decision No. 176/3 March 2009, the president of ANCOM approved the assignment of eight national signaling point codes from the company Netpoint S.R.L. to us, which were not activated on time. Another set of eight signaling points codes out which 10% are still inactive, were granted to us by ANCOM Decision No. 360 of May 10, 2010.

By Decision No. 893/1 October 2008, we were permitted to use four routing numbers in the portability process and by Decision No. 177/10 March 2009, we were permitted use of two routing numbers in the portability process. According to these decisions, we were required to, and did comply with, certain related obligations, including activating the routing numbers and activating the network identification number within six months of allocation and notifying ANCOM accordingly. Pursuant to Decision No. 207/22 March 2010, we were granted a network identification number.

Data Protection Regime

Our activity in connection with personal data is governed by Romanian general and electronic communications sector-specific data protection legislation, which is generally in line with the applicable European Union directives. Sector-specific obligations include those related to the security of personal data processing, the use of traffic data only for specific limited purposes, confidentiality of communications and traffic data, invoicing, caller identity, processing of location data, and undertaking of direct marketing activities, automatic call forwarding and directories of subscribers. Following the recent entry into force of the GDPR, breaches of general data protection legislation may result in fines which could amount up to €20 million or 4% of the total worldwide turnover corresponding to the previous financial year.

The National Supervisory Authority For Personal Data Processing has issued certain warnings, provided for certain remedial measures and imposed immaterial monetary sanctions on us for breaches of general data protection legislation, especially in relation to the type of data that we process.

Following the recent entry into force of the GDPR, although we have already made, and continue to make, adjustments to our policies and procedures to ensure full compliance with the GDPR, as at the date of this prospectus its formal implementation in the countries where we operate is still ongoing as the general regulatory framework requires interpretation and adaptation.

Sanctions in Relation to Electronic Communications Networks and Services and to Telephony Services

The December Ordinance also increased the value of the fines payable by operators for breaches of the obligations imposed on them. Thus, operators with an annual turnover of more than RON3 million are punishable by fines of up to 5% and, in the event of repeated breaches, up to 10% of the breaching operator's turnover as per the last financial statements reported by the operator. Breaches subject to these sanctions include breaches of the obligations set out under the General Authorization, Spectrum License or Numbering License, certain obligations set out in the Framework Ordinance or any obligations set out by the regulations under the Framework Ordinance.

The December Ordinance also introduced a new fine for using radio spectrum without a license or after the expiry of such license. In these cases, a fine of 0.1% of the turnover from the previous year, registered at the level of the NAC branch of activity where the electronic communications activity is included, is due for every day of using radio spectrum without a license, starting with the first day of the applicable due date.

If ANCOM becomes aware of a breach by an operator of its legal obligations, it must generally give such operator a grace period for submitting a point of view in relation to the breach, following the lapse of which it may impose sanctions. ANCOM may impose sanctions even if the operator complies with and remedies the breach within the applicable grace period. In the case of specific serious breaches, such grace period is not applicable. In the event of repeated or serious breaches (e.g., failure to pay the monitoring tariff, the tariff for the usage of the radio spectrum or the numbering tariff within a certain period as of the applicable due date or breach the obligation to submit financial statements to ANCOM within the required timeframe), ANCOM may suspend or withdraw the General Authorization, the Numbering License, the Spectrum License or the right to use technical resources of the relevant operator, as applicable.

ANCOM may also order the infringing operator to cease the offending activity and impose any measures necessary for its remedy or, in the case of access or interconnection obligations, suspend or postpone the provision of a service or a package of services, if it deems such service(s) may distort competition.

In case of certain breaches, ANCOM may apply administrative fines in an amount of up to RON30,000 per day of delay until the breach is cured.

If an operator loses its General Authorization, it automatically loses its Spectrum Licenses and Numbering Licenses. Furthermore, any entity that has lost the right to operate a network or provide electronic communication services may not operate under another General Authorization for a period of three years from the date of the withdrawal of such rights.

Other Obligations Related to Telecommunications Services

Under applicable law, specific categories of disadvantaged persons (such as physically disabled persons) have the right to benefit from special tariffs and customer relations facilities for fixed and mobile telephony and internet. Obligations imposed by ANCOM in this respect to date are immaterial to us as they are no more onerous than the contractual obligations we normally undertake.

HUNGARY

Our activity in Hungary consists of cable TV, fixed-line telephony, internet and data and DTH services.

Relevant Regulatory Authorities

While the Hungarian Government oversees general strategic and social issues in the area of audio-visual media services ("**AVMS**") and electronic communication services ("**ECS**"), NMIAH is the key regulator of our operations. NMIAH is an independent body, which reports to and is directly supervised by the Hungarian Parliament. NMIAH has its own budget and uses its own revenue to cover the costs incurred in relation to the performance of its duties. The president of NMIAH has certain legislative powers (through the adoption of binding decrees) that allow for more direct control of the Hungarian electronic communications and media markets. The Médiatanács (the "**Media Council**") is an independent legal entity of NMIAH, which supervises audio-visual media services and provision of content in Hungary.

Licenses

We hold all relevant material licenses that are necessary for the Company to perform its activities in Hungary, and the Company works to prolong all licenses which it holds. Our mobile telephony licenses are granted based on public tender procedures organized by NMIAH and ensure the exclusive exploitation of a dedicated spectrum. Otherwise, in the telecommunications and media sector licenses are not generally exclusive. Any private operator meeting specific requirements set by the law is generally authorized to perform telecommunications and media activities in Hungary. However, as long as the operator ensures compliance with regulatory requirements or once exclusive rights are granted, any license can be freely exploited by such operator.

The table below sets out our current material licenses in Hungary, the type of service for which the license is granted, whether the license was obtained through a public tender and the year until which the license is valid.

License	License Holder	Service Type	Public Tender	Valid Until
Radio Permit to uplink E32907-2/2015	DIGI Hungary	satellite television	NO	2020
Framework License for spectrum use (1800 MHz) 28524-2/2014	DIGI Hungary	mobile	YES	2029
Framework License for spectrum use (3400-3800 MHz) 23427-2/2016....................	DIGI Hungary	mobile	YES	2034
Licence for spectrum use (26 GHz) 7698-2/2017	DIGI Hungary	mobile	YES	2027
Registration certificate BB-13404-1/2004	DIGI Hungary	landline phone	NO	N/A
Registration certificate BB-3520-3/2006..	DIGI Hungary	satellite television	NO	N/A
Registration certificate SJ/3957-3/2011....	DIGI Hungary	mobile Internet access	NO	N/A
License BH-7815-1/2001..........................	DIGI Hungary	fixed internet access	NO	N/A
Registration certificate SJ/15679-2/2013..	Invitel	leased lines	NO	N/A
Registration certificate SJ/15679-2/2013..	Invitel	Fixed voice service	NO	N/A
Registration certificate SJ/15679-2/2013..	Invitel	mobile internet access service	NO	N/A
Registration certificate SJ/15679-2/2013..	Invitel	television program distribution	NO	N/A

Audio-visual Media Services

The principal sources of Hungarian media law on radio and television broadcasting and content distribution are the Act 185 of 2010 on Media Services and Mass Media (the "**Media Act**"), the Act 104 of 2010 on the freedom of the press and the fundamental rules on media content and the Act 74 of 2007 on the rules of broadcasting and the digital switchover (the "**Digital Switchover Act**").

The provision of cable TV and DTH services requires a Hungarian General Authorization (as defined below). An application for a Hungarian General Authorization is filed with NMIAH and needs to specify the respective programs to be distributed by the applicant program distribution services ("**PDS**") provider. According to the Digital Switchover Act, PDS providers must also confirm that they have taken measures required for the protection of copyright and related rights by submitting the data and supporting documents to NMIAH. The contract concluded with the relevant program provider or the documentary evidence proving the authorization regarding the retransmission of the respective program shall also be attached to NMIAH application. Once the Hungarian General Authorization has been granted, cable TV and DTH providers are required to file monthly reports to NMIAH on the number of subscribers, as well as detailed annual reports on programming and subscribers.

In addition, the Media Act sets out certain special "must carry" obligations in relation to retransmission services. These obligations include: the mandatory transmission of the four linear AVMS and three radio media services of the public media free of charge; the mandatory transmission of local AVMS where the contract is economically sound; and furthermore, the Media Council may not define more than two additional linear public media services or one linear community media service in respect of which PDS providers have an obligation to accept an economically sound contract offer.

A regulation (Government Decree 86/2016 (IV. 25.)) was published under the Media Act in April 2016 that allows free negotiation of program fees for influential and dominant linear audio-visual media program providers, which directly impacts our transmission costs. Program providers qualify as influential and dominant if having at least 15% yearly average audience ratio, including at least one media program having 3% or more yearly average audience ratio.

According to the Media Act, an AVMS service provider may not exercise exclusive broadcasting rights in Hungary so as to deprive a substantial proportion (more than 20%) of the domestic audience from the possibility of viewing events considered to be of major importance for society through an AVMS that is accessible free of charge. The list of events of major importance for society shall be established by the Media Council (hereinafter "listed events"). If exercising exclusive broadcasting rights would deprive at least 20% of the domestic audience from viewing a listed event, the AVMS provider shall, upon request, be required to make a contract proposal—subject to reasonable terms and conditions and in exchange for fair market price—to any linear AVMS provider (hereinafter "contracting partner"), who provides a free-of-charge AVMS accessible by at least eighty percent of the citizens of Hungary for licensing the broadcast of the said event live or by deferred coverage. If there is dispute between the parties on what qualify as reasonable terms and conditions and fair market price, the contracting partner can turn to the NMIAH to establish the price and other conditions in a 15 days' process.

Copyright

The Hungarian Act 76 of 1999 on copyright and related rights is consistent with European law applicable to the audio-visual media sector. The simultaneous and unaltered retransmission by means of cable transmission or broadcasting is subject to a license from the holder of the copyright or other relevant rights over the program. The authors' and performers' rights are exercised by Artisjus, a collective rights management society. Licenses may be granted only through Artisjus. The royalty fee is determined by Artisjus at regular intervals on the basis of all relevant circumstances of the respective use of the protected content, which fee shall also be approved by the Minister responsible for culture.

Television and radio broadcasters also have similar rights in relation to the transmission of their programs under the Hungarian Act 76 of 1999 on copyright and related rights. The broadcasters are entitled to exercise their own neighboring rights and to authorize the transmission of programming content through contracts entered into with PDS providers, except in cases where the retransmission is required by law.

Electronic Communications Networks and Services

The provision of public ECS and networks is regulated primarily by the Act 100 of 2003 on Electronic Communication ("**Electronic Communications Act**"). The Electronic Communications Act provides the framework regulation of the Hungarian telecommunications market in line with EU law, while detailed rules are set out in secondary legislation, such as government decrees, ministerial decrees and decrees of the president of NMIAH.

With respect to ECS, NMIAH has, among others, the following duties:

- NMIAH is responsible for supporting the operation and development of the electronic communications, postal and IT markets. NMIAH protects the interests of both service providers and users.
- In addition to the Hungarian Competition Office, the duties of NMIAH include the *ex ante* establishment and maintenance of fair and efficient competition and oversight of service providers' compliance with the provisions of sector-specific competition law.
- NMIAH investigates the relevant communication markets and analyzes the effectiveness of the competition in these markets. It also decides on disputes between ECS providers and identifies the service providers with significant market power (each an "**SMP**") in the relevant market and defines obligations imposed upon SMPs.
- NMIAH investigates the activity of the market players within the framework of its market monitoring function. As an authority of first instance, it investigates the conditions of the provision of services (e.g., technological conformity, customer care, legal and billing issues).
- NMIAH's tasks include registration of notifications related to program distribution and data transmission services and review of the regular use of scarce resources such as the licensed identifiers and spectrum. Part of its market monitoring activity also includes removal of service providers from the register, withdrawal of usage licenses and enforcement of regulations concerning number portability.
- DIGI Hungary and Invitel have been designated as an SMP by NMIAH on the market of wholesale call termination on individual public telephone networks provided at a fixed location (EU relevant market 1/2014, in accordance with Recommendations No. 2014/710/EU and decision No. PC/27174-32/2017). NMIAH, in line with EU guidelines and Europe-wide regulatory practice, has designated every telecommunications operator in Hungary with an own network as a significant market player on these markets (altogether 144 operators on 144 markets) which provides voice call termination services to other operators. As such, we are subject to the following obligations:

  (a) transparency (i.e., we must publish our termination rates on our website together with technical conditions for interconnection); Invitel must use and publish a pre-approved reference offer (RIO) on its webpage;

  (b) non-discrimination (i.e., we must apply the same termination rates as well as technical conditions to every operator wishing to terminate voice traffic into our network in Hungary);

  (c) cost-orientation and price control (i.e., we must set termination rates to HUF0,26/min based on Bottom Up Long-Run Incremental Cost, "BU-LRIC") methodology);

  (d) access and interconnection (i.e., we must allow other operators to access our voice services and connect to our network, ensure those additional services which are necessary to the interconnection and the use of the service, publish the closure of interconnection points two years in advance and publish IP based network plans (interconnection points) 12 months in advance)); Invitel must offer an interconnection point in its center that ensure termination service towards its all subscriber; and

(e) accounting separation – only for Invitel – (Invitel must demonstrate that the price for the wholesale input is based only on the cost of providing the input in question, ideally the incremental cost and an evidence based proportion of the joint and common costs of the provider).

- Invitel has been designated as an SMP by NMIAH on the market of wholesale local access at a fixed location (EU relevant market 3a/2014, in accordance with Recommendations No. 2014/710/EU), descision No. PC/17915-14/2017.
- The NMIAH analysed six geographic sub-markets, based on the operating areas of the three regional incumbent operators and split each area in a competitive and non-competitive geographic market. Therefore, NMIAH identified three non-competitive geographic sub-markets in accordance with Recommendations No. 2014/710/EU. Invitel has been designated as a SMP on the following numbering areas (with the exceptions of the territory of the municipalities mentioned in the 2a sub-geographic market):
  (i) 24, 25, 27, 28, 32, 33, 57, 62, 63, 66, 68, 88, 89, 95.
- As such, Invitel is subject to the following obligations:
  (i) access and interconnection (this includes the following five access types:
    1) full and shared unbundled access to copper loops and sub-loops;
    2) unbundled access to FTTH point-to-point loops;
    3) access to terminating segments of NGA point-to-multipoint networks (fibre and coax networks);
    4) VULA over copper and fibre point-to-multipoint (excluding coax networks; and
    5) backhaul based on access to poles and ducts, dark fibre, WDM, transport capacity provision;
  (ii) cost orientation and price control (cost-oriented prices based on BU-LRIC+ cost model);
  (iii) accounting separation;
  (iv) transparency (reference offer together with the reference offer for 3b/2014 market and publication on the website); and
  (v) non-discrimination.
- Invitel has been designated as an SMP by NMIAH on the market of wholesale central access for mass-market products (EU relevant market 3b/2014, in accordance with Recommendations No. 2014/710/EU), descision No. PC/17920-64/2017.
- The NMIAH analysed six geographic sub-markets, based on the operating areas of the three regional incumbent operators and split each area in a competitive and non-competitive geographic market. Therefore, NMIAH identified three non-competitive geographic sub-market in accordance with Recommendations No. 2014/710/EU. Invitel has been designated as a SMP on the following numbering areas (with the exceptions of the territory of the municipalities mentioned in the 2a sub-geographic market):
  (i) 24, 25, 27, 28, 32, 33, 57, 62, 63, 66, 68, 88, 89, 95.
- As such, Invitel is subject to the following obligations:
  (i) access and interconnection (this includes the following three access types:
    1) local bitstream on copper, fibre and coax networks;
    2) national bitstream access on copper, fibre and coax networks; and
    3) regional bitstream access on copper and fibre networks (excluding the coaxial network);
  (ii) cost orientation and price control (cost-oriented prices based on BU-LRIC+ cost model);
  (iii) accounting separation;
  (iv) transparency (reference offer together with the reference offer for 3b/2014 market and publication on the website); and
  (v) non-discrimination.

Universal Service Obligations (USO)

Universal Services are a term defined in the Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services (so-called Universal Service Directive). Universal services are the provision of a defined minimum set of services to all end-users at an affordable price, not be regarded as anti-competitive *per se*, provided they are administered in a transparent, non-discriminatory and competitively neutral manner and are not more burdensome than necessary for the kind of universal service defined by the member states.

The designation of the universal service provider may be voluntary, however, if no provider has volunteered, then NMIAH designate the provider who need to provide the universal services.

In Hungary, Universal Service includes the following four services, and Invitel has been designated to provide them:

(i) affordable minimum fixed access service which enables local and international calls, fax and data calls, access to emergency services, and functional Internet access (designated US providers: Magyar Telekom, Invitel, UPC, TARR Kft.) (Descision No: SK/8405-2/2018);

(ii) at least one public telephone station for each settlement and an additional station after every 3,000 inhabitants of the given settlement, with at least 3% of compulsory public telephone stations for use with hearing and disabled persons (designated US providers: Magyar Telekom, Invitel, UPC, TARR Kft.) (Descision No: SK/8408-2/2018);

(iii) providing national enquiry directory; Invitel volunteered to provide national enquiry directory and concluded a conctract about the terms and conditions with the NMAIH (Contract No. SK/15479-4/2018) (Descision No: SK/8413-4/2018); and

(iv) making the subscriber directory available (designated US providers: Magyar Telekom, Invitel, UPC, TARR Kft.) (Descision No: SK/8414-2/2018).

Hungarian General Authorization

According to the Electronic Communications Act, provision of telecommunication services requires notification and registration with NMIAH. Upon receipt of notification, NMIAH will register the service provider of PDS or other ECS (e.g., broadband internet services, voice telephony services) provided that it fulfills the necessary legal requirements ("**Hungarian General Authorization**"). Providers shall notify NMIAH of any changes in the information supplied in the notification, as well as the termination of the provision of services within fifteen days. The register maintained by NMIAH is public information.

The main obligations and entitlements accompanying the Hungarian General Authorization in relation to PDS or other ECS include:

- Service providers are required to pay quarterly supervision fees to cover the operating expenses of NMIAH. The fee shall be 0.212% (0.2% in the case of universal service providers such as Invitel) of the previous year's net revenue of the electronic communications services provider from electronic communications services or, if the previous year's revenue cannot be established, the revenue received during the year pro-rated for the entire year.

- Reporting certain information in relation to its services to NMIAH, including agreements concluded with broadcasters and other providers (even if such information is confidential), if necessary for the performance of NMIAH's duties under the provisions of Hungarian law.

- Cooperation with organizations authorized to conduct lawful interception, secret investigations and secret collection of information (e.g., secret services). In the context of such obligation, the PDS/ECS provider must liaise with the authorized secret investigators in order to provide the conditions for the secret investigation and secret collection of information.

- Obligations regarding the negotiation and reporting of interconnection agreements (additional obligations are imposed on SMP operators) and cooperation in connection with the interoperability of the networks. NMIAH may establish additional obligations if the negotiations of the service providers are unsuccessful.

In addition, ECS providers are required by law to:

- carry out statutory attestation of services and invoicing;

- inform subscribers about the internet tax cuts;

- ensure compliance with emergency dialing rules;

- ensure access to the directory services;

- ensure compliance with general terms and conditions requirements;
- maintain a helpdesk and complaint procedure under conditions set out in regulations;
- comply with SMP remedies (if any);
- report and file interconnection agreements;
- submit quarterly, semi-annual and annual reports regarding traffic, revenue, equipment, interconnection points, billing information, information on subscribers' complaints, quality parameters and fault management;
- register for lawful interception, and report to relevant law enforcement agencies;
- register in the number porting database and system (Central Reference Database ("**KRA**");
- register in the central electronic database for removing and blocking illegal websites (Central Electronic Inaccessibility Decisions Database ("**KEHTA**"));
- comply with data retention requirements and report upon request by law enforcement bodies;
- ensure data protection, register and report to the relevant bodies;
- report quarterly to the Hungarian Central Statistical Office;
- deliver a monthly report regarding the telecommunications tax on voice services;
- pay the necessary yearly fees for the usage of scarce resources (assigned numbers and spectrums); and
- comply with market analysis reporting obligations as required by NMIAH.

Security

Given the recent terrorist attacks in Europe, new legislation has been introduced to increase the cooperation of ECS providers and ensure smooth legal interception, data retention and data disclosure. ECS are subject to heavy regulation in this field in Hungary and compliance is an ever-important issue. Applicable regulations require operators to cooperate with the national security services, notify any events affecting the security of the service or network. Furthermore, subscribers must be notified of any event that threatens the security of the information contained in the provided service or the network. Subscribers must be informed of the effective means to deal with security events. ECS service providers are under an obligation to install systems that would help the law enforcement authorities to monitor their data and maintain such systems only inside Hungary.

Application service providers must retain the content of, and certain metadata created in relation with, encrypted end-to-end communications made through their services, such as the type of services provided, the user data, the IP address and port number used for registration and the IP address and port number used for the utilization of the service by the subscriber or user, as well as the user ID and to disclose such data to law enforcement authorities upon request. The Hungarian National Security Service is also entitled to, at its own cost, place signals in the systems of electronic communication service providers. These service providers are also required to ensure the operation telephone numbers used by certain organizations to prioritize crucial communications in case of a terrorist attack.

Hungary has implemented the EU NIS directive. The NIS Directive requires Member States to identify all operators of essential services within each referenced sector and subsectors. Each Member State's competent national authorities must identify the service providers' components that are "vital elements". There is no exact definition for what constitutes a vital element. In Hungary, NMIAH is the competent authority responsible for the identification process in the infocommunication technology sub-sector. In the NIS Directive, the Digital Infrastructure sector includes only IXPs, DNS service providers, and TLD name registries. However, the Hungarian implementing legislation established the infocommunication technology subsector, which includes internet access services and broadcasting as well as other services indicated under the sectoral criteria. NMIAH was tasked to collect the information it needed to identify the relevant operators by requiring all infocommunications operators in Hungary to submit an identification report regarding their components. Although NMIAH was scheduled to issue that report by August 31, 2018, as at the date of this prospectus, their review process is still ongoing.

Network Deployment

Hungary's recent goal was to ensure at least 30 Mbps speed connection in every household by 2018. To achieve this, in parallel to recent EU regulation, major legislative changes took place to boost network deployment. In particular, NMIAH decreased the fees of construction and simplified the administrational procedures of network development. In addition, the Electronic Communications Act was also amended to reduce the cost of deploying high-speed electronic communications networks. Operators are encouraged to coordinate network development, while NMIAH serves as a one-stop-shop in relation to building permits and transparency rules concerning infrastructure development. Deployment of NGA networks are encouraged, which allows access other operators' existing infrastructure.

In addition, increased network deployment is funded by the state. In early 2016, a tender for supporting broadband development was conducted as part of the state program to distribute approximately HUF68.0 billion as non-repayable aid and HUF45.6 billion as investment loans at preferential rates for development of broadband networks. The program is expected to provide almost one million households with broadband connection by the end of 2018.

In early 2019, the Hungarian Government is expected to launch the Superfast Internet Programme 2.0 ("**SZIP 2.0**"). The goal of the SZIP 2.0 is to support the enrollment of optical network cable of minimum 100 Mbps speed that can be extended to 1 Gbps.

Blocking and Removal

Network operators are required to ensure that certain websites are not accessible via their networks. Any harmful or illegal electronic data may be blocked or removed. Blocking is ensured through a system operated by NMIAH via connected internet access service providers. NMIAH administers KEHTA, the black list for removing and blocking illegal sites. KEHTA was launched in 2014 and is not public, with only certain public and law enforcement authorities having access thereto.

Internet Access VAT

Subject to EU law, VAT on internet access services was decreased in Hungary from 27% to 5% on January 1, 2018. A preferential tax rate on internet access indirectly increasing the take-up of services is a positive development for our operations in Hungary and contributes to our further expansion and success. Internet access service providers must indicate separately on the invoice the new price and the amount of savings achieved with the VAT cuts. This obligation is also applicable to non-public available service providers.

Assignment of Numbering Domains and Addresses

Numbering domains and addresses are special sets of characters necessary for the operation of an electronic communications network, the provision of ECS and the interoperability of electronic communications networks and services (as distinct from internet domain names, email and IP addresses, which are specifically excluded from the regulation of numbering domains and addresses). Numbering domains and addresses are finite. Therefore, their use is subject to a numbering license ("**Hungarian Numbering License**") in Hungary, which is reviewed in every three years. The registration and management of available identifiers in the national allocation plan is performed by NMIAH. Hungarian Numbering Licenses are granted either for a definite term, as specified in the Hungarian Numbering License, or for an indefinite term. The fee for the use of the identifiers is set out in the Hungarian Numbering License, and is calculated on the basis of the number of identifiers. In addition, administration fee is payable to NMIAH.

DIGI Hungary mainly uses two types of numbering fields. For geographic numbers we have a large number of numbering range in Budapest (approximately 154,000 numbers) and separate other geographic numbers for almost all rural towns in Hungary. DIGI Hungary also has approximately 3000 numbers for nomadic telephone service (last numbering field was allocated in 2018), approximately 35.000 numbers for non-geographic mobile service in SHS=20 field and approximately 200.000 numbers in the SHS=50 field, which is dedicated mobile communications. DIGI Hungary also has special short numbers customer service (1272), access to fundraising short numbers (1350, 1353, 1355, 1356, 1357, 1359), special free toll short number (1404) and other specialised numbers 1748 about numper porting information).

Invitel mainly has rural geographic numbers (more than 200.000.numbers) and only a limited amount of numbers in the Budapest numbering range (approx. 1000 numbers). Invitel also has approx. 52 000 numbers for nomadic telephone service and approx. 32 000 for mobile service, which is used to provide mobile internet access service bought from another mobile provider, Telenor Hungary. Invitel also has special short numbers for customer services (1288), access to fundraising short numbers (1350, 1353, 1355, 1356, 1357, 1358, 1359, 13655, 13666, 13690) directory enquiry service numbers (11800, 11811) and other specialized numbers (1443, 1445, 192, 193, etc.).

NMIAH may withdraw rights to use the numbers if:

- the provider failed to pay the fee for the usage of numbers until the deadline specified in NMIAH's written notice;
- the provider permanently terminates its electronic communications service;
- if the provider does not begin to provide its electronic communications services within 90 days after the assignment authorization to use the requested numbers;
- the usage of number is suspended for more than six month; or

- the provider does not cooperate with NMIAH and other providers, or fails to comply with number portability requirements.

Network operators are required to ensure number portability to allow the user to switch carrier without losing the original number. The Hungarian regulation of number portability is in compliance with the relevant European regulation. However, NMIAH promulgated specific rules of the content of the KRA for information on ported numbers, as well as regulating the cooperation between the operators and the KRA. The KRA manages all information about the ported numbers, as well as providing management and data collection services to service providers. The KRA is available on NMIAH's webpage.

Mobile Services

In early 2016 NMIAH published its spectrum strategy for 2016-2020 to create a predictable technical and professional environment for market players. The strategy defined the most important spectrum management areas and described the regulatory and economic environment. As part of this strategy, NMIAH's goals include, achieving 99% indoor wireless internet coverage, selling digital multiplexes and six other bands from 700 MHz to 26 GHz. Furthermore, the regulator intends to provide an additional 160 MHz for mobile services and facilitate the development of public protection and disaster relief ("**PPDR**") and 5G.

In 2015, NMIAH issued a detailed and extensive regulation on national frequency distribution and the utilization of frequency bands (the "**NFFF**" Decree). This regulation brought significant changes to the Hungarian radio frequencies regulation. The NFFF replaced several earlier regulations on the matter and established new regulations for the civil use of frequency bands and national frequency distribution. The NFFF is applicable to frequency users, producers, importers and marketers of radio and high frequency equipment within the radio spectrum up to 3000 GHz. The NFFF does not apply to distribution of frequencies dedicated to broadcasting. It maintains the hierarchy of primary and secondary radio service providers in terms of station operation and interference protection. The NFFF also keeps the distinction between frequency bands as *designed* and *planned* frequency bands. As a general rule, operators may receive from NMIAH a right to use a certain frequency range on a first-come-first-served basis. In the case of these frequencies, operators are not required to participate in any competitive selection procedures before they apply to NMIAH for a frequency allocation or a radio license. However, for certain other frequency ranges, the NFFF may provide special rules; in particular, it may provide that operators must first obtain a frequency license in a competitive procedure (such as an auction or a tender) before it can apply for a frequency allocation and a radio license. The NFFF also established Spectrum Management IT System ("**STIR**"), a tool to create, edit, visualize and publish easily and effectively frequency management information in an organised form and structure. The scope of the NFFF extends to the allocation of frequency bands within the radio spectrum below 3000 GHz to radio service, as well as for civil, non-civil and joint use, but does not extend to the method of distribution of frequencies for broadcasting purposes. The NFFF generally prohibits secondary trading of frequencies. Specific bands designated in the NFFF, however, may be subject to secondary trading.

1800 MHz license

Following an auction process carried out in 2014, we were awarded a one duplex block of 5 MHz mobile Spectrum License in the 1800 MHz band, for the supply of a public network of mobile communication services such as GSM, UMTS, LTE, WiMAX and other EU-harmonized services, pursuant to decision UF/15792-88/2014 issued by NMIAH. We have entered into an administrative contract UF/27050-7-2014 with NMIAH governing the use of the band. The 1800 MHz license is valid until June 15, 2029 and it may be extended for another five years upon request, filed at least three months before the expiry of the license term, without the payment of additional fees. The 1800 MHz license does not impose coverage obligations.

3600 MHz license

Following an auction process carried out in 2016, we were awarded four unpaired (TDD) blocks of 5 MHz in the 3600-3800 MHz bandwidth, valid until June 15, 2034. The license for this frequency block was issued by NMIAH under No. UF/12005-19/2016. As the holder of the license, we may use any technology permitted for the 3780-3800 MHz TDD frequency band, in accordance with national and European Union laws. We are required to start using the frequency within four years after we acquired the corresponding rights.

If we were to launch mobile services in Hungary we will be exposed to further SMP designation and regulation.

Other spectrum licenses

Currently, we use frequency ranges for satellite up-link at our Budapest up-link station that are awarded on a first-come-first-served basis.

In addition, in 2016 we concluded a commercial agreement to obtain the rights to use 2x28 MHz basic blocks in the 26 GHz band valid until April 5, 2027. The agreement was last amended in 2017 by decision UF/10738-1/2017.

Sanctions

As part of its market regulatory activities, NMIAH monitors the operation of the electronic communications market. Market regulatory measures are conducted ex officio in accordance with the annual market regulatory plan to ensure compliance with the provisions of the relevant legal regulations, its own decisions and subscriber contracts. Market surveillance is initiated either ex officio or upon request, and in case of infringement NMIAH may apply various sanctions individually or combined. NMIAH may order the offender to cease such illegal conduct.

The most relevant measures that NMIAH may take if a service provider refuses to comply with NMIAH's notice are the following:

- impose a fine on the infringing party (0.25 to 1% of its net income in case of a breach of market surveillance measures, including in the case of an unauthorized use of frequencies, and 0.1 to 0.5% of its net income in the case of a breach of market regulatory measures, and up to 0.5% for breaching sector specific data protection obligations); or
- order the termination or retention of services hindering competition.

In the case of serious or repeated violation of obligations NMIAH may also:

- suspend the Hungarian General Authorization and individual license of the infringing party; or
- withdraw the Hungarian General Authorization and individual license of the infringing party.

The withdrawal of the Hungarian General Authorization could result in the loss of a Hungarian Numbering License and "Radio License," an authorization issued by NMIAH required for the operation of radio equipment, radio stations and radio telecommunications networks.

NMIAH may order the immediate enforcement of its decisions in order to protect human lives, health, physical integrity, the environment, public safety or public order, or prevent dangers posing significant threats to a large number of users or the management or operation of other service providers or users.

In addition to the above, television service providers must comply with content regulations. The most important sanctions the Media Council may impose following in the case of a breach of content regulation are the following:

- issue a cease and desist order; and
- specify the conditions of the performance of the services.

In the case of a serious or repeated violation of content regulation, the Media Council may also:

- order the infringing party to publish the notice or decision of the Council on a designated program;
- impose a fine of up to Hungarian forint 200 million on the infringing party;
- suspend the media service provision for a period of 15 minutes to one week; or
- delete the media service where the infringement was committed from the register.

Data Protection

Hungary has implemented the GDPR. Therefore, ECS providers must comply with it, as implemented, and any supporting data protection rules and regulations when handling customer data. A ECS provider may only collect and process customer data necessary to identify the subscriber; to determine the content of an electronic communications service; to determine, modify, or monitor its performance; or for accounting and billing purposes. All data not required for the above purposes must be deleted or anonymised immediately. ECS providers are entitled to process personal data without consent if it is necessary to provide the service, exercise their contractual rights, combat fraud, as well as for accounting and billing purposes. An ECS provider must be registered on the Data Protection Authority's register and report any violation of applicable data protection rules and regulations.

There is a general requirement to have detailed internal policies regarding data controlling and provide customers with information accordingly. A data protection officer must be designated. In Hungary, provisions that served to implement the now repealed 2006/24/EC Data Retention Directive, are still in effect. Furthermore, personal data breaches have to be reported to NMIAH within 24 hours and customers have to be informed without undue delay. Binding Corporate Rules or standard contractual clauses approved by the European Commission are mandatory for lawful transfer of data to non-EEA countries that do not provide an appropriate level of data protection according to the European Commission. The Binding Corporate Rules have to be approved by the Data Protection Authority.

Consumer Protection

Network operators need to maintain offline customer service centers and one consumer protection officer per county. In addition, there are extensive obligations regarding customer service, such as a minimum five minutes response time for telephone customer services. For a breach of consumer protection obligations, the Consumer Protection Department of the local Government Offices may impose a fine of up to HUF2 billion.

MANAGEMENT

BOARD OF DIRECTORS

The Issuer applies a one-tier board structure comprising of two Executive Directors and five Non-executive Directors, of which two are Independent Non-executive Directors (within the meaning of the Corporate Governance Code of the Bucharest Stock Exchange (the "**BSE Corporate Governance Code**")).

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

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law and the BSE Corporate Governance Code as in force on the date of this prospectus and the Articles. The Articles are available in the governing Dutch language and an unofficial English translation thereof on the Issuer's website.

Current Composition of the Board of Directors

At the date of this prospectus, the Board of Directors is comprised of the Directors mentioned below:

Name	Age	Position
Zoltán Teszári	48	President (Non-executive Director)
Serghei Bulgac	42	Chief Executive Officer (Executive Director)
Valentin Popoviciu	44	Executive Director
Sambor Ryszka	39	Non-executive Director
Marius Varzaru	39	Non-executive Director
Bogdan Ciobotaru	41	Independent Non-executive Director
Piotr Rymaszewski	54	Independent Non-executive Director

The board of directors of the Company is comprised by the same individuals noted above.

The director of DIGI Hungary is Mr. Dragos Spataru (who is also a member of the board of directors of Invitel).

The board of directors of Invitel is comprised of Mr. Laszlo Ellenes, Dr. Sambor Ryszka and Mr. Dragos Spataru. It is expected that Mr. Sambor Ryszka will be replaced by Mr. Tibor Festory shortly following the date of this prospectus.

The business address of the directors of the Issuer and the Company is at the Issuer's registered office and principal place of business 75 Dr. Staicovici street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania. The business address of the directors of DIGI Hungary is at DIGI Hungary's registered office and principal place of business Váci út 35, 1134 Budapest, Hungary. The business address of the directors of Invitel is H-1134 Váci út 37. Budapest, Hungary.

Biographical Details of the Directors

Zoltán Teszári (President)

Mr. Teszári 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. Teszári owned and ran his own business. Mr. Teszári has been a board member since 2000 and his current term as a board member is due to expire in 2020**,** though he can be re-appointed for an indefinite number of terms.

Serghei Bulgac (Chief Executive Officer)

Mr. Bulgac is a member of the Board of Directors and Chief Executive Officer. Mr. Bulgac was appointed the Chief Executive Officer of RCS & RDS in 2015. Prior to becoming Chief Executive Officer, he was Chief Financial Officer of RCS & RDS. Mr. Bulgac joined RCS & RDS in 2003. Prior to joining RCS & RDS, he worked as a corporate finance associate at European Privatization and Investment Corporation (EPIC) 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. Mr. Bulgac has been a board member since 2017 and his current term as a board member is due to expire in 2020.

Valentin Popoviciu (Executive Director)

Mr. Popoviciu is an executive member of the Board of Directors. He is also a non-executive member and Vice-President of the board of directors of RCS & RDS, a position he has held since 2015. Prior to his appointment to 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—Tomis University in 1997. Mr. Popoviciu has been a board member since 2017 and his current term as a board member is due to expire in 2020.

Dr. Sambor Ryszka (Non-executive Director)

Dr. Ryszka is a non-executive member of the Board of Directors. Dr. Ryszka has been a Managing Director of DIGI Hungary since 2013. Dr. Ryszka joined DIGI Hungary in 2011 as General Counsel. Prior to that, Dr. Ryszka worked in the Budapest office of law firm Hogan Lovells. Dr. Ryszka graduated in 2004 from the Faculty of Law of Eötvös Loránd University, Budapest. Dr. Ryszka has been a board member since 2017 and his current term as a board member is due to expire in 2020.

Marius Varzaru (Non-executive Director)

Mr. Varzaru was appointed in 2013 as a 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 has been a board member since 2013 and his current term as a board member is due to expire in 2020.

Bogdan Ciobotaru (Independent Non-executive Director)

Bogdan Ciobotaru is an independent, non-executive member of the Board. He is also a non-executive member of the board of directors of 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 ten years. Mr. Ciobotaru graduated from the Bucharest Academy of Economic Studies and holds an Executive MBA from Oxford University. Mr. Ciobotaru has been a board member since 2017 and his current term as a board member is due to expire in 2020.

Piotr Rymaszewski (Independent Non-executive Director)

Mr. Rymaszewski is an independent, non-executive member of the Board of Directors. Mr. Rymaszewski also holds the position of Chief Executive Officer of Octava Asset Management, a Polish real- estate portfolio management company, part of the Elliott Group, a position he has held since 2014. Since 2007, Mr. Rymaszewski has also served as the CEO and president of the board of directors of Octava S.A., a Polish public company active in real estate and part of the Elliott Group. 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 has been a board member since 2017 and his current term as a board member is due to expire in 2020.

SENIOR MANAGEMENT TEAM

Current senior management team

The Group's current senior management team, in addition to the Executive Directors listed above, is as follows:

Name	Age	Position
Mihai Dinei	49	Non-executive Director of RCS & RDS
Smaranda Streanga	39	Co-Chief Financial Officer of RCS & RDS and the Issuer
Dan Ionita	40	Co-Chief Financial Officer of RCS & RDS and the Issuer
Silviu Georgescu	40	Technical Director for IP Fixed Services, Software and Security of RCS & RDS
Emil Grecu	41	Technical Director for TV Services, Broadband and Energy of RCS & RDS
Emil Jugaru	45	Head of RCS & RDS Sales and Customer Care Business Unit
Catalin Neagoe	39	Head of Fixed Telephony and Mobile Communications Division of RCS & RDS
Ovidiu Bejan	47	Head for Mobile Communications Sales of RCS & RDS
Mihaela Toroman	39	Accounts Manager and Treasurer of RCS & RDS
Dragos Spataru	42	Managing Director of DIGI Hungary and Invitel
Dragos Chivu	47	Managing Director of DIGI Italy

Biographical Details of the Senior Management Team

Mihai Dinei (Non-executive Director of RCS & RDS)

Mr. Dinei is a non-executive director of RCS & RDS. He has been a member of RCS & RDS's board of directors since 2003 and is the former head of RCS & RDS's legal department. Mr. Dinei joined RCS & RDS in 1999. Prior to joining RCS & RDS, Mr. Dinei worked as a course manager and trainer at the National Institute for Administration. Mr. Dinei graduated from the Faculty of Law of the University of Bucharest in 1997. Prior to studying law, Mr. Dinei served as a professional member of the Romanian Military Navy.

Smaranda Streanga (Co-Chief Financial Officer of RCS & RDS and the Issuer)

Mrs. Streanga has been the Co-Chief Financial Officer of RCS & RDS and the Issuer since 2015. Prior to joining RCS & RDS, she held the role of finance manager at HP (Geboc) and audit roles at PricewaterhouseCoopers and BDO. Mrs. Streanga graduated from the Bucharest Academy of Economic Studies in 2002, has an Executive MBA from Vienna University of Economics and Business in 2013, and is a member of the Association of Chartered Certified Accountants ("ACCA").

Dan Ionita (Co-Chief Financial Officer of RCS & RDS and the Issuer)

Mr. Ionita has been the Co-Chief Financial Officer of RCS & RDS and the Issuer since 2015. Prior to becoming the Co-Chief Financial Officer, Mr. Ionita held the position of Finance Manager from 2008, after joining RCS & RDS in 2007 as Reporting Manager. Prior to that, Mr. Ionita worked at PricewaterhouseCoopers and Arthur Andersen. Mr. Ionita graduated from the Bucharest Academy of Economic Studies in 2001, with a degree in Accounting and a master in Information Systems. Mr. Ionita holds an ACCA diploma.

Silviu Georgescu (Technical Director for IP Fixed Services, Software and Security of RCS & RDS)

Mr. Georgescu has been the Technical Director for IP Fixed Services, Software and Security of RCS & RDS since 2005. Mr. Georgescu joined RCS & RDS in 2000 as field engineer in one of the Group's cable TV networks. Mr. Georgescu graduated from the Telecommunications and Electronics faculty of the Bucharest Polytechnics University in 2000.

Emil Grecu (Technical Director for TV Services, Broadband and Energy of RCS & RDS)

Mr. Grecu serves as the Technical Director for TV Services, Broadband and Energy of RCS & RDS. Mr. Grecu joined RCS & RDS in 1999 after graduating from Bucharest Polytechnics University. Mr. Grecu oversees the development of the Group's physical infrastructure and the operation of video services (cable TV and DTH). Mr. Grecu graduated from Bucharest Polytechnics University with a degree in Electronics and Telecommunications in 2000.

Emil Jugaru (Head of RCS & RDS Sales and Customer Care Business Unit)

Mr. Jugaru is the Head of RCS & RDS Sales and Customer Care Business Unit. Mr. Jugaru joined RCS & RDS in 1997. Prior to that he worked for a company Magic System, specialized in the sale IT niche products. Mr. Jugaru graduated in 1996 from the Polytechnic University of Bucharest, Faculty of Automatic Control and Computer Science.

Catalin Neagoe (Head of Fixed Telephony and Mobile Communications Division of RCS & RDS)

Mr. Neagoe has been the Head of Fixed Telephony and Mobile Communications Division of the Company since August 2018. In 2016—2018, he was Core Network Director of the Company's Telephony and Mobile Communications Division and in 2015—2016, he was the Company's Voice Business Unit Technical Coordinator. Mr. Neagoe joined the Company in 2002 as a voice business unit engineer. Prior to joining the Company, Mr. Neagoe worked as IT Manager for the Geological Institute of Romania and the Romanian-American University. Mr. Neagoe graduated from the Information Technology Faculty of the Romanian-American University in 2003. In 2009, he received a master degree in Business Management from Romanian-American University.

Ovidiu Bejan (Head for Mobile Communications Sales of RCS & RDS)

Mr. Bejan joined RCS & RDS in 2014 as Commercial Director for Mobile Communications. Prior to joining RCS & RDS Mr. Bejan was the Regional Director Consumer Market for Vodafone Romania. Prior to that, Mr. Bejan worked as Commercial Director for RHS Company and between 2001 and 2012 and held various positions within Genco Trade. Mr. Bejan graduated from Nuclear Engineering Faculty of Bucharest Polytechnics University in 1995.

Mihaela Toroman (Accounts Manager and Treasurer of RCS & RDS)

Ms. Toroman has been RCS & RDS's Accounts Manager and Treasurer since 2015. Between 2010 and 2015, Ms. Toroman was a Financial Manager at RCS & RDS. Previously, between 2006 and 2010 she was a Controlling Manager at RCS&RDS. Prior to joining RCS & RDS, Ms. Toroman held an accountant position at Euromedia Group.

Ms. Toroman graduated from Bucharest Academy of Economic Studies with a degree in Accounting and Information systems.

Dragos Spataru (Managing Director of DIGI Hungary and Invitel)

Mr. Spataru is the Managing Director of DIGI Hungary and Invitel since 2018. Previously, he has been the head of the Fixed Telephony and Mobile Communications Division of RCS & RDS since 2010 and prior to that he was the Voice Business Unit manager of RCS & RDS. Mr. Spataru joined RCS & RDS in 1998 as a web designer. Prior to joining RCS & RDS, Mr. Spataru worked in sales of high end printers and imaging equipment. Mr. Spataru graduated from the computer sciences faculty of the Bucharest Polytechnics University in 2000.

Dragos Chivu (Managing Director of DIGI Italy)

Mr. Chivu has been the Managing Director of DIGI Italy since 2015. Before joining the RCS & RDS group as Managing Director and board member for Digi Italy, he was CEO at the Romanian and Moldavian entities of Printec Group, an IT integrator specializing in banking solutions. Mr. Chivu has 20 years of telecommunications experience, working for high profile companies like Digi Italy, Printec, Vodafone, Nokia, Telemobil and Orange. He graduated as telecommunications engineer from Polytechnic University of Bucharest and holds an MBA from the Romanian-American School of Business and Kennesaw State University.

Recent changes in our senior management team

On February 5, 2019, Mr. Ioan Bendei resigned from his position as a director of the Company. Mr. Bendei will continue to serve as a director of certain non-material subsidiaries of the Group (including Integrasoft S.R.L.) until we find suitable replacements and relevant formalities are complied with.

Also on February 5, 2019, Mr. Dan Ionita was appointed the interim director of the Company.

CONFLICTS OF INTEREST

There are no conflicts of interest between the duties to the Issuer or the Guarantors of the directors and the senior management team listed above, and their private interests and other duties.

CORPORATE GOVERNANCE

Corporate Governance Code of the Bucharest Stock Exchange

As at the date of this prospectus, we comply with the BSE Corporate Governance Code, in effect starting from January 4, 2016, as such applies to companies listed on the Regulated Spot Market of the Bucharest Stock Exchange, with the following differences:

1. the directors are appointed following a nomination made by the meeting of holders of Class A shares (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. The good corporate governance sought by the BSE Corporate Governance Code is achieved by applying this nomination procedure, as the Class A Meeting shall take into account that the Board of Directors should be composed such that the requisite expertise, background, competences and, in regard to certain non-executive directors, independence are present for them to carry out their duties properly;
2. the cash dividend distribution policy is approved by the general meeting of shareholders of the Company (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; and
3. the president of the audit committee is not an independent director, as required by the BSE Corporate Governance Code. The good corporate governance sought by the BSE Corporate Governance Code is achieved by having the majority of committee members being independent and high standard terms of reference being applied to the work of the audit committee.

The BSE Corporate Governance Code requires that all companies listed on the Bucharest Stock Exchange include a statement in their annual report on their compliance with the BSE Corporate Governance Code. Any failure to comply with the provisions of the BSE Corporate Governance Code must be disclosed through a current report filed with the Bucharest Stock Exchange, the principle applied being that of "comply or explain."

The BSE Corporate Governance Code contains a number of principles and provisions which must be observed by the companies listed on the Bucharest Stock Exchange, inter alia with respect to the composition, role, functioning and compensation of the management bodies, risk management and internal control, financial reporting and disclosure.

Dutch Corporate Governance Code

As a Dutch company, the Issuer is also subject to the Dutch Corporate Governance Code ("**DCGC**").

The DCGC, *inter alia*, applies to all companies which have their statutory seat in the Netherlands and whose shares are listed on a regulated market in the EU/EEA (such as the Issuer) or a comparable system outside the EU/EEA. The DCGC is based on a "comply or explain" principle. Accordingly, companies are required to disclose in their board report filed in the Netherlands whether or not they are complying with the various rules of the DCGC that are addressed to the Board of Directors and, if they do not apply those provisions, to give the reasons for such non-application.

On December 8, 2016, the monitoring committee for the DCGC published the revised DCGC, which entered into force on January 1, 2017 and replaces the DCGC dated December 10, 2008. The revised DCGC applies to the Issuer as from its financial year 2017.

The DCGC contains both principles and best practice provisions for the board of directors, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards. The principles and best practice provisions apply to our Board of Directors, for example in relation to its role and composition, conflicts of interest, independence requirements for Non-executive Directors, Board of Directors' committees and compensation; shareholders and the General Meeting, for example, regarding anti-takeover protection and obligations of the Issuer to provide information to our shareholders; and financial reporting, including external auditor and internal audit requirements.

We acknowledge the importance of good corporate governance. As the Issuer applies the BSE Corporate Governance Code, the Issuer will in general not comply with the DCGC. In particular the Issuer does not comply with the following best practice provisions of the DCGC:

- Best practice provision 2.1.5 of the DCGC: the Issuer does not have a diversity policy in relation to the Board of Directors. This deviation from the DCGC exists since April 2017 and will last for an indefinite period. The desired expertise and background of the candidates are decisive when Directors are appointed or reappointed. The members of the Board of Directors, as well as all employees of the Issuer and 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 Issuer does not have in place a formal diversity policy, in practice, the Issuer has not and does not intend to discriminate between potential candidates for any available Director position.
- Best practice provisions 2.1.7 and 2.1.8 of the DCGC: the Issuer 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 will last at least until the expiry of the mandate cycle of the present members of the Board of Directors. Regarding the appointment of the Non-executive Directors, the General Meeting, at its meeting of April 21, 2017, aimed to set-up a Board of Directors made up from selected individuals with most extensive experience and insight into the Group. Therefore, Mr. Teszari Zoltan was appointed as the Non-executive Director and as the president of the Board of Directors (the "**President**"), while Mr. Sambor Ryszka (current co-General Manager of Digi Kft.) and Mr. Marius Varzaru (current general manager of Digi Spain) were appointed as Non-executive 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 Meeting, at its meeting of April 21, 2017, gave priority to these functionality needs. However, the articles of association of the Issuer as most recently amended on April 21, 2017 (the "**Articles**") and the (other) corporate governance documents of the Issuer establish clear and detailed rules regarding independent behavior and the management of any conflict of interest that any member of the Board of Directors is, and particularly all Non-executive Directors are, strictly required to comply with.
- Best practice provision 2.1.9 of the DCGC: the President does not meet the independence criteria contained in the DCGC. Mr. Zoltan Teszari was appointed as the President by the General Meeting on April 21, 2017 and such appointment will last during the entire period for which Mr. Teszari Zoltan will be a member of the Board of Directors. The President is the principal (ultimate) shareholder of the Issuer. The President is not a member of the Audit Committee.
- Best practice provision 2.2.2 of the DCGC: the President 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 Issuer does not have a nomination committee. The Issuer has decided not to set up a nomination committee as referred to in the DCGC, since the Class A Meeting as a whole will perform the duties of a nomination committee. In addition, the

rotation schedule will not be applicable to the President. The Issuer has instead set up an Audit Committee and a Remuneration Committee.

- Best practice provision 2.3.1 of the DCGC: no rules for the Non-executive Directors will be adopted. However, Chapter VII of 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 and the Non-executive Directors, on the decision-making process and the management of any conflict of interest.
- Best practice provision 2.3.4 of the DCGC: more than half of the members of the Remuneration Committee do not comply with the independence criteria contained in the DCGC. In addition, the President chairs the Remuneration Committee. This deviation from the DCGC exists since April 2017 and will last at least until the expiry of the mandate cycle of the present members of the Remuneration Committee. Explanations brought regarding the deviations from the best practice provisions 2.1.7 and 2.1.8 of the DCGC are equally applicable.
- Best practice provision 3.1.2. of the DCGC: if shares options are awarded, such share options can be exercised before three years have lapsed after they have been awarded (the minimum term required by the DCGC).
- Best practice provision 3.3.1. of the DCGC: Non-executive Directors receive the same fixed base salary as the Executive Directors receive and such fixed base salary is not related to the time spent by the Non-executive Directors and the specific responsibilities of their role as required by the DCGC. Non-executive Directors additionally sit in the Issuer's Audit and Remuneration Committees. The remuneration conditions as adopted by the General Meeting on April 21, 2017 and as laid down in the terms of reference of the Remuneration Committee and the Remuneration Policy will apply for an indefinite period until further amendment.
- Best practice provision 3.3.2.: 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 grant of shares in the Company to Non-executive Directors as part of share option plans will need to be expressly decided by the Company's general shareholders resolutions.
- Best practice provision 3.4.2.: the main elements of the agreement of an Executive Director with the Issuer have not been and will not be published on the Issuer's website. However, certain information was disclosed regarding the remuneration of Directors (see *Management - Compensation for directors and managers*).

Management

The Board of Directors is collectively responsible for the Issuer'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 Issuer and its business, focusing on long-term value creation thereby taking into account the interests of the Issuer's stakeholders and should formulate a strategy in line with this. The Executive Directors shall be entrusted with managing the day-to-day affairs of the Issuer and are responsible to achieve the Issuer'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 Issuer 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 Issuer and the business connected with it and assisting the Executive Directors by providing advice. 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 Issuer. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, and other stakeholders.

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 the adoption of resolutions (including any deliberations in respect of such resolutions) relating to the remuneration of Executive Directors.

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 non-independent within the meaning of the BSE Corporate Governance Code.

The Articles provide that Directors are appointed by the General Meeting upon a binding nomination by the Class A Meeting. The General Meeting may at all times deprive such a nomination of its binding character, 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.

The General Meeting will appoint a Director either as an Executive Director or as a Non-executive Director. The Articles provide that the General Meeting shall from among the Non-executive Directors appoint a President of the Board of Directors and appoint a 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 Chief Executive Officer and Chief Financial Officer.

Operation of the Board of Directors

Meetings

The Non-executive Directors shall 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 effected by written statements from all relevant Directors then in office in respect of whom no conflict of interest exists.

All meetings will be organized and held in Romania, at the business premises of the Issuer. All resolutions outside a meeting, in writing or otherwise, will be taken in Romania.

Voting

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 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.

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 Non-executive Directors will draw up rules on each board committee's role, responsibilities and functioning. The board committees shall consist of Non-executive Directors only. They report their findings to the Board of Directors, which pursuant to Dutch law shall remain fully responsible for all actions undertaken by such committees. The Audit Committee will report to the Non-executive Directors separately on its deliberations and findings. The President or a former Executive Director cannot chair the Audit Committee.

Audit Committee

The Audit Committee consists of three members, Marius Varzaru, Piotr Rymaszewski and Bogdan Ciobotaru who are Non-executive Directors. 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, our compliance with legal and regulatory requirements, the auditors' qualifications and independence, internal audits and other related matters.

<u>Terms of reference of the Audit Committee</u>

Set out below is a summary of the terms of reference of the Audit Committee.

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

- the integrity and quality of the financial reporting of the Issuer and its subsidiaries;
- the operation of the internal risk-management and control systems;
- the provision of financial information by the Issuer (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Issuer's annual accounts);
- compliance with recommendations and observations of the Issuer's internal and external auditors;
- the role and functioning of the Issuer's internal auditors;
- the Issuer's tax policy;
- the Issuer's relationship with its external auditor, including the independence and remuneration of the external auditor;
- the funding of the Issuer;
- the assessment of any situation that may generate a conflict of interest in transactions involving the Issuer, its subsidiaries and their respective related parties; and
- matters relating to information and communication technology.

The Audit Committee also advises the Board of Directors on its nomination to the General Meeting of persons for appointment as the Issuer's external auditor and prepares meetings of the Board of Directors where the Issuer's Report of the Board of Directors, the Annual Financial Statements, and the Issuer's half-yearly figures and quarterly trading updates are to be discussed.

In addition, the Audit Committee shall undertake an annual assessment of the Issuer's internal control system, evaluating the effectiveness of this system, the adequacy of the reports relating to risk management and internal control presented to the Audit Committee, as well as the management's responsiveness and effectiveness in dealing with identified internal control deficiencies or weaknesses.

The Audit Committee shall also evaluate the efficiency of the Issuer's risk management system, monitor the application of statutory and generally accepted internal audit standards, as well as assess situations of conflicts of interest in transactions entered into by the Issuer and/or any of its subsidiaries with related parties.

The Audit Committee shall meet as often as is required for its proper functioning, but at least once a year, such meetings to be held to coincide with key dates in the financial reporting and audit cycle. The Audit Committee must meet at least once a year with the Issuer's external auditor.

Remuneration Committee

The Remuneration Committee is composed of three members, Zoltan Tesari, Sambor Ryszka and Piotr Rymaszewski, who are Non-executive Directors. The Remuneration Committee assists the Board of Directors with the implementation and development of remuneration and benefits policies, including bonuses for the Directors and employees.

The Remuneration Committee shall be responsible for preparing the decision-making of the Non-executive Directors regarding the determination of remuneration. In addition, the Remuneration Committee shall further be 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 is a summary of the terms of reference of the Remuneration Committee.

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

- drafting a proposal to the Non-executive Directors for the remuneration policy to be pursued, which policy shall be adopted by the General Meeting;
- 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 analyzes that are carried out and the pay ratios within the Issuer 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:

- preparing the remuneration report;
- making it aware of and advising the Board of Directors on any major changes in employee benefit structures throughout the Issuer or its subsidiaries; and
- administering all aspects of any executive share scheme operated by or to be established by the Issuer.

The Remuneration Committee shall meet as often as is required for its proper functioning, but at least once a year.

COMPENSATION FOR DIRECTORS AND MANAGERS

In the past, the Issuer's compensation policy for its board members and key management has consisted in part of a fixed salary and, to a greater extent, of grants or sales of shares at advantageous prices by the Issuer's controlling shareholder or various companies of the Group. In addition, compensation for our key management includes certain benefits such as use of company cars.

For the year ended December 31, 2017, the aggregate remuneration of Directors and Senior Management was €2.572 million including the Directors listed in the table below. In the year ended December 31, 2017, the Directors were remunerated as set out below:

Name	Position	Annual Salary (€)	Other Benefits (€)
Zoltán Teszári	President	119,000	—
Serghei Bulgac	Chief Executive Officer	214,000	—
Valentin Popoviciu	Executive Director	190,000	—
Sambor Ryszka	Non-executive Director	232,000	—
Marius Varzaru	Non-executive Director	436,000	—
Bogdan Ciobotaru	Independent Non-Executive Director	153,000	—
Piotr Rymaszewski	Independent Non-Executive Director	82,000	—

Stock Option Plans

On April 21, 2017, Class A Meeting of shareholders of the Issuer decided to grant certain stock options to the Issuer's Executive Directors (the "**SOP 1**"). The SOP 1 vested in May 2018. In total, 280,000 Class B Shares (which were held by the Issuer as treasury shares), representing 0.28% of the Issuer's issued share capital, were allocated in connection therewith.

On December 27, 2017, the Board of Directors decided to grant certain stock options to a number of directors and employees of the Group's companies in Romania (the "**SOP 2**"). Up to 1.6 million Class B Shares were designated for the purposes of the SOP 2, representing up to 1.6% of the Issuer's issued share capital. The SOP 2 will vest in 2018 and 2019.

On May 2, 2018, Class A Meeting of shareholders of the Issuer decided to grant certain stock options to the Issuer's Executive and Non-Executive Directors (the "**SOP 3**"). 686,090 Class B Shares were designated for the purposes of the SOP 3, representing 0.686% of the Issuer's issued share capital. The SOP 3 will vest in 2019 and 2020.

On May 21, 2018, the Board of Directors decided to grant certain stock options to a limited number of key employees of the Company (the "**SOP 4**"). 500,000 Class B Shares were designated for the purposes of the SOP 4, representing 0.5% of the Issuer's issued share capital. The SOP 4 will vest in 2019.

On May 21, 2018, the Board of Directors decided to grant stock options to certain employees of DIGI Spain (the "**SOP 5**" and, together with the SOP 1, SOP 2, SOP 3 and SOP 4, the "**Stock Option Plans**"). 35,000 Class B Shares were designated for the purposes of the SOP 5, representing 0.035% of the Issuer's issued share capital. The SOP 5 will vest in 2019.

Stock-options will typically vest not earlier than one year from their grant date and will be exercisable immediately thereafter, but not later three months after the vesting date. Stock options granted to Directors of the Issuer were subject to performance criteria which, for the year ended December 31, 2017, included: (i) successful completion of the IPO, (ii) duration of employment with the Group and (iii) growth in EBITDA and in RGUs. Stock options granted to employees and/or directors of Group companies (including Directors of the Issuer in their capacity as executives of other Group companies) are subject to performance criteria determined by the Board of Directors.

When a stock option is exercised pursuant to the terms thereof, we expect to deliver Class B shares of the Issuer, which will be either Class B shares held by the Issuer as treasury shares or Class B shares purchased on the open market, or a combination thereof. In this respect, from April 21, 2017 until the date of this prospectus we purchased the aggregate of

200,096 Class B shares of the Issuer on the open market, representing 0.2% of its issued share capital as at the date hereof. In addition, on January 14, 2019, we converted 1.2 million Class A shares of the Issuer that were held as treasury shares by the Company into the equal number of Class B shares. These converted Class B shares represent 1.2% of the Issuer's issued share capital.

SHARE OWNERSHIP

The Issuer 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 Issuer. In addition, Mr. Teszári holds a stake of approximately 87.1% of the voting rights in RCS Management, which in turn holds a direct stake of 57,866,545 Class A Shares, representing approximately 91.2% of the voting rights in the Issuer. Mr. Teszári's direct holding represents approximately 2.44% of the economic interest in the Issuer and RCS Management's holding represents approximately 61.8% of the economic interest in the Issuer. See "*Principal Shareholders*."

ADDITIONAL INFORMATION RELATING TO DIRECTORS AND MANAGERS

Set out below are the directorships and partnerships held by the Directors and members of Senior Management (other than, where applicable, directorships held in the Issuer and/or in any subsidiaries of the Issuer), in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Zoltán Teszári	RCS Management S.A.	IDAXA PREST S.R.L.
Serghei Bulgac	U.C.R. S.R.L.	—
Valentin Popoviciu	FOTO DISTRIBUTIE S.R.L.	Q.C. REAL CONSULT S.R.L.
Sambor Ryszka	—	—
Marius Varzaru	—	—
Bogdan Ciobotaru	—	Renaissance Capital Morgan Stanley
Piotr Rymaszewski	Octava Asset Management Octava S.A. SC Fondul Proprietatea S.A.	Sygnity S.A. Link4 S.A.
Ovidiu Bejan	BOL Innovation SRL	—
Dragos Chivu	Digi Italy 3G TELCO MARKETING CONSULTING SRL	Printec Group Romanian, Moldova Vodafone Romania
Mihai Dinei	RCS Management S.A. U.C.R. S.R.L.	—
Silviu Georgescu	—	—
Emil Grecu	—	—
Dan Ionita	—	—
Emil Jugaru	—	—
Dragos Spataru	Advantix Management SRL	Mobilo Credit IFN SA
Smaranda Streanga	—	—
Mihaela Toroman	—	—

Within the period of five years preceding the date of this document, none of the Directors or members of our senior management team:

- has had any convictions in relation to fraudulent offenses, except for the conviction of Mr. Ioan Bendei (which is not final or enforceable and is subject to appeal in a higher court), in connection with the offense of accessory to money laundering, in his capacity as director of Integrasoft S.R.L. (see "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*"); on February 5, 2019, Mr. Bendei resigned from his position as a director of the Company and will continue to serve as a director of certain non-material subsidiaries of the Group (including Integrasoft S.R.L.) until we find suitable replacements and relevant formalities are complied with (see "*—Senior management team—Recent changes in our senior management team*").
- has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from

acting in the management or conduct of affairs of a company, except for: (i) Messers Serghei Bulgac, Ioan Bendei and Mihei Dinei, in connection with the investigation by the DNA (see "*Business—Litigation and Legal Proceedings—Investigation by the Romanian National Anti-Corruption Agency*"):

(a) On June 7, 2017, Mr. Ioan Bendei was indicted by the DNA in connection with the offenses of bribery and accessory to money laundering. Mr. Ioan Bendei was also placed under judicial control for a period of 60 days, starting on June 7, 2017. As a consequence of such measure, Mr. Ioan Bendei is subject to several obligations and communication restrictions, including obligations to periodically and/or upon request report to the DNA, to report any change of his home address, to seek approval from the prosecutors before leaving Romania, as well as restrictions to communicate with certain persons. On January 15, 2019, Mr. Ioan Bendei was convicted by the Bucharest Tribunal, subject to appeal in higher court, to four years' imprisonment in connection with the offense of accessory to money laundering resulting from his capacity as director of Integrasoft S.R.L. On February 5, 2019, Mr. Bendei resigned from his position as a director of the Company and will continue to serve as a director of certain non-material subsidiaries of the Group (including Integrasoft S.R.L.) until we find suitable replacements and relevant formalities are complied with (see "*—Senior management team—Recent changes in our senior management team*")

(b) On July 25, 2017, Mr. Mihai Dinei was indicted in connection with the offenses of accessory to bribery and accessory to money laundering. On January 15, 2019, Mr. Mihai Dinei was acquitted by the Bucharest Tribunal, subject to appeal in higher court, in connection with all the accusations brought against him by the DNA.

(c) On July 31, 2017, Mr. Serghei Bulgac was indicted by the DNA in connection with the offense of money laundering. On January 15, 2019, Mr. Serghei Bulgac was acquitted by the Bucharest Tribunal, subject to appeal in higher court, in connection with all the accusations brought against him by the DNA.

The Company believes that the pending legal proceedings mentioned above do not interfere with the day-to-day management of the Company.

PRINCIPAL SHAREHOLDERS

The authorized share capital of the Issuer 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 Issuer; and
- 100,000,000 Class B Shares with a nominal value of €0.01 each in the share capital of the Issuer.

The issued share capital of the Issuer amounts 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 Issuer; and
- 35,443,972 Class B Shares with a nominal value of €0.01 each in the share capital of the Issuer.

The Issuer's principal shareholder, Mr Zoltán Teszári (the "**Principal Shareholder**"), directly and indirectly, beneficially owns 56.31% of the Issuer and exercises control over 100.0% of the Issuer's class A ordinary shares ("**Class A Shares**"). The Principal Shareholder owns 2.44% of the share capital of the Issuer through his direct holdings of Class A Shares and controls the rest of the Class A Shares through his 87.1% share ownership of RCS Management.

Mr. Zoltán Teszári is the founder and controlling shareholder of the Group. Before starting Analog CATV (a precursor company to the Company), he founded TVS Holding Brasov in 1992, another large Romanian cable TV company that later merged into the Company. Prior to founding TVS Holding Brasov, Mr. Teszari owned and ran his own business. Mr. Teszari was also a successful professional athlete in the field of martial arts.

The table below sets out the shareholders who hold, directly or indirectly, 3% or more of the Issuer's issued Class A Shares and Class B Shares and/or voting rights of the Issuer as at the Additional Notes Issue Date:

Shareholder	**Interest**	
	Class A Shares	**Class B Shares**
RCS Management[(1)]	61.8%	—
Zoltán Teszári	2.4%	—

(1) Zoltán Teszári owns 87.1% of RCS Management when adjusted for holdings of treasury shares.

RELATED PARTY TRANSACTIONS

The following is a summary of major transactions involving our related parties.

Save as described in Notes 14 and 16 to the 2017 Annual Financial Statements, Note 16 to the 2016 Annual Financial Statements and Note 15 to the 2015 Annual Financial Statements, included elsewhere in this prospectus, we had no significant related party transactions during the years ended December 31, 2017, 2016 and 2015, respectively.

During the period from December 31, 2017 until the date of this prospectus, the following related party transactions (currently in effect) were entered into:

Transactions between the Issuer and the Company

On December 17, 2018, the Issuer granted to the Company a loan in the principal amount of €10.0 million at the rate of 5.5% per annum. As at the date of this prospectus, the outstanding principal amount under this loan was €4,327,906.17.

Transactions between DIGI Hungary and Invitel

- On May 30, 2018, DIGI Hungary granted to Invitel a loan in the principal amount of HUF2,963,900,234 at the rate of 2.65% plus BUBOR per annum, maturing in five years. On August 10, 2018, all amounts outstanding under this loan were repaid.
- On May 31, 2018, DIGI Hungary granted to Invitel a loan in the principal amount of HUF 27,280,547,867 at the rate of 2.65% plus BUBOR per annum, maturing in five years. As at the date of this prospectus, the outstanding principal amount under this loan was HUF 22,777,547,867.
- On November 19, 2018, DIGI Hungary granted to Invitel a loan in the principal amount of HUF 2,500,000,000 at the rate of 2.65% plus BUBOR per annum. The loan will mature upon completion of certain milestones relating to Invitel's superfast internet development program. As at the date of this prospectus, the entire HUF 2,500,000,000 principal amount under this loan was outstanding.

Transactions between the Company and DIGI Hungary

On May 24, 2018, the Company, as lender, and DIGI Hungary, as borrower, entered into a loan agreement under which the Company made availble to DIGI Hungary the RON equivalent of €47.0 million for general corporate purposes, with April 7, 2023 as final repayment date. The interest rate under the loan agreement is 2.65% plus one year EURIBOR.

DESCRIPTION OF OTHER INDEBTEDNESS

The following descriptions are summaries of certain provisions of the documents listed below governing certain of the Group's indebtedness and do not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Company and any acceding subsidiary of the Company or the Issuer (each a "**Debtor**," and together the "**Debtors**") entered into the Intercreditor Agreement in order to govern the relationships and relative priorities among, the following entities:

- the Trustee, on its behalf and on behalf of the holders of the Notes (the "**Noteholders**");
- the lenders, agent and any arrangers under the Original Credit Facilities and under any other Credit Facility incurred under the terms of the Intercreditor Agreement (together the "**Credit Facility Creditors**");
- the lenders, agent and any arrangers under the Original *Pari passu* Facilities and under any other *Pari passu* Facility incurred under the terms of the Intercreditor Agreement (together the "***Pari passu*** **Facility Creditors**");
- any agent, trustee or other creditor representative of the creditors of any *Pari passu* Liabilities or Senior Secured Liabilities (together with the Trustee, each a "**Creditor Representative**");
- any persons that accede to the Intercreditor Agreement as counterparties to certain permitted hedging agreements (collectively, the "**Hedging Agreements**;" any persons that accede to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "**Hedge Counterparties**");
- any third-party bank, financial institution, or professional services agency that accedes to the Intercreditor Agreement as paying agent of any Romanian Law Noteholders (the "**Romanian Law Noteholder Paying Agents**"),
- the Security Agent; and
- the creditors in respect of liabilities owed by the Issuer or any of its subsidiaries (collectively, the "**Group**") to another member of the Group (the "**Intra-Group Liabilities**") and liabilities of the Group to the shareholders of the Issuer (the "**Shareholder Liabilities**").

On June 8, 2017, and on June 25, 2018, DIGI Hungary and Invitel (respectively) acceded to the Intercreditor Agreement as a debtor.

The Intercreditor Agreement is governed by English law and sets out, among other things:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- when enforcement actions can be taken in respect of the Collateral;
- the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover and equalization provisions; and
- when the Collateral may be released.

By accepting a Note, Noteholders shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. In relation to any Romanian Law Notes, the initial Romanian Law Noteholders (the "**Initial Romanian Law Noteholders**") shall accede as parties to the Intercreditor Agreement by an attorney in fact appointed under the terms and conditions of such Romanian Law Notes (the "**Romanian Law Noteholder Attorney**") delivering an accession deed to the Intercreditor Agreement on their behalf substantially in the prescribed form. Until such point as a Creditor Representative is appointed on behalf of the relevant Romanian Law Noteholders, no such Romanian Law Noteholders may vote on any amendment or waiver in relation to the Intercreditor Agreement, give any instruction to the Security Agent in relation to the Intercreditor Agreement or exercise any rights through the Contracts (Rights of Third Parties) Act 1999 in relation to the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and we urge you to read that document because it, and not the description that follows, defines your rights as Noteholders.

Definitions

The following defined terms are used in this summary of the Intercreditor Agreement:

"**2015 Credit Facility Agreement**" means up to RON1,091.2 million term loan and up to RON50.2 million revolving credit facility agreement made between, amongst others, the Company, the Issuer, BRD-Groupe Societe Generale, Citibank, N.A., London Branch, ING Bank N.V., and Unicredit Bank S.A. (formerly named Unicredit Tiriac Bank) as lead arrangers and the Lenders under and as defined therein dated April 30, 2015.

"**2016 RCF Facility Agreement**" means the RON135,000,000 revolving credit facility agreement between, among others, the Company as borrower, BRD-Groupe Societe Generale S.A. and Citibank, N.A., London Branch, as mandated lead arrangers, Citibank Europe plc, UK Branch as agent and Citibank Europe plc, Romania Branch and BRD-Groupe Societe Generale S.A. as lenders dated August 18, 2016.

"**Appropriation**" means the appropriation (or similar process) of the shares in the capital of a member of the Group (other than the Issuer) by the Security Agent (or any receiver or delegate) which is effected (to the extent permitted under the relevant Security Document and applicable law) by enforcement of the Collateral.

"**BRD Facility Agreement**" means the uncommitted €5,000,000 bank guarantee facility made between the Company, as borrower, and BRD-Groupe Societe Generale S.A., as lender dated July 13, 2015.

"**Citi Facilities Agreement**" means the uncommitted facility agreement, entered into between the Company, as borrower, and Citibank Europe Plc, Dublin—Romania Branch on October 25, 2013, consisting of (i) an uncommitted overdraft/bank guarantee facility in the amount of RON 111.0 million; (ii) an uncommitted bank guarantee facility with an initial amount of €13.0 million; and (iii) an uncommitted short term loan facility in the amount of US$3.2 million. The due performance by the Company under the Citi Facilities Agreement is guaranteed by the Issuer pursuant to a personal guarantee agreement.

"**Competitive Sales Process**" means any public or private auction or other competitive sales process in which more than one bidder participates or is invited to participate (including any person that is a Creditor at the time of such invitation), which may or may not be conducted through a court or other legal proceeding and which is conducted with the advice of a Financial Adviser appointed by, or approved by, the Security Agent in accordance with the Intercreditor Agreement.

"**Credit Facility**" means the Original Credit Facility and any other credit facility evidencing Credit Facility Liabilities made available to a Debtor under a facility agreement where any: (i) agent (if any) of the lenders in respect of the credit facility (ii) arranger (if any) of the credit facility; and (iii) lender in respect of the credit facility, has acceded as a Party to the Intercreditor Agreement in its relevant capacity.

"**Credit Facility Agreement**" means a facility agreement documenting the terms of a Credit Facility.

"**Credit Facility Lender**" means each Lender, Issuing Bank and Ancillary Lender under and as defined in a Credit Facility Agreement, provided that if there is only one lender under a Credit Facility Agreement, it shall be deemed to be a Credit Facility Lender in each of its capacities as lender, issuing bank and/or ancillary lender thereunder.

"**Credit Facility Liabilities**" means the liabilities of the Debtors pursuant to the Credit Facilities.

"**Debt Documents**" means each of the Intercreditor Agreement, the Security Documents, the Senior Secured Debt Documents, any agreement evidencing the terms of the Shareholder Liabilities or the Intra-Group Liabilities and any other document designated as such by the Security Agent and the Issuer as Parent.

"**Distress Event**" means the occurrence of an acceleration event under any Senior Secured Debt Document or the enforcement of any Collateral.

"**Distressed Disposal**" means a disposal of an asset of a member of the Group which is (a) being effected at the request of the Majority Senior Secured Creditors in circumstances where the Collateral has become enforceable in accordance with the terms of the Security Documents, (b) being effected by enforcement of the Collateral (including the disposal of any property of a member of the Group, the shares of which have been subject to an Appropriation) in accordance with the terms of the Security Documents or (c) being effected, after the occurrence of a Distress Event, by a Debtor to a person or persons which is, or are, not a member, or members, of the Group.

"**Financial Adviser**" means any (a) internationally recognized investment bank, (b) internationally recognized accountancy firm or (c) other independent professional services firm which is regularly engaged in providing valuations of businesses or assets or, where applicable, advising on competitive sales processes.

"**Hedging Liabilities**" means any liabilities of the Debtors pursuant to a Hedging Agreement.

“**ING Facilities Agreement**” means the uncommitted facility agreement between the Company, as borrower, and the Issuer, as guarantor, and ING Bank N.V., acting through its branch in Bucharest, Romania, consisting of (i) an uncommitted overdraft facility of up to €11.0 million; (ii) an uncommitted Facility 1 for letters of guarantee of (a) up to €11.0 million for guarantees of up to one year; and (b) up to €2.0 million for guarantees of up to two years; and (iii) an uncommitted Facility 2 for letters of guarantee of up to €1.96 million (the total outstanding amount under Facility 1 and Facility 2 cannot exceed €11.0 million at any time), entered into on November 4, 2013.

“**Majority Senior Secured Creditors**” means, at any time, those Senior Secured Creditors the aggregate of whose unpaid principal amounts and undrawn commitments under the Senior Secured Liabilities and the amounts payable to the Hedge Counterparties in respect of the termination or close out of the Hedge Agreements (or if the relevant Hedging Agreement has not been terminated or closed out, the amounts that would be payable upon early termination (treating the relevant Debtor as the defaulting party)) at that time aggregate to more than 50% of the total aggregate amount of all such unpaid amounts at that time.

“**Non-Distressed Disposal**” means a disposal of an asset which is subject to the Collateral to a person or persons outside of the Group, or by one member of the Group to another member of the Group including by way of a permitted reorganization (an “Intra-Group Disposal”) where (i) two directors of the Issuer certify for the benefit of the Security Agent that the disposal and, if the disposal is of charged property, the release of Collateral is not prohibited under the Senior Secured Debt Documents (provided that such certificate has been provided to the relevant Creditor Representative(s) and the relevant Creditor Representative(s) have not objected to such certificate within five business days of receipt of such certificate) or the Creditor Representative in respect of each Senior Secured Creditor authorizes the release and (ii) that disposal is not a Distressed Disposal.

“**Noteholder**” means a *Pari passu* Noteholder or a Senior Secured Noteholder.

“**Original Credit Facilities**” means the facilities entered into pursuant to the 2016 Senior Facilities Agreement.

“**Original Note Liabilities**” means any liabilities of the Debtors pursuant to the terms and conditions of the Notes and the Indenture (including any additional Notes issued pursuant to the Indenture).

“**Original Pari passu Facilities**” means the facilities provided for in the 2015 Credit Facility Agreement, the 2016 RCF Facility Agreement, the Citi Facilities Agreement, the ING Facilities Agreement and the BRD Facility Agreement.

“**Pari Passu Creditors**” means the *Pari passu* Facility Creditors, each Creditor Representative in relation to any *Pari passu* Liabilities, each *Pari passu* Noteholder and (in its capacity as creditor of a Security Agent Claim corresponding to the *Pari passu* Liabilities) the Security Agent.

“**Pari Passu Facility**” means the Original *Pari passu* Facilities and any other credit facility evidencing *Pari passu* Facility Liabilities made available to a Debtor under a credit facility agreement where any: (i) agent (if any) of the lenders in respect of the credit facility (ii) arranger (if any) of the credit facility; and (iii) lender in respect of the credit facility, has acceded as a Party to the Intercreditor Agreement in its relevant capacity.

“**Pari Passu Facility Liabilities**” means the liabilities of the Debtors under the *Pari passu* Facilities.

“**Pari Passu Finance Document**” means any documentation in relation to any *Pari passu* Liabilities.

“**Pari Passu Liabilities**” means the *Pari passu* Facility Liabilities and the *Pari passu* Note Liabilities.

“**Pari Passu Note Indenture**” means any note indenture, trust deed or other document governing or otherwise setting out the terms of any debt security which creates or evidences any *Pari passu* Liabilities (but excluding the indenture governing the terms of the 2013 Notes).

“**Pari Passu Note Liabilities**” means the liabilities of the Debtors under or in connection with *Pari passu* Notes (provided that, in the case of Romanian Law Notes, only if the Romanian Law Note Designation Conditions have been satisfied).

“**Pari Passu Noteholder**” means any registered holder from time to time of any *Pari passu* Notes.

“**Pari Passu Notes**” means any senior secured notes, debt securities or other debt instruments issued or to be issued by the Issuer or the Company under a *Pari passu* Note Indenture.

“**Required Senior Secured Creditors**” means, in relation to any proposed amendment, waiver, matter, step or action (the “Proposed Action”):

- if the Proposed Action is prohibited by the terms of any Senior Secured Note Indenture, the relevant Senior Secured Note Trustee (acting upon instruction from the requisite percentage of Senior Secured Noteholders, as specified in the relevant Senior Secured Note Indenture);
- if the Proposed Action is prohibited by the terms of any Credit Facility Agreement, the Creditor Representative of the relevant Credit Facility Lenders (acting upon instruction from the requisite percentage of such Credit Facility Lenders, as specified in the relevant Credit Facility Agreement);

- if the Proposed Action is prohibited by the terms of any *Pari passu* Finance Document, the Creditor Representative of the relevant *Pari passu* Creditors (acting upon instruction from the requisite percentage of such *Pari passu* Creditors, as specified in the relevant *Pari passu* Finance Documents); and
- if the Proposed Action is prohibited by the terms of any Hedging Agreement, each relevant Hedge Counterparty.

"**Romanian Law Note Designation Conditions**" means the following conditions:

- the Romanian Law Noteholder Attorney acceding the Initial Romanian Law Noteholders to the Intercreditor Agreement by delivering an accession deed substantially in the prescribed form and English law and Romanian law legal opinions in relation to such accession in form and substance satisfactory to the Security Agent being delivered to the Security Agent;
- the relevant Romanian Law Notes incorporate the terms of the Intercreditor Agreement and providing that such terms shall prevail where inconsistent with the terms of the Romanian Law Notes; and
- the Romanian Law Noteholder Paying Agent acceding to the Intercreditor Agreement by delivering an accession deed substantially in the prescribed form.

"**Romanian Law Noteholder**" means a Noteholder of Romanian Law Notes.

"**Romanian Law Notes**" means any Romanian law governed debt securities issued by the Issuer or the Company.

"**Secured Parties**" means the Security Agent, any receiver of the Collateral or delegate appointed by the Security Agent and each of the Senior Secured Creditors from time to time but, in the case of each Senior Secured Creditor, only if it (or, in the case of a Senior Secured Noteholder or *Pari passu* Noteholder, its Creditor Representative) is a party or has acceded to the Intercreditor Agreement in the appropriate capacity.

"**Security Documents**" means the documents entered into on or before the Issue Date in respect of the Collateral and any other document entered into by any Debtor creating or expressed to create any security interest over all or any part of its assets in respect of the obligations of any of the Debtors under any of the Debt Documents.

"**Senior Lender**" means a lender under a Credit Facility or a *Pari passu* Facility.

"**Senior Secured Creditors**" means the Credit Facility Creditors, the Hedge Counterparties, the Senior Secured Noteholders, the *Pari passu* Noteholders, the *Pari passu* Facility Creditors, the Creditor Representatives and, in its capacity as a parallel debt creditor, the Security Agent.

"**Senior Secured Debt Document**" means any documentation in relation to any Senior Secured Liabilities.

"**Senior Secured Discharge Date**" means the first date on which all the Senior Secured Liabilities are discharged in full to the satisfaction of the relevant Creditor Representative(s) and each Hedge Counterparty (in the case of its Hedging Liabilities), whether or not as the result of an enforcement, and the Senior Secured Creditors are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

"**Senior Secured Liabilities**" means the Credit Facility Liabilities, the Senior Secured Note Liabilities, the *Pari passu* Liabilities and any Hedging Liabilities.

"**Senior Secured Note Indenture**" means the indenture governing the terms of the Notes and any other note indenture, trust deed or other document governing or otherwise evidencing the terms of any debt security which creates or evidences any Senior Secured Note Liabilities (excluding the indenture governing the terms of the 2013 Notes).

"**Senior Secured Note Liabilities**" means the Original Note Liabilities and the liabilities of the Debtors under or in connection with the Senior Secured Notes (in the case of Romanian Law Notes, only if the Romanian Law Note Designation Conditions have been satisfied).

"**Senior Secured Note Trustee**" means the Trustee and in relation to any Senior Secured Notes other than the Notes, any entity acting as note trustee in respect of any issue of such Senior Secured Notes which has acceded to the Intercreditor Agreement as a Senior Secured Note Trustee (including, in relation to any Romanian Law Notes, the relevant Romanian Law Noteholder Paying Agent).

"**Senior Secured Noteholder**" means the Noteholders and any other registered holder from time to time of any Senior Secured Notes.

"**Senior Secured Notes**" means the Notes and any other senior secured notes, debt securities or other debt instruments issued or to be issued by the Issuer or the Company under a Senior Secured Note Indenture.

Additional Indebtedness

The Intercreditor Agreement permits any member of the Group to incur new, or increase any existing, borrowing liabilities and/or guarantee liabilities in respect of any such new or increased borrowing liabilities and/or to refinance, replace or otherwise restructure any borrowing liabilities and/or guarantee liabilities in whole or in part, including, without limitation, by way of the incurrence of *Pari passu* Liabilities and/or additional Credit Facility Liabilities and/or additional Hedging Liabilities and/or additional Senior Secured Note Liabilities, in each case, to the extent not otherwise prohibited by the Senior Secured Debt Documents ("**Additional Indebtedness**").

Additional Indebtedness may, at the option of the Issuer, rank *pari passu* with or junior to any then-existing liabilities (but not senior to the Senior Secured Liabilities), benefit from all or any of the Collateral on a *pari passu* or junior basis (but not senior to the Senior Secured Liabilities), may be incurred on a secured or unsecured basis subject to the provisions of the Intercreditor Agreement, and (where applicable) be effected in whole or in part by way of a debt exchange, non-cash rollover or other similar or equivalent transaction, in each case unless otherwise prohibited by the Debt Documents.

Subject to compliance with any additional requirements in any Senior Secured Debt Document, each party to the Intercreditor Agreement shall be required (at the cost of the Issuer) to enter into (and each Creditor Representative and the Security Agent is irrevocably authorized and instructed by each party (other than the Debtors), each Secured Party and each Senior Secured Creditor to enter into) any amendment to or replacement of the Intercreditor Agreement and/or any Transaction Security Document (including for the purpose of reflecting the terms of any Additional Indebtedness in the Intercreditor Agreement and/or any Transaction Security Document) and/or take such other action as is required by the Issuer in order to enable such Additional Indebtedness to be incurred including, subject to the terms of the Intercreditor Agreement and the other Senior Secured Debt Documents, making any changes to, the taking of, or the release followed by an immediate retaking of, any guarantee or Collateral.

The Security Agent shall not be required to execute a release of any asset from any existing Collateral unless the Issuer has confirmed in writing to the Security Agent that it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to the Additional Indebtedness) that it is either not possible to implement the Additional Indebtedness on terms satisfactory to the Issuer by granting additional Collateral and/or amending the terms of the existing Security Documents.

In addition, no Collateral may be amended, renewed, restated, supplemented or otherwise modified, replaced or released (followed by an immediate retaking of Collateral of at least equivalent ranking over the same assets) in connection with any Additional Indebtedness unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of Collateral of at least equivalent ranking over the same assets), the Issuer delivers to the Security Agent one of the following:

- a solvency opinion from a Financial Adviser, in form and substance reasonably satisfactory to the Security Agent, confirming the solvency of the relevant member of the Group and its subsidiaries, taken as a whole, after giving effect to such release and any transactions related to such release and retaking; or
- a certificate from the board of directors or chief financial officer of that member of the Group (acting in good faith), which confirms the solvency of that member of the Group granting such Collateral after giving effect to such release and any transactions related to such release and retaking; and
- in addition to (i) or (ii) above, an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent (subject to customary exceptions and qualifications), confirming that, after giving effect to such release and any transactions related to such release and retaking, the Collateral created under the Security Documents so released and retaken is valid and perfected Collateral not otherwise subject to any limitation or imperfection, in equity or at law, that such Collateral was not otherwise subject to immediately prior to such release and retaking.

Under the terms of the Intercreditor Agreement each Secured Party and each Senior Secured Creditor will agree that it shall co-operate in a timely and reasonable manner with the Issuer, the Company and their respective subsidiaries and each Creditor Representative in order to facilitate any Additional Indebtedness (including by way of, at the request and cost of the Issuer, executing any document or agreement and/or giving instructions to any person).

Ranking, Priority and Collateral

The Intercreditor Agreement provides that the liabilities owed by the Debtors to the Senior Secured Creditors shall rank in right and priority of payment *pari passu* and without any preference between them.

The parties to the Intercreditor Agreement agree that the Collateral shall rank and secure the Senior Secured Liabilities and fees, costs and expenses of the Creditor Representatives (but only to the extent that such Collateral is expressed to secure those liabilities) *pari passu* and without any preference between them.

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral was applied as provided below under "—*Application of Proceeds*."

The parties to the Intercreditor Agreement agree that the Intra-Group Liabilities and the Shareholder Liabilities are postponed and subordinated to the liabilities owed by the Debtors to the Senior Secured Creditors. The Intercreditor Agreement does not purport to rank any of the Intra-Group Liabilities or the Shareholder Liabilities as between themselves.

Permitted Payments

The Intercreditor Agreement permits, inter alia, payments to be made in respect of the Senior Secured Liabilities at any time in accordance with, and subject to the provisions of, the relevant Senior Secured Debt Documents, provided that, following the occurrence of a Distress Event, no member of the Group or Romanian Law Noteholder Paying Agent may make (and no Senior Secured Creditor nor Romanian Law Noteholder Paying Agent may receive) payments of the Senior Secured Liabilities (other than certain amounts payable to the Creditor Representatives and, in the case of Hedging Liabilities, the exercise of certain set-off or netting rights) except in accordance with the enforcement proceeds waterfall described below under "—*Application of Proceeds*"), other than any distribution or dividend out of any Debtor's unsecured assets (pro rata to each unsecured creditor's claim) made by a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer appointed in respect of any Debtor or any of its assets.

The Intercreditor Agreement does not prevent any payment by any Debtor in the ordinary course of business (other than payments of borrowing liabilities or guarantee liabilities) or any payment to lenders in respect of any other indebtedness permitted to be incurred under the Senior Secured Debt Documents if at the time of payment (i) no acceleration event has occurred in respect of the Credit Facilities, the *Pari passu* Facilities, the Senior Secured Notes or the *Pari passu* Notes or the Majority Senior Secured Creditors has consented to such payment and (ii) such payment is not prohibited under the terms of any other Senior Secured Debt Document or the consent of the Required Senior Secured Creditors has been obtained.

The Intercreditor Agreement provides that any payments made between a creditor or Debtors and a Romanian Law Noteholder shall be made via the relevant Romanian Law Noteholder Paying Agent.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if, at any time prior to the Senior Secured Discharge Date, any creditor or Romanian Law Noteholder Paying Agent receives or recovers:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is not either:

   a. a payment permitted under the Intercreditor Agreement; or

   b. made in accordance with the provisions described in "—*Application of Proceeds*" below;

(ii) other than as provided in the Intercreditor Agreement, any amount by way of set-off in respect of any of the liabilities owed to it (or with respect to any Romanian Law Notes, owed to the Romanian Law Noteholders) which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, and other than as provided in the Intercreditor Agreement, any amount:

   a. on account of, or in relation to, any of the liabilities:

      i. after the occurrence of a Distress Event; or

      ii. as a result of any other litigation or proceedings against a member of the Group (other than after the occurrence of an insolvency event in respect of that member of the Group); or

   b. by way of set-off in respect of any of the liabilities owed to it after the occurrence of a Distress Event,

other than, in each case, any amount received or recovered in accordance with the provisions described under "—*Application of Proceeds*" below;

(iv) the proceeds of any enforcement of any Collateral except in accordance with the provisions described under "—*Application of Proceeds*" below; or

(v) other than as provided in the Intercreditor Agreement, any distribution or payment of, or on account of or in relation to, any of the liabilities owed by any member of the Group which is not in accordance with the provisions described under "—*Application of Proceeds*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of the Group, that creditor or Romanian Law Noteholder Paying Agent will:

(vi) in relation to receipts and recoveries not received or recovered by way of set-off:

a. hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

b. promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(vii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Payments by the Trustee

Notwithstanding any provision in the Intercreditor Agreement to the contrary, the Trustee shall only have an obligation to turn over or repay amounts received or recovered under the Intercreditor Agreement by it (i) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement and (ii) to the extent that, prior to receiving that knowledge, it has not distributed that amount to the Noteholders in accordance with the provisions of the Indenture. For this purpose (i) "actual knowledge" of the Trustee shall be construed to mean the Trustee shall not be charged with knowledge (actual or otherwise) of the existence of facts that would impose an obligation on it to make any payment or prohibit it from making any payment unless a responsible officer of the Trustee has received, not less than two business days' prior to the date of such payment, a written notice that such payments are required or prohibited by the Intercreditor Agreement; and (ii) "responsible officer" when used in relation to the Trustee means any person who is an officer within the corporate trust and agency department of the Trustee, including any director, associate director, vice president, assistance vice president, senior associate, assistant treasurer, trust officer, or any other officer of the Trustee who customarily performs functions similar to those performed by such officers, or to whom any corporate trust matter is referred because of such individual's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Intercreditor Agreement. A similar protection exists for any trustees of any *Pari passu* Notes and any Romanian Law Noteholder Paying Agents pursuant to the Intercreditor Agreement.

Enforcement

Instructions to enforce—consultation

Subject to the next paragraph below, before giving any instructions to the Security Agent to enforce the Collateral or to refrain or cease from enforcing the Collateral or to take any other enforcement action, the Creditor Representatives (and, if applicable, any relevant Hedge Counterparties) shall consult with each other Creditor Representative, each other Hedge Counterparty and the Security Agent in good faith about the instructions to be given by the Majority Senior Secured Creditors for a period of up to 15 days (or such shorter period as each Creditor Representative and the Security Agent shall agree) (the "Consultation Period"), and following the expiry of a Consultation Period, the Majority Senior Secured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Collateral or to refrain or cease from enforcing the Collateral or to take any other enforcement action.

No Creditor Representative or Hedge Counterparty shall be obliged to consult in accordance with the immediately preceding paragraph and the Majority Senior Secured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Collateral or take any other enforcement action prior to the end of a Consultation Period (in each case, provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Senior Secured Debt Documents) if:

(i) the Collateral has become enforceable as a result of an insolvency event; or

(ii) the Majority Senior Secured Creditors or any Creditor Representative determines in good faith (and notifies each other Creditor Representative, each Hedge Counterparty and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Collateral could reasonably be expected to have a material adverse effect on:

a. the Security Agent's ability to enforce any of the Collateral; or

b. the realization proceeds of any enforcement of the Collateral.

Enforcement Instructions

The Security Agent may refrain from enforcing the Collateral unless instructed otherwise by the Majority Senior Secured Creditors and for the avoidance of doubt; the Security Agent may disregard any instructions from any other person to enforce the Collateral.

Subject to the Collateral having become enforceable in accordance with its terms the Majority Senior Secured Creditors may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Collateral as they see fit.

The Security Agent is entitled to rely on and comply with instructions given in accordance with the above paragraphs.

Manner of Enforcement

If the Collateral is being enforced as described under "—*Enforcement Instructions*" above, the Security Agent shall enforce the Collateral in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Majority Senior Secured Creditors shall instruct or, in the absence of any such instructions, as the Security Agent sees fit, in each case in accordance with applicable law and the terms of the relevant Security Documents and subject to the requirements described below under "—*Distressed Disposals—Fair Value.*"

Exercise of Voting Rights

Subject to the third paragraph below, each creditor (other than each Creditor Representative and each arranger of a Credit Facility or *Pari passu* Facility) agrees (to the fullest extent permitted by law at the relevant time) with the Security Agent that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent.

Subject to the next paragraph, the Security Agent shall give instructions for the purposes of the paragraph above in accordance with any instructions given to it by the Majority Senior Secured Creditors provided that any such instructions have been given in accordance with the provisions described above under *"—Enforcement Instructions."*

Nothing in the preceding paragraphs entitles any party to exercise or require any Senior Secured Creditor to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for (or change the basis for accrual of any) payment of or reschedule any of the liabilities owed to that Senior Secured Creditor.

Application of Proceeds

The Intercreditor Agreement provides that, subject to certain exceptions, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Collateral shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

- first, in discharging any sums on a pro rata basis owing to the Security Agent (other than as creditor under the parallel debt), any receiver or any delegate and in payment of certain amounts to the Creditor Representatives for their own account (to the extent the relevant Collateral secures such amounts);
- secondly, in discharging all costs and expenses on a pro rata basis incurred by any Senior Secured Creditor in connection with any realization or enforcement of the Collateral taken in accordance with the terms of the Intercreditor Agreement or certain actions taken at the request of the Security Agent under the Intercreditor Agreement;
- thirdly, in payment or distribution to each Creditor Representative under a Credit Facility on its own behalf and on behalf of the Credit Facility Creditors for which it is the Creditor Representative, each Senior Secured Note Trustee on its own behalf and on behalf of the Senior Secured Noteholders for which it is the Senior Secured Note Trustee (or in the case of any Romanian Law Noteholders comprising Senior Secured Noteholders, to each relevant Romanian Law Noteholder Paying Agent on its own behalf and on behalf of such Romanian Law Noteholders), each Creditor Representative in respect of any Pari passu Liabilities on its own behalf and on behalf of the Pari passu Creditors for which it is the Creditor Representative (or in the case of any Romanian Law Noteholders comprising Pari passu Noteholders, to each relevant Romanian Law Noteholder Paying Agent on its own behalf and on behalf of such Romanian Law Noteholders); and the Hedge Counterparties, for application towards the discharge of (except to the extent covered by any permitted cash cover) the Credit Facility Liabilities (in accordance with the terms of the relevant Credit Facility Agreement) on a pro rata basis between Credit Facility Liabilities under separate facility agreements, the Senior Secured Note Liabilities (in accordance with the terms of the relevant Senior Secured Note Indenture), (except to the extent covered by any permitted cash cover) the Pari passu Liabilities (in accordance with the terms of the relevant Pari passu Finance Documents) on a pro rata basis between Pari passu Liabilities under separate facility agreements and/or note indentures; and the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty), on a pro rata basis;

- fourthly, if none of the Debtors is under any further actual or contingent liability under any Senior Secured Debt Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and
- lastly, the balance, if any, in payment or distribution to the relevant Debtor.

Non-distressed Disposals

If a disposal of an asset is a Non-Distressed Disposal, the Security Agent is irrevocably authorized and required (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor, other Secured Party or Debtor) (i) to release (or procure the release of) the Collateral or any other claim (relating to a Debt Document) over that asset, (ii) where that asset consists of shares in the capital of a member of the Group, to release the Collateral or any other claim (relating to a Debt Document) over any asset of that member of the Group, any subsidiary of that member of the Group and any asset of any such subsidiary (including, without limitation, any guarantee liability or other liabilities); and (iii) to execute and deliver or enter into any release of the Collateral or any claim described in (i) and (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable, provided that, in the case of a Non-Distressed Disposal of Collateral which is an Intra-Group Disposal:

(i) to the extent legally possible, such Intra-Group Disposal is made subject to the existing security interest over such Collateral; or

(ii) to the extent that it is not legally possible for the Intra-Group Disposal to be made subject to the existing security interests over such Collateral, on or before the date of which any release referred to above is effected, (at the cost of the Issuer or any other Debtor), security interests over such Collateral of at least equivalent ranking are retaken over the assets which are the subject of that Intra-Group Disposal, and the Issuer delivers to the Security Agent:

   a. a solvency opinion from a Financial Adviser, in form and substance reasonably satisfactory to the Security Agent, confirming the solvency of that member of the Group and its subsidiaries, taken as a whole, after giving effect to such Intra-Group Disposal and any transactions related to such release and retaking; or

   b. a certificate from the board of directors or chief financial officer of that member of the Group (acting in good faith), which confirms the solvency of that member of the Group granting such security interests over such Collateral after giving effect to such Intra-Group Disposal and any transactions related to such release and retaking; and

   c. in addition to (a) or (b) above, an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent (subject to customary exceptions and qualifications), confirming that, after giving effect to such Intra-Group Disposal and any transactions related to such release and retaking, the security interests over such Collateral created under the Security Documents so released and retaken are valid and perfected security interests not otherwise subject to any limitation or imperfection, in equity or at law, that such security interests were not otherwise subject to immediately prior to such release and retaking.

If a member of the Group is designated as an Unrestricted Subsidiary in accordance with the terms of any Debt Document and two directors of the Issuer certify for the benefit of the Security Agent that such member of the Group has been so designated and that such designation is not prohibited by the Senior Secured Debt Documents (provided that such certificate has been provided to the relevant Creditor Representative(s) and the relevant Creditor Representative(s) have not objected to such certificate within five business days of receipt of such certificate), the Security Agent is irrevocably authorized and obliged (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor or Debtor) (i) to release the Collateral or any other claim (relating to a Debt Document) over that member of the Group's assets; (ii) where that asset consists of shares in the capital of a subsidiary of that member of the Group, to release the Collateral or any other claim (relating to a Debt Document) over any asset of that member of the Group, any subsidiary of that member of the Group and any asset of any such subsidiary (including, without limitation, any guarantee liability or other liabilities); and (iii) to execute and deliver or enter into any release of the Collateral or any claim described in clause (i) or (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable or as requested by the Issuer.

Facilitation of Pre-IPO Share Exchange

If the Issuer notifies the Security Agent that the release of certain Specified Shares is required in order for it to effect a Pre-IPO Share Exchange and provides the Security Agent with a certificate from the board of directors or chief financial officer of the Issuer which confirms that the proposed Pre-IPO Share Exchange shall not result in the Issuer holding less than 90% of the issued and outstanding voting stock of the Company then the Security Agent is irrevocably authorized (at the cost of the Issuer and without any consent, sanction, authority or further confirmation from any creditor or any other party to the Intercreditor Agreement) to (i) release the Collateral or any other claim (relating to a Debt Document) over the Specified Shares; and (ii) execute and deliver or enter into any release of the Collateral or any claim described in paragraph (i) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable. Such a release of Collateral would become effective immediately prior to the time the relevant Pre-IPO Share Exchange is effected. For such purposes:

"**Pre-IPO Share Exchange**" means an exchange of ordinary shares of the Company held by the Issuer for: (i)(a) ordinary shares of the Issuer held by a Permitted Holder; or (b) ordinary shares of RCS Management S.A. held by a minority shareholder of RCS Management S.A. (other than the Issuer or any member of the Group) (the "Applicable Minority Shareholder"); and (ii) at the option of the Issuer, cash or cash equivalents in amounts sufficient to cover capital gains tax to which such Permitted Holder or Applicable Minority Shareholder, as applicable, is expected to be subject as a result of such transfer or exchange, provided such Pre-IPO Share Exchange would not result in the Issuer holding less than 90% of the issued and outstanding voting stock of the Company.

"**Permitted Holder**" means Mr. Zoltan Teszari and any Related Person of Mr. Zoltan Teszari.

"**Related Person**" with respect to any Permitted Holder means: (i) any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member, lineal descendant (including by adoption) or relative, or the estate, executor, administrator, committee, legal representatives or beneficiaries of any thereof; or (ii) any trust, corporation, partnership or other person for which the Permitted Holder and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"**Specified Shares**" means ordinary shares of the Company held by the Issuer which are the subject of a Pre-IPO Share Exchange.

Distressed Disposals

Facilitation of Distressed Disposals and Appropriation

The Intercreditor Agreement provides that if a Distressed Disposal or an Appropriation is being effected the Security Agent is irrevocably authorized and required (at the cost of the relevant Debtor or the Issuer and without any consent, sanction, authority or further confirmation from any creditor, other Secured Party or Debtor):

(i) to release the Collateral or any other claim over the asset which is the subject of that Distressed Disposal or Appropriation and execute and deliver or enter into any release of that Collateral or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is the subject of that Distressed Disposal or Appropriation consists of shares in the capital of a Debtor, to release (or procure the release of) that Debtor and any subsidiary of that Debtor from all or any part of:

   a. its borrowing liabilities, its guarantee liabilities and its other liabilities;

   b. any Collateral granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

   c. any other claim of any shareholder of the Issuer, any intra-group lender or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant Creditor Representatives, creditors and Debtors;

(iii) if the asset which is the subject of that Distressed Disposal or Appropriation consists of shares in the capital of any holding company of a Debtor (other than where such holding company is a Debtor, in which case paragraph (ii) above shall apply), to release (or procure the release of) that holding company and any subsidiary of that holding company from all or any part of:

   a. its borrowing liabilities, its guarantee liabilities and its other liabilities;

   b. any Collateral granted by any subsidiary of that holding company over any of its assets; and

   c. any other claim of any shareholder, any intra-group lender or another Debtor over the assets of that holding company and any subsidiary of that holding company, on behalf of the relevant Creditor Representatives, creditors and Debtors;

(iv) if the asset which is the subject of that Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the provisions described under "—*Security Agent's actions*" below) decides to dispose of all or any part of the liabilities, or the intra-group receivables, owed by that Debtor or holding company or any subsidiary of that Debtor or holding company:

a. if the Security Agent (acting in accordance with the provisions described under "—*Security Agent's actions*" below) does not intend that any transferee of those liabilities or intra-group receivables (the "Transferee") will be treated as a Senior Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or intra-group receivables on behalf of the relevant creditors and Debtors, provided that notwithstanding any other provision of any Debt Document the Transferee shall not be treated as a Senior Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement; or

b. if the Security Agent (acting in accordance with the provisions described under "—*Security Agent's actions*" below) does intend that the Transferee will be treated as a Senior Secured Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Senior Secured Creditors, and all or part of the intra-group receivables and any other liabilities, on behalf of, in each case, the relevant Creditor Representatives, creditors and Debtors;

(v) if the asset which is the subject of that Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the holding company of a Debtor (the "Disposed Entity") and the Security Agent (acting in accordance with the provisions described under "—*Security Agent's actions"* below) decides to transfer to another Debtor (the "Receiving Entity") all or any part of the Disposed Entity's obligations or any obligations of any subsidiary of that Disposed Entity in respect of the intra-group liabilities or the intra-group receivables, to execute and deliver or enter into any agreement to:

a. agree to the transfer of all or part of the obligations in respect of those intra-group liabilities or intra-group receivables on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

b. (provided the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or intra-group receivables on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or intra-group receivables are to be transferred.

Notwithstanding the foregoing, in no event shall any Senior Secured Notes Proceeds Loan be released or if such release or transfer shall have the effect of limiting the guarantee liabilities of the Company under any Senior Secured Note or *Pari passu* Note or Senior Secured Note Indenture or *Pari passu* Note Indenture that is not concurrently released without the consent of the relevant Noteholders.

Proceeds of Distressed Disposals and Debt Disposals

The net proceeds of each Distressed Disposal and a disposal of liabilities pursuant to paragraph (iv) under "—*Facilitation of Distressed Disposals and Appropriation"* above shall be paid, or distributed, to the Security Agent for application in accordance with the provisions described under "—*Application of Proceeds*" above as if those proceeds were the proceeds of an enforcement of the Collateral and, to the extent that any disposal of liabilities pursuant to paragraph (iv)(b) under "—*Facilitation of Distressed Disposals and Appropriation*" or Appropriation has occurred, as if the disposal of those liabilities, or any reduction in the secured obligations resulting from that Appropriation, had not occurred.

Fair Value

In the case of a Distressed Disposal or a disposal of liabilities pursuant to paragraph (iv)(b) under "—*Facilitation of Distressed Disposals and Appropriation"* above, effected by, or at the request of, the Security Agent (acting in accordance with the provisions described under "—*Security Agent's actions"* below, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price). The Intercreditor Agreement provides that each party thereto agrees that the obligation of the Security Agent will be satisfied if such Distressed Disposal or disposal of liabilities is made:

- pursuant to a Competitive Sales Process;
- pursuant to any process or proceeding approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court or by a receiver; or
- where a Financial Adviser selected by the Security Agent has delivered an opinion that the consideration in respect of such Distressed Disposal or disposal of liabilities is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement.

The Security Agent may engage, or approve the engagement of, pay for and rely on the services of a Financial Adviser subject to usual limitations of liability, including that the liability of the Financial Adviser may be limited to the amount of its fees in respect of its engagement (or a multiple of such fees).

Security Agent's actions

For the purposes of the provisions described under "*—Facilitation of Distressed Disposals and Appropriation*," and "*—Fair Value*" above, the Security Agent shall act (i) in the case of an Appropriation or if the Distressed Disposal is being effected by way of enforcement of the Collateral, in accordance with the provisions described under "*—Enforcement Instructions—Manner of enforcement*" above and (ii) in any other case, on the instructions of the Majority Senior Secured Creditors or, in the absence of any such instructions, as the Security Agent sees fit.

Security held by other Senior Secured Creditors

Subject to certain exceptions, if any Collateral is held by a Senior Secured Creditor other than the Security Agent in respect of any Senior Secured Liabilities, then such Senior Secured Creditor may only enforce that Collateral in accordance with instructions given by the Majority Senior Secured Creditors in accordance with the Intercreditor Agreement.

Amendment

Required consents

Subject to the next paragraph and certain other exceptions set out in the Intercreditor Agreement, the Intercreditor Agreement may be amended or waived only with the consent of the Issuer and the Required Senior Secured Creditors.

An amendment or waiver that has the effect of changing or which relates to turnover of receipts, redistribution, Non-Distressed Disposals, Distressed Disposals, application of proceeds, the amendments clause, provisions relating to instructions to the Security Agent or the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of the Issuer and the Creditor Representatives, the Credit Facility Lenders, the lenders of any *Pari passu* Facility, each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect that Hedge Counterparty), each Senior Secured Note Trustee on behalf of the Senior Secured Noteholders for which it is the Senior Secured Note Trustee, each Creditor Representative on behalf of the *Pari passu* Noteholders for which it is the Creditor Representative and the Security Agent.

Amendments and Waivers: Security Documents

Subject to the next paragraph and to the provisions described under "*—Exceptions*" below and unless the provisions of any Debt Document expressly provide otherwise, the Security Agent may, if authorized by the Required Senior Secured Creditors, and if the Issuer consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Security Documents which shall be binding on each party.

Subject to the third paragraph of the provisions described under "*—Exceptions*" below, any amendment or waiver of, or consent under, any Security Document or any other Debt Document which has the effect of changing or which relates to (i) the nature or scope of the charged property, (ii) the manner in which the proceeds of enforcement of the Collateral are distributed or (iii) the release of any Collateral, shall not be made without the prior consent of the Senior Secured Creditors.

Effectiveness

Any amendment, waiver or consent given in accordance with the Intercreditor Agreement is binding on all parties and the Security Agent may effect, on behalf of any Senior Secured Creditor, any amendment, waiver or consent permitted by the Intercreditor Agreement.

Exceptions

Subject to the third and fourth paragraphs below, if the amendment, waiver or consent may impose new or additional obligations on or withdraw or reduce the rights of any party other than (i) in the case of a Senior Secured Creditor (other than any Creditor Representative or an arranger), in a way which affects or would affect Senior Secured Creditors of that party's class generally or (ii) in the case of a Debtor, to the extent consented to by the Issuer under the provisions described under the first paragraph under "*—Amendments and Waivers: Security Documents*" above, the consent of that party is required.

Subject to the third and fourth paragraphs of this section, an amendment, waiver or consent which relates to the rights or obligations of a Creditor Representative, an arranger, the Security Agent (including, without limitation, any ability of the Security Agent to act in its discretion under the Intercreditor Agreement) or a Hedge Counterparty may not be effected without the consent of that Creditor Representative or, as the case may be, that arranger, the Security Agent or that Hedge Counterparty.

Neither the two preceding paragraphs above nor the second paragraph of the provisions described above under "—*Amendments and Waivers: Security Documents*" shall apply to any release of Collateral, claim or liabilities or to any consent, which, in each case, the Security Agent gives in accordance with the provisions described above under "—*Non-Distressed Disposals*," "—*Distressed Disposals*" or "—*Additional Indebtedness*."

The Intercreditor Agreement may be amended by each Creditor Representative and the Security Agent without the consent of any other party to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature or as otherwise prescribed by the relevant Debt Documents.

If any Senior Secured Note Trustee (or Creditor Representative in relation to any *Pari passu* Notes) ceases to act as trustee in relation to the relevant Senior Secured Notes or the relevant *Pari passu* Notes for any reason and any successor or other person which is appointed or acts as trustee in respect of the Senior Secured Notes or the *Pari passu* Notes becomes a party to the Intercreditor Agreement, the Security Agent shall make such changes to the terms of the Intercreditor Agreement relating to the rights and duties of that trustee and any other party as are required by that trustee without the consent of any other party provided that such changes would not have a material adverse effect on the other parties.

In addition to the above, the Intercreditor Agreement may be amended without the consent of the Noteholders in certain circumstances set out further in "*Description of the Additional Notes—Certain Covenants—Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements*" below.

Security Agency/Parallel Debt Provisions

The Intercreditor Agreement contains customary provisions setting out the basis of appointment, discretions and related provisions regarding the Security Agent together with parallel debt / joint and several creditorship provisions which will be secured by the Collateral.

Equalization

The Intercreditor Agreement provides that if, for any reason (including due to mandatory orders of distribution of proceeds provided by applicable law), any Senior Secured Liabilities remain unpaid after the enforcement date (including any Senior Secured Liabilities that remain unpaid after any distribution of proceeds upon enforcement, bankruptcy or liquidation of the Company under the laws of Romania) and the resulting losses are not borne by the Senior Secured Creditors in the proportions which their respective exposures at the enforcement, bankruptcy or liquidation date bore to the aggregate exposures of all the Senior Secured Creditors at the enforcement, bankruptcy or liquidation date, the Senior Secured Creditors will (excluding in relation to Senior Secured Liabilities owed directly to Creditor Representatives, arrangers, Senior Secured Note Trustees, Romanian Law Noteholder Paying Agents and the Security Agent in their capacity as such) (subject to the provisions described above under "*—Payments by the Trustee*") make such payments among themselves as the Security Agent shall require to put the Senior Secured Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

Noteholders Purchase Option

Some or all of the Senior Secured Noteholders and the *Pari passu* Noteholders (each, a "**Purchasing Noteholder**") may, after a Distress Event, by giving not less than 10 days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), subject to certain conditions set out in the Intercreditor Agreement and in the relevant Debt Documents, of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Liabilities and *Pari passu* Facility Liabilities (collectively, the "**Senior Lender Liabilities**") at a price equal to the aggregate of (i) any amounts provided as cash cover by the Purchasing Noteholders for certain letters of credit, (ii) all of the relevant Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the relevant Debt Documents if the relevant Senior Lender Liabilities were being prepaid by the relevant Debtors on the date of that payment, and (iii) all costs and expenses (including legal fees) incurred by the relevant Creditor Representative(s) and/or the relevant lenders as a consequence of giving effect to that transfer, as well as satisfactory indemnities to the relevant lenders.

Unless otherwise agreed by a Hedge Counterparty, the Purchasing Noteholders may only require a transfer as described in the preceding paragraph if, at the same time, they require a Hedge Transfer (as defined below) and if, for any reason, a Hedge Transfer cannot be made no transfer as described in the preceding paragraph may be required to be made.

Senior Lenders' Purchase Option

Some or all of the Senior Lenders (each, a "**Purchasing Lender**") may, after a Distress Event, by giving not less than 10 days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees), subject to certain conditions set out in the Intercreditor Agreement and in the relevant Debt Documents, of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Note Liabilities and *Pari passu* Note Liabilities (collectively, the "**Senior Note Liabilities**") at a price equal to the aggregate of (i) all of the relevant Senior Note Liabilities at that time (whether or not due), including all amounts that would have been payable under the relevant Debt Documents if the relevant Senior Note Liabilities were being prepaid by the relevant Debtors on the date of that payment, and (ii) all costs and expenses (including legal fees) incurred by the relevant Creditor Representative(s) and/or the relevant noteholders as a consequence of giving effect to that transfer, as well as satisfactory indemnities to the relevant noteholders.

Unless otherwise agreed by a Hedge Counterparty, the Purchasing Lenders may only require a transfer as described in the preceding paragraph if, at the same time, they require a Hedge Transfer (as defined below) and if, for any reason, a Hedge Transfer cannot be made no transfer as described in the preceding paragraph may be required to be made.

Multiple Purchase Option Notices

Where both the Purchasing Noteholders and the Purchasing Lenders deliver a purchase notice to the Security Agent following the occurrence of a Distress Event, whoever delivers their notice to the Security Agent first, will have the right to purchase the liabilities of the other.

Hedge Transfer

The Purchasing Noteholders or the Purchasing Lenders (as the case may be) may, by giving not less than ten days' notice to the Security Agent, require a transfer to the Purchasing Noteholders or the Purchasing Lenders (as applicable) (or a nominee or nominees of the Purchasing Noteholders or the Purchasing Lenders (as applicable)) of each Hedging Agreement, together with all rights and benefits in respect of the Hedging Liabilities owed by the Debtors to each Hedge Counterparty and all the obligations owed by any Hedge Counterparty to the Debtors under or in connection with the Hedging Agreements owed by each Hedge Counterparty to the Debtors (a "**Hedge Transfer**"), subject to certain conditions (including compliance with any conditions relating to that transfer contained in the Hedging Agreements), at a price equal to the aggregate of the Hedging Purchase Amount (as defined in the Intercreditor Agreement and based on the amount payable in the event of an early termination in which the Debtor is the defaulting party) in respect of the hedging transactions under the relevant Hedging Agreement at that time plus all costs and expenses, as well as satisfactory indemnities to the Hedge Counterparties. The Purchasing Noteholders or the Purchasing Lenders (as the case may be) and any Hedge Counterparty may agree (in respect of the relevant Hedging Agreements (or one or more of them) to which that Hedge Counterparty is a party) that a Hedge Transfer required pursuant to the Intercreditor Agreement above shall not apply to such Hedging Agreement or to the Hedging Liabilities and hedge counterparty obligations under such Hedging Agreement.

Financial obligations

2018 Senior Facilities Agreement

On February 1, 2018, the Company and Digi Hungary, as borrowers, and the Issuer, as guarantor, entered into the 2018 Senior Facilities Agreement with Citibank N.A., London Branch and ING Bank N.V., as mandated lead arrangers, ING Bank N.V., as facility agent, and certain financial institutions as original lenders. On June 26, 2018, Invitel became an additional guarantor to the 2018 Senior Facilities Agreement.

The 2018 Senior Facilities Agreement originally consisted of (i) HUF26,299,850,000 Facility A1; (ii) RON153,884,000 Facility B1; and (iii) €45,000,000 Facility B2. On March 9, 2018, the Company exercised this option and increased the total commitment of the Facility A1 from the original HUF26,299,850,000 to HUF31,299,850,000. As at the date of this prospectus, all three facilities are fully drawn. As at the date of this prospectus, the 2018 Senior Facilities this prospectus, it consists of: (i) HUF13,465,140,888 Facility A1; (ii) RON66,200,628 Facility B1; and (iii) €19,358,922 Facility B2 as at the date of this prospectus.

Amounts borrowed under each facility were applied towards:

- in the case of Facility A1 for (i) payment to Invitel Technocom Távközlési Korlátolt Felelősségű Társaság, a company incorporated in Hungary under company registry number 13-09-119848, with its registered seat at 2040 Budaörs, Edison utca 4. ("Invitel Tehnocom") and Ilford Holding Korlátolt Felelősségű Társaság, a company incorporated in Hungary under company registry number 01-09-291817, with its registered seat at 1123 Budapest, Alkotás út 53. MOM Park B. ép. 5th floor ("Ilford" and, together with Invitel Tehnocom, the "Vendors") of the purchase price for 1,200,221,460 registered ordinary shares with a nominal value of HUF10 each in Invitel held by the Vendors representing 99.998396 per cent. of the registered capital and voting rights in Invitel and the payment of certain outstanding amounts under several intercompany loans concluded between Invitel and Ilford under the acquisition agreement concluded on July 21, 2017 as further amended and supplemented (the "Acquisition"); (ii) all fees, costs and expenses, stamp, registration and other taxes incurred by DIGI Hungary or any other member of the group in connection with the Acquisition or the acquisition documents (meaning the acquisition agreement, the disclosure letter and any other document designated as an acquisition document by the facility agent and DIGI Hungary) or the finance documents (meaning among others the 2018 Facility Agreement, the Intercreditor Agreement and any other document designated as such by the facility agent and Company); (iii) general corporate and working capital purposes; and

- in the case of each Facility B1 and B2 for (i) payment of principal, a voluntary prepayment, or a voluntary cancellation under the 2016 Senior Facilities Agreement; and (ii) for capital expenditure, investments, general corporate and working capital purposes (including intra-group loans) of the group.

The interest rate under the 2018 Senior Facilities Agreement is composed of a margin of 2.65% per annum plus BUBOR, ROBOR, EURIBOR. The margin increases by 0.25%, if the Group fails to maintain a maximum consolidated total net indebtedness to EBITDA ratio (in each case, as defined under the 2018 Facility Agreement) of 3.25 to 1 at the end of each accounting quarter. Interest is payable every three months, or every other period which is required to ensure that the interest payment date for a loan is the same as the interest period date for another loan, or every other period agreed between the Company and the facility agent acting per instructions of all lenders under the 2018 Facility Agreement.

The repayment schedule for the outstanding balance as at the date of this prospectus is:

Repayment date:	Repayment installments A1 - HUF	Repayment installments B1 - RON	Repayment installments B2 - EUR
December 15, 2022	945,200,888	4,647,028	1,358,922
April 14, 2023.......	12,519,940,000	61,553,600	18,000,000
Total:	**13,465,140,888**	**66,200,628**	**19,358,922**

Covenants

The 2018 Senior Facilities Agreement contains certain financial covenants, including maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.25 (or 3.75 for any testing date ending on or prior to June 30, 2019); and (ii) a minimum EBITDA to net total interest ratio of 4.25.

The 2018 Senior Facilities Agreement contains certain other restrictive and affirmative covenants and undertakings, including negative pledge, change of control and provision of financial and other information. The events of default set out in the 2018 Senior Facilities Agreement include a cross-default provision pursuant to which an event of default occurs if any financial obligation of the Issuer, the Company, Digi Hungary, Invitel or any other material group members is not paid when due or becomes payable or is capable of becoming payable before its due date or is placed on demand or any facility under which financial obligations arise ceases to be available or becomes capable of early termination as a result of an event of default arising under the relevant facility, unless the aggregate amount of such financial obligations is less than €15.0 million (or its equivalent).

2016 Senior Facilities Agreement

On October 7, 2016, the Company, as borrower, entered into the 2016 Senior Facilities Agreement with, among others, BRD-Groupe Societe Generale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Tiriac Bank, as lead arrangers. The 2016 Senior Facilities Agreement is unconditionally guaranteed by the Issuer, DIGI Hungary and Invitel on a senior secured basis and shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

The 2016 Senior Facilities Agreement originally consisted of (i) RON930,000,000 Facility A1; (ii) RON600,000,000 Facility A2; and (iii) RON157,000,000 Facility B. It was amended on October 16, 2017 and as at the date of this prospectus, consists of: (i) RON592,039,216 Facility A1; (ii) RON381,960,784 Facility A2; and (iii) RON37,000,000 Facility B. As at the date of this prospectus, all three facilities are fully drawn. Facility A1 was drawn for the purposes of funding the refinancing of the 2015 Senior Facilities Agreement and capital expenditure requirements of the Group. Facility A2 was drawn for the purpose of funding the refinancing of the 2013 Notes. Facility B was drawn to finance the general corporate and working capital requirements of the Group.

The interest rate under the 2016 Senior Facilities Agreement is floating at a margin of 2.5% per annum plus ROBOR. The margin increases by 0.25%, if after January 1, 2017 the Group fails to maintain a maximum consolidated total net indebtedness to EBITDA ratio (in each case, as defined under the 2016 Senior Facilities Agreement) of 3.25 to 1 at the end of each accounting quarter. Interest is payable every three months, unless a longer period is agreed with the facility agent acting per instructions of all lenders under the 2016 Senior Facilities Agreement.

The repayment schedule for the outstanding balance as at the date of this prospectus is:

Repayment date:	Repayment installments A1 - RON	Repayment installments A2 -RON
October 2019	10,789,216	6,960,784
April 2020	81,375,000	52,500,000
October 2020	81,375,000	52,500,000
April 2021	81,375,000	52,500,000
October 2021	337,125,000	217,500,000
Total:	**592,039,216**	**381,960,784**

The Facility B of the 2016 Senior Facilities Agreement is repayable on October 7, 2019.

Covenants

The 2016 Senior Facilities Agreement contains certain financial covenants, including maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.25 to 1 (or 3.75 for any testing period ending during the Increased Leverage Period, see below for further detail); and (ii) a minimum EBITDA to net total interest ratio of 4.25 to 1.

The 2016 Senior Facilities Agreement contains certain other restrictive and affirmative covenants and undertakings, including negative pledge, change of control and provision of financial and other information. The events of default set out in the 2016 Senior Facilities Agreement include a cross-default provision pursuant to which an event of default occurs if any financial obligation of the Issuer, the Company or any other material group members is not paid when due or becomes payable or is capable of becoming payable before its due date or any facility under which financial obligations arise ceases to be available or becomes capable of early termination as a result of an event of default arising under the relevant facility, unless the aggregate amount of such financial obligations is less than €20.0 million.

On October 10, 2017 the Majority Lenders waived any breach of Clause 20.1 (*Financial undertakings*) of the 2016 Senior Facilities Agreement in relation to the ratio of consolidated total net indebtedness to EBITDA, as set out above which may occur in respect of any testing period ending during the 18 months commencing on May 30, 2018 (being the date of acquisition of Invitel, the "**Increased Leverage Period**") provided that (i) the maximum ratio of consolidated total net indebtedness to EBITDA for any testing period ending during the Inceased Leverage Period shall be 3.75; (ii) the maximum ratio of consolidated total net indebtedness to EBITDA for any such testing period ending after the Increased Leveraged Period shall be 3.25.

ING Facilities Agreement

On November 4, 2013, the Company entered into the ING Facilities Agreement in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The ING Facilities Agreement was amended on January 23, 2017. The ING Facilities Agreement shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of (i) an uncommitted overdraft facility of up to €11.0 million; (ii) an uncommitted Facility 1 for letters of guarantee of (a) up to €11.0 million for guarantees of up to one year; and (b) up to €2.0 million for guarantees of up to two years; and (iii) an uncommitted Facility 2 for letters of guarantee of up to €1.96 million. The total outstanding amount under Facility 1 and Facility 2 cannot exceed €11.0 million at any time. As at September 30, 2018, the Company had €4.3 million drawn under the overdraft facility and letters of guarantee issued for €0.1 million and RON11.7 million.

The interest rate for the overdraft facility, for drawings in euro and U.S. dollar, is one month EURIBOR or LIBOR plus a margin of 3.75%, and for drawings in RON, is one month ROBOR plus a margin of 2.5%. The interest rate for the letters of guarantee may be 1%, 1.25% or 2.25% per annum depending on the tenor and purpose of the letters of guarantee.

The ING Facilities Agreement contains substantially the same financial and restrictive covenants and undertakings as the 2016 Senior Facilities Agreement.

The indebtedness under the ING Facilities Agreement is repayable on demand by the lender, but the Company has a 90-day period to repay such indebtedness.

Citi Facilities Agreement

On October 25, 2013, the Company entered into the Citi Facilities Agreement to consolidate the Group's existing uncommitted credit facilities with Citibank Europe Plc, Dublin—Romania Branch into a single uncommitted facility for working capital purposes. On October 25, 2013, the Issuer entered into a personal guarantee agreement with Citibank Europe Plc, Dublin—Romania branch, pursuant to which it provides a guarantee for the due performance of the Citi

Facilities Agreement by the Group. The Citi Facilities Agreement shares in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

The Citi Facilities Agreement consists of uncommitted overdraft, bank guarantee, letters of guarantee and short term loan facilities

The overdraft facility was extended in 2018 with an additional amount of RON50 million.

The interest for the overdraft is 4% per annum plus one month EURIBOR / LIBOR / ROBOR, payable on the last business day of each calendar month. The fees payable for bank guarantees issued in connection with RON denominated amounts with a tenor of less than 12 months is 1% per annum (but not less than USD 70), payable in advance, for bid and performance bonds, and 1.6% per annum (but not less than USD 70), payable in advance, for other types of bank guarantees such as lease payment guarantees, custom guarantees or other payment guarantees, and for bank guarantees with a tenor of more than 12 months, up to the maximum of 36 months, 1.8% per annum (but not less than USD 70), payable at the beginning of each three-month period in advance for bid and performance bonds, and 2.8% per annum (but not less than USD 70) payable at the beginning of each three month period in advance for other types of bank guarantees. The fees payable for letters of credit issued in connection with RON denominated amounts is 0.8% per annum, payable at the beginning of each three month period in advance.

The fees payable for the issuance of letters of bank guarantee issued in connection with € denominated amounts with a tenor of less than 12 months is 1% per annum (but not less than USD 70), payable in advance, for bid and performance bonds, and 1.6% per annum (but not less than USD 70), payable in advance, for other types of bank guarantees, and for bank guarantees with a tenor of more than 12 months, up to the maximum of 36 months, 1.8% per annum (but not less than USD 70), payable at the beginning of each three month period in advance for bid and performance bonds, and 2.8% per annum (but not less than USD 70) payable at the beginning of each three month period in advance for other types of bank guarantees.

The interest for the short term loans is 4% per annum plus LIBOR for the relevant period, payable at the maturity of each drawing. The fees payable for the issuance of letters of credit for USD denominated amounts is 0.8% per annum, payable in advance.

There are no material covenants under the Citi Facilities Agreement.

The indebtedness under the Citi Facilities Agreement is repayable on demand by the lender.

As at September 30, 2018, (i) the cash overdraft facility had an outstanding balance of €19.8 million, and (ii) we had letters of guarantee issued in the amount of €0.2 million, $0.7 million and RON1.8 million.

BRD Agreements

On July 13, 2015, the Company entered into the BRD Letters of Guarantee Facility. As at September 30, 2018, we had letters of guarantee issued by BRD with a value of €0.5 million.

On September 20, 2017, the Company entered into the BRD Letters of Credit Facility. The final maturity date for the BRD Letters of Credit Facility is June 15, 2019. The following fees are payable for the issuance of letters of credit under the BRD Letters of Credit Facility: (i) a flat fee of 0.15% of the amount of each letter of credit issued, including a maximum tolerance margin, if the case (minimum €75/quarter or fraction of a quarter); and (ii) a €25 fee. As at September 30, 2018, we had letters of credit issued by BRD with a value of €8.3 million.

On May 23, 2018, the Company entered into the BRD Credit Facility for the aggregate amount of RON35.0 million repayable in 24 months for the purpose of (i) financing the acquisition of certain real estate property in Bucharest; and (ii) refinancing the acquisition of certain real estate property in Bucharest. As at September 30, 2018, aggregate principal amount of €3.7 million was outstanding under the BRD Credit Facility.

The BRD Agreements share in the Collateral on a *pari passu* basis pursuant to the terms of the Intercreditor Agreement.

Libra Loan Agreement

On February 25, 2016 the Company entered into a loan agreement for the aggregate amount of RON32.0 million repayable in five years with Libra Bank. The Company drew RON31.6 million under this agreement and used the funding to acquire certain real property in Bucharest, which is mortgaged in favor of Libra Bank as security for the Company's obligations. As at September 30, 2018 RON16.6 million (€3.6 million equivalent) was outstanding under the Libra Loan Agreement.

Santander Agreements

On October 30, 2015, DIGI Spain entered into the 2015 Santander Facility Agreement, the available commitments under which were increased in 2016 up to €2.0 million. As at September 30, 2018, the balance drawn under the Santander Facility Agreement was €0.8 million. All amounts outstanding under the 2015 Santander Facility Agreement were fully repaid in October 2018.

On October 19, 2018 DIGI Spain entered into a €3.0 million short-term facility agreement with Banco Santander maturing in October 2019.

Caixa Agreements

On February 6, 2014, DIGI Spain entered into the Caixa Facility Agreement, containing an overdraft and a reverse factoring option. The Caixa Facility Agreement was amended on January 30, 2015, July 28, 2015 and January 17, 2017. The term of the Caixa Facility Agreement is indefinite and the maximum amount, which can be used is €500,000. As at September 30, 2018, the balance drawn under the Caixa Facility Agreement overdraft was €0.4 million.

On November 21, 2018, DIGI Spain entered into two letters of guarantee arrangements with Caixabank, S.A. for an aggregate amount of €571,778.58.

Unicredit Agreement

On December 15, 2015, the Company entered into an agreement with UniCredit Bank for an uncommitted overdraft/bank guarantee facility. As at September 30, 2018 the outstanding amount was €2.0 million.

RCS Management Loan

On May 12, 2017, the Company entered into a short term loan with RCS Management, for a principal amount of €5.0 million. The loan bears a 5.5% per annum interest rate and the repayment date was extended until May 9, 2019. As at September 30, 2018 the outstanding amount is €3.5 million.

BBVA Letter of Guarantee & Facility

As at September 30, 2018, Digi Spain had letters of guarantee issued by BBVA with a value of €0.9 million.

On March 21, 2018, DIGI Spain entered into a €3.0 million short-term loan with BBVA maturing in March 2019. As at September 30, 2018, the balance was €3.0 million.

On October 19, 2018, DIGI Spain entered into a €2.0 million short-term loan with BBVA maturing in September 2019.

OTP Bank Hungary Loan Agreement

In December 2016, Digi Hungary entered into a short term loan of HUF1,300 million (€4.2 million equivalent) with OTP Bank plc in Hungary. In 2018, the maturity of the loan was extended until July 23, 2019. As at September 30, 2018, the entire amount is outstanding. The loan is guaranteed by the Company.

Financial Leasing Agreem**ents**

As at September 30, 2018, we had leasing agreements in place with a total outstanding value of €7.8 million.

Romania

One of these leasing agreements is a sale-leaseback arrangement entered into on May 11, 2009 for part of our headquarters in Bucharest with ING Lease Romania IFN SA, which subsequently sold its interest to Raiffeisen Leasing IFN SA. In December 2015, this sale-leaseback arrangement was refinanced for €4.3 million. As at September 30, 2018, the outstanding amount under this sale-leaseback agreement was €0.9 million.

We also entered into a leasing agreement for a parcel of land in Poiana Brasov city, Brasov County, with a financed amount of €3.2 million (excluding VAT). In December 2015, we entered into a lease agreement with UniCredit Leasing IFN for a building in Arad. As at September 30, 2018, the outstanding amount under this leasing agreement was €0.04 million.

As at September 30, 2018, we also hold leasing contracts in Romania for vehicles and equipment with total outstanding value of €2.2 million.

Hungary

In Hungary, we lease mainly vehicles and equipment. As at September 30, 2018 the total outstanding value was of €1.5 million equivalent.

Spain

In Spain, we lease mainly vehicles and equipment. As at September 30, 2018 the total outstanding value was of €1.0 million equivalent.

As at June 30, 2016, we had €7.9 million derivative financial instruments outstanding. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Derivative Financial Instruments*."

DESCRIPTION OF THE ADDITIONAL NOTES

You can find the definitions of certain terms used in this description under the subheading "—*Certain Definitions*." In this section, (1) the words "**Issuer**," "**we**," "**us**" and "**our**" refer only to Digi Communications N.V. and not to any of its Subsidiaries and (2) the term "**Company**" refers only to RCS&RDS S.A. and not to any of its Subsidiaries, in each case except for the purposes of financial data determined on a consolidated basis.

We will issue €200.0 million aggregate principal amount of additional Notes (the "**Additional Notes**") under the indenture, originally dated October 26, 2016 and supplemented on June 8, 2017 and June 28, 2018 (as supplemented, the "**Indenture**"), among the Issuer, as issuer, the Company, DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság ("**DIGI Hungary**") and Invitel Távközlési Zrt ("**Invitel**"), each as a Guarantor, Wilmington Trust, National Association, as trustee (the "**Trustee**"), Wilmington Trust (London) Limited, as security agent (the "**Security Agent**"), Deutsche Bank AG, London Branch, as principal paying agent (the "**Principal Paying Agent**") and Deutsche Bank Luxembourg S.A., as registrar (the "**Registrar**") and transfer agent, pursuant to which the Issuer's €350 million 5.0% Senior Secured Notes due 2023 (the "**Original Notes**, and together with the Additional Notes and any Subsequent Additional Notes (as defined below), the "**Notes**") were issued on October 26, 2016 (the "**Original Notes Issue Date**"). The Additional Notes were consolidated and treated as a single class with the Original Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

We will issue the Additional Notes in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"). See "*Notice to Investors*." The Indenture is not required to be, nor will it be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the "**TIA**"), and will not be subject to and will not incorporate by reference the provisions of the TIA. Consequently, the holders of Notes generally will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including, among others, those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the holders of Notes of certain relationships between it and us.

The following description is a summary of the material provisions of the Additional Notes and the Indenture and refers to the Intercreditor Agreement. It does not restate those documents in their entirety. We urge you to read the Indenture, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Additional Notes. Copies of the Indenture, the Security Documents and the Intercreditor Agreement are available as set forth below under "—*Additional Information*." Certain defined terms used in this description but not defined below under "—*Certain Definitions*" have the meanings assigned to them in the Indenture.

The Original Notes and the Additional Notes have been issued in registered form. The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders have rights under the Indenture.

Brief Description of the Additional Notes, the Proceeds Loan and the Guarantees

The Additional Notes

The Additional Notes:

- are general, senior obligations of the Issuer, secured by a first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens) security interest in the Collateral as described below under "—*Security*," along with its guarantee obligations under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement and the BRD Agreements and certain Hedging Obligations (subject in each case, to limitations under applicable law);

- will rank senior in right of payment to all existing and any future Indebtedness of the Issuer that is subordinated to the Notes;

- will rank *pari passu* in right of payment with all existing and any future Indebtedness of the Issuer that is not subordinated to the Notes;

- are effectively senior to all existing and any future unsecured Indebtedness of the Issuer to the extent of the value of the Collateral securing the Notes;

- are effectively subordinated to all existing and any future Indebtedness of the Issuer that is secured by property or assets that do not form part of the Collateral, to the extent of the value of the assets securing such Indebtedness;

- are structurally subordinated to any existing or future Indebtedness of subsidiaries of the Issuer that do not guarantee the Notes; and

- are fully and unconditionally guaranteed on a senior secured basis by the Guarantors, subject to limitations under applicable law.

The Proceeds Loan

The Proceeds Loan:

- is a general unsecured obligation of the Company;
- is effectively subordinated to all existing and any future Indebtedness of the Company that is secured by property and assets to the extent of the value of the property and assets securing such Indebtedness;
- is structurally subordinated to all obligations of the Company's subsidiaries; and
- in the event of a sale of assets in bankruptcy under Romanian law, will rank pari passu in right of payment with claims of bad-faith third-party acquirers of the Company's assets who were ordered by a court of law to return such assets (or the fair value thereof) to the insolvency estate, and will be effectively subordinated to general, unsecured obligations (except for claims resulting from transactions without consideration) of the Company to certain persons who are (i) not shareholders or (ii) shareholders who hold less than 10% of the share capital of, or voting rights in, the Company; and, in a voluntary liquidation under Romanian law, will be effectively subordinated to all other unsecured obligations of the Company to persons who are not shareholders of the Company.

The Proceeds Loan requires the Company to make appropriate payments to enable the Issuer to fulfill its obligations under the Indenture. Interest payments, payable in arrears, are made at a percentage rate per annum as agreed by the Issuer and the Company, which in any case is higher than the rate at which the Notes bear interest. On the Additional Notes Issue Date, the Proceeds Loan, as most recently amended on the Original Notes Issue Date to reflect the issuance of the Original Notes, was further amended to substantially the same effect as if the aggregate gross proceeds of both the Original Notes and the Additional Notes had been remitted to the Company pursuant to one or more proceeds loans. Upon the issuance of any Subsequent Additional Notes, the proceeds thereof was also loaned to the Company pursuant to additional proceeds loans having substantially the same terms as the Proceeds Loan (or the Proceeds Loan was further amended to substantially similar effect).

The Issuer's rights under the Proceeds Loan are pledged to secure its obligations under the Notes. In the event of entry into any additional proceeds loans in respect of the proceeds from issuances of Subsequent Additional Notes, the Issuer shall pledge its receivables under such additional proceeds loans to secure its obligations under the Notes as well.

The Guarantees

The Original Notes and the Additional Notes are guaranteed by the Company, DIGI Hungary and Invitel, and may in the future be guaranteed by other Restricted Subsidiaries of the Issuer.

Each Guarantee:

- is a general, senior obligation of the relevant Guarantor, secured by a first-ranking (and, in The Netherlands, both first-ranking and second-ranking) (subject to any Permitted Collateral Liens) security interest in the Collateral as described below under "—*Security*," along with such Guarantor's obligations (as applicable) under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and certain Hedging Obligations (subject in each case to limitations under applicable law);
- ranks senior in right of payment to all existing and any future Indebtedness of the relevant Guarantor that is subordinated in right of payment to such Guarantee;
- is effectively senior to all existing and any future unsecured Indebtedness of the relevant Guarantor to the extent of the value of the Collateral securing such Guarantee;
- is effectively subordinated to all existing or future Indebtedness of the relevant Guarantor that is secured by property or assets of such Guarantor that do not form part of the Collateral, to the extent of the value of the assets securing such Indebtedness;
- is structurally subordinated to all obligations of such Guarantor's subsidiaries which do not guarantee the Notes;
- in the case of the Company's Guarantee, ranks *pari passu* in right of payment (in respect of the proceeds of a bankruptcy under Romanian law and with respect to any portion of the Company's obligations under its Guarantee which exceeds the value of the Collateral securing such Guarantee) to certain specified

categories of existing and future unsecured Indebtedness of the Company, including, without limitation, bank loans; and

- in the case of the Company's Guarantee, is effectively subordinated (in the event of competing non-bankruptcy enforcement under Romanian law and only with respect to any portion of the Company's obligations under its Guarantee which exceeds the value of the Collateral securing such Guarantee) to certain specified categories of existing and future unsecured Indebtedness of the Company, including, without limitation, trade payables and bank loans.

The obligations of each Guarantor under its Guarantee are limited as necessary to prevent such Guarantee from constituting a fraudulent conveyance under applicable law or otherwise to reflect limitations under applicable law or capital maintenance regulations. See "*Risk Factors—The Guarantee may be limited by applicable laws or subject to certain limitations or defenses*."

As at September 30, 2018, the Issuer and its consolidated subsidiaries had consolidated total debt (defined as interest-bearing loans and borrowings (non-current), interest-bearing loans and borrowings (current), derivative financial liabilities and other long-term liabilities) of €923.2 million (consisting of, among other items, €350.0 million of the Original Notes, €510.4 million of borrowings under the Group's existing credit facilities secured on the Collateral, €7.8 million of obligations under finance leases and €1.6 million of derivative financial liabilities). The Issuer's Subsidiaries are also subject to substantial other obligations incurred in the ordinary course of business.

As at the Additional Notes Issue Date, all of our Subsidiaries are "**Restricted Subsidiaries.**" However, under the circumstances described below under the definition of "**Unrestricted Subsidiaries,**" we will be permitted to designate certain of our Subsidiaries as Unrestricted Subsidiaries. Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, Maturity and Interest

On the Additional Notes Issue Date, the Issuer will issue €200.0 million aggregate principal amount of Additional Notes in this Offering.

The Issuer will issue the Additional Notes in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. The Notes will mature on October 15, 2023.

The Original Notes and the Additional Notes bear interest at a rate per annum of 5.0%. Interest on the Notes is payable semi-annually from the most recent interest payment date to which interest has been paid, on April 15 and October 15 of each year. Interest is payable to holders of record on each Note in respect of the principal amount thereof outstanding as at the close of business on the immediately preceding April 1 or October 1, as the case may be. Interest will first be paid on the Additional Notes on April 15, 2019.

Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The rights of holders of beneficial interests in the Notes to receive the payments of interest on the Notes are subject to applicable procedures of the book-entry depositary and Euroclear or Clearstream.

The Issuer may issue further additional Notes ("**Subsequent Additional Notes**") under the Indenture from time to time after this Offering having the same terms as the Notes, (other than the issue date, issue price and, possibly, initial interest payment date and interest accrual date), including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. Any issuance of Subsequent Additional Notes will be subject to all of the covenants in the Indenture, including the covenant described below under the caption "*—Certain Covenants—Limitation on Indebtedness*." The Notes (including the Additional Notes) and any Subsequent Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture; *provided* that Subsequent Additional Notes shall be issued under a separate CUSIP or ISIN number unless the Subsequent Additional Notes are issued pursuant to a "qualified reopening" of the Original Notes or are otherwise treated as part of the same "issue" of debt instruments as the Original Notes for U.S. federal income tax purposes.

Methods of Receiving Payment on the Additional Notes

Principal, premium, interest and Additional Amounts (as defined below in "*—Additional Amounts*"), if any, on the Global Notes (as defined in "*—Transfer and Exchange*") will be payable at the specified office or agency of one or more paying agents; *provided* that all such payments with respect to Additional Notes represented by one or more Global Notes registered in the name of, or held by, a nominee of Euroclear or Clearstream, as the case may be, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

Principal, premium, interest and Additional Amounts, if any, on Definitive Registered Notes (as defined in "—*Transfer and Exchange*") will be payable at the specified office or agency of one or more paying agents. In addition, interest on Definitive Registered Notes may be paid by wire transfer or check mailed to the person entitled thereto as of the close of business on the record date immediately preceding the interest payment date for such interest as shown on the register for the Definitive Registered Notes.

Paying Agent and Registrar for the Additional Notes

The Issuer will maintain a paying agent for the Notes in London (the "**Principal Paying Agent**"). The current paying agent is Deutsche Bank AG, London Branch.

The Issuer will maintain a registrar with respect to the Notes initially with offices in Luxembourg. The current registrar is Deutsche Bank Luxembourg S.A. The current transfer agent is Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Global Notes and Definitive Registered Notes outstanding from time to time.

Upon notice to the Trustee, the Issuer may change any paying agent, registrar or transfer agent and the Issuer may act as the paying agent; *provided, however,* that in no event may the Issuer act as paying agent or appoint a paying agent in any jurisdiction where the paying agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless another paying agent is located in a jurisdiction where it is not obliged to withhold or deduct tax. For so long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), and its rules so require, the Issuer will publish a notice of any change of paying agent, registrar or transfer agent in a newspaper having a general circulation in Ireland (expected to be the *Irish Times*) or on the website of the Irish Stock Exchange plc (trading as Euronext Dublin), www.ise.ie.

Transfer and Exchange

The Additional Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will, in each case, initially be represented by one or more global notes in registered form without interest coupons attached (the "**Additional Rule 144A Global Notes**"). The Additional Notes sold outside the United States to non-U.S. persons pursuant to Regulation S under the U.S. Securities Act will, in each case, initially be represented by one or more global notes in registered form without interest coupons attached (the "**Additional Regulation S Global Notes**"). The Additional Rule 144A Global Notes together with the Additional Regulation S Global Notes are referred to herein as the "**Global Notes**." The Global Notes were deposited on the Additional Notes Issue Date with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period applicable to book-entry interests in the Additional Regulation S Global Notes, such book-entry interests may be transferred only to non-U.S. Persons under Regulation S under the U.S. Securities Act or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Additional Notes share the same ISIN numbers and Common Codes as the Original Notes and will be fully fungible with the Original Notes, except that the Additional Notes sold in reliance on Regulation S will temporarily have different ISIN number and Common Code from, and will not trade fungibly with, the Original Notes sold in reliance on Regulation S during the period from the Additional Notes Issue Date through (and including) the 40^{th} day following the Additional Notes Issue Date. After such date, certain selling restrictions with respect to the Additional Notes sold in reliance on Regulation S will terminate and the Additional Notes sold in reliance on Regulation S will become fully fungible with, and share the same ISIN numbers and Common Codes as, the Original Notes sold in reliance on Regulation S.

Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through direct or indirect participants therein. Ownership of Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "—*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the Additional Rule 144A Global Note, or the "**Rule 144A Book-Entry Interests**," may be transferred to a person who takes delivery in the form of Book-Entry Interests through Euroclear or Clearstream in the Additional Regulation S Global Note denominated in the same currency, or the "**Regulation S Book-Entry Interests**" in respect of that currency, but only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry

Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that, if the Issuer or any Guarantor is a party to the transfer or exchange, the holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee and the Paying Agent will be entitled to treat the holder of a Note as the owner of it for all purposes.

Optional Redemption

Optional Redemption upon Equity Offering prior to October 15, 2019

At any time prior to October 15, 2019, at the option of the Issuer, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 105.000% of the principal amount of the Notes redeemed, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the Net Cash Proceeds from an Equity Offering; *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes issued under the Indenture (including any Additional Notes and Subsequent Additional Notes) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

Optional Redemption of the Notes prior to October 15, 2019

In addition, at any time prior to October 15, 2019, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed to the redemption date (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Except pursuant to the preceding two paragraphs and "—*Optional Redemption for Taxation Reasons*," the Notes will not be redeemable at the Issuer's option prior to October 15, 2019.

Optional Redemption of the Notes on or after October 15, 2019

On or after October 15, 2019, the Issuer may redeem all or part of the Notes upon not less than 10 nor more than 60 days' prior notice, at the following redemption prices (expressed as percentages of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on October 15 of the following years:

Year	Redemption Price
2019	102.500%
2020	101.250%
2021 and thereafter	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

If and for so long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), and the rules of that exchange so require, the Issuer shall publish any notice of redemption referred to above in Ireland in the manner described below in "—*Notices*."

Any redemption pursuant to this "*Optional Redemption*" section may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Notwithstanding the foregoing, in connection with any tender offer for the Notes at a price of at least 100.000% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if holders of the Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or (with the approval of the Issuer) such third-party will have the right upon not less than 10 nor more than 60 days' notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

On or prior to the date on which the Issuer redeems all or part of any Notes as described in this "*Optional Redemption*" provision, the Company will be required under the terms of the Indenture to prepay the Proceeds Loan to the extent necessary to finance such redemption.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Paying Agent or Registrar will select Notes for redemption on a *pro rata* basis (or based on a method that most nearly approximates a *pro rata* selection), unless otherwise required by law or applicable stock exchange or depositary or applicable clearing system requirements; *provided* that no such partial redemption will reduce the portion of the principal amount of a Note not redeemed to less than €100,000. Neither the Paying Agent nor the Registrar, as applicable, shall be liable for selections made by it in connection with this paragraph.

No Notes of €100,000 in aggregate principal amount or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Except as provided under "*Optional Redemption*," notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

For Notes which are represented by global notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. If and for so long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), and the rules of that exchange so require, the Issuer shall publish such notice in Ireland in the manner described below in "—*Notices*" and send a copy of such notice to the Irish Stock Exchange plc (trading as Euronext Dublin).

Optional Redemption for Taxation Reasons

The Issuer or its successors, if any, may, at its option, redeem all, but not part, of the Notes at any time upon giving not less than 10 nor more than 60 days' notice to the holders thereof, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption (a "**Tax Redemption Date**") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*—Additional Amounts*") then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer or its successors determines in good faith that, as a result of:

(1) any official change in, expiration of, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Tax Jurisdiction (as defined below in "*—Additional Amounts*") affecting taxation which is announced and becomes effective in such jurisdiction on or after the issuance of the Notes on the Original Notes Issue Date (or, if the Relevant Tax Jurisdiction was not a Relevant Tax Jurisdiction on the Original Notes Issue Date, the date on which such Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction under the Indenture); or

(2) any official change in, expiration of, or amendment to, any existing official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment is announced and becomes effective with general applicability in such jurisdiction on or after the issuance of the Notes on the Original Notes Issue Date (or, if the Relevant Tax Jurisdiction was not a Relevant Tax Jurisdiction on the Original Notes Issue Date, the date on which such Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction under the Indenture),

the Issuer, its successors or any Guarantor (each, a "**Payer**") are, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts on the Notes or the relevant Guarantee, as applicable, and the Payer cannot avoid such obligation by taking commercially-reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new paying agent in accordance with "*—Paying Agent and Registrar for the Notes*" or, in respect of a payment under a Guarantee, payment through another Guarantor or the Issuer). Notice of redemption for taxation reasons will be given in accordance with the procedures described below under "*—Selection and Notice*."

Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payer would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due. Prior to the giving of any notice of redemption described in this paragraph, the Issuer or its successors shall deliver to the Trustee and the Principal Paying Agent (a) an Officers' Certificate stating that the obligation to pay Additional Amounts cannot be avoided by the Payer taking commercially-reasonable measures available to it and (b) a written opinion of independent tax counsel of recognized standing to the effect that the circumstances referred to above exist. The Trustee and the Principal Paying Agent will accept such Officers' Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the holders.

Notwithstanding the foregoing, the Issuer or its successors may not redeem the Notes under this provision if the Relevant Tax Jurisdiction (as defined below in "*—Additional Amounts*") changes under the Indenture and the Payer is obligated to pay Additional Amounts as a result of a change in the laws (or any regulations or rulings promulgated hereunder), or any change in any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, of the then current Relevant Tax Jurisdiction which, at the time the latter became the Relevant Tax Jurisdiction under the Indenture, was publicly announced as being or having been formally proposed.

On or prior to the date on which the Issuer redeems all of the Notes as described in this "*—Optional Redemption for Taxation Reasons*" provision, the Company will be required under the terms of the Indenture to prepay the Proceeds Loan to the extent necessary to finance such redemption.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Repurchase at the Option of Holders—Change of Control*" and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*." The Issuer and its Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Additional Amounts

All payments made by a Payer on the Notes and any Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, assessments, duties, levies or other governmental charges of whatever nature (including penalties, interest and any liabilities with respect thereto) (each a "**Tax**" and collectively "**Taxes**") imposed or levied by, or on behalf of, (1) any jurisdiction where such Payer is organized, engaged in business (where such Tax is imposed by reason of the Payer being engaged in business) or otherwise considered to be a resident for tax purposes, (2) any jurisdiction from or through which a payment on the Notes is made, or (3) any political subdivision or governmental authority of any of the foregoing having the power to tax (the "**Relevant Tax Jurisdiction**"), unless the withholding or deduction of such Taxes is then required by law.

If any deduction or withholding for, or on account of, any Taxes of any Relevant Tax Jurisdiction is at any time required to be made from any payments under the Notes and any Guarantee, including payment of principal, redemption price, interest or premium, the Payer will pay (to the extent lawful) to each holder of a Note such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by such holder (including the Additional Amounts) after such deduction or withholding will be not less than the amounts which such holder would have received in respect of such payments in the absence of such withholding or deduction; *provided* that the Payer will not be required to make any payment of Additional Amounts for or on account of:

(1) any Tax that would not have been imposed but for the existence of any present or former connection between such holder or beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, such holder or beneficial owner, if the relevant holder or beneficial owner is an estate, trust, partnership, limited liability company or corporation) and the Relevant Tax Jurisdiction, including such holder or beneficial owner being or having been a citizen, domiciliary or resident thereof or being or having been engaged in trade or business therein or having or having had a permanent establishment or dependent agent therein; but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or disposition of such Notes or the receipt of any payment in respect thereof or the exercise or enforcement of any rights under the Indenture or the Notes;

(2) any tax that would not have been imposed but for the presentation of a Note for payment (where presentation is required) on a date more than 30 days after (i) the date on which such payment on such Note became due and payable or (ii) the date on which payment thereof is duly provided for, whichever occurs later (except to the extent that the holder would have been entitled to Additional Amounts had such Note been presented at the latest on the last day of such 30-day period);

(3) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, similar assessment or similar governmental charge;

(4) any Tax that is payable otherwise than by withholding or deduction from payment on (or in respect of) the Notes and any Guarantee;

(5) any Tax that is imposed or withheld by reason of the failure by the holder of the Note to comply with a written request addressed or otherwise provided to the holder (and made at a time which would enable such holder acting reasonably to comply with that request and, in any case, made at least 60 days before such withholding or deduction would be payable by the Payer) to provide timely and accurate certification, information, documents or other evidence concerning the nationality, residence or identity of the holder or beneficial owner of the Note, or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement relating to such matters, in each case which is required by a statute, treaty, regulation or administrative practice of the Relevant Tax Jurisdiction as a precondition to exemption from all or part of such Tax;

(6) any Tax imposed pursuant to section 1471(b) of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable) or otherwise imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (or any amended or successor version that is substantively comparable), any regulations or agreements thereunder, official interpretations thereof, or any law or regulation implementing an intergovernmental agreement relating thereto; or

(7) any combination of any of the items above.

Such Additional Amounts will also not be payable where, had the beneficiary, settlor, member, partner or shareholder of the relevant holder or the beneficial owner of the Note held such Notes directly, it would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

If the Payer will be obligated to pay Additional Amounts with respect to any payment made on the Notes and the Guarantees, the Payer will provide the Trustee and the Principal Paying Agent at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Payer shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the paying agent to pay Additional Amounts to holders on the relevant payment date. The Payer will promptly provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Payer will make all required withholding and deduction and will remit the full amount required to be deducted or withheld to the Relevant Tax Jurisdiction in accordance with applicable law. The Payer will use all commercially reasonable efforts to provide the Trustee with an official Tax receipt of the Relevant Tax Jurisdiction (or a certified copy thereof) evidencing the payment of the Taxes so withheld or deducted by the Payer. Upon request, copies of such documentation will be made reasonably promptly available to the paying agents, as applicable, or if, notwithstanding the Payer's effort to obtain receipts, receipts are not obtained, other evidence of payment by the Payer.

The Payer will pay all present and future stamp duty, stamp, issue, registration, transfer, court or documentary Taxes or any other excise or property Taxes, charges or similar levies which are imposed by a Relevant Tax Jurisdiction or Taxes which arise from the execution, delivery, performance or registration of the Notes, the initial resale thereof by the Initial Purchaser and the enforcement of the Indenture, the Notes, the Guarantees and/or any related agreement following the occurrence of an Event of Default.

All references in this "*Description of the Additional Notes*" to principal, premium and interest on the Notes or any other payment under, or with respect to, any of the Notes include Additional Amounts which were or would be payable by the Payer in respect thereof.

Guarantees

The Original Notes and the Issuer's obligations under the Original Notes and the Indenture, and the Additional Notes and the Issuer's obligations under the Additional Notes and the Indenture are guaranteed from the Additional Notes Issue Date, on a senior secured basis by the Company, which is organized under the laws of Romania, and DIGI Hungary and Invitel, each of which is organized under the laws of Hungary. Following the Additional Notes Issue Date, other Subsidiaries of the Issuer may guarantee the Issuer's obligation under the Notes and the Indenture pursuant to the terms of the Indenture.

The obligations and liabilities of the Guarantors under their Guarantees (and the obligations and liabilities of any other Guarantor, as the case may be, under its Guarantee) will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, maintenance of Capital Stock, or similar laws, regulations or defenses affecting the rights of creditors generally, such as those relating to bankruptcy, insolvency, liquidation, moratorium ad-hoc mandate, preventive concordat or reorganisation) or other considerations under applicable laws.

To ensure compliance with Romanian law, the Guarantee of the Company (and any other Guarantor organized under Romanian law) is subject to substantially the following limitation language in the Indenture:

"The obligations and liabilities of the Company under its Guarantee and the Indenture shall not include any obligation or liability which if incurred would give rise to misuse of corporate assets or to criminal liability for the founders (i.e., *fondatori*, as such term is used under Romanian law, including any signatories of the constitutional documents of that company), directors, managers, other executive officers or legal representatives of the company as contemplated under Article 272 paragraph (1) item (b) of the Romanian Companies Law, Article 169 of the Insolvency Law No. 85/2014; it being agreed that the obligations and liabilities of the Company shall, in any case and at any time, be limited to a guarantee of the obligations of the Issuer in respect of the Notes and this Indenture, up to an amount equal to the proceeds from the issuance and sale of the Notes to the extent on-lent (directly or indirectly) on or after the Original Notes Issue Date to the Company or such Company's subsidiaries by the Issuer, in each case which remains outstanding at the time of enforcement of its Guarantee (the "**Outstanding On-lent Amount**"); *provided* that any payment made by the Company under the Guarantee or by any Subsidiary of the Company in its capacity as Guarantor shall reduce in an equal amount the Outstanding On-lent Amount."

Under the Company's Guarantee, the Indenture and the Security Documents, the Company has expressly waived and renounced (and the Issuer shall undertake to ensure that any future Guarantor organized under Romanian law shall expressly waive and renounce) (1) the right to invoke the benefit of division (*beneficiul de diviziune*) and the benefit of discussion (*beneficiul de discutiune*), as such terms are reflected by Articles 2294 and 2298 of the Romanian Civil Code, and (2) the right to invoke the termination of the Guarantee after the three-year term provided in Article 2316(1) of the Romanian Civil Code.

All of the operations of the Issuer are conducted through its Subsidiaries. As a result, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. None of the Issuer's Subsidiaries, other than the Guarantors, will guarantee the Notes on the Additional Notes Issue Date. Claims of creditors of Subsidiaries that do not guarantee the Notes, including claims of trade creditors, claims of secured creditors, claims of creditors holding debt and guarantees issued by those Subsidiaries and claims of preferred stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Company, including holders of the Notes. The Notes therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Subsidiaries of the Issuer that do not guarantee the Notes. Any right of the Issuer or a Guarantor to receive assets of any such non-Guarantor Subsidiary upon such non-Guarantor Subsidiary's bankruptcy, liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will accordingly also be structurally subordinated to the claims of such non-Guarantor Subsidiary's creditors, except to the extent that the Issuer or such Guarantor, as applicable, is itself recognized as a creditor of such non-Guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinated in right of payment to any security over the assets of such non-Guarantor Subsidiary, any debt of such non-Guarantor Subsidiary ranking senior in right of payment to the claims held by the Issuer or such Guarantor and any debt of such non-Guarantor Subsidiary that is mandatorily preferred by law. Even where the Issuer or such Guarantor is itself recognized as a creditor of a non-Guarantor Subsidiary, the claims of the Issuer or such Guarantor, as applicable, may be reduced, limited or extinguished as a result of applicable insolvency rules (such as the doctrine of equitable subordination or the rules regarding the potential avoidance of transactions concluded with related parties within a certain hardening period). Accordingly, in the event of a bankruptcy, liquidation or reorganization of any such non-Guarantor Subsidiary, such non-Guarantor Subsidiary may need to pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Issuer or the applicable Guarantor, and, even otherwise, recovery by the Issuer or such Guarantor may be significantly less than the amount of its or their claim(s). Although the Indenture limits the incurrence of Indebtedness and the issuance of Disqualified Stock or Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness or Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Release of Guarantees

The Guarantee of a Guarantor will be released:

(1) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Guarantor (including by way of merger, consolidation, amalgamation or combination), to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, in each case, in a transaction that is otherwise permitted by the Indenture;

(2) in connection with any sale, disposition, exchange or other transfer of Capital Stock of such Guarantor, as applicable, to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, in each case, in a transaction that is otherwise permitted by the Indenture if such Guarantor, as applicable, ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) upon the release of the guarantee or security or the discharge of the Indebtedness that gave rise to the obligation to guarantee the Notes, so long as no other Indebtedness of the Issuer or a Restricted Subsidiary is at that time guaranteed by such Guarantor in a manner that would require the granting of a guarantee as provided below under "*—Limitations on Guarantees of Indebtedness by Restricted Subsidiaries*;"

(4) if the Issuer designates such Guarantor (other than the Company) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal Defeasance and Covenant Defeasance*" and "*—Satisfaction and Discharge*;"

(6) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes; and

(7) as described under "*—Amendment, Supplement and Waiver*."

No release and discharge of a Guarantee will be effective against the Trustee or the holders of Notes until the Issuer shall have delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for in the Indenture relating to such release and discharge have been satisfied and that such release and discharge is authorized and permitted under the Indenture and the Trustee shall be entitled to rely on such Officers' Certificate absolutely and without further inquiry. At the request and expense of the Issuer, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Guarantee. None of the Issuer, the Trustee or any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Security

The Collateral

The Original Notes and the Guarantees thereof, and the Additional Notes and the Guarantees thereof are secured from the Additional Notes Issue Date, by liens and security interest granted by the Issuer in favor of the Security Agent on an equal and ratable first-priority (and, in The Netherlands, both first- and second-priority) basis (subject to any Permitted Collateral Liens) over those of its assets listed below:

(a) pursuant to Romanian law Security Documents, all of the Capital Stock it holds in the Company;

(b) pursuant to Dutch law Security Documents, all Dutch bank accounts, including any new bank accounts (other than an account of the Issuer at ING Bank, N.V. that is used for short-term facilities granted from time to time by the Company to the Issuer for its liquidity); and

(c) pursuant to Dutch law Security Documents, any present or future right, claim or receivables under the Proceeds Loan.

The Original Notes and the Guarantees thereof, and the Additional Notes and the Guarantees thereof are secured from the Additional Notes Issue Date, by liens and security interest granted by the Company in favor of the Security Agent on an equal and ratable first-priority basis (subject to any Permitted Collateral Liens) over those of its assets listed below:

(a) pursuant to Hungarian law Security Documents, 100% of the issued Capital Stock of DIGI Hungary;

(b) pursuant to Spanish law Security Documents, 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(c) pursuant to Romanian law Security Documents, subject to certain exclusions, all present and future movable assets of the Company including bank accounts, trade receivables, intragroup receivables, insurance receivables, inventories, movable tangible property (including installations, networks, machinery, equipment, vehicles, furniture and other similar assets), intellectual property rights, insurance and proceeds related to any of the foregoing.

The Original Notes and the Guarantees thereof, and the Additional Notes and the Guarantees thereof are secured from the Additional Notes Issue Date, by liens and security interest granted by DIGI Hungary in favor of the Security Agent on an equal and ratable first-priority basis (subject to any Permitted Collateral Liens) over 99.9% of the issued Capital Stock of Invitel.

Any other additional security interests that may in the future be created to secure obligations under the Notes, the Guarantees and the Indenture would also constitute Collateral.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Impairment of Security Interest*," the Issuer is permitted to pledge the Collateral in connection with future issuances of Indebtedness, including any Subsequent Additional Notes, or Indebtedness of its Restricted Subsidiaries, in each case as permitted under the Indenture and on terms consistent with the relative priority of such Indebtedness.

No appraisals of any Collateral have been prepared by or on behalf of the Issuer, the Company, the Security Agent or the Trustee in connection with the issuance of the Additional Notes and the Guarantees thereof. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes and any other indebtedness that is secured on a *pari passu* basis with the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time or at all.

Security Documents and Enforcement of Liens

In connection with the Original Notes, the Issuer, the Guarantors and the Security Agent, as applicable, entered into Security Documents which define the terms of the security interests that secure payment and performance when due of all of the obligations of the Issuer and the Guarantors under the Notes, the Indenture and the Guarantees, as applicable. The Security Documents in respect of the Romanian, Hungarian, Spanish and Dutch law security interests that presently secure the Original Notes (see "*—The Collateral*") will remain in effect (other than certain amendments to be made thereto, or confirmations to be made in respect thereof, on the Additional Notes Issue Date).

In connection with the issuance of the Additional Notes, the Issuer, as Parent, designated the Additional Notes as "Senior Secured Notes" for purposes of the Intercreditor Agreement and make certain required confirmations under the Intercreditor Agreement, following which, the Additional Notes and the Guarantees thereof were deemed and treated as having been secured on a *pari passu* basis (including, *inter alia*, under its provisions relating to the application of proceeds following the enforcement of the Security Documents) with the Original Notes and the Guarantees thereof, 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and certain Hedging Obligations. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement and any Additional Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

In The Netherlands, Romania and Hungary, the Intercreditor Agreement provides for the creation of "parallel debt" obligations in favor of the Security Agent. Under the terms of the Intercreditor Agreement, the parallel debt will be in the same amount and payable at the same time as the obligations of the Issuer and the Guarantors under the Indenture, the Notes and the Guarantees (the "**Principal Obligations**"). Any payment in respect of the Principal Obligations shall discharge the corresponding parallel debt and any payment in respect of the parallel debt shall discharge the corresponding Principal Obligations. Although the Security Agent has, pursuant to the parallel debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, holders of the Notes bear risks associated with a possible insolvency or bankruptcy of the Security Agent or breach of its obligations as Security Agent toward the secured creditors. The Security Documents provide that the security interests in such jurisdictions will secure the parallel debt (and not the Indebtedness under the Notes and the Guarantees). The parallel debt mechanism has not been tested in practice in The Netherlands, Romania or Hungary and there is no assurance that such a structure will be effective before courts in the jurisdiction in which such Collateral is located as there is no judicial or other guidance as to its efficacy; therefore the ability of the Security Agent to enforce the Collateral may be restricted. See "*Risk Factors—Risks Relating to the Additional Notes and the Guarantees—Security over the Collateral will be granted to the Security Agent rather than directly to the holders of the Additional Notes. The ability of the Security Agent to enforce the Collateral may be restricted by local law*."

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's, or a Guarantor's bankruptcy. See "*Certain Insolvency and Enforceability Considerations*" and "*Risk Factors—Risks Relating to the Additional Notes and the Guarantees—The Guarantees and security interests may be limited by applicable law or subject to certain limitations or defenses*" and "*Risk Factors—Risks Relating to the Additional Notes and the Guarantees—Romanian insolvency laws may not be as favorable to prospective investors as other insolvency laws, and the Issuer's ability to recover any amounts due under the Proceeds Loan may be limited*." In addition, in respect of any proceeds of a bankruptcy under Romanian law, any portion of the Company's obligations under its Guarantee which exceed the value of the Collateral securing such Guarantee will rank *pari passu* to certain specified categories of existing and future unsecured indebtedness of the Company, including, without limitation, bank loans. Furthermore, outside of insolvency, any such amounts due and unpaid by the Company under its Guarantee that exceed the value of the Collateral securing such Guarantee will be subordinated to competing enforcement claims on a sale of assets brought in relation to certain specified categories of existing and future indebtedness of the Company, including, without limitation, bank loans, including, without limitation, the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements, certain Hedging Obligations and related interest and expenses, and trade creditor claims. See "*Risk Factors—Risks Relating to the Additional Notes and the Guarantees—The proceeds of the Collateral sold in any enforcement sale may not be sufficient to repay the Additional Notes*." In addition, enforcement and validity of the security interest over the Collateral will be limited to the maximum amount required to comply with corporate benefit and other laws. As a result of these and similar limitations, the recoverable amounts with respect to the Issuer's obligation under the Notes and any Guarantor's obligations under its Guarantee could be significantly less than the total amounts payable with respect to the Notes and the Guarantees, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Relating to the Additional Notes and the Guarantees—The Guarantees and security interests may be limited by applicable law or subject to certain limitations or defenses*."

Subject to the terms of the Security Documents and the Indenture, the Issuer and any Guarantors have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate and dispose of the Collateral and to collect, invest and dispose of any income therefrom.

In addition, the Intercreditor Agreement and applicable law may limit the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or other sale procedures permitted by law or only at a price determined in accordance with legally prescribed criteria, subject to certain exceptions. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The Trustee has, and by accepting an Additional Note, each Holder will be deemed to have:

- irrevocably appointed Wilmington Trust (London) Limited, as Security Agent, to act as its agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

Release of Liens

The Security Agent will take any action required to release the Collateral in accordance with the provisions of the Indenture and the relevant Security Documents under any one or more of the following circumstances:

(1) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes as provided below under the captions "*—Legal Defeasance and Covenant Defeasance"* and *"—Satisfaction and Discharge;"*

(3) upon release of a Guarantee (with respect to the Liens granted by such Guarantor) in accordance with the Indenture;

(4) in connection with any disposition of Collateral, directly or indirectly, to any Person other than the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*") that is not prohibited by the Indenture (with respect to the Lien on such Collateral);

(5) as described under "*—Amendment, Supplement and Waiver*;"

(6) if the Issuer designates any Restricted Subsidiary (other than the Company) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of Liens on property and assets and Capital Stock of such Restricted Subsidiary;

(7) as described in the second paragraph under "*—Certain Covenants—Limitation on Liens*;"

(8) as otherwise provided in the Intercreditor Agreement or any Additional Intercreditor Agreement;

(9) in connection with any transfer or exchange by the Issuer of ordinary shares of the Company held by the Issuer for (a) ordinary shares of the Issuer held by a Permitted Holder or ordinary shares of RCS Management S.A. held by a minority shareholder of RCS Management S.A. (other than the Issuer or any Restricted Subsidiary) and (b) at the option of the Issuer, cash or Cash Equivalents in amounts sufficient to cover capital gains tax to which such Permitted Holder or minority shareholder, as applicable, is expected to be subject as a result of such transfer or exchange; *provided* that following any such transfer or exchange, the Issuer continues to hold at least 90% of the issued and outstanding Voting Stock of the Company; and

(10) as described under "*—Certain Covenants—Impairment of Security Interest*."

Each of these releases shall be effected by the Security Agent and, to the extent it is necessary, the Trustee without the consent of the Holders. The Indenture provides that any release of a Lien on Collateral shall be evidenced by the delivery of an Officers' Certificate of the Issuer or the Company to the Trustee and the Security Agent, who shall acknowledge and confirm such release upon delivery of such Officers' Certificate.

In connection with any cancellation by the Company of treasury shares of the Company constituting Collateral, any Lien created over such Collateral will be automatically and unconditionally released and discharged upon the delivery of an Officers' Certificate of the Issuer or the Company to the Trustee and the Security Agent appending the relevant corporate approvals of the Company.

To the extent any further acts or things may be required to be done to effect the automatic release and discharge of the Lien over the relevant Collateral, the Security Agent and the Trustee are authorized to act without the consent of the Holders to give effect to the release set out in the foregoing paragraph and shall, at the expense of the Issuer or the Company, promptly execute and do all such acts and things as may be necessary to effect the release of the Lien over the relevant Collateral, failing which, each of the Issuer and the Company are authorized to execute and do all such acts and things on behalf of the Security Agent, the Trustee and/or the Holders.

The Security Agent may need to evaluate the impact of the potential liabilities before determining to enforce on certain Collateral. In this regard, the Security Agent may decline to enforce on the Collateral or exercise remedies available if it does not receive satisfactory indemnification and/or security from the holders of the Notes. In addition, the Security Agent's ability to foreclose on the Collateral on behalf of the holders of the Notes may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral.

The Indenture provides that the Security Agent shall have no liability to any of the holders of the Notes as a consequence of its performance or non-performance under the Security Documents, except for its gross negligence or willful misconduct.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs at any time, the Issuer must offer to repurchase all of the Notes pursuant to the terms set forth in the Indenture (a "**Change of Control Offer**"). In the Change of Control Offer, the Issuer will offer a "**Change of Control Payment**" in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased, to the date of purchase (the "**Change of Control Payment Date**"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will provide a notice to each holder of Notes describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the payment date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other laws, regulations and stock exchange rules to the extent those laws, regulations and stock exchange rules are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any laws, regulations or stock exchange rules conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable laws, regulations and stock exchange rules and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On or prior to the Change of Control Payment Date, the Company will be required under the terms of the Indenture to prepay the Proceeds Loan to the extent necessary to finance the repurchase by the Issuer of the Notes tendered pursuant to the Change of Control Offer.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Principal Paying Agent will promptly pay (by wire transfer of immediately available funds, by mail or otherwise) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or the Authenticating Agent, as applicable) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof.

The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date in Ireland in the manner described below in "—*Notices*" and send a copy of such announcement to the Irish Stock Exchange plc (trading as Euronext Dublin), if and for so long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin) and the rules of that exchange so require.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Further, under the terms of the Indenture, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if:

(1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer; or

(2) notice of redemption with respect to all outstanding Notes has been given pursuant to the Indenture as described above under the caption "—*Optional Redemption*," unless and until there is a default in payment of the applicable redemption price.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

In addition, holders of the Notes should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a change of control under clauses similar to clause (e) of the definition of "Change of Control" if the outgoing directors were to approve the new directors for the purposes of that clause.

Certain Limits and Defaults

The agreements governing our and our Restricted Subsidiaries' other Indebtedness (including the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement and the ING Facilities Agreement) may restrict certain events, including events that would constitute an Asset Disposition or Change of Control. The exercise by the holders of Notes of their right to require us to repurchase the Notes upon an Asset Disposition or Change of Control could cause a default under these other agreements, even if the Asset Disposition or Change of Control does not, due to the financial effect of such repurchases on us. Any future credit agreements or other agreements relating to Indebtedness to which the Issuer or any Restricted Subsidiary becomes party may contain similar restrictions and provisions. Finally, our ability to pay cash to the holders of Notes upon a repurchase may be limited by our then existing financial resources. Our failure to make or consummate an Asset Disposition or Change of Control Offer or pay the applicable Asset Disposition or Change of Control payment when due would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described below under the caption "*—Events of Default and Remedies*" and which, in turn would constitute a default under certain other Indebtedness. See "*Risk Factors—We may not be able to obtain the funds required to repurchase the Notes upon a change of control*."

Certain Covenants

The Indenture contains, among others, the following covenants:

Limitation on Indebtedness

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; *provided, however,* that the Issuer and any Guarantor will be entitled to Incur Indebtedness if after giving effect to such Incurrence and the application of the proceeds thereof, on a *pro forma* basis, no Default or Event of Default would occur or be continuing; and on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio would not exceed 3.75 to 1.

(b) Notwithstanding the foregoing clause (a), the Issuer and any Restricted Subsidiary will be entitled to Incur any or all of the following Indebtedness ("**Permitted Indebtedness**"):

(i) Indebtedness Incurred by the Issuer or any Guarantor pursuant to one or more Credit Facilities in an aggregate principal amount outstanding at any time not exceeding (A) the greater of (x) €340.0 million and (y) 28.9% of Total Assets (as reduced on the Original Notes Issue Date, in the case of sub-clause (x), by the unused commitments under the SFA Facility A2 on the Original Notes Issue Date after giving effect to the 2016 Transactions (prior, for the avoidance of doubt, to any cancellation thereof), and in the case of sub-clause (y), the percentage of Total Assets that the foregoing reduction represents) *plus* (B) the greater of (x) €35.0 million and (y) 3.0% of Total Assets under revolving Credit Facilities, *plus* (C) in the case of any refinancing of Indebtedness permitted under this clause (i), or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(ii) Indebtedness owed to and held by the Issuer or a Restricted Subsidiary; *provided, however,* that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent disposition, pledge or transfer of such Indebtedness (other than to the Issuer or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon, (B) if the Issuer is the obligor on such Indebtedness, such Indebtedness is unsecured, is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes and complies with the requirements of clause (a) of the definition of Permitted Investments and (C) if a Guarantor is the obligor on such Indebtedness, such Indebtedness is unsecured and is expressly subordinated to the prior payment in full in cash of all obligations of such Guarantor with respect to its Guarantee;

(iii) the Original Notes issued on the Original Notes Issue Date, the Company's Guarantee thereof issued on the Original Notes Issue Date and any related "parallel debt" obligations under the Intercreditor Agreement;

(iv) Indebtedness outstanding on the Original Notes Issue Date after giving effect to the 2016 Transactions subject to sub-clause (iv) of paragraph (d) below (other than Indebtedness described in clauses (i) or (iii) of this paragraph);

(v) the incurrence of Refinancing Indebtedness in exchange for or the net proceeds of which are used to refund, replace or refinance Indebtedness Incurred pursuant to clause (a) of this paragraph (it being understood that no Indebtedness outstanding on the Original Notes Issue Date is Incurred pursuant to such clause (a)) or Indebtedness Incurred pursuant to sub-clauses (iii), (iv) (other than any Indebtedness which was repaid in accordance with the 2016 Transactions), (v) or (xiii);

(vi) Hedging Obligations of the Issuer or any Restricted Subsidiary; *provided* that such Hedging Obligations are entered into in the ordinary course of business and not for speculative purposes;

(vii) Obligations in respect of performance, bid, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, in each case not in connection with the borrowing of money;

(viii) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within ten Business Days of its Incurrence;

(ix) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar Obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of the Issuer or any Restricted Subsidiary; *provided* that (A) in the case of a disposition, the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the net proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Indebtedness for later release to) the Issuer and its Restricted Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent Obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this sub-clause);

(x) the guarantee (A) by the Issuer or a Restricted Subsidiary of Indebtedness of the Issuer or any Guarantor permitted to be Incurred by any other provision of this covenant; *provided* that any such guarantee by a Restricted Subsidiary is made in accordance with the covenant described under "*—Limitations on Guarantees of Indebtedness by Restricted Subsidiaries*" and (B) by a Restricted Subsidiary that is not a Guarantor of Indebtedness of a Restricted Subsidiary that is not a Guarantor and that was permitted to be Incurred by any other provision of this covenant;

(xi) Purchase Money Indebtedness Incurred to finance the acquisition by the Issuer or a Restricted Subsidiary of assets in the ordinary course of business in an aggregate principal amount which, when added together with the amount of Indebtedness Incurred pursuant to this sub-clause (xi) and then outstanding, does not exceed the greater of (a) €35.0 million and (b) 3.0% of Total Assets *plus*, in the case of any refinancing of Indebtedness permitted under this clause (xi) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(xii) Indebtedness in respect of (a) workers' compensation claims or claims arising under similar legislation or regulation or self-insurance obligations Incurred in the ordinary course of business, in each case not in connection with the borrowing of money, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(xiii) Indebtedness (a) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any of its Restricted Subsidiaries or (b) Incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by, or merged, consolidated, amalgamated or otherwise combined with, the Issuer or any of its Restricted Subsidiaries; *provided*, *however*, with respect to this clause (xiii), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be Incurred, (x) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (xiii) and the application of any proceeds thereof or (y) the Consolidated Leverage Ratio after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (xiii) and the application of any proceeds thereof would not be greater than it was immediately prior thereto;

(xiv) additional Indebtedness of the Issuer or any Restricted Subsidiary (other than and in addition to Indebtedness permitted under sub-clauses (i) through (xiii), (xv) and (xvi)) in an aggregate principal amount at any one time outstanding not to exceed the greater of (a) €50.0 million and (b) 19.5% of EBITDA; *provided* that not more than €20.0 million may be Incurred pursuant to this clause (xiv) by Restricted Subsidiaries that are not Guarantors;

(xv) Indebtedness of the Issuer in an aggregate outstanding principal amount (or accreted value, as applicable) at any time outstanding, not to exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Parent Entity or a Subsidiary) of the Issuer's Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock) of the Issuer, in each case, subsequent to the Original Notes Issue Date; *provided*, *however*, that (a) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clauses (a), (b)(i), (b)(ix) or (b)(xvi) of the covenant described under the caption "—*Limitation on Restricted Payments*" and may not be designated as Excluded Contributions to the extent the Issuer incurs Indebtedness in reliance thereon; and (b) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (xv) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under clauses (a), (b)(i), (b)(ix) or (b)(xvi) of the covenant described under the caption "—*Limitation on Restricted Payments*" in reliance thereon or has designated such Net Cash Proceeds as Excluded Contributions; and

(xvi) Indebtedness incurred in any Qualified Receivables Financing.

(c) Notwithstanding the foregoing, neither the Issuer nor any Guarantor will Incur any Permitted Indebtedness if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Issuer or any Guarantor unless such Indebtedness shall be subordinated to the Notes or the applicable Guarantee to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with the covenant described under this paragraph:

(i) any Indebtedness under the Citi Facilities Agreement, the ING Facilities Agreement and, to the extent that it may be Incurred under clause (b)(i)(A) above, the Senior Facilities Agreement (including any Indebtedness Incurred on the Original Notes Issue Date under the SFA Facility A2 in connection with the 2016 Transactions) will be deemed to have been Incurred under clause (b)(i)(A) above and may not be reclassified;

(ii) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Issuer, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses;

(iii) the Issuer will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above and may change the classification of an item of Indebtedness (or any portion thereof) to any other type of Indebtedness described above at any time; and

(iv) any Indebtedness repaid in accordance with the 2016 Transactions will initially be deemed to have been Incurred under sub-clause (iv) of paragraph (b) above and may not be reclassified or Refinanced.

(e) For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the EUR Equivalent determined on the date of the Incurrence of such Indebtedness; *provided, however,* that (i) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than Euros, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (ii) if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to Euros covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in Euros will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the EUR Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (1) such EUR Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the EUR Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is Incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer and the Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Restricted Payments

(a) The Issuer will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(i) a Default shall have occurred and be continuing (or would immediately thereafter result therefrom);

(ii) the Issuer is not entitled to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the covenant described under "—*Limitation on Indebtedness*;" or

(iii) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Original Notes Issue Date would exceed the sum of (without duplication):

A. 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from October 1, 2016, to the end of the most recent fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit);

B. 100% of the aggregate Net Cash Proceeds and the fair market value (as determined in good faith by the Board of Directors or senior management of the Issuer) of any marketable securities or other property or assets received by the Issuer from the issuance or sale of its Capital Stock or otherwise contributed to the equity of the Issuer (other than Disqualified Stock or which are or the Net Cash Proceeds of which are Excluded Contributions) or of Subordinated Shareholder Debt subsequent to the Original Notes Issue Date (other than an issuance or sale to a Subsidiary of the Issuer and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees);

C. the amount by which Indebtedness of the Issuer or its Restricted Subsidiaries is reduced on the Issuer's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) subsequent to the Original Notes Issue Date of any Indebtedness of the Issuer or its Restricted Subsidiaries which is convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt (less the amount of any cash or the Fair Market Value of other property distributed by the Issuer or any Restricted Subsidiary upon such conversion or exchange);

D. with respect to Investments (other than Permitted Investments) made by the Issuer and its Restricted Subsidiaries after the Original Notes Issue Date, the amount equal to the net reduction in Investments resulting from (x) payments of dividends, repayments of the principal of loans or advances or similar repurchases, repayments, redemptions, or other transfers of assets to the Issuer or any Restricted Subsidiary or from the sale of any such Investment or (y) if such Investment constituted a guarantee, an amount equal to the amount of such guarantee upon the full and unconditional release of such guarantee or (z) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment"), to the extent the amount of such Investments previously made by the Issuer or any Restricted Subsidiary in such Person was included in the calculation of the amount of Restricted Payments; and

E. in the event that the Issuer or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Issuer's or such Restricted Subsidiary's existing Investment in such Person that was previously treated as a Restricted Payment less any amount included in sub-clause (D) of clause (iii) of this paragraph (a) with respect to the Issuer's or such Restricted Subsidiary's existing Investment in such Person.

(b) The preceding provisions will not prohibit:

(i) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock or Subordinated Shareholder Debt or otherwise contributed to the equity of the Issuer (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Issuer or an employee stock ownership plan or to a trust established by the Issuer or any of its Subsidiaries for the benefit of their employees, Subordinated Shareholder Debt or the Net Cash Proceeds of which are Excluded Contributions); *provided, however,* that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the amount of any such Net Cash Proceeds that are utilized for any Restricted Payment shall be excluded from the calculation of amounts under sub-clause (a)(iii)(B) of the preceding paragraph and may not be designated as Excluded Contributions;

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Issuer or a Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness of such Person; *provided, however,* that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(iii) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date on which a dividend is declared or a redemption notice is given, as the case may be, if at the date of its declaration or such notice, the dividend payment or redemption would have complied with the provisions of the Indenture; *provided*, *however*, that such dividend or redemption shall be included in the calculation of the amount of Restricted Payments;

(iv) so long as no Default has occurred and is continuing, (a) the purchase, repurchase, redemption or other acquisition or retirement for value of Capital Stock of the Issuer or any Restricted Subsidiary (and/or, following an Initial Public Offering, the IPO Entity) from employees, former employees, directors or former directors of the Issuer or any of its Restricted Subsidiaries (and/or, following an Initial Public Offering, the IPO Entity) or their authorized representatives or permitted transferees pursuant to any equity subscription agreement, employee stock ownership agreement, or similar agreement or incentive plan, and (b) following an Initial Public Offering, purchases of Capital Stock of the IPO Entity for contribution to any management or employee incentive plans, or advances or loans to such plans to finance such plans' purchases of Capital Stock of the IPO Entity (or advances or loans to any Parent Entity to finance the foregoing); *provided*, *however*, that the aggregate amount of all such Restricted Payments shall not exceed €10.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years) and that the amount of such Restricted Payments shall be included in the calculation of the amount of Restricted Payments;

(v) repurchases of Capital Stock deemed to occur upon exercise of stock options, warrants or other convertible securities to the extent that such Capital Stock represents a portion of the exercise price of such options; *provided, however,* that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(vi) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Issuer; *provided, however,* that any such cash payment shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors); *provided further, however* that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(vii) in the event of a Change of Control, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer or any Guarantor, in each case at a purchase price not greater than 101% of the principal amount of such Subordinated Obligations, plus any accrued and unpaid interest thereon; *provided, however,* that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Issuer (or a third party to the extent permitted by the Indenture) has made a Change of Control Offer with respect to the Notes as a result of such Change of Control and has repurchased all Notes validly tendered and not withdrawn in connection with such Change of Control Offer; *provided further, however* that such payments, purchases, redemptions, defeasances or other acquisitions or retirements shall be included in the calculation of the amount of Restricted Payments;

(viii) payments pursuant to intercompany Subordinated Obligations, the Incurrence of which was permitted under paragraph (ii) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*;" *provided, however,* that no Default has occurred and is continuing or would otherwise result therefrom; *provided further, however* that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(ix) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, following an Initial Public Offering, the declaration and payment by the Issuer of dividends on the Capital Stock of the Issuer, or, if the Initial Public Offering was of Capital Stock of a Parent Entity, loans, advances, dividends or distributions to any Parent Entity to fund, dividends on the Capital Stock of the IPO Entity, in an amount not to exceed in any fiscal year the greater of (A) 6% of the Net Cash Proceeds received by the Issuer from such Initial Public Offering or any subsequent Equity Offering or contributed to the equity of the Issuer (in each case, other than through the issuance of Disqualified Stock of the Issuer or the Net Cash Proceeds of which are Excluded Contributions) and (B) the greater of (i) 6% of the Market Capitalization and (ii) 6% of the IPO Market Capitalization, *provided* that, in the case of clause (B)(i) or (ii), after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio does not exceed 3.00 to 1.00; *provided further* that, in each case, if the Initial Public Offering was of Capital Stock of a Parent Entity, the net cash proceeds of any such loans, advances, dividends or distributions are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of the IPO Entity; and *provided further* that such payments shall be included in the calculation of the amount of Restricted Payments;

(x) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under the caption "—*Limitation on Indebtedness*" above; *provided, however,* that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(xi) so long as no Default or Event of Default has occurred or is continuing or would be caused thereby, other Restricted Payments in an aggregate amount since the Original Notes Issue Date not to exceed the greater of (a) €35.0 million and (b) 3.0% of Total Assets; *provided, however,* that such payments shall be included in the calculation of the amount of Restricted Payments;

(xii) payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided, however*, that such payments will not exceed the amount of tax that the Issuer and its Subsidiaries would owe on a stand-alone basis and the related tax liabilities of the Issuer and its Subsidiaries are relieved by the payment of such amounts to a relevant taxing authority;

(xiii) any Restricted Payment made in the form of Capital Stock of RCS Management S.A. by the Issuer to RCS Management S.A., *provided, however,* that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(xiv) dividends, loans, advances or distributions to any Parent Entity or other payments by the Issuer or any Restricted Subsidiary in amounts equal to the amounts required for any Parent Entity to pay: (A) Parent Entity Expenses; (B) Public Offering Expenses; and (C) Related Taxes; *provided, however,* that such payments shall be included in the calculation of the amount of Restricted Payments;

(xv) Restricted Payments that are made with Excluded Contributions, *provided, however,* that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(xvi) any transfer or exchange by the Issuer of ordinary shares of the Company held by the Issuer for (a) ordinary shares of the Issuer held by a Permitted Holder or ordinary shares of RCS Management S.A. held by a minority shareholder of RCS Management S.A. (other than the Issuer or any Restricted Subsidiary) and (b) at the option of the Issuer, cash or Cash Equivalents in amounts sufficient to cover capital gains tax to which such Permitted Holder or minority shareholder, as applicable, is expected to be subject as a result of such transfer or exchange; *provided, however,* that (i) following any such transfer or exchange, the Issuer continues to hold at least 90% of the issued and outstanding Voting Stock of the Company and (ii) the aggregate amount of cash or Cash Equivalents in connection with all transfers or exchanges made pursuant to this clause (xvi) shall not exceed €10.0 million and shall be included in the calculation of the amount of Restricted Payments;

(xvii) Restricted Payments to finance Investments or other acquisitions by a Parent Entity or any of its Affiliates which would be otherwise permitted to be made pursuant to this covenant "—*Limitation on Restricted Payments*" if made by the Issuer or another Restricted Subsidiary; *provided, however,* that (i) such Restricted Payment shall be made substantially concurrently with the closing of such Investment or other acquisition, (ii) such Parent Entity or Affiliate shall, promptly following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to the Issuer or a Restricted Subsidiary or (2) the merger, amalgamation, consolidation, or sale of the Person formed or acquired into the Issuer or a Restricted Subsidiary (in a manner not prohibited by the covenant described under "—*Merger and Consolidation*") in order to consummate such Investment or other acquisition, (iii) such Parent Entity or Affiliate receives no consideration or other payment in connection with such transaction except to the extent the Company or such other relevant Restricted Subsidiary could have given such consideration or made such payment in compliance with this covenant "—*Limitation on Restricted Payments*"; (iv) such Restricted Payments shall be included in the calculation of the amount of Restricted Payments; and (v) any property received in connection with such transaction shall be excluded from the calculation of amounts under sub-clause (a)(iii)(B) of the preceding paragraph and sub-clause (b)(i) above and may not be designated as Excluded Contributions, in each case, up to the amount of such Restricted Payment made under this clause (xvii); and

(xviii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Restricted Payment if after giving *pro forma* effect thereto the Consolidated Net Leverage Ratio does not exceed 2.5 to 1.0; *provided*, *however*, that such payments shall be included in the calculation of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Sales of Assets and Subsidiary Stock

(a) The Issuer will not and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition, unless:

(i) the Issuer or such Restricted Subsidiary receives consideration at least equal to the Fair Market Value (including as to the value of all non-cash consideration), (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition), of the shares and assets subject to such Asset Disposition;

(ii) at least 75% of the consideration thereof received by the Issuer or such Restricted Subsidiary is in the form of (A) cash, (B) cash equivalents or (C) Additional Assets (except to the extent the Asset Disposition is a Permitted Asset Swap); and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer (or such Restricted Subsidiary, as the case may be):

A. to prepay, repay, redeem or purchase, within one year from the later of the date of such Asset Disposition and the receipt of such Net Available Cash, (i) Indebtedness (other than any Disqualified Stock) of a Restricted Subsidiary that is not a Guarantor (in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer), (ii) Pari Passu Indebtedness (at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus (x) any applicable prepayment, repayment or redemption premium or penalty and (y) accrued and unpaid interest to the date of such prepayment, repayment, redemption or purchase); *provided* that the Issuer makes an offer to all holders of Notes to purchase their Notes at a price equal to or greater than 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (a "**Notes Offer**"), on a *pro rata* basis with any such Pari Passu Indebtedness so purchased, or (iii) towards the making of a Notes Offer; *provided*, *further*, that in the case of clause (ii) or (iii), such Notes (and, as applicable, Pari Passu Indebtedness) shall not be Indebtedness owed to the Issuer or an Affiliate of the Issuer; *provided, further,* that to the extent that the aggregate amount of Notes (and, as applicable, any Pari Passu Indebtedness) tendered is less than the aggregate amount of Net Available Cash offered in a tender offer conducted under this sub-clause (A), the aggregate amount of the Net Available Cash offered in the tender offer would be deemed applied in accordance with this sub-clause for the purposes of paragraph (c) below and the Issuer will not be required to conduct an Asset Disposition Offer in relation to the remaining Net Available Cash, which may be used by the Issuer for any purpose not otherwise prohibited by the Indenture;

B. to acquire Additional Assets or to make a capital expenditure within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however,* that any such acquisition of Additional Assets or capital expenditure made pursuant to a definitive agreement or a commitment approved by the Board of Directors that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within six months of the date of such agreement or commitment; or

C. any combination of the foregoing;

provided, however, (i) that in connection with any prepayment, repayment, redemption or purchase of Indebtedness pursuant to sub-clause (A) above, the Issuer or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased or (ii) if the assets sold constitute Collateral, the Issuer shall pledge or cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of the Original Notes Issue Date) referred to in sub-clause (B) above in favor of the Notes on a first-ranking basis (subject to Permitted Collateral Liens).

Pending the application of Net Available Cash pursuant to this paragraph, such Net Available Cash may be held as cash or invested in Cash Equivalents or applied to temporarily reduce revolving credit indebtedness.

(b) For the purposes of the preceding paragraph, the following are deemed to be cash or cash equivalents:

(i) the assumption or discharge of (a) Indebtedness of the Issuer (other than Subordinated Obligations or Obligations in respect of Disqualified Stock of the Issuer) or any Restricted Subsidiary (other than Subordinated Obligations or Obligations in respect of Disqualified Stock or Preferred Stock of a Guarantor) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition or (b) Indebtedness of a Restricted Subsidiary that ceases to be a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any obligation under such Indebtedness as a result of such Asset Disposition;

(ii) securities received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash within 180 days, to the extent of the cash received in that conversion;

(iii) Cash Equivalents; and

(iv) Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Disposition having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €20.0 million and 1.7% of Total Assets (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

(c) To the extent all or a portion of the Net Available Cash of any Asset Disposition are not applied within the timeframe set out in the first paragraph of this covenant, the Issuer will make an offer (the "**Asset Disposition Offer**") to all holders of Notes and, to the extent the Issuer elects, to holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies at a purchase price no less than 100% of the principal amount of the Notes to be purchased and, in the case of any Pari Passu Indebtedness, at a purchase price no greater than 100% of the principal amount of such Pari Passu Indebtedness to be purchased (plus any applicable prepayment, repayment or redemption premium or penalty with respect to such Pari Passu Indebtedness), in each case, plus accrued and unpaid interest thereon, to the date of purchase (the "**Asset Disposition Offer Amount**"), in accordance with the procedures set forth in the Indenture or the agreement governing such Pari Passu Indebtedness. The Issuer shall purchase pursuant to an Asset Disposition Offer from tendering holders of Notes and holders or lenders of any such Pari Passu Indebtedness on a *pro rata* basis that principal amount of Notes and any such Pari Passu Indebtedness equal to such unapplied Net Cash Proceeds.

(d) The purchase of Notes pursuant to an Asset Disposition Offer shall occur not less than 20 Business Days following the date thereof, or any longer period as may be required by law, nor more than 45 days following the later of the one-year anniversary of the date of such Asset Disposition or the receipt of such Net Available Cash. The Issuer may, however, defer an Asset Disposition Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Dispositions equal to or in excess of €15.0 million. At that time, the entire amount of unapplied Net Available Cash, and not just the amount in excess of €15.0 million, shall be applied as required pursuant to this paragraph.

(e) Each notice of an Asset Disposition Offer, in so far as it relates to the Notes, shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by law (the "**Asset Disposition Offer Payment Date**"). Upon receiving notice of an Asset Disposition Offer, holders of Notes may elect to tender their Notes in whole or in part in integral multiples of €1,000 (subject to a minimum of €100,000) in exchange for cash.

(f) On the Asset Disposition Offer Payment Date, the Issuer will, to the extent lawful:

(i) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Disposition Offer;

(ii) deposit with the paying agent funds in an amount equal to the Asset Disposition Offer Amount in respect of all Notes or portions thereof so tendered and accepted; and

(iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer.

(g) To the extent holders of Notes and holders or lenders of any Pari Passu Indebtedness, which are the subject of an Asset Disposition Offer, properly tender and do not withdraw such Notes or Pari Passu Indebtedness in an aggregate principal amount exceeding the amount of unapplied Net Available Cash, the Issuer will purchase the Notes and Pari Passu Indebtedness on a pro rata basis (based on the aggregate principal amount of Notes and such Pari Passu Indebtedness tendered), *provided* that the Issuer may choose not to purchase any pro-rated Notes if the acceptance of such pro-rated Notes would result in a residual amount of Notes totaling less than €100,000 principal amount. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion into such currency.

(h) Upon completion of an Asset Disposition Offer, the amount of Net Available Cash will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and any Pari Passu Indebtedness tendered pursuant to an Asset Disposition Offer is less than the aggregate amount of unapplied Net Available Cash, the Issuer may use any remaining Net Available Cash for any purpose not otherwise prohibited by the Indenture.

(i) The Issuer will comply, to the extent applicable, with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes pursuant to the Asset Disposition provisions of the Indenture. To the extent that the provisions of any applicable securities laws or regulations conflict with the Asset Disposition provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Disposition provisions of the Indenture by virtue of its compliance with such securities laws or regulations. If and for so long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), and its rules so require, if the Issuer offers to purchase the Notes pursuant to an Asset Disposition Offer, the Issuer will publish a notice in Ireland in the manner described under "—*Notices*" and send a copy of such notice to the Irish Stock Exchange plc (trading as Euronext Dublin).

Limitation on Affiliate Transactions

(a) The Issuer will not, and will not permit any Restricted Subsidiary to, enter into any transaction or a series of related transactions (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer (an "**Affiliate Transaction**") involving an amount in excess of €3.0 million unless:

    (i) the terms of the Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's length dealings with a Person who is not an Affiliate (as determined in good faith by the Board of Directors or a member of senior management of the Issuer);

    (ii) if such Affiliate Transaction involves an amount in excess of €5.0 million, the terms of the Affiliate Transaction are set forth in writing and a majority of the directors of the Issuer disinterested with respect to such Affiliate Transaction have (or, in the event that there is only one such disinterested director, such director has) determined in good faith that the criterion set forth in clause (i) is satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors; and

    (iii) if such Affiliate Transaction involves an amount in excess of €15.0 million, the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or is not less favorable to the Issuer and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's length transaction with a Person who was not an Affiliate.

(b) The provisions of the preceding paragraph (a) will not prohibit:

    (i) Affiliate Transactions with or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries;

    (ii) customary fees and compensation, employee salaries and bonuses, including grants or sales of stock, stock options and other securities, paid to, and any employee benefit arrangements and indemnity and similar arrangements (including the payment of directors' and officers' insurance premiums) paid to, and any indemnity provided on behalf of, officers, directors, employees, consultants or agents of the Issuer or any Restricted Subsidiary as determined in good faith by the Board of Directors in the ordinary course of business;

    (iii) consulting fees paid by the Issuer or a Restricted Subsidiary to an Affiliate, where the Board of Directors has approved the terms thereof in good faith and deemed the services theretofore or thereafter to be performed for such compensation or payments to be fair consideration therefor, but in any event not to exceed €1.0 million in any fiscal year;

    (iv) Affiliate Transactions undertaken pursuant to any contractual obligations or rights in existence on the Original Notes Issue Date (as in effect on the Original Notes Issue Date) as well as any modifications, extensions, amendments, renewals, refinancings thereof or supplements thereto, in each case not materially adverse to the Issuer and its Restricted Subsidiaries;

    (v) the making of an Investment constituting a Permitted Investment (other than Permitted Investments described as defined in clauses (a), (b) or (r) of the definition thereof) or

Restricted Payments, in each case, in compliance with the covenant described under "—*Limitation on Restricted Payments*;"

(vi) loans and advances to officers, directors and employees of the Issuer or any Restricted Subsidiary for travel, entertainment, moving and other relocation expenses, in each case made in the ordinary course of business and not exceeding €2.0 million outstanding at any one time;

(vii) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which, taken as a whole, are fair to the Issuer or the relevant Restricted Subsidiary from a financial point of view and are on terms no less materially favorable than those that could reasonably have been obtained at such time from an unaffiliated party (in each case in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, as applicable);

(viii) the issuance or sale of any Capital Stock (other than Disqualified Stock or the Net Cash Proceeds of which or other property received on the issuance of which are Excluded Contributions) of the Issuer or Subordinated Shareholder Debt or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Debt;

(ix) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary of the Issuer) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, an equity interest in, or controls, such Person;

(x) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person or a Restricted Subsidiary of the Issuer and any other Person with which the Issuer or any of its Restricted Subsidiaries files a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a standalone basis; and

(xi) any transaction effected as part of a Qualified Receivables Financing.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever on any of its properties or assets (including Capital Stock of a Restricted Subsidiary), whether owned at the Original Notes Issue Date or thereafter acquired, to secure Indebtedness or other Obligations (the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (i) Permitted Liens or (ii) unless all payments due under the Indenture and the Notes or any Guarantor's Guarantee, as the case may be, are secured on an equal and ratable basis with the Obligations so secured until such time as such Indebtedness or Obligations are no longer secured by a Lien (and if such Indebtedness or Obligations so secured is subordinated in right of payment to either the Notes or the Guarantee, on a senior basis), and (b) in the case of any property or asset that constitute Collateral, Permitted Collateral Liens.

Any such Lien created under clause (a)(ii) of the preceding paragraph in favor of the holders of Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under "—*Security—Release of Liens*."

Merger and Consolidation

(a) The Issuer shall not in a single transaction or through a series of transactions consolidate with or merge with or into any other Person, or sell, assign, convey, transfer, lease or otherwise dispose of or take any action with respect to a divestment or division pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's properties and assets to any other Person or Persons (whether or not the Issuer is the surviving Person) and the Issuer shall not permit any Restricted Subsidiary to enter into any such transaction or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a consolidated basis to any other Person or Persons.

(b) The preceding paragraph will not apply if:

(i) either at the time and immediately after giving effect to any such consolidation, merger, transaction or series of transactions, (x) the Issuer shall be the continuing corporation or (y) the Person (if other than the Issuer) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the Issuer's properties and assets or all or substantially all of the properties and assets of the Issuer and of the Restricted Subsidiaries on a consolidated basis, has been made (the "**Surviving Entity**"):

A. shall be a corporation duly organized and validly existing under the laws of The Netherlands, any other member state of the European Union (other than Bulgaria or Croatia), Norway, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia;

B. expressly assumes the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement and the Security Documents, in each case as applicable, pursuant to a supplemental Indenture or other agreement in form and substance satisfactory to the Trustee, and the Notes, the Indenture, the Intercreditor Agreement and the Security Documents remain in full force and effect as so supplemented; and

C. shall engage in a Permitted Business;

(ii) immediately after giving effect to any such consolidation, merger, transaction or series of transactions on a *pro forma* basis (and treating any Obligation of the Issuer or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by the Issuer or any Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to any such transaction or series of transactions on a *pro forma* basis, the Consolidated Net Worth of the Issuer or the Surviving Entity, as the case may be, would be equal to or greater than that of the Issuer immediately prior to the transaction;

(iv) immediately after giving effect to any such transaction or series of transactions on a *pro forma* basis, the Issuer (or the Surviving Entity if the Issuer is not a continuing obligor under the Indenture) would (a) be permitted to incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under the caption "*—Limitation on Indebtedness*" or (b) have a Consolidated Leverage Ratio no greater than it was immediately prior to giving effect to such transaction;

(v) any Guarantor, unless it is the other party to the transactions described above, will have confirmed that its Guarantee will apply to such Person's Obligations under the Indenture and the Notes; and

(vi) the Issuer or Surviving Entity shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental Indenture (if any) comply with the Indenture (after giving effect to any covenant defeasance that has occurred with respect to the Notes);

provided, however, that (1) clause (iii) will not be applicable to (A) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Issuer (so long as no Capital Stock of the Issuer is distributed to any Person) or (B) the Issuer merging with an Affiliate of the Issuer solely for the purpose and with the sole effect of reincorporating the Issuer in The Netherlands, any other member state of the European Union (other than Bulgaria or Croatia), Norway, Switzerland, Canada, the United States, any state thereof or the District of Columbia; and (2) clause (i)(A) and the immediately foregoing sub-clause (1) shall permit a Surviving Entity or successor Issuer to be organized under the laws of Romania upon any such consolidation, merger, transaction or series of transactions (a "**Romanian Reorganization**") only following (x) receipt by the Trustee of an opinion of counsel, in form and substance satisfactory to the Trustee, confirming that, after giving effect to such Romanian Reorganization, no mandatory provision of Romanian law (including, without limitation, any provisions of Romanian law in relation to noteholder meetings or noteholder representatives in effect on the Original Notes Issue Date, or any comparable provisions) will conflict with the terms of the Indenture, the Guarantee(s), the Notes, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement in any respect that they did not, or impose any limitation on the ability of holders of the Notes, the Trustee, Paying Agent, Transfer Agent, Registrar or Security Agent to exercise their respective rights or discharge their respective duties under the Indenture, the Guarantee(s), the Notes, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement to which they were not otherwise subject, immediately prior to such Romanian Reorganization or (y) modifications to the Indenture, the Guarantee(s), the Notes, the Security Documents, the Intercreditor Agreement and/or any Additional Intercreditor Agreement in connection with a Romanian Reorganization shall have been undertaken as described under "*—Amendment, Supplement and Waiver.*"

(c) In the case of a transaction described in the preceding clause (a) to which the Issuer is a party, the Surviving Entity shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture and the predecessor issuer except in the case of a lease of all or substantially all of the assets of such predecessor issuer's assets, shall be released from its obligations under the Indenture.

(d) Except for sales or disposals in compliance with the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*," the Issuer will not permit any Guarantor to consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, all or substantially all of its assets to any Person unless:

(i) the resulting, surviving or transferee Person (if not such Guarantor) shall be a Person organized and existing under the laws of the jurisdiction under which such Guarantor was organized or under the laws of The Netherlands, any other member state of the European Union (other than Bulgaria or Croatia), Norway, Switzerland, Canada, the United States, any state thereof or the District of Columbia; *provided*, *however*, that in the case of a Guarantor that is not organized under the laws of Romania, the Issuer shall not permit the resulting, surviving or transferee Person to be organized under the laws of Romania so long as any payments payable under the Guarantee by such resulting, surviving or transferee Person will be subject to any withholding or deduction for, or on account of, any Taxes imposed or levied by, or on behalf of, Romania or any political subdivision or governmental authority of Romania having the power to tax; and (2) such Person shall expressly assume, by a supplemental Indenture or other agreement, each in a form satisfactory to the Trustee, all the Obligations of such Subsidiary, if any, under its Guarantee, the Security Documents and the Intercreditor Agreement;

(ii) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness which becomes an Obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default shall have occurred and be continuing; and

(iii) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental Indenture, if any, complies with the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or a Guarantor, which properties and assets, if held by the Issuer or such Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or such Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or such Guarantor.

The above restrictions set forth in clause (d) above shall not apply to (1) any merger or consolidation of (a) any Guarantor or (b) any Restricted Subsidiary with or into the Issuer, (2) any consolidation or merger among Guarantors or (3) any merger or consolidation of (a) any Guarantor or (b) any Restricted Subsidiary into an Affiliate solely for the purpose of reincorporating such Guarantor or Restricted Subsidiary in another jurisdiction.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Limitations on Guarantees of Indebtedness by Restricted Subsidiaries

(a) The Issuer shall not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any of the Issuer's or any Guarantor's Indebtedness (other than the Notes), unless:

(i) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee by such Restricted Subsidiary on the same terms as the guarantee of such Indebtedness; and (B) with respect to any guarantee of a Subordinated Obligation by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Guarantee at least to the same extent as such Subordinated Obligation is subordinated to the Notes; and

(ii) such Restricted Subsidiary, subject to paragraph (b) below, waives and shall not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee.

(b) Each additional Guarantee created for the benefit of the holders of the Notes pursuant to this covenant will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

(c) Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law or any liability for the officers, directors or shareholders of such Restricted Subsidiary which, in each case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary.

(d) Any additional Guarantee created for the benefit of the holders of the Notes pursuant to this covenant will automatically and unconditionally be released under the same conditions and circumstances that the guarantee of the other Indebtedness will be released, so long as no other Indebtedness of the Issuer or a Restricted Subsidiary is at that time guaranteed by such Guarantor in a manner that would require the granting of a Guarantee as provided hereunder.

Reports

As long as any Notes are outstanding, the Issuer will furnish to the holders of the Notes and the Trustee:

(a) an annual report within 120 days following the end of each of the Issuer's fiscal years ending after the Original Notes Issue Date, in each case containing (i) consolidated audited income statements, balance sheets and cash flow statements and the related notes therefor for the Issuer for the two most recent fiscal years in accordance with IFRS together with an audit report thereon by the Issuer's independent auditors; (ii) *pro forma* income statement and balance sheet information (which need not comply with Article 11 of Regulation S-X under the Exchange Act or Annex II to the Prospectus Directive), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year (including, without limitation, any acquisitions or dispositions, that, individually or in the aggregate when considered with all other acquisitions or dispositions that occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 25% of the Consolidated Net Income, EBITDA or Total Assets of the Issuer on a *pro forma* basis), unless *pro forma* information has been provided in a previous report pursuant to clause (b) below; *provided* that, other than in respect of individual acquisitions or dispositions exceeding such threshold, such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide such other acquired company financial information (whether or not prepared in accordance with IFRS) only to the extent available without unreasonable expense; (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (iv) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments and (v) a description of material risk factors and material recent developments;

(b) within 75 days following the end of the first three quarters in each fiscal year of the Issuer, quarterly reports, in each case containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such period and unaudited condensed statements of income and cash flow for such period, and the comparable prior year periods, each under IFRS, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information (which need not comply with Article 11 of Regulation S-X under the Exchange Act or Annex II to the Prospectus Directive), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 25% of the Consolidated Net Income, EBITDA or Total Assets of the Issuer on a pro forma basis), provided that, other than in respect of individual acquisitions or dispositions exceeding such threshold, such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide such other acquired company financial information (whether or not prepared in accordance with IFRS) only to the extent available without unreasonable expense (iii) a summary operating and financial review of the unaudited financial statements, including a discussion the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and changes in critical accounting policies; (iv) material recent developments (to the extent not previously reported pursuant to clause (c) below); and (v) any material changes to the risk factors disclosed in the most recent annual report; and

(c) promptly after the occurrence of a material acquisition, disposition, restructuring or change in auditors or any other material event, a report containing a description of such event;

provided, however, that the reports set forth in clauses (a) through (c) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantor or non-Guarantor Subsidiaries of the Issuer.

If any of the Issuer's Subsidiaries are Unrestricted Subsidiaries as at the date of the balance sheet included in a report required by the preceding paragraph, then the quarterly and annual financial information required in such report will include (i) supplemental financial information regarding the net sales, EBITDA, Consolidated Interest Expense, cash flow from operations and Indebtedness of the Issuer and the Restricted Subsidiaries on a consolidated basis, either on the face of the financial statements or in the footnotes thereto, and (ii) a supplemental review of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries (separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer) based on the financial information specified in (i) above.

So long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), copies of the information and reports referred to in clauses (a) through (c) of the first paragraph of this covenant will be available during normal business hours at the offices of the Principal Paying Agent.

Substantially concurrently with the issuance to the Trustee and the holders of the Notes of the reports specified above, the Issuer shall also (1) use its commercially reasonable efforts to file a press release with the appropriate internationally recognized wire services in connection with such report and (2) post such report on the Issuer's website. So long as any Notes are outstanding, no later than twenty Business Days after the delivery of the annual and quarterly reports required by this covenant, the Issuer shall hold a live quarterly conference call to discuss such reports and the results of operations for the relevant reporting period for the benefit of holders or prospective holders of Notes (or provide holders of the Notes with access to and the opportunity to participate in any public conference call, investor presentation, webcast or other event, the primary purpose of which is to discuss such reports and the results of operations); *provided* that no more than one conference call will be required in relation to any quarterly or annual period.

In addition, so long as any of the Notes are "restricted securities" (as defined in Rule 144 under the Securities Act) and during any period during which the Issuer is not subject to the reporting requirements of the Exchange Act or exempt therefrom pursuant to Rule 12g3-2(b), the Issuer will furnish to any holder or beneficial owner of Notes initially offered and sold in the United States to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act, and to prospective purchasers in the United States designated by such holder or beneficial owners, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in the following paragraph, the Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

  (i) pay dividends or make any other distributions on or in respect of its Capital Stock to the Issuer or any other Restricted Subsidiary or pay any Indebtedness owed to the Issuer or any other Restricted Subsidiary;

  (ii) make loans or advances to, or guarantee any Indebtedness or other obligations of, or make any Investment in, the Issuer or any other Restricted Subsidiary; or

  (iii) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary;

  provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrances or restriction.

(b) The foregoing paragraph will not apply to encumbrances or restrictions existing on, existing under or by reason of:

  (i) applicable law, rule, regulation or order or governmental licenses, concessions, franchises or permits;

(ii) the Notes, the Guarantees, the Proceeds Loan, the Indenture (including the Additional Notes and any Subsequent Additional Notes and related guarantees), the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(iii) any Credit Facility as in effect on the Original Notes Issue Date which remains outstanding on the Original Notes Issue Date after giving effect to the 2016 Transactions, and any amendments, restatements, renewals, replacements or refinancings thereof; *provided*, that any amendment, restatement, renewal, replacement or refinancing is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Original Notes Issue Date;

(iv) instruments governing Subordinated Obligations permitted to be Incurred pursuant to the covenant described under the heading "*—Limitation on Indebtedness*" or other Indebtedness Incurred by the Issuer or the Restricted Subsidiaries (and if such Indebtedness is guaranteed, by the guarantors of such Indebtedness) ranking equally with the Notes (or any Guarantee), *provided* that the encumbrances or restrictions imposed by such Subordinated Obligations or other Indebtedness are not materially more restrictive, taken as a whole, than the restrictions imposed by the Indenture and apply solely to the same Restricted Subsidiaries as the restrictions imposed by the Indenture;

(v) encumbrances or restrictions contained in any agreement in effect on the Original Notes Issue Date (other than an agreement described in another clause of this paragraph), but excluding any amendments, restatements, renewals, replacements or refinancings thereof;

(vi) customary non-assignment provisions in leases or other agreements entered into in the ordinary course of business;

(vii) customary provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, stock sale agreements and other similar agreements entered into in the ordinary course of business;

(viii) any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset which secures Indebtedness secured by a Lien, in each case permitted to be Incurred under the Indenture;

(ix) any instrument governing Indebtedness permitted under paragraph (xiii) of the second paragraph of the clause headed "*—Limitation on Indebtedness*" not Incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;

(x) restrictions with respect to a Restricted Subsidiary imposed pursuant to any agreement or instrument for the direct or indirect sale or other disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(xi) customary restrictions imposed on the transfer of copyrighted or patented materials;

(xii) customary encumbrances or restrictions in connection with Purchase Money Indebtedness for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (iii) of the preceding paragraph;

(xiii) encumbrances or restrictions existing by reason of any Lien permitted under the covenant described under the heading "*—Limitation on Liens*;"

(xiv) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(xv) Refinancing Indebtedness; *provided*, that the instruments governing such Refinancing Indebtedness are not materially more restrictive with respect to such *encumbrances* or restrictions than those governing the Indebtedness thereby refinanced;

(xvi) restrictions or encumbrances arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Original Notes Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and the

Issuer determines that such encumbrance or restriction will not *materially* affect its ability to make principal or interest payments on the Notes as and when they become due;

(xvii) any encumbrance or restriction effected in connection with a Qualified Receivables *Financing*; and

(xviii) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces agreements containing the encumbrances or restrictions in the foregoing clauses (i) through (xvii) or this clause (xviii); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive, taken as a whole, than those under or pursuant to the agreement so extended, renewed, refinanced is replaced (as determined in good faith by the Issuer).

Maintenance of Listing

The Original Notes are listed and admitted to trading on the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin). The Issuer will use its commercially reasonable efforts to list the Additional Notes on (and to have the Additional Notes admitted to trading on) the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin) as promptly as practicable following the Additional Notes Issue Date.

The Issuer will use its commercially reasonable efforts to maintain such listing and admission to trading for so long as the Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to obtain any such listings and admission to trading or it can no longer reasonably comply with the requirements thereof or if maintenance thereof becomes unduly onerous, it will obtain prior to the delisting of the Notes, and thereafter use its commercially reasonable efforts to maintain a listing and admission to trading of the Notes on another recognized listing exchange customarily used by European high yield issuers.

Change of Business

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business.

Covenant Suspension

Following the first day (the "**Suspension Date**") that:

(a) the Notes have an Investment Grade Rating from both of the Rating Agencies; and

(b) no Default has occurred and is continuing under the Indenture, the Issuer and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the following captions in this Prospectus:

(i) "*—Limitation on Indebtedness*;"

(ii) "*—Limitation on Restricted Payments*;"

(iii) "*—Limitation on Sales of Assets and Subsidiary Stock*;"

(iv) "*—Limitation on Affiliate Transactions*;"

(v) clause (iv) of paragraph (b) under "*—Merger and Consolidation*;" and

(vi) "*—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*."

(collectively, the "**Suspended Covenants**").

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") one or both of the Rating Agencies withdraws its Investment Grade Rating or downgrades the rating assigned to the Notes to below an Investment Grade Rating, then the Issuer and the Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants with respect to future events.

The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "**Suspension Period**." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period.

On the Reversion Date, all Indebtedness Incurred during the Suspension Period will be classified to have been Incurred, at the Issuer's option, pursuant to the first paragraph of the covenant described under the caption "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of the covenant described under the caption "—

Limitation on Indebtedness" (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred pursuant to the first or second paragraph of the covenant described under the caption "*—Limitation on Indebtedness*," such Indebtedness will be deemed to have been Indebtedness outstanding on the Original Notes Issue Date, so that it is classified as permitted under clause (iv) of the second paragraph of the covenant described under the caption "*—Limitation on Indebtedness*."

Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under the covenant described under the caption "*—Limitation on Restricted Payments*" will be made as though the covenant described under the caption "*—Limitation on Restricted Payments*" had been in effect since the Original Notes Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of the covenant described under the caption "*—Limitation on Restricted Payments*" and the items specified in subclauses (a)(iii)(A) through (E) of the first paragraph of the covenant described under the caption "*—Limitation on Restricted Payments*" will increase the amount available to be made under the first paragraph thereof.

For purposes of determining compliance with the covenant described under the caption "*—Limitation on Sales of Assets and Subsidiary Stock*" the amount of Net Available Cash will be deemed to be reset to zero.

The Issuer and any Subsidiary will be permitted, without causing a Default or Event of Default or breach of any kind under the Indenture, to honor, comply with or otherwise perform any contractual commitments or obligations entered into during a Suspension Period following a Reversion Date and to consummate the transactions contemplated thereby; *provided, however,* that (a) the Issuer and its Subsidiaries did not incur or otherwise enter into such contractual commitments or obligations in contemplation of the Reversion Date and (b) the Issuer reasonably believed that such incurrence or actions would not cause or result in a Reversion Date. For purposes of clauses (a) and (b) in the preceding sentence, anticipation and reasonable belief may be determined by the Issuer and shall be conclusively evidenced by a board resolution to such effect adopted in good faith by the Board of Directors. In reaching their determination, the Board of Directors may, but need not, consult with the Rating Agencies.

The Issuer will use reasonable efforts to inform the Trustee of any Suspension Period, provided that such notice will not be a condition for the suspension of covenants set forth above to be effective.

Limitations on Amendments to the Proceeds Loan

For so long as any Notes are outstanding, the Issuer and the Company will not, except as expressly permitted by the Indenture, (i) change the Stated Maturity of the principal of, or any installment of interest, on the Proceeds Loan; (ii) reduce the rate of interest on the Proceeds Loan to less than the rate of interest payable on the Notes; (iii) change the currency for payment of any amount under the Proceeds Loan; (iv) cancel, prepay or otherwise reduce or permit the prepayment or reduction of the Proceeds Loan (except to facilitate a payment of principal on the Notes in whole or in part); (v) assign or novate any Proceeds Loan or any rights or obligations under the Proceeds Loan (other than to secure the Notes and the Guarantees or to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenant described under the caption "*—Merger and Consolidation*" and is completed in compliance therewith); or (vi) amend, modify or alter the Proceeds Loan and the terms of the Intercreditor Agreement related to the Proceeds Loan in any manner adverse to the rights of holders of the Notes in any material respect. Notwithstanding the foregoing, the Proceeds Loan may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase (in whole or in part) of any outstanding Notes.

Impairment of Security Interest

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would or could reasonably be expected to have the result of materially impairing the security interests with respect to the Collateral (it being understood that the Incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interests with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision shall restrict the discharge, release, use and/or disposal of the Collateral (including the cancellation of treasury shares) in accordance with the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens; and *provided further*, however, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified, replaced, or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the assets), the Issuer delivers to the Trustee either (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee, confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification, replacement or release, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting the security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

At the direction of the Issuer and without the consent of the holders of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the immediately preceding paragraph) provide for Permitted Collateral Liens, (iii) add to the Collateral, (iv) to release the Collateral in accordance with paragraph (b)(xvi) under the heading "*—Limitation on Restricted Payments*" or (v) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect.

In the event that the Issuer complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification, replacement or release with no need for instructions from the holders of the Notes.

Further Assurances

The Issuer and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Issuer or a Guarantor that is permitted to share in the Collateral, the Trustee and the Security Agent shall, at the request of the Issuer, enter into with the Issuer, the relevant Guarantor and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements (an "**Additional Intercreditor Agreement**") on substantially the same terms as the Intercreditor Agreement or an amendment to the Intercreditor Agreement (which amendment does not adversely affect the rights of the Trustee, the Security Agent or the holders of the Notes in any material respect). In connection with the foregoing, the Issuer shall furnish to the Trustee such documentation in relation thereto as it may reasonably require.

At the written direction of the Issuer and without the consent of holders of Notes, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure defects, resolve ambiguities or reflect changes, in each case, of a minor, technical or administrative nature, (2) increase the amount or types of Indebtedness covered by the Intercreditor Agreement or any Additional Intercreditor Agreement that may be Incurred by the Issuer or a Guarantor that is subject to the Intercreditor Agreement or Additional Intercreditor Agreement (*provided* that such amendment is consistent with the preceding paragraph and any such Indebtedness is Incurred in compliance with the terms of the Indenture), (3) add new Guarantors to the Intercreditor Agreement or any Additional Intercreditor Agreement, (4) further secure the Notes, (5) make provision for equal and ratable pledges of the Collateral to secure Subsequent Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the holders of the Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendment, Supplement and Waiver*" or as described in the preceding paragraph, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have authorized the Trustee and the Security Agent to enter into the Intercreditor Agreement, any Additional Intercreditor Agreement or any amendment of the Intercreditor Agreement or any Additional Intercreditor Agreement which complies with the foregoing provisions and the conditions contained therein.

Judgment Currency

Any payment on account of an amount that is payable in euro (the "**Required Currency**") which is made to or for the account of any holder of Notes or the Trustee in lawful currency of any other jurisdiction (the "**Judgment Currency**"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the applicable Indenture and the Notes or Guarantees, as the case may be, only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless such holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder of Notes or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Events of Default and Remedies

Each of the following is an "**Event of Default**":

(1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, the Notes;

(2) default in payment when due of the principal of or premium, if any, on the Notes;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply with the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Certain Covenants—Limitation of Sales of Assets and Subsidiary Stock," or "—Certain Covenants—Merger and Consolidation;"

(4) failure by the Issuer or any of its Restricted Subsidiaries for 60 days after written notice to the Issuer from the Trustee or the holders of at least 25% in aggregate principal amount of the Notes outstanding (a copy of which notice from the holders shall be delivered to the Trustee) to comply with any of the other agreements in the Indenture or the Notes;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, if that default:

    (a) is caused by a failure to pay such Indebtedness at final maturity thereof after the expiration of the grace period provided in such Indebtedness and other than by regularly scheduled required prepayment, and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "**Payment Default**"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity,

    provided that, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €20 million or more and has not been discharged in full or such acceleration rescinded or annulled within 20 days of such Payment Default or acceleration;

(6) failure by the Issuer or any of its Restricted Subsidiaries to pay final, non-appealable judgments aggregating in excess of €20 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days;

(7) any Guarantee ceases to be in full force and effect (except as contemplated by the terms thereof) or any Guarantor or Person acting by or on behalf of such Guarantor denies or disaffirms such Guarantor's

obligations under its Guarantee and such Default continues for 20 days after receipt of the notice specified in the Indenture;

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of its Significant Subsidiaries or any group of its Restricted Subsidiaries that, taken together (based on the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary; and

(9) (i) any security interest created by the Security Documents with respect to the Collateral having a Fair Market Value of more than €5 million ceases to be in full force and effect (except as permitted by the terms of the Indenture and the Security Documents), or an assertion by the Issuer or any of its Restricted Subsidiaries that any Collateral having a Fair Market Value of more than €3 million is not subject to a valid, perfected security interest (except as permitted by the terms of the Indenture and the Security Documents), or (ii) the repudiation by the Issuer or any of its Restricted Subsidiaries of any of their respective material obligations under the Security Documents.

In the case of an Event of Default described above in clause (8), all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding Notes may (and if the Trustee is so directed by such holders, shall) declare the Notes to be due and payable immediately.

Holders of the Notes may not enforce the Indenture, Notes or the Security Documents except as provided in the Indenture, the Security Documents and the Intercreditor Agreement. Except as provided in the Intercreditor Agreement and subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, premium, interest or Additional Amounts.

The holders of a majority in aggregate principal amount of Notes then outstanding by notice to the Trustee may on behalf of the holders of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal, premium, interest or Additional Amounts on the Notes.

A holder of a Note may pursue a remedy with respect to the Indenture or the Notes only if:

(a) the holder gives to the Trustee written notice of a continuing Event of Default;

(b) the holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such holder of a Note or holders of Notes offer and, if requested, provide to the Trustee indemnity and/or security) satisfactory to the Trustee against any loss, liability or expense to be Incurred in compliance with such request;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity and/or security and/or prefunding; and

(e) during such 60-day period, the holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

The Issuer is required to deliver to the Trustee annually an Officers' Certificate regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Issuer is required to deliver to the Trustee an Officers' Certificate specifying such Default or Event of Default and the status thereof.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer under the Notes or the Guarantees, the Indenture, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations, and all obligations of the Guarantors, discharged with respect to the Notes and the Guarantees ("**Legal Defeasance**") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest, premium and Additional Amounts, if any, on such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing Notes, exchange and transfer of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants in the Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, and insolvency events) described under "—*Events of Default and Remedies*" will no longer constitute Events of Default with respect to the applicable Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee (or such entity designated (as agent) for such purposes), in trust, for the benefit of the holders of the Notes, cash in Euros or Euro-denominated non-callable European Government Securities, or a combination thereof, in amounts as will be sufficient (without consideration of any reinvestment of interest), in the opinion of an Independent Qualified Party, to pay the principal of, or interest and premium and Additional Amounts, if any, on the outstanding Notes on the stated maturity or on the redemption date, as the case may be, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer has delivered to the Trustee:

(a) an opinion of counsel reasonably acceptable to the Trustee confirming that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the date of the Indenture there has been a change in the applicable U.S. Federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and

(b) an opinion of counsel in the jurisdiction of incorporation of the Issuer reasonably acceptable to the Trustee to the effect that (i) the holders of the outstanding Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such Legal Defeasance and will be subject to tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred, and (ii) payments on the Notes will not become subject to any withholding or deduction for taxes imposed or levied by or on behalf of the jurisdiction of incorporation of the Issuer or any taxing authority thereof as a result of such Legal Defeasance;

(3) in the case of Covenant Defeasance, the Issuer has delivered to the Trustee:

(a) an opinion of counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and

(b) an opinion of counsel in the jurisdiction of incorporation of the Issuer reasonably acceptable to the Trustee confirming that (i) the holders of the outstanding Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such Covenant Defeasance and will be subject to tax in such jurisdiction on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred, and (ii) payments on the Notes will not become subject to any withholding or deduction for taxes imposed or levied by or on behalf of the jurisdiction of incorporation of the Issuer or any taxing authority thereof as a result of such Covenant Defeasance;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit under the Indenture (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and the granting of Liens to secure such borrowings);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture as permitted by clause (4))

to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

(6) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes being defeased over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Notes, the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Notes, the Guarantees, the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes, as the case may be (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of holders of at least 90% of the aggregate principal amount of Notes outstanding, (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), an amendment or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal amount of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "*—Repurchase at the Option of Holders*");

(3) reduce the rate of, or change the time for payment of interest on, any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium or Additional Amounts, if any, on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes, and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in currency other than euro;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium or Additional Amounts, if any, on the Notes or to institute suit for the enforcement of any such payment;

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the Option of Holders*" and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*");

(8) make any change in the ranking or priority of any of the Notes or any Guarantees that would materially adversely affect the holders of the Notes;

(9) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture;

(10) release any Collateral granted for the benefit of the holders of the Notes, except in accordance with the terms of the Indenture, the Intercreditor Agreement and the Security Documents; or

(11) make any change in the preceding amendment and waiver provisions.

(12) Notwithstanding the preceding paragraph, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement:

(13) to cure any ambiguity, defect or inconsistency;

(14) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(15) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(16) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(17) to conform the text of the Indenture, the Notes, the Security Documents or any Guarantee to any provision of this Description of Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Security Documents or any Guarantee;

(18) to add any Guarantee with respect to the Notes or to release any Guarantee with respect to the Notes in accordance with the terms of the Indenture;

(19) to allow any Guarantor to execute a supplemental indenture and/or provide a Guarantee with respect to the Notes;

(20) to provide for the issuance of Subsequent Additional Notes in accordance with the limitations set forth in the Indenture;

(21) to enter into additional or supplemental Security Documents; or

(22) to release the Collateral in accordance with the terms of the Indenture, the Security Documents and the Intercreditor Agreement.

The Trustee will be entitled to receive and rely on an Opinion of Counsel and an Officers' Certificate with respect to any foregoing.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and applicable Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such entity designated (as agent) for such purposes) as trust funds in trust solely for the benefit of the holders of the Notes, cash in Euros, Euro-denominated non-callable European Government Securities, or any combination thereof, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal or premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notices

All notices to holders of the Notes (while any Notes are represented by one or more Global Notes) shall be delivered to Euroclear or Clearstream, as applicable, for communication to entitled account holders or, alternatively, will be valid if published in a leading English language daily newspaper published in the City of London. It is expected that any such publication will normally be made in the *Financial Times* or the *Wall Street Journal Europe*. So long as the Notes are listed on the Irish Stock Exchange plc (trading as Euronext Dublin), and its rules so require, all notices to holders will also be published in *The Irish Times* or in another daily newspaper published in Ireland or on the website of the Irish

Stock Exchange plc (trading as Euronext Dublin), www.ise.ie. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to holders by first-class mail at their respective addresses as they appear on the records of the Registrar.

Notices given by publication will be deemed given on the first date on which publication is made. Notices delivered to Euroclear or Clearstream will be deemed given on the date when delivered. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

Concerning the Trustee and the Security Agent

Wilmington Trust National Association is the Trustee under the Indenture and Wilmington Trust (London) Limited is the Security Agent under the Indenture and the Security Documents.

If the Trustee becomes a creditor of the Issuer or the Guarantors, the Indenture limits its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

Except as provided in the Intercreditor Agreement, the holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any such rights or powers under the Indenture at the request of any holder of Notes unless such holder has offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors will indemnify the Trustee for certain claims, liabilities and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties. The Indenture provides for the indemnification of the Security Agent and its relief from responsibility in connection with its actions in relation to the Collateral. The Security Agent will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such Holder has offered the Security Agent security or indemnity satisfactory to it against any loss, liability or expense.

Neither the Trustee nor the Security Agent will be responsible for any unsuitability, inadequacy or unfitness of any of the Collateral as security in relation to the Notes and shall not be obliged to make any investigation into, and shall be entitled to assume, the suitability, adequacy and fitness of the Collateral as security for the Notes. Neither the Trustee nor the Security Agent will be responsible for any loss, expense or liability which may be suffered as a result of the Collateral being uninsured or inadequately insured.

Governing Law

The Indenture, the Original Notes, the Proceeds Loan, the Guarantees and the Additional Notes are governed by and construed in accordance with the internal laws of the State of New York. The Intercreditor Agreement is governed by, and construed in accordance with, English law.

Consent to Jurisdiction and Service of Process

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Guarantees, the Issuer and the Guarantors have in the Indenture, or the supplemental indentures thereto, as applicable, irrevocably submitted to the jurisdiction of (i) the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States and (ii) the courts of England and Wales.

Additional Information

Anyone who receives this prospectus may obtain a copy of the Indenture, the Security Documents and the Intercreditor Agreement without charge by following the instructions under the section "*Where You Can Find More Information*."

Prescription

Claims against the Issuer or any Guarantor for the payment of principal, premium or Additional Amounts, if any, on the Notes or any Guarantees will be prescribed ten years after the applicable due dates for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for the payment of interest.

Certain Definitions

"**2016 Offering Memorandum**" means the offering memorandum dated October 12, 2016 relating to the offering of the Original Notes.

"**2016 Senior Facilities Agreement**" means the senior facilities agreement dated October 7, 2016 (and amended on October 16, 2017 and February 4, 2019), amongst, *inter alios*, the Company, as borrower, the Issuer, as guarantor, and BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Tiriac Bank, as lead arrangers, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**2016 Transactions**" means the offering of the Original Notes, the entry into and drawdown under the 2016 Senior Facilities Agreement, and the use of proceeds therefrom in the manner contemplated in the "*Use of Proceeds*" section of the 2016 Offering Memorandum.

"**2018 Senior Facilities Agreement**" means the senior facilities agreement dated February 1, 2018 (and amended on March 9, 2018), amongst, *inter alios*, the Company and DIGI Hungary, as borrowers, the Issuer, as guarantor, and Citibank N.A., London Branch and ING Bank N.V. as the arrangers.

"**2019 Refinancing**" has the meaning given to the term "Refinancing" in the section entitled "*Overview-Business Overview-The Refinancing.*"

"**Additional Assets**" means:

(a) any assets (other than Indebtedness and Capital Stock) used or useful in a Related Business, including, without limitation, property, plant or equipment used or useful in a Related Business and any subscriber agreement;

(b) the Capital Stock of a Person that is engaged in a Related Business and that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(c) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary that is engaged in a Related Business.

"**Additional Notes Issue Date**" means the date on which the Additional Notes are issued.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Applicable Redemption Premium**" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

(i) the present value at such redemption date of:

(x) the redemption price of such Note at October 15, 2019 (such redemption price being set forth in the table appearing below the caption "*—Optional Redemption—Optional Redemption on or after October 15, 2019)*;" plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and October 15, 2019 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium will not be a duty or obligation of the Trustee or any paying agent.

"**Approved Director**" means any member of the Board of Directors whose election was approved by either (i) Permitted Holders who Beneficially Own 50% or more of the Voting Stock of the Issuer, measured by voting power rather than number of shares or (ii) two-thirds of the Board of Directors who are Approved Directors.

"**Asset Disposition**" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Issuer or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction and Sale/Leaseback Transactions (each referred to for the purposes of this definition as a "**disposition**"), of:

(a) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary);

(b) all or substantially all the assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other assets of the Issuer or any Restricted Subsidiary other than, in the case of clauses (a), (b) and (c) above,

  (i) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

  (ii) for purposes of the covenant described under the caption "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" only, (x) a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof) and that is not prohibited by the covenant described under the caption "*Certain Covenants—Limitation on Restricted Payments*" and (y) a disposition of all or substantially all the assets of the Issuer in accordance with the covenant described under the caption "*Certain Covenants—Merger and Consolidation*;"

  (iii) a disposition of obsolete or worn out equipment or property or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;

  (iv) the disposition or abandonment of intellectual property of the Issuer or any Restricted Subsidiary, in each case, that is no longer economically practicable to maintain or is no longer used or useful in the ordinary course of the business of the Issuer or any Restricted Subsidiary;

  (v) the surrender or waiver of contract rights or the settlement, release or surrender of contractual, tort or other claims of any kind;

  (vi) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

  (vii) dispositions of assets in a single transaction or a series of related transactions with an aggregate Fair Market Value in any calendar year of less than the greater of (a) €5.0 million and (b) 0.4% of Total Assets;

  (viii) a disposition of cash or Cash Equivalents;

  (ix) the creation of a Permitted Lien (but not the sale or other disposition of the property subject to such Lien);

  (x) the disposition of equipment, inventory, consumer equipment, trading stock, communications capacity, products, services, general intangibles or other assets in the ordinary course of business;

  (xi) the lease, assignment or sublease of any real or personal property or spectrum in the ordinary course of business;

  (xii) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property;

  (xiii) foreclosure, condemnation or similar action with respect to any property or other assets;

  (xiv) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

  (xv) any cancellation of treasury shares held by the Issuer or a Restricted Subsidiary;

  (xvi) the sale of shares of Capital Stock in the Company, owned by the Issuer, corresponding to 0.112% of the outstanding shares in the Company that are subject to a call option in favor of the purchaser of our Serbian subsidiary pursuant to the call option arrangement in effect on the Original Notes Issue Date; provided, that (x) clause (a)(ii) of the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" has been satisfied and (y) any cash or Cash Equivalents received must be applied in accordance with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*;" and

  (xvii) any sale, transfer or other disposition of Receivables Assets and related assets in connection with any Qualified Receivables Financing.

"**Attributable Debt**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with IFRS or, if not known, the Issuer's incremental borrowing rate) of the total Obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); *provided, however,* that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(a) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by

(b) the sum of all such payments.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as the term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board of Directors**" means the Board of Directors of the Issuer or any committee thereof duly authorized to act on behalf of such Board.

"**BRD Agreements**" mean the BRD Letters of Guarantee Facility, the BRD Letters of Credit Facility and the BRD Facility.

"**BRD Credit Facility**" means the RON35.0 million loan facility agreement, entered into between the Company, as borrower, and BRD-Groupe Société Générale S.A., as lender, on May 23, 2018.

"**BRD Letters of Credit Facility**" means the €5.0 million revolving multi-currency facility for the issuance of letters of credit dated September 20, 2017 between the Company, as borrower, and BRD-Groupe Société Générale S.A., as lender.

"**BRD Letters of Guarantee Facility**" means the uncommitted bank guarantee facility, for an amount of €5.0 million, dated July 13, 2015 between the Company, as borrower, and BRD-Groupe Société Générale S.A., as lender.

"**Bund Rate**" means, with respect to any redemption date, the rate per annum equal to the equivalent yield to maturity as at such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(a) "**Comparable German Bund Issue**" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to October 15, 2019 and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to October 15, 2019; *provided* that if the period from such redemption date to October 15, 2019, is less than one year, a fixed maturity of one year shall be used;

(b) "**Comparable German Bund Price**" means, with respect to any redemption date, the average of the Reference German Bund Dealer Quotations for such redemption date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(c) "**Reference German Bund Dealer**" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

(d) "**Reference German Bund Dealer Quotations**" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding such redemption date.

"**Business Day**" means each day that is not a Public Holiday.

"**Capital Lease Obligation**" means an obligation that would at that time it was Incurred be required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with IFRS (as of the time the obligation was Incurred); and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of the covenant described under the caption "Certain Covenants-Limitation on Liens," a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"**Capital Stock**" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Cash Equivalents**" means:

(a) Eligible Government Bonds;

(b) commercial paper maturing no more than one year from the date of acquisition thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least P-2 from Moody's;

(c) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by any commercial bank having capital, surplus and undivided profits aggregating in excess of €500 million (or the foreign currency equivalent thereof) and having outstanding debt which is rated "B" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization;

(d) repurchase Obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) or (b) above entered into with a bank meeting the qualifications described in clause (c) above;

(e) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Issuer) organized and in existence under the laws of a member of the European Union or the United States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-l" (or higher) according to S&P; and

(f) investments in money market funds that invest 95% or more of their assets in securities of the types described in clauses (a) through (e) above.

"**Change of Control**" means the occurrence of one or more of the following events:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any "person" or "group" (as such terms are used in Sections 13(d) and 14 (d) of the Exchange Act), other than to Permitted Holders; or

(b) the adoption of a plan relating to the liquidation or dissolution of the Issuer other than in a transaction which complies with the covenant described under the caption "Certain Covenants—Merger and Consolidation;" or

(c) prior to the consummation of an Initial Public Offering of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity, any event, the result of which is that the Permitted Holders cease to Beneficially Own, directly or indirectly, in the aggregate, 50% or more of the Voting Stock of the Issuer, measured by voting power rather than number of shares; or

(d) on or after the consummation of an Initial Public Offering of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (x) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) (other than Permitted Holders) becomes the Beneficial Owner, directly or indirectly, of more than 35% of the outstanding Voting Stock of the Issuer (or its successor by merger or consolidation), measured by voting power rather than number of shares and (y) Permitted Holders do not Beneficially Own, directly and indirectly, in the aggregate a larger percentage of the outstanding Voting Stock of the Issuer measured by voting power rather than number of shares, than such other "person" or "group"; or

(e) the first day on which a majority of the members of the Board of Directors are not Approved Directors.

"**Citi Facilities Agreement**" means the facilities agreement dated as of October 25, 2013, between, the Company and Citibank Europe PLC, Dublin—Romania Branch, and the personal guarantee agreement dated as of October 25, 2013, between the Issuer and Citibank Europe PLC, Dublin—Romania Branch, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

“**Clearstream** “ means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

“**Collateral** “ means the assets over which a Lien has been granted pursuant to the Security Documents to secure the Obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture.

“**Commodities Agreement**” means, in respect of any Person, any commodity futures contract, forward contract, option or similar agreement or arrangement (including derivative agreements or arrangements), as to which such Person is a party or beneficiary.

“**Consolidated Interest Expense**” means, for any period, the total interest expense of the Issuer and its consolidated Restricted Subsidiaries determined in accordance with IFRS, plus, to the extent not included in such total interest expense, and to the extent Incurred by the Issuer or its Restricted Subsidiaries, without duplication:

(a) interest expense attributable to Capital Lease Obligations;

(b) amortization of debt discount and debt issuance cost;

(c) capitalized interest (excluding any capitalized non-cash interest expense on Subordinated Shareholder Debt);

(d) non-cash interest expense (other than non-cash interest expense on Subordinated Shareholder Debt);

(e) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing;

(f) net costs or net payments pursuant to Hedging Obligations;

(g) dividends accrued in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, in each case, held by Persons other than the Issuer or a Wholly Owned Subsidiary (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Issuer); *provided, however,* that such dividends will be multiplied by a fraction, the numerator of which is one and the denominator of which is one minus the effective combined tax rate of the issuer of such Preferred Stock (expressed as a decimal) for such period (as estimated by the chief financial officer of the Issuer in good faith);

(h) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is guaranteed by (or secured by the assets of) the Issuer or any Restricted Subsidiary; and

(i) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Issuer) in connection with Indebtedness Incurred by such plan or trust.

“**Consolidated Leverage Ratio**” as of any date of determination means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA for the most recent four full consecutive fiscal quarters for which internal financial statements are available at the time of such determination; *provided, however,* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Total Indebtedness for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period (and treating the full amount under clause (b)(i) of the covenant described under the caption “Certain Covenants—Limitation on Indebtedness” as fully drawn);

(b) if the Issuer or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Leverage Ratio, EBITDA and Consolidated Leverage Ratio for such period shall be calculated on a *pro forma* basis as if such discharge had occurred on the first day of such period and as if the Issuer or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Cash Equivalent used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(c) for purposes of the preceding paragraphs (a) and (b) and for purposes of determining compliance with the covenant described under the caption “*Certain Covenants—Limitation on Liens,”* the *pro forma* calculation of Consolidated Total Indebtedness shall not give effect to (i) any Indebtedness Incurred on any date of determination of the Consolidated Leverage Ratio pursuant to provisions of the second paragraph of the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge of any Indebtedness on the date of determination of the Consolidated Leverage Ratio to the extent that such discharge results from the proceeds Incurred pursuant to the provisions of the second paragraph of the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*;"

(d) if since the beginning of such period the Issuer or any Restricted Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Total Indebtedness for such period shall be reduced by an amount equal to the Consolidated Total Indebtedness directly attributable to any Indebtedness of the Issuer or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Total Indebtedness for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(e) if since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Total Indebtedness for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and

(f) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (d) or clause (e) above if made by the Issuer or a Restricted Subsidiary during such period, EBITDA and Consolidated Total Indebtedness for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Disposition, Investment or acquisition had occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Total Indebtedness associated with any Indebtedness Incurred in connection therewith, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting Officer of the Issuer. If any Indebtedness is Incurred under a revolving credit facility and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four quarterly periods subject to the *pro forma* calculation to the extent that such Indebtedness was Incurred solely for working capital purposes.

"**Consolidated Net Income**" means, for any period, the net income of the Issuer and its consolidated Restricted Subsidiaries for such period determined in accordance with IFRS; *provided, however,* that there shall not be included in such Consolidated Net Income:

(a) any net income of any Person if such Person is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:

 (i) subject to the exclusion contained in clause (d) below, the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (c) below); and

 (ii) the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(b) any net income of a Surviving Entity prior to assuming the Issuer's obligations under the Indenture and the Notes pursuant to "*—Merger and Consolidation*;"

(c) solely for the purpose of determining the amount available for Restricted Payments under clause (iii)(A) of paragraph (a) of the covenant described under the caption "*Certain Covenants—Limitation on Restricted Payments*," any net income of any Restricted Subsidiary (other than a Guarantor) if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Capital Stock of such Restricted Subsidiary, as applicable) other than restrictions that have been waived or otherwise released or restrictions permitted or not prohibited by clauses (b)(i), (b)(ii), (b)(iii), (b)(iv) and (b)(xv) of the covenant described under the caption "*Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*," except that:

(i) subject to the exclusion contained in clause (d) below, the Issuer's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause); and

(ii) the Issuer's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(d) any net after tax gain or loss realized upon the sale or other disposition of any assets of the Issuer, its consolidated Restricted Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which are not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors) and any gain or loss realized upon the sale or other disposition of any Capital Stock of any Person;

(e) any item classified as a restructuring, extraordinary, exceptional, non-recurring, unusual or other non-operating gain or loss including the costs of and accounting for financial instruments;

(f) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Original Notes Issue Date;

(g) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards;

(h) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (together with any related provision for taxes on such net gain) from any write-off or forgiveness of Indebtedness;

(i) any unrealized gain or loss in respect of Hedging Obligations and any gains associated with fair value adjustment on financial instruments;

(j) any foreign currency transaction or translation gains or losses, net of taxes;

(k) the cumulative effect of a change in accounting principles; and

(l) any capitalized interest and non-cash interest expense on Subordinated Shareholder Debt,

in each case, for such period.

Notwithstanding the foregoing, for the purposes of the covenant described under the caption "*Certain Covenants—Limitation on Restricted Payments*" only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realized on the sale of Investments or return of capital to the Issuer or a Restricted Subsidiary to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted under clause (iii) of paragraph (a) under the covenant described under the caption "*Certain Covenants—Limitation on Restricted Payment*s."

"**Consolidated Net Leverage Ratio**" as of any date of determination means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date less the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis on such date to (ii) the aggregate amount of EBITDA for the most recent four full consecutive fiscal quarters for which internal financial statements are available at the time of such determination; in each case with such assumptions and *pro forma* adjustments as are consistent with the provisions set forth in the definition of "Consolidated Leverage Ratio." For the avoidance of doubt, in determining the Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included in the foregoing sub-clause (i) that are the proceeds of Indebtedness Incurred on the date of determination to the extent such Indebtedness is not itself included in calculating the Consolidated Net Leverage Ratio.

"**Consolidated Net Worth**" means the total shareholders' equity shown on the balance sheet of the Issuer and its consolidated Restricted Subsidiaries as of the end of the most recent fiscal quarter (or, in the case of any calculations made in the first two years following the Original Notes Issue Date, the most recent fiscal half year) of the Issuer ending prior to the taking of any action for the purpose of which the determination is being made.

"**Consolidated Secured Leverage Ratio**" means the Consolidated Leverage Ratio calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

"**Consolidated Total Indebtedness**" means, as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis outstanding at such time.

"Credit Facility" means any debt facility (including the Senior Facilities Agreement, the Citi Facilities Agreement and the ING Facilities Agreement), indentures or arrangements or commercial paper facilities and overdraft facilities, to be entered into by the Issuer or its Restricted Subsidiaries, in each case with banks, insurance companies or other institutional lenders or investors providing for term loans, revolving loans, notes, performance guarantees, or letters of credit, securitization facilities, receivables facilities, or other credit facilities or extensions of credit thereunder, or any guarantees and security documents, in each case, as amended, extended, renewed, restated, supplemented, replaced or refinanced (including increasing the amount borrowed thereunder) in whole or in part from time to time, and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing.

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-Cash Consideration**" means the Fair Market Value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*."

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(a) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund Obligation or otherwise;

(b) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(c) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Notes; *provided, however,* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset disposition" or "change of control" occurring prior to the first anniversary of the Stated Maturity of the Notes shall not constitute Disqualified Stock if:

(a) the "asset disposition" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to the Notes under the sections described under the captions "*Change of Control*" and "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;" and

(b) any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however,* that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"**EBITDA**" for any period means the sum of Consolidated Net Income, plus the following to the extent deducted in calculating such Consolidated Net Income:

(a) all income tax expense of the Issuer and its consolidated Restricted Subsidiaries;

(b) Consolidated Interest Expense;

(c) depreciation and amortization expense of the Issuer and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid item that was paid in cash in a prior period); and

(d) all other non-cash charges of the Issuer and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income of the Issuer and its consolidated Restricted Subsidiaries (other than accruals of revenue by the Issuer and its consolidated Restricted Subsidiaries in the ordinary course of business),

in each case for such period.

"**Eligible Government Bonds**" means marketable direct obligations issued by the government of any member of the European Union (other than Greece, Cyprus and Portugal), Switzerland, the United States of America, any state of the United States of America, the United Kingdom or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's or any successor thereto.

"**Equity Offering**" means any public or private offering by the Issuer or a Parent Entity (which shall include an offering pursuant to Rule 144A and/or Regulation S under the U.S. Securities Act to professional market investors or similar Persons) of (i) Capital Stock of the Issuer or (ii) Capital Stock of a Parent Entity, the proceeds of which are, in the case of any such offering by a Parent Entity, contributed as Subordinated Shareholder Debt or to the equity of the Issuer or any of its Restricted Subsidiaries, in each case other than offerings (or, as applicable, portions thereof) (1) of Disqualified Stock, (2) registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offerings in other jurisdictions, or (3) to an Affiliate of the Issuer.

"**EUR Equivalent**" means with respect to any monetary amount in a currency other than Euros, at any time for determination thereof, the amount of Euros obtained by converting such foreign currency involved in such computation into Euros at the spot rate for the purchase of Euros with the applicable foreign currency as published in *The Wall Street Journal* in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination. Except as provided for in the covenant described under "—Limitation on Indebtedness," whenever it is necessary to determine whether the Issuer has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than Euros, such amount will be treated as the EUR Equivalent determined as of the date such amount is initially determined in such currency.

"**Euro**" or "€" means the single currency of participating states of the economic and monetary union as contemplated in the Treaty on European Union.

"**Euroclear**" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"**European Government Securities**" means any security that is a direct obligation of, or obligations guaranteed by, a country that is a member of the European Union on the date of the Indenture (other than Greece, Portugal, Italy or Cyprus), and the payment for which such country pledges its full faith and credit.

"**European Union**" means the European Union excluding any country that becomes a member of the European Union on or after the Original Notes Issue Date.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended;

"**Excluded Contributions**" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock) of the Issuer after the Original Notes Issue Date or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate.

"**Fair Market Value**" means, with respect to any asset or property, the price that could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of such Board of Directors. For purposes of determining the Fair Market Value of Capital Stock, the value of the Capital Stock of a Person shall be based upon such Person's property and assets, exclusive of goodwill or any similar intangible asset.

"**guarantee**" means any Obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any Obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning. The term "guarantor" shall mean any Person guaranteeing any Obligation.

"**Guarantee**" means a guarantee by a Guarantor of the Issuer's obligations with respect to the Notes.

"**Guarantor**" means each of the Company, DIGI Hungary and Invitel and each other Subsidiary of the Issuer that subsequent to the Additional Notes Issue Date guarantees the Notes pursuant to the terms of the Indenture.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Commodities Agreement or Currency Agreement.

"**IFRS**" means International Financial Reporting Standards as in effect on the Original Notes Issue Date, or, with respect to the reporting requirements described under "*—Certain Covenants—Reports,*" as in effect from time to time.

"**Incur**" means issue, assume, guarantee, incur or otherwise become liable for; *provided, however,* that any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning. Solely for purposes of determining compliance with the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*:"

(a) amortization of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;

(b) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and

(c) the Obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or the making of a mandatory offer to purchase such Indebtedness will not be deemed to be the Incurrence of Indebtedness.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(a) the principal in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium on such indebtedness to the extent such premium has become due and payable;

(b) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(c) all Obligations of such Person in connection with, and for the reimbursement of any obligor on, any letter of credit, letter of guarantee, bankers' acceptance or similar instruments (other than Obligations with respect to such instruments securing Obligations entered into in the ordinary course of business of such Person to the extent such instruments are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the thirtieth Business Day following payment on such instruments);

(d) payments for assets acquired or services supplied deferred for a period of over 180 days after the relevant assets were or are to be acquired or the relevant services were or are to be supplied (or, as of the date of determination, deferred for a period of over 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied), to the extent that these would be accounted for as indebtedness under IFRS;

(e) the amount of all Obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person or, with respect to any Preferred Stock of any Subsidiary of such Person, the principal amount of such Preferred Stock to be determined in accordance with the Indenture (but excluding, in each case, any accrued dividends);

(f) all Obligations of the type referred to in clauses (a) through (d) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee; and

(g) all Obligations of the type referred to in clauses (a) through (d) of other Persons secured by any Lien on any property or asset of such Person (whether or not such Obligation is assumed by such Person), the amount of such Obligation being deemed to be the lesser of the fair market value of such property or assets and the amount of the Obligation so secured; and

(h) to the extent not otherwise included in this definition, Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than obligations under clauses (c), (e), (f) and (g)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS and provided that Indebtedness which has been cash-collateralized shall not be included in any calculation of Indebtedness to the extent so cash-collateralized.

Notwithstanding the foregoing, the term "Indebtedness" will exclude (A) any deposits or prepayments received by the Issuer or a Restricted Subsidiary from a customer or subscriber for its service; (B) anything accounted for as an operating lease in accordance with IFRS; (C) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however,* that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; (D) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes; (E) trade payables and accrued liabilities Incurred in the ordinary course of business; and (F) Subordinated Shareholder Debt.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional Obligations as described above; *provided, however,* that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

"**Independent Qualified Party**" means an investment banking firm, accounting firm or appraisal firm of international standing chosen in good faith by the Issuer; *provided, however,* that such firm is not an Affiliate of the Issuer.

"**ING Facilities Agreement**" means the facilities agreement dated as of November 1, 2013 amongst, *inter alios*, the Company, the Issuer and ING Bank N.V. Amsterdam—Bucharest Branch, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"**Initial Public Offering**" means a public Equity Offering of the Issuer or any Parent Entity or any successor of the Issuer or any Parent Entity (the "**IPO Entity**") pursuant to (x) a flotation on the London Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union, the Commonwealth of Australia, Hong Kong or Singapore or any other internationally recognized exchange or market or (y) an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan), and following which there is a Public Market.

"**Intercreditor Agreement**" means the intercreditor agreement originally dated November 4, 2013 entered into by, among others, the Issuer, the Guarantor, the Security Agent, the agent and lenders under the Citi Facilities Agreement, the agent and lenders under the ING Facilities Agreement, and certain hedge counterparties, and as most recently amended and restated and acceded to on the Original Notes Issue Date by the Trustee, as further amended, restated or otherwise modified or varied from time to time.

"**Interest Rate Agreement**" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*":

(a) "Investment" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided, however,* that upon a redesignation of such

Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (i) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (ii) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(b) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"**Investment Grade Rating**" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's) and BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any Rating Agency selected by the Issuer as a replacement Rating Agency).

"**IPO Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares Capital Stock are sold in such Initial Public Offering.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien, charge or security interests of any kind including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or anything analogous to any of the foregoing under the laws of any jurisdiction.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"**Moody's**" means Moody's Investors Services, Inc.

"**Net Available Cash**" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other Obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

(a) all legal, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under IFRS, as a consequence of such Asset Disposition;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(c) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Disposition; and

(d) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Obligations**" means, with respect to any Indebtedness, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Indebtedness.

"**Officer**" means the Chairman of the Board of Directors, the Chief Executive Officer or any other director of the Issuer or the Company, as the case may be.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**Original Notes Issue Date**" means October 26, 2016.

"**Opinion of Counsel**" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or the Company.

"**Parent Entity**" means, prior to an Initial Public Offering, any direct or indirect parent entity of the Issuer, and following an Initial Public Offering, the IPO Entity and any other direct or indirect parent entity of the Issuer that is a Subsidiary of the IPO Entity.

"**Parent Entity Expenses**" means:

(a) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with maintaining its corporate existence and reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(b) customary indemnification obligations of any Parent Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to its ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries;

(c) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to its ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries;

(d) general corporate overhead expenses (including professional fees and expenses and other operational expenses of any Parent Entity to the extent attributable to its ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries, including in connection with acquisitions or dispositions by the Issuer or its Restricted Subsidiaries permitted hereunder (whether or not successful) and customary salary, bonus and other benefits payable to officers and employees of such Parent Entity) and any other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Restricted Subsidiaries or any Parent Entity; *provided* that the aggregate amount under this clause (4) may not exceed €1.0 million (or, following an Initial Public Offering, €3.0 million) in any 12-month period; and *provided further* that, any such costs, obligations and/or expenses may be included in this clause (4) only to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent Entity; and

(e) costs and expenses with respect to any litigation or other dispute relating to the 2016 Transactions, or otherwise to the extent related to any Parent Entity's ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries.

"**Pari Passu Indebtedness**" means Indebtedness of the Issuer or any Guarantor if such Indebtedness ranks equally in right of payment to the Notes or the Guarantees, as the case may be, and, in each case, is secured by a Lien on all or a portion of the Collateral.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets used or useful in a Permitted Business or a combination of such assets and cash or Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that:

(a) at the time of entering into such and immediately after giving effect to such transaction or series or transactions, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) such transaction or series of transactions involve the transfer of assets (including cash or Cash Equivalents) of the Issuer and its Restricted Subsidiaries with a Fair Market Value no greater than €25 million;

(c) any Person acquired through such transaction or series of transactions will, upon the consummation thereof, become a Restricted Subsidiary;

(d) any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"**Permitted Business**" means the business or businesses conducted by the Issuer and its Subsidiaries as of the Original Notes Issue Date and any Related Business.

"**Permitted Collateral Liens**" mean (X) Liens on the Collateral that are described in one or more of clauses (a), (b), (c), (d), (e), (g), (h), (k), (l), (m), (n), (o), (p), (q), (r), (u), (w) and (x) (but only with respect to Liens under clauses (g), (h) or (x) of the definition of "Permitted Liens") of the definition of "Permitted Liens" and that, in each case (with the exception, in the case of a Lien under clause (x) of the definition of "Permitted Liens," of a right of pledge or set-off pursuant to the General Banking Conditions of The Netherlands Bankers' Association (*Algemene bankvoorwaarden van de Nederlandse Vereniging voor Banken*) or similar general terms and conditions), would not materially interfere with the ability of the Security Agent to enforce the security interest in the Collateral and (Y) Liens on Collateral to secure (a) Indebtedness of the Issuer or a Restricted Subsidiary that is permitted to be incurred under sub-clauses (i), (iii), (v) (if the original Indebtedness was so secured), (vi), (x) (to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (xi) and (xiv) of clause (b) of the covenant "*—Limitation on Indebtedness*," (b) Indebtedness of the Company or a Guarantor that is incurred under clause (a) of "*—Certain Covenants—Limitation on Indebtedness*"; *provided* that, in the case of this sub-clause (b), after giving effect to such incurrence on such date, the Consolidated Secured Leverage Ratio is less than 3.75 to 1.0, and (c) any Refinancing Indebtedness in respect of such Indebtedness referred to in each of the foregoing sub-clauses (a) and (b); *provided, however*, the Collateral securing any such Indebtedness referred to in the foregoing clause (Y) shall also secure the Notes or Guarantees on a senior or *pari passu* basis; and *provided*, *further*, that the holders of Indebtedness referred to in clause (Y) above (or their duly authorized representatives) shall accede to the Intercreditor Agreement.

"**Permitted Holder**" means Mr. Zoltán Teszári and any Related Person of Mr. Zoltán Teszári.

"**Permitted Investment**" means an Investment by the Issuer or any Restricted Subsidiary in:

(a) the Issuer, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary;

(b) another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(c) cash and Cash Equivalents;

(d) receivables owing to the Issuer or any Restricted Subsidiary if created or acquired in the ordinary course of business;

(e) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(f) loans or advances to directors, officers and employees made in the ordinary course of business;

(g) stock, Obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments;

(h) any Person to the extent such Investment represents the non-cash portion of the consideration received for (i) an Asset Disposition (other than a Permitted Asset Swap) as permitted pursuant to the covenant described under the caption "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or (ii) a disposition of assets not constituting an Asset Disposition;

(i) any Investment in any Person to the extent such Investment exists on the Original Notes Issue Date, and any extension, modification or renewal of any such Investments existing on the Original Notes Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Original Notes Issue Date);

(j) any Person where such Investment was acquired by the Issuer or any of its Restricted Subsidiaries (i) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (ii) as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(k) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary;

(l) any Person to the extent such Investments consist of Hedging Obligations;

(m) the loan or provision to subscribers and customers of equipment in the ordinary course of business;

(n) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted pursuant to the covenant described under the caption "*Certain Covenants—Limitation on Liens*;"

(o) the Notes and repurchases thereof;

(p) any Investment to the extent made using the Capital Stock of the Issuer (other than Disqualified Stock) as consideration;

(q) the Capital Stock of any Person representing less than the majority of such Capital Stock if at the time of such Investment, the Issuer (as determined in good faith by the Board of Directors) intends within 12 months of such Investment to acquire a majority of such Capital Stock in a transaction as a result of which such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary; *provided* that the aggregate amount of such Investment, measured by reference to the Fair Market Value of each such Investment on the date that it was made, does not exceed €10.0 million outstanding at any time; and *provided further*, that if any Investment made pursuant to this paragraph is subsequently sold or repaid for cash or Cash Equivalents, the €10.0 million amount shall be increased by the lesser of the cash or Cash Equivalents received with respect to such Investment (less the cost of disposition, if any) and the initial amount of the Investment;

(r) any other Investments by the Issuer or any of its Restricted Subsidiaries in an aggregate amount at the time of such Investment not to exceed the greater of (a) €30.0 million and (b) 2.5% of the Total Assets outstanding at any one time; and

(s) Investments acquired after the Original Notes Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction is not otherwise prohibited under the terms of the Indenture.

"**Permitted Liens**" means, with respect to any Person:

(a) Liens Incurred or pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or deposits made in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory Obligations of such Person or deposits of cash or Eligible Government Bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(b) Liens imposed by law, such as carriers', warehousemen's, attorneys', landlords' statutory, pension plan administrators' and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review, and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided, however,* that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Issuer and (ii) such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;

(c) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

(d) Liens in favor of issuers of surety bonds, performance bonds, bank guarantees, letters of credit or similar assurances of payment issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided, however,* that such letters of credit do not constitute Indebtedness;

(e) minor survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, or building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(f) Liens securing Purchase Money Indebtedness or Indebtedness otherwise permitted to be Incurred under clause (xi) of paragraph (b) under the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*" or other Indebtedness Incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such Person; *provided, however,* that the Lien may not extend to any other property owned by such Person or any of its Restricted Subsidiaries at the time the Lien is Incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be Incurred more than 180 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

(g) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; *provided, however,* that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(h) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; *provided, however,* that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(i) Liens securing Indebtedness or other Obligations of a Subsidiary of such Person owing to such Person or a Wholly Owned Subsidiary of such Person;

(j) Liens securing Hedging Obligations so long as such Hedging Obligations are permitted to be Incurred under clause (vi) of paragraph (b) under the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*;"

(k) Liens existing on the Original Notes Issue Date;

(l) Liens created for the benefit of the Notes and/or the Guarantees;

(m) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(n) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(o) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceeding which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired;

(p) Liens in favor of customers or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(q) any promissory notes, checks or other contingent payment instructions issued to a supplier or in connection with other payment obligations Incurred in the ordinary course of business, to the extent that such promissory notes, checks or other contingent payment instructions constitute Liens hereunder;

(r) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary;

(s) Liens on Capital Stock or other securities (including without limitation put and call arrangements) of an Unrestricted Subsidiary or any Investment that secures only Indebtedness or other obligations of such Unrestricted Subsidiary or Investment;

(t) other Liens securing Indebtedness Incurred by the Issuer or any Restricted Subsidiary in the ordinary course of business, which Indebtedness does not exceed €15.0 million in the aggregate at any one time outstanding;

(u) Liens resulting from escrow agreements entered into in connection with the disposition of assets;

(v) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary;

(w) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (f), (g) and (h), *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced;

(x) any banker's lien or other lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by the Issuer or any Restricted Subsidiary (including, for the avoidance of doubt any lien, right of pledge or set-off pursuant to the General Banking Conditions of The Netherlands Bankers' Association (*Algemene bankvoorwaarden van de Nederlandse Vereniging voor Banken*) or similar general terms and conditions); and

(y) Liens on Receivables Assets and related assets incurred in connection with any Qualified Receivables Financing.

Notwithstanding the foregoing, "**Permitted Liens**" will not include any Lien described in clause (f), (g) or (h) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Available Cash pursuant to the covenant described under the caption "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*." For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Principal**" of a Note means the principal of the Note plus the premium, if any, payable on the Note that is due or overdue or is to become due at the relevant time.

"**Public Holiday**" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in Bucharest, New York City and London.

"**Public Indebtedness**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act, (ii) listed on a recognized stock exchange in the European Union, (iii) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A and/or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale or (iv) any issuance of debt securities in the Romanian domestic bond market, regardless of whether such securities are underwritten for resale in accordance with Rule 144A and/or Regulation S under the Securities Act.

"**Public Market**" means, following consummation of an Equity Offering, the Capital Stock of an IPO Entity is, upon issuance, listed on a nationally recognized stock exchange or listing authority in a member state of the European Union (as of the date hereof) and at least 20% of the total issued and outstanding common stock of the IPO Entity has been distributed to Persons other than the Permitted Holders.

"**Public Offering Expenses**" means expenses Incurred by any Parent Entity in connection with any public offering of Capital Stock or Indebtedness (whether or not successful):

(a) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary; or

(b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(c) otherwise on an interim basis prior to completion of such offering so long as any Parent Entity shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed,

in each case, to the extent such expenses are not paid by another Subsidiary of such Parent Entity.

"**Purchase Money Indebtedness**" means Indebtedness (including Capital Lease Obligations) (i) consisting of the deferred purchase price of property, conditional sale Obligations, Obligations under any title retention agreement, other purchase money Obligations and Obligations in respect of industrial revenue bonds or similar Indebtedness, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (ii) Incurred to finance the acquisition by the Issuer or a Restricted Subsidiary of such assets (whether through the direct purchase of such assets or the Capital Stock of any Person owning such assets) as well as additions and improvements, in the ordinary course of business; *provided, however,* that (a) any Lien arising in connection with any such Indebtedness shall be limited to the specific asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property on which such asset is attached, (b) such Indebtedness is Incurred within 180 days after such acquisition of such assets and (c) the aggregate principal amount of Purchase Money Indebtedness at one time outstanding shall not exceed (x) the Fair Market Value of the acquired or constructed asset or improvement so financed or (y) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Issuer or the relevant Restricted Subsidiary (including, in each case, any reasonable related fees and expenses Incurred in connection with such acquisition, construction or development).

"**Qualified Receivables Financing**" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any Person, or grant a security interest in, any Receivables Assets in any aggregate principal amount equivalent to the Fair Market Value of such Receivables Assets of the Issuer or any of its Restricted Subsidiaries; provided that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate at the time such financing is entered into; and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to the extent customary for such transactions.

"**Rating Agency**" means (1) each of Moody's and S&P and (2) if Moody's or S&P ceases to rate the Notes for reasons outside of the control of the Issuer, a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) the Exchange Act selected by the Issuer as a replacement agency for Moody's or S&P, as the case may be.

"**Receivables Assets**" means any accounts receivable (whether now existing or arising in the future) subject to a Qualified Receivables Financing, any dedicated bank or collateral accounts solely in respect thereof and any relevant contracts and guarantees and other obligations in respect of such accounts receivable.

"**Refinance**" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "**Refinanced**" and "**Refinancing**" shall have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of the Issuer or any Restricted Subsidiary existing on the Original Notes Issue Date or Incurred in compliance with the Indenture, including Indebtedness that Refinances Refinancing Indebtedness; *provided, however,* that:

(a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(b) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;

(c) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(d) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced;

provided further, however that Refinancing Indebtedness shall not include (i) Indebtedness of a Subsidiary (other than a Guarantor) that Refinances Indebtedness of the Issuer or any Guarantor or (ii) Indebtedness of the Issuer or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"**Related Business**" means (a) any business in which the Issuer or any of the Restricted Subsidiaries was engaged on the Original Notes Issue Date, (b) the telecommunications business, including the distribution, sale and provision of mobile voice and data, fixed line voice and internet services, transit voice traffic services and other services in relation thereto, (c) the electric energy production, distribution and/or trading business; and (d) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries that are technically or strategically related, complementary, incidental, ancillary or similar to any of the foregoing businesses or are reasonable extensions or developments of such businesses.

"**Related Person**" with respect to any Permitted Holder means: (i) any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member, lineal descendant (including by adoption) or relative, or the estate, executor, administrator, committee, legal representatives or beneficiaries of any thereof; or (ii) any trust, corporation, partnership or other Person for which the Permitted Holder and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"**Related Taxes**" means:

(a) any taxes, including but not limited to sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent Entity), required to be paid (provided that such taxes are in fact paid) by any Parent Entity by virtue of its:

    (i) being organized or incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer or any of the Issuer's Subsidiaries), or

    (ii) being a holding company parent of the Issuer or any of the Issuer's Subsidiaries, and

(b) any taxes measured by income for which any Parent Entity is liable up to an amount not to exceed with respect to such taxes the amount of any such taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries; *provided* that distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Issuer or its Restricted Subsidiaries.

"**Restricted Payment**" with respect to any Person means:

(a) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) (other than (i) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock), (ii) dividends or distributions payable solely to the Issuer or a Wholly Owned Subsidiary and (iii) *pro rata* dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) (other than dividends or other distributions to any minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) of the Company) or such dividends or distributions on a basis that results in the Issuer or a Restricted Subsidiary receiving dividends or other distributions of greater value than would result on a *pro rata* basis);

(b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer or any Parent Entity held by any Person (other than by a Restricted Subsidiary) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Issuer (other than by a Restricted Subsidiary), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Disqualified Stock);

(c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Issuer or any Guarantor (other than (i) from the Issuer or a Restricted Subsidiary, (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund Obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement and (iii) Subordinated Shareholder Debt);

(d) the making of any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt (other than any payment in the form of Capital Stock (other than Disqualified Stock) or additional Subordinated Shareholder Debt); or

(e) the making of any Investment (other than a Permitted Investment) in any Person.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc.

"**Sale/Leaseback Transaction** " means an arrangement relating to property owned by the Issuer or a Restricted Subsidiary on the Original Notes Issue Date or thereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such Person.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security Documents**" means any instrument or document executed and delivered pursuant to the Indenture or otherwise, as the same may be amended, supplemented, or otherwise modified from time to time, and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent or the Trustee for the benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant given.

"**Senior Secured Indebtedness**" means, as of any date of determination, (a) any Indebtedness that is secured by a Lien on assets other than the Collateral, (b) any Indebtedness that is secured on a *pari passu* or senior basis by a Lien on the Collateral that also secures the Notes and the Guarantees, and (c) Indebtedness, Disqualified Stock or preferred stock of a Restricted Subsidiary of the Issuer that is not a Guarantor.

"**SFA Facility A2**" means a term loan facility in the amount of RON600.0 million under the Senior Facilities Agreement.

"**Significant Subsidiary**" means any Subsidiary of the Issuer which meets any of the following conditions:

(a) the Issuer's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 5% of the total assets of the Issuer and its Subsidiaries consolidated as of the end of the most recently completed fiscal year;

(b) the Issuer's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds 5% of the total assets of the Issuer and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(c) the Issuer's and its other Subsidiaries' share of the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the subsidiary exclusive of amounts attributable to any noncontrolling interests exceeds 5% of the income of the Issuer and its Subsidiaries consolidated for the most recently completed fiscal year.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"**Subordinated Funding**" means any Indebtedness of the Issuer that (1) does not (including upon the happening of any event) mature or require any amortization, redemption or other payment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Issuer or any Indebtedness meeting the requirements of this definition), (2) does not (including upon the happening of any event) require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other gross ups, or any similar amounts, (3) contains no change of control or similar provisions and does not (including upon the happening of any event) accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any payment prior to the first anniversary of the Stated Maturity of the Notes, (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries and is not guaranteed by any such Subsidiary; (5) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Funding at maturity and (6) pursuant to its term or other agreement, is fully subordinated and junior in right of payment to the prior payment in full in cash of the Notes.

"**Subordinated Obligation**" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Original Notes Issue Date or thereafter Incurred), which is subordinate or junior in right of payment to the Notes, or a Guarantee of such Person, as the case may be, pursuant to a written agreement to that effect or pursuant to applicable law.

"**Subordinated Shareholder Debt**" means, collectively, any Subordinated Funding provided to the Issuer by any Permitted Holder or Parent Entity.

"**Subsidiary** " means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other equity interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person or (ii) one or more Subsidiaries of such Person.

"**Total Assets**" means the total consolidated assets of the Issuer and its Restricted Subsidiaries on a consolidated basis determined in accordance with IFRS, as shown on the most recent consolidated balance sheet of the Issuer; *provided* that, for purposes of calculating "Total Assets" for purposes of testing the covenants under the Indenture in connection with any transaction, the total consolidated assets of the Issuer and its Restricted Subsidiaries shall be adjusted to reflect any acquisitions and dispositions of assets that have occurred during the period from the date of the applicable balance sheet through the applicable date of determination.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Issuer (other than the Company) that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below; and

(b) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary, but excluding the Company) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Issuer or any other Subsidiary of the Issuer that is not a Subsidiary of the Subsidiary to be so designated; *provided, however,* that either (i) the Subsidiary to be so designated has total assets of €1,000 or less or (ii) if such Subsidiary has assets greater than €1,000, such designation would be permitted under the covenant described under the caption "*Certain Covenants—Limitation on Restricted Payments*"; and *provided, further*, the Board of Directors may not designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or the Company) to be an Unrestricted Subsidiary during any Suspension Period.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however,* that immediately after giving effect to such designation (i) the Issuer could Incur €1.00 of additional Indebtedness under paragraph (a) of the covenant described under the caption "*Certain Covenants—Limitation on Indebtedness*" and (ii) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or one or more other Wholly Owned Subsidiaries.

BOOK-ENTRY; DELIVERY AND FORM

General

The Additional Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"). The Rule 144A Global Note was deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Additional Notes sold outside the United States to non-U.S. persons under Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S Global Note was deposited, on the closing date, with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. The Rule 144A Global Notes together with the Regulation S Global Notes are referred to herein as the "**Global Notes**."

During the 40-day distribution compliance period, Book-Entry Interests in the Regulation S Global Notes may be transferred only to non-U.S. persons under Regulation S or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

In order to comply with the restrictions applicable to the Additional Notes during the distribution compliance period, the Regulation S Global Notes will include both (i) a temporary ISIN and temporary Common Code that are different from the securities identifiers for the Original Notes issued in reliance on Regulation S (the "**Original Regulation S Global Notes**") and (ii) the permanent ISIN and Common Code that are the same as the securities identifiers for the Original Regulation S Global Notes and that will become effective after the distribution compliance period. The Additional Notes issued under the Regulation S Global Notes (the "**Additional Regulation S Global Notes**") is represented by the temporary ISIN and temporary Common Code, and will not be fungible with the Original Regulation S Global Notes during the distribution compliance period from the date of issuance of the Additional Notes through (and including) the 40^{th} day following the date of issuance of the Additional Notes. After the 40^{th} day following the date of issuance of the Additional Notes, the Additional Regulation S Global Notes will automatically become represented by the same permanent ISIN and Common Code as the Original Regulation S Global Notes. At such date, the Additional Regulation S Global Notes will be fungible in all respects with the Original Regulation S Global Notes.

Ownership of interests in the Rule 144A Global Notes (the "**Restricted Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants.

Except under the limited circumstances described below, the Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. Book-Entry Interests will be shown on, and transfers thereof will be affected only through, records maintained in book-entry form by Euroclear and/or Clearstream and/or their direct or indirect participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Additional Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Additional Notes for any purpose.

So long as the Additional Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the holders of the Global Notes for all purposes under the Indenture. As such, beneficial owners of an interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, the procedures provided under the Indenture and the procedures of the participants through which they own Book-Entry Interests in order to transfer their interests or to exercise any rights of holders of the Additional Notes under the Indenture.

None of us, the Paying Agent, the Transfer Agent, the Registrar or the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

The Additional Notes are issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive registered Additional Notes in certificated form ("**Definitive Registered Notes**") only:

(1) if either Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under the Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interests described in the immediately preceding clause (2), their current procedure is to request that we issue or cause to be issued Additional Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream or us, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests.

Subject to the restrictions on transfer referred to below in "—*Transfers*" and as set forth in "*Notice to Investors*," the Additional Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof in respect of the Additional Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at our registered office, and such registration is the sole means of evidencing title to the Additional Notes.

So long as the Additional Notes are listed on the Official List of and the rules of the Irish Stock Exchange plc so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Ireland (which is expected to be The Irish Times). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent.

We will not impose fees or other charges in respect of the Additional Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream and/or any relevant direct or indirect participants.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Additional Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate (including the pool factor); provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on the Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to their respective participants, in accordance with their customary procedures, which in turn will distribute such amounts to their participants and accountholders (and through such processes to the ultimate beneficial owners of the relevant Book-Entry Interests) in accordance with their respective customary procedures.

We will make payments of any amounts owing in respect of the Global Notes without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Additional Notes—Taxation—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Additional Notes—Taxation—Additional Amounts*," we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, we, the Trustee, each transfer agent, the Registrar and each paying agent will treat the registered holders of the Global Notes (i.e., the common depositary or its nominees for Euroclear or Clearstream) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of we, the Trustee, each transfer agent, the Registrar, each paying agent or any of our or their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any direct or indirect participant to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any direct or indirect participant or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any direct or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matters relating to the actions and practices of Euroclear, Clearstream or any direct or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Additional Notes through Euroclear and/or Clearstream (the "**Euroclear/Clearstream Holders**") in euro.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in U.S. dollars.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Global Notes in U.S. dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of us, the Trustee, the Paying Agent, any paying agent, any transfer agent, the Registrar, the Initial Purchaser or any of our or their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Additional Notes (including the presentation of Additional Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Additional Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Additional Notes, each of Euroclear and Clearstream, at the request of the owners of Book-Entry Interests in the Global Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds.

If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Additional Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder may transfer its interest in the Global Notes in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to Investors*."

Book-entry interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of book-entry interests in a Regulation S Global Note through Euroclear or Clearstream and only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Book-entry interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of book-entry interests through Euroclear or Clearstream in a Rule 144A Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities laws of any other jurisdiction.

During the 40-day distribution compliance period, book-entry interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of book-entry interests in a Rule 144A Global Note through Euroclear or Clearstream only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery through Euroclear or Clearstream in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*—Definitive Registered Notes*" above and, if required, only if the transferor first delivers to the Transfer Agent a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Additional Notes. See "*Notice to Investors*."

Information Concerning the Clearing Systems

General

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream and any direct or indirect participants through which such Book-Entry Interests are held. We have provided the following summaries of those operations and procedures of Euroclear and Clearstream solely for the convenience of investors. The operations and procedures of each clearing system are controlled by the respective clearing system and may be changed at any time. Neither we, the Initial Purchaser, nor the Trustee, the Paying Agent, the Transfer Agent or the Registrar are responsible for those operations or procedures

Euroclear and Clearstream

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Additional Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange plc and admitted to trading on its regulated market. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream to another participant in Euroclear or Clearstream (or the reverse), will be effected in the ordinary way in accordance with their respective systems' rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Initial Purchaser, the Trustee, any transfer agent, any registrar, the Paying Agent or any paying agent will have any responsibility for the performance by Euroclear, Clearstream or their direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Additional Notes will be made in euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Additional Notes through Euroclear or Clearstream on days when those systems are open for business.

Trustee's Powers

In considering the interests of the holders of the Additional Notes, while title to the Additional Notes is registered in the name of a nominee of a clearing system, the Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Additional Notes and may consider such interests as if such accountholders were the holders of the Additional Notes.

Enforcement

For the purposes of enforcement of the provisions of the Indenture by the Trustee, the persons named in a certificate of the holder of the Additional Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture to the extent of the principal amounts of their interests in the Additional Notes set out in the certificate of the holder, as if they were themselves the holders of the Additional Notes in such principal amounts.

TAX CONSIDERATIONS

The following summary describes certain, Romanian, European Union and United States federal income tax consequences for holders of the Additional Notes. This discussion is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential Romanian, European Union and United States federal income tax consequences related to your investment in the Additional Notes. We urge you to consult your own tax adviser regarding the specific United States federal, state, local, Romanian and other tax consequences of an investment in the Additional Notes in your own particular factual circumstances.

ROMANIAN TAX CONSIDERATIONS

The following is a general summary of the current tax law and practice in Romania, as at the date of this prospectus, in relation to certain relevant aspects of Romanian taxation of payments made by (i) the Issuer to the holders of the Additional Notes; and (ii) the Company under the Proceeds Loan to the Issuer and its Guarantee to the holders of the Additional Notes.

The following summary is based on Romanian Law no. 227/2015 regarding the Romanian Fiscal Code ("**Romanian Fiscal Code**") and relevant European Union laws. It is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any holder of the Additional Notes. It does not take into account or discuss the tax laws of any country other than Romania. Tax provisions referred to below may be interpreted differently by Romanian tax authorities, governments, tribunals or courts. Romanian taxation is subject to changes that could have retroactive effect, so there can be no assurance that the tax treatment described below will be obtained in practice or will continue to be available in the future.

Tax residency

Since April 21, 2017, the Issuer has been a Romanian tax resident, having its place of effective management in Bucharest, Romania, where all of its strategic and commercial decisions are taken, as well as the day-to-day management is carried out. Since that date, tax affairs of the Issuer have been governed by the provisions of the Romanian Fiscal Code, which imposes certain conditions to be met in order to be subject to tax on the revenues or on the profit obtained in Romania. In determining tax consequences in Romania, the following definitions are of importance:

- **resident**: any Romanian legal entity, any foreign legal entity having the place of effective management in Romania, any legal entity with a registered office in Romania, established according to the European regulations and any resident individual;
- **resident individual:** any individual who meets at least one of the following conditions: (i) has the domicile in Romania, (ii) the center of the vital interests of the individual is located in Romania; (iii) the person is present in Romania for a period or several periods which, cumulated, exceeds 183 days during any period of 12 consecutive months, ending in the calendar year concerned; (iv) the individual is a Romanian citizen who is working abroad, as an officer or an employee of Romania in a foreign state;
- **Romanian legal entity:** any legal entity which has been established and operates in accordance with the Romanian legislation;
- **foreign legal entity**: any legal entity which is not a Romanian legal person and any legal entity established according to the European regulations which does not have a registered office in Romania;
- **non-resident individual**: any individual who does not fulfill the conditions to be considered a resident individual, as well as any individual who is a foreign citizen with diplomatic or consular status in Romania, a foreign citizen which is an officer or an employee of an international and intergovernmental body registered in Romania, a foreign citizen who is an officer or an employee of a foreign state in Romania and the members of their families;
- **non-resident**: any foreign legal entity, any non-resident individual and any other foreign entities, including collective investment undertakings in transferable securities, without legal personality, which are not registered in Romania, according to the law;
- **place of effective management ("POEM")**: the place where key management and commercial decisions that are necessary for the conduct of the entity's business as a whole and/or the place where the general director and other directors who ensure the administration and control of the activity of this entity make their decisions.

At the time of this Offering, a new Ordinance amending the Romanian Fiscal Code is at the final approval stages (the "**New Tax Ordinance**"). The official text of the New Tax Ordinance, however, has not yet been published. Amongst other things, the current draft of the New Tax Ordinance revises the concept of POEM. Based on advice it has received from recognized counsel experienced in such matters, the Issuer believes that the New Tax Ordinance, once final and published, should not change the current tax status of the Issuer. The Issuer is already compliant with the additions and amendments proposed by the current draft of the New Tax Ordinance.

Taxation of the Additional Notes

Resident Romanian holders

As a general rule, resident holders of the Additional Notes that are legal entities will be subject to corporate income tax on income earned from the Additional Notes, including interest income and gains from any disposal of the Additional Notes. Such corporate income tax will be applied based on the rules articulated under Romanian tax laws. The corporate income tax rate in Romania is currently 16%.

Because the Additional Notes are expected to be admitted to trading on the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin), resident Romanian individuals receiving interest income from abroad or incurring gains from the disposal of the Additional Notes, are subject to 10% income tax. The resident individuals are liable to report the investment income to the Romanian tax authorities by the 15th of March of the year following the year in which the income was received, in the annual income tax return. Also, individuals are under an obligation to pay the related income tax liability by 15th of March.

In addition, resident individuals are liable to pay social security health fund contributions if in the previous year they derived cumulated annual income in amount of at least the level of 12 minimum gross salaries (e.g., as at January 2019, the minimum national gross salary is RON 2,080/month) from the following type of activities: investment (e.g., dividends, interest, capital gains), rental, independent activities, agricultural activities, income from the association with a legal entity or income from other sources. The health insurance contribution due is 10% on the threshold.

Non-resident holders

Romanian tax rules applicable to dispositions of Additional Notes by non-resident holders

Gains earned by non-resident holders from disposal through "foreign capital markets" of securities issued by Romanian residents do not represent taxable income in Romania. "Securities" include corporate bonds and other forms of debentures, which are tradeable on capital markets.

The Romanian Fiscal Code does not provide a specific definition for the term "foreign capital markets". Capital markets are usually understood to comprise primary markets (regulated markets) and secondary markets (including alternative transactional systems, other regulated systems and also over-the-counter ("**OTC**") markets). Therefore, "foreign capital markets", for the purposes of the Romanian Fiscal Code, should cover any transactions outside Romania on any type of capital market, including OTC. However, no assurance can be provided that a restrictive interpretation will not be given to that term by Romanian tax authorities (e.g., by limiting the exemption to securities traded on regulated capital markets).

The current form of the Romanian Fiscal Code does not impose any reporting obligations on non-resident holders of Additional Notes in relation to gains derived from trading therein even in the event that the exemption for transactions on foreign capital markets discussed above is unavailable.

In addition, the current draft of the New Tax Ordinance makes gains derived by non-resident legal entities from transfers of securities issued by Romanian residents a taxable income derived from Romania. If this rule is finally adopted, the treatment discussed in the immediately preceding paragraphs will continue to apply, along with an exemption that will still be available through any relevant Double Tax Treaties ("**DTT**"). If an exemption is obtained under a DTT reporting obligations may apply under the current draft of the New Tax Ordinance to non-resident holders, even if no tax will ultimately be due in Romania (e.g., tax registration in Romania for the purpose of filing a nil corporate income tax return, followed by a de-registration).

Note that no comparable requirements to complete a tax registration or to file a nil corporate income tax return are contemplated by the draft Ordinance in the event that the exemption for transactions on foreign capital markets discussed above is available.

Thus, even if the Romanian tax legislation is changed pursuant to the draft Ordinance, non-resident holders may be exempt from taxation of capital gains incurred from the transfer of Additional Notes either (i) under the exemption applicable to transactions performed on foreign capital markets or (ii) under the provisions of the DTT between Romania and their country of tax residency. Noteholders should consult their own tax advisors in order to confirm the tax treatment applicable upon a transfer of Additional Notes at the date of such transfer.

For tax treatment of interest to be paid on Additional Notes to non-resident holders, see "*—Romanian withholding taxes on interest payments made by the Issuer on the Additional Notes to non-resident holders*" below.

Romanian withholding taxes on interest payments made by the Issuer on the Additional Notes to non-resident holders

Interest income received by the holders of the Additional Notes that are not resident in Romania is subject to 16% withholding tax ("**WHT**"), which the Issuer, on behalf of each holder, is required to assess, withhold, declare and pay to the Romanian tax authorities.

However, the terms of the Additional Notes require the Issuer to make payments of interest owed to the holders thereof without any withholding or deduction of any present or future tax, duty, levy, impost, assessment or other governmental charge. Hence, subject to certain limited exceptions, the Issuer will pay in addition to the amount of interest to which any holder of the Additional Notes is entitled, such Additional Amounts as are required to cause the holder to receive the amount that holder would have received had no WHT applied (i.e., the gross-up mechanism), as described under Section "*Description of the Additional Notes—Taxation—Additional Amounts*."

In this respect, the Romanian tax law provides that the provisions of a DTT are not applicable if the WHT is not withheld at source by the payer of the income, but it is effectively born by the latter (i.e., the use of the gross up mechanism). In practice, according to various binding rulings, Romanian tax authorities allow the application of the DTT to prevail over a gross-up clause established commercially only if further to the application of such DTT, nil WHT would be due in Romania.

Based on advice it has received from recognized counsel experienced in such matters, the Issuer believes that a WHT exemption for interest revenue derived from Romanian could be achieved under the DTT between Romania and Germany, Romania and the Netherlands, and also Romania and Ireland. In order to apply the DTT and benefit of the WHT exemption, the Issuer should obtain from holders of Additional Notes a tax residency certificate valid for the year, in which the interest income is derived, as well as a statement of beneficial ownership over the interest income related to the relevant Additional Notes. Should the DTT in force between Romania and each of the Additional Notes holder's tax residency not provide for a WHT exemption on the interest revenues, or holders not provide relevant information to the Issuer in order to be able to apply the DTT, the applicable WHT rate as per Romanian tax law will be 16% (using gross-up mechanism). Moreover, under the Romanian tax law, expenses incurred in paying taxes that are not withheld at source on behalf of non-resident legal entities are non-deductible.

Based on advice it has received from recognized counsel experienced in such matters, the Issuer believes that imposition of Romanian WHT for structures such as the one used to issue the Additional Notes is incorrect and is due to a certain misalignment of Romanian and EU tax legislation.

However, absent specific exception in Romanian tax laws or guidance from Romanian tax authorities, the Issuer has paid (since its tax re-domiciliation to Romania) and will continue to pay, WHT on the Notes (including the Additional Notes) to the Romanian tax authorities and corresponding Additional Amounts to holders of the Notes (including the Additional Notes), as and when due. For the sake of clarity, WHT will be computed by reference to the total payment (i.e. interest plus Additional Amounts) made by the Issuer to holders of the Notes.

Redemption of the Additional Notes

Additional Notes can be redeemed at maturity or at certain earlier dates. "*Description of the Additional Notes—Optional Redemption*."

Based on advice it has received from recognized counsel experienced in such matters, the Issuer believes that repayment of principal amounts of the Additional Notes at maturity or such early redemption date should not trigger any tax implications for non-resident holders, provided that the amount paid at redemption is the same as the amount paid by the holders on acquisition of the Additional Notes. The payment of amounts attributable to accrued interest at an early redemption should be treated as interest subject to WHT, as discussed above.

As regards any other amounts (i.e., other than repayment of principal or payment of accrued interest) paid at redemption, there are no clear rules in the Romanian tax legislation to accurately determine the classification of such other amounts that might be received by the holders from redemption of the Additional Notes. In particular, it cannot be clearly stated from a tax perspective whether such amounts would be treated as capital gains or interest. The classification could also be affected by the specific method of redemption (at maturity or early, and if early the relevant redemption provisions that apply).

In the event of early redemption, the Issuer reserves its right to apply the tax treatment according to the tax advice it will seek at that time. However, no assurance can be provided that the Romanian tax authorities would agree with such treatment. Therefore, each holder should consult its own tax advisors in connection with the tax treatment applicable to its specific situation in the event of an early redemption or redemption at maturity.

VAT

Under Romanian VAT legislation, transactions with bonds (i.e. issuance, trading, redemption, related interest), including negotiations, but excluding the administration and deposit of such instruments, are operations exempted from VAT. As such, no Romanian VAT should apply for non-resident and resident holders on the acquisition, receipt of interest, or disposal of the Additional Notes.

Payments by the Company under the Proceeds Loan and its Guarantee

Repayments of principal, payments of interest or payments in relation to any penalties or indemnities for losses made by the Company to the Issuer under the Proceeds Loan are not subject to Romanian withholding tax.

The treatment of the payments made by the Company to the holders of the Additional Notes under its Guarantees is not clear under current Romanian tax law. Based on advice it has received from recognized counsel experienced in such matters, the Issuer understands that there is a high likelihood that the Romanian tax authorities will determine the nature of any payment made by the Company under its Guarantee by reference to the nature of the payment owed by the Issuer under or in respect of the Additional Notes (which payments, as explicitly stated in the prospectus, may consist of principal, interest and penalties) in relation to which such payment under the Company's Guarantee was made.

Under the Romanian withholding tax regime, interest payments made to the holders of the Additional Notes by the Company under its Guarantee should be subject to a 16% withholding tax on the payments of interest, premiums or other income having the nature of interest, although under the terms of its Guarantee the Company would be obliged to pay such Additional Amounts as would result in receipt by the holders of the Additional Notes of such amounts as would have been received by them had no such Romanian withholding tax been imposed.

No withholding tax should be imposed on any payment of principal or any payment of penalties under the Guarantee.

DUTCH TAX CONSIDERATIONS

General

This is a general summary and the tax consequences as described here may not apply to a holder of the Additional Notes. Any potential investors should consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of the Additional Notes in their particular circumstances.

This taxation summary solely addresses the principal Netherlands tax consequences of the acquisition, the ownership and disposition of the Additional Notes issued by Issuer after the date hereof held by a holder of the Additional Notes who is not a resident of the Netherlands. It does not consider every aspect of taxation that may be relevant to a particular holder of the Additional Notes under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Netherlands concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Netherlands concepts under Netherlands tax law.

This summary is based on the tax laws of the Netherlands as they are in force and in effect on the date of this prospectus. The Netherlands means the part of the Kingdom of the Netherlands located in Europe. The laws upon which this summary is based are subject to change, potentially with retroactive effect. A change to such laws may invalidate the contents of this summary, which will not be updated to reflect any such change. This summary assumes that each transaction with respect to the Additional Notes is at arm's length.

Withholding Tax

All payments by the Issuer under the Additional Notes will be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

A holder of the Additional Notes will not be subject to any Netherlands taxes on income or capital gains in respect of the Additional Notes, including such tax on any payment under the Additional Notes or in respect of any gain realised on the disposal, deemed disposal or exchange of the Additional Notes, provided that:

- such holder is neither a resident nor deemed to be a resident of the Netherlands, Bonaire, Saint Eustatius or Saba;
- such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, Bonaire, Saint Eustatius or Saba, and to which enterprise or part of an enterprise, as the case may be, the Additional Notes are attributable, or is, other than by way of securities, entitled to a share in the profits of an

enterprise or a co-entitlement to the net worth of the enterprise, that is effectively managed in the Netherlands and to which enterprise the Notes are attributable;

- if such holder is an individual, neither such holder nor any of the holder's spouse, partner, a person deemed to be the holder's partner, or other persons sharing such holder's house or household, or certain other of such holder's relatives (including foster children), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the "**Settlor**"), or upon the death of the Settlor, the Settlor's beneficiaries (the "**Beneficiaries**") in proportion to their entitlement to the estate of the Settlor, of a trust, foundation or similar arrangement (a "**Trust**"), (a) indirectly has control of the proceeds of the Additional Notes in the Netherlands, nor (b) has a substantial interest in the Issuer and/or any other entity that legally or *de facto*, directly or indirectly, has control of the proceeds of the Additional Notes in the Netherlands. For purposes of this clause (iii), a substantial interest is generally not present if a holder does not hold, alone or together with the holder's spouse, partner, a person deemed to be such holder's partner, other persons sharing such holder's house or household, certain other of such holder's relatives (including foster children), or a Trust of which the holder or any of the aforementioned persons is a Settlor or a Beneficiary, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued), shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of a company; (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*), or membership rights in a co-operative association, that relate to 5% or more of the annual profit of a company or co-operative association or to 5% or more of the liquidation proceeds of a company or co-operative association; or (c) membership rights representing 5% or more of the voting rights in a co-operative association's general meeting;
- if such holder is a company, such holder has no (deemed) substantial interest in the Issuer, or if such holder has a (deemed) substantial interest in the Issuer, (a) such substantial interest is not held with the avoidance of Netherlands income tax as (one of) the main purpose(s), or (b) such substantial interest does not form part of an artificial structure or series of structures (such as structures which are not put into place for valid business reasons reflecting economic reality). For purposes of this clause (iv), a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire (whether or not already issued) shares representing 5% or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company; or (b) the ownership of, or certain other rights, such as usufruct, over profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit of a company or to 5% or more of the liquidation proceeds of a company. A holder of the Additional Notes will generally have a deemed substantial interest if such holder has the ownership of, or other rights over, shares in, or profit certificates issued by, a company that represent less than 5% of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights thereover have been, or are deemed to have been, partially disposed of, or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment; and
- if such holder is an individual, such income or capital gain does not form a "benefit from miscellaneous activities" in the Netherlands ("*resultaat uit overige werkzaamheden*") which, for instance, would be the case if the activities in the Netherlands with respect to the Additional Notes exceed "normal active asset management" ("*normaal, actief vermogensbeheer*") or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (a "lucrative interest;" *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

Gift, Estate or Inheritance Taxes

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of the Additional Notes by way of a gift by, or on the death of, a holder who is neither resident nor deemed to be resident in the Netherlands for Netherlands inheritance and gift tax purposes, unless in the case of a gift of the Additional Notes by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance tax, an individual with the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the ten years preceding the date of the gift or the individual's death.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such individual has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

For purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

For purposes of Netherlands gift, estate and inheritance taxes, (i) a gift by a Trust, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, the Settlor's Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the Settlor of the Trust for purposes of the Netherlands gift, estate and inheritance tax in case of subsequent gifts or inheritances.

Value Added Tax

There is no Netherlands value added tax payable in respect of payments in consideration for the issue of the Additional Notes, in respect of the payment of interest or principal under the Additional Notes, or the transfer of the Additional Notes.

Other Taxes and Duties

There is no Netherlands registration tax, capital tax, stamp duty or any other similar tax or duty payable (other than court fees) in the Netherlands by a holder of the Additional Notes in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of the Additional Notes or the performance of the obligations of the Issuer under the Additional Notes.

Residence

A holder of the Additional Notes will not be treated as a resident of the Netherlands by reason only of the holding of the Additional Notes or the execution, performance, delivery and/or enforcement of the Additional Notes.

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Additional Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Additional Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Additional Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary based on present law of certain United States federal income tax considerations relevant to the purchase, ownership and disposition of Additional Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Additional Notes in the Offering, hold Additional Notes as capital assets and use the U.S. dollar as their functional currency. This discussion is not a complete description of all U.S. federal income tax considerations relating to the purchase, ownership and disposition of Additional Notes and is not a substitute for tax advice. It does not address all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including tax consequences that may be applicable to prospective investors subject to special rules, such as banks, thrifts, certain other financial institutions, dealers in securities or currencies, traders that elect to mark-to-market, regulated investment companies, real estate investment trusts, insurance companies, investors liable for the alternative minimum tax, certain U.S. expatriates, tax-exempt entities, pass-through entities, including partnerships and S-corporations, or persons holding the Additional Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of U.S. Holders that will hold Additional Notes in connection with a permanent establishment or fixed base outside of the United States. It does not consider U.S. federal taxes other than income taxes (such as estate or gift taxes or the Medicare surtax on net investment income) or U.S.

state or local tax matters or non-U.S. tax considerations. The Additional Notes are debt in form and, if required, the Issuer intends to treat the Additional Notes as debt for all U.S. federal income tax purposes. The following discussion assumes that treatment is correct.

EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM ITS OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN ADDITIONAL NOTES UNDER THE LAWS OF THE NETHERLANDS, ROMANIA, THE EUROPEAN UNION, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Additional Notes that is, for purposes of U.S. federal income taxation, (i) a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that acquires, holds and disposes of Additional Notes will depend on the status of the partner and the activities of the partnership. Partnerships are urged to consult their own tax advisers regarding the specific tax consequences to their partners of purchasing, owning and disposing of Additional Notes.

United States persons that use an accrual method of accounting for tax purposes ("accrual method holders") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "book/tax conformity rule"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

Issue Price and Issue Date of the Additional Notes

The Issuer expects the issuance of the Additional Notes to be treated as a "qualified reopening" of the Initial Notes for U.S. federal income tax purposes and, to the extent required to take a position for such purposes, intends to treat the Additional Notes as such. Debt instruments issued in a qualified reopening for U.S. federal income tax purposes are deemed to be part of the same issue as the original debt instruments and, therefore, are treated as having the same issue price and issue date as the original debt instruments. Assuming that the issuance of the Additional Notes is treated as a qualified reopening of the Initial Notes for U.S. federal income tax purposes, the Additional Notes will be treated as issued on the same date and at the same issue price as the Initial Notes for such purposes. The Initial Notes were issued on October 26, 2016 at an "issue price" equal to 100.00% of their principal amount. Accordingly, the Issuer intends to treat the Additional Notes as issued without OID. The remainder of this discussion assumes that the issuance of the Additional Notes offered hereby will be treated as a qualified reopening of the Initial Notes for U.S. federal income tax purposes.

Interest

The offering price for the Additional Notes will include amounts attributable to interest accrued from October 15, 2018, which, for the purposes of this discussion, is referred to as "***pre-issuance accrued interest***." Pre-issuance accrued interest will be included in the accrued interest to be paid on the Additional Notes on the first interest payment date after the issuance of the Additional Notes. The portion equal to the first stated interest payment paid after the issuance of the Additional Notes equal to the pre-issuance accrued interest will be treated as a non-taxable return of such pre-issuance accrued interest and, accordingly, will not be taxable as interest on the Additional Notes. However, a U.S. Holder will generally be required to recognize foreign currency gain or loss, as discussed further below, equal to the difference between the U.S. dollar value of the pre-issuance accrued interest on the date of acquisition of the Additional Notes and the on the date of payment of such pre-issuance accrued interest.

Except as described above in the case of pre-issuance accrued interest, interest on the Additional Notes (including any tax withheld therefrom and Additional Amounts paid, if any, in respect of such withheld tax) generally will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. The interest on the Additional Notes will generally be ordinary income from sources outside the United States.

Each U.S. Holder should consult the sections in this prospectus entitled "*—Tax Considerations—Romanian Tax Considerations—Taxation of the Additional Notes—Non-resident holders—Romanian withholding taxes on interest payments made by the Issuer on the Additional Notes to non-resident holders*" and "*—Payments by the Company under the Proceeds Loan and the Guarantee*" for a summary of Romanian withholding that may be imposed on interest payments on the Additional Notes or under the Guarantee. Each U.S. Holder should consult its own tax advisor about its eligibility for, and the procedure for applying the income tax treaty between the United States and Romania (the "**Treaty**"). In the event any Romanian tax is withheld from a payment on the Additional Notes or under the Guarantee, each U.S. Holder should consult its own tax advisor about its eligibility for, and the procedures for claiming, a reduced rate of Romanian withholding tax under the Treaty. Subject to applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit only for tax withheld at the appropriate rate.

A cash basis U.S. Holder receiving stated interest in euro must include in income a U.S. dollar amount based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder generally must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of a payment of stated interest in euro (including, upon sale of an Additional Note, the receipt of proceeds which include accrued, unpaid interest previously included in income), a U.S. Holder will recognize exchange gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Exchange gain or loss will be U.S. source ordinary income or loss.

An accrual basis U.S. Holder may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, for an accrual period that spans two taxable years, in the case of the first partial period, the last day of the taxable year) or, with respect to interest received within five business days of the last day of an interest accrual period, the spot exchange rate on the date of receipt. Currency translation elections apply to all debt instruments that the electing U.S. Holder holds or acquires, and they cannot be revoked without the consent of the IRS.

Upon receipt of a payment of stated interest in euro (including, upon sale of an Additional Note, the receipt of proceeds which include accrued, unpaid interest previously included in income), U.S. Holders that have accrued interest will recognize foreign currency gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Subject to the discussion of pre-issuance accrued interest above, for these purposes, all receipts on an Additional Note will be treated first, as payment of stated interest payable on the Additional Note and, thereafter, as receipt of principal. Amortizable bond premium, as discussed below, may reduce the euro amount of interest income. Foreign currency gain or loss will be U.S. source ordinary income or loss.

For purposes of this discussion, the "spot exchange rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "spot contract" is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The "average rate" for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

Amortizable Bond Premium

The Additional Notes may be sold in the Offering at a price (excluding amounts paid in respect of pre-issuance accrued interest) that exceeds their stated principal amount. In such circumstances, a U.S. Holder will generally be considered to have purchased the Additional Notes with amortizable bond premium equal to the amount of such excess. A U.S. Holder generally may elect to amortize the premium using a constant yield method over the remaining term of the Additional Note as an offset to interest when included in income in accordance with such holder's regular method of tax accounting. This election to amortize premium on a constant yield method will apply to all debt obligations (other than debt obligations the interest on which is excludable from gross income) held by such U.S. Holder as of the beginning of, or acquired during or after, the first taxable year for which the election applies and may not be revoked without the consent of the IRS. If a U.S. Holder makes the election to amortize bond premium with respect to an Additional Note, such holder will be required to reduce its adjusted tax basis in such Additional Note by the amount of the premium amortized. A U.S. Holder that elects to amortize bond premium with respect to an Additional Note will generally be required to recognize foreign currency gain or loss equal to the U.S. dollar value of the bond premium amortized during the accrual period on the date that the interest for such period is received and the U.S. dollar value of such amortized bond premium on the date of the acquisition of such Additional Note. If a U.S. Holder does not elect to amortize bond premium, that premium will decrease the gain or increase the loss such holder would otherwise recognize on the sale, exchange, redemption, retirement or other taxable disposition of the Additional Note. Prospective investors should consult their own tax advisors regarding this election.

The Additional Notes are subject to call provisions at various times. As a result, a U.S. Holder may be required to calculate the amount of amortizable bond premium based on the amount payable on an applicable call date if the use of the call price and the call date results in a smaller amortizable bond premium for the period ending on the call date. A U.S. Holder's ability to amortize bond premium may be limited or deferred under these rules. Prospective investors should consult their own tax advisors regarding the calculation of amortizable bond premium.

Sale, Redemption, Retirement or other Disposition

A U.S. Holder generally will recognize gain or loss on the sale, redemption, retirement or other taxable disposition of an Additional Note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest (other than any pre-issuance accrued interest), which will be taxable as ordinary interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Additional Note, determined in U.S. dollars. The U.S. dollar amount realized in euro will be the value of the euro received at the spot exchange rate on the date of disposition (or, if the Additional Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). An accrual basis U.S. Holder that does not elect to determine the amount realized at the spot rate on the settlement date will recognize foreign currency gain or loss to the extent there is a difference between the spot exchange rate on the disposition date and the settlement date. A U.S. Holder's adjusted tax basis in an Additional Note generally will be the U.S. dollar value of the euro used to purchase the Additional Note (less any amount attributable to pre-issuance accrued interest) at the spot exchange rate on the purchase date (or, if the Additional Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date), decreased by any amortized bond premium (as discussed above).

Gain or loss realized on disposition of an Additional Note will generally be considered gain or loss from U.S. sources and will, except to the extent of any foreign currency exchange gain or loss, be capital gain or loss. A U.S. Holder generally will recognize foreign currency exchange gain or loss on disposition of an Additional Note equal to the difference between the U.S. dollar value of the principal amount of the Additional Note on the date of acquisition and the date of disposition (or, if the Additional Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date). In addition, upon the sale, redemption, retirement or other taxable disposition of an Additional Note, a U.S. Holder may recognize foreign currency gain or loss attributable to amounts received with respect to accrued and unpaid interest as discussed above under "—*Interest*." Foreign currency exchange gain or loss cannot exceed overall gain or loss realized on disposition of the Additional Note. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Additional Note for more than one year at the time of the disposition. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

If a U.S. Holder recognizes capital gain or loss and such gain or loss is subject to Romanian withholding tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Additional Notes and whether any relief from Romanian withholding tax may be available under the Treaty.

Foreign currency exchange gain or loss

A U.S. Holder will have a tax basis in euro received as interest on the Additional Notes equal to the U.S. dollar value of the euro received translated at the spot exchange rate on the date of receipt. A U.S. Holder will have a tax basis in euro received on the disposition of an Additional Note equal to the U.S. dollar amount realized. Any gain or loss realized by a U.S. Holder on an exchange or other disposition of the euro generally will be U.S. source ordinary income or loss.

Reportable Transactions

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under these U.S. Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a debt instrument or foreign currency received in respect of a debt instrument to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of $50,000, in the case of an individual holder and certain higher threshold amounts in the case of other holders. U.S. Holders subject to these reporting rules that fail to timely file a required disclosure may be subject to substantial penalties. Prospective investors should consult their own tax advisors about the possibility of becoming subject to these reporting rules.

Information reporting and backup withholding

Payments of interest and proceeds from the sale, redemption or other disposition of an Additional Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Additional Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of these information reporting requirements on their investment in Additional Notes.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

CERTAIN INSOLVENCY AND ENFORCEABILITY CONSIDERATIONS

The Netherlands

Insolvency

The Issuer is incorporated under the laws of the Netherlands. In the event of insolvency of a Dutch company having its center of main interests in the Netherlands (the "**Dutch Provider**"), any insolvency proceedings relating to the Dutch Provider would likely be based on Dutch insolvency law. Under certain circumstances, secondary or territorial bankruptcy proceedings may be opened in the Netherlands in accordance with Dutch law against companies that are not established under Dutch law provided that such company has an establishment in the Netherlands.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law: the first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set out below.

Suspension of payments

An application for a suspension of payments can only be made by the debtor itself. Once the request for a suspension of payments is filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint an administrator (*bewindvoerder*) and often also a supervisor judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive suspension. If a draft composition (*ontwerpakkoord*) is filed simultaneously with the application for suspension of payments, a court can order that the composition will be processed before a decision about a definitive suspension of payments. If the composition is accepted and subsequently confirmed by a court (*gehomologeerd*), the provisional suspension ends as soon as a court's decision becomes final. The definitive suspension will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The suspension of payments is only effective with regard to unsecured non-preferential creditors. Secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in a suspension of payments to satisfy their claims as if there were no suspension of payments. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. However, pursuant to article 241a Dutch Bankruptcy Act (*Faillissmentswet*) a court may order a "cooling-off period" (*afkoelingsperiode*) for a maximum period of two months (and potentially an additional two months) during which enforcement actions by secured or preferential creditors are barred. Also in a definitive suspension of payments, a composition (*akkoord*) may be offered to creditors. A composition will generally be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the recognized and of the admitted creditors present or represented at the meeting representing at least 50% of the amount of the recognized and of the admitted claims, and (ii) subsequently ratified (*gehomologeerd*) by a court. Under certain conditions, a court or supervisory judge (*rechter-commissaris*) (as the case may be) may derogate from this procedure. Consequently, Dutch insolvency law could preclude or inhibit the ability of the holders of the Notes to effect a restructuring. Interest payments that fall due after the date on which a suspension of payments is granted cannot be claimed in a composition.

Bankruptcy

Bankruptcy can be applied for either by the debtor itself or by a creditor if the debtor has ceased to pay its debts as they fall due. This is deemed to be the case if the debtor has at least two creditors (at least one of which has a claim that is due and payable and remains unpaid). There is no legal duty for a debtor to file for its own bankruptcy. However, if the managing board of a company realizes that the company is or will be unable to pay its debts when they come due, it is required to take appropriate measures, which could include the cessation of trading, notification of creditors and the filing for either bankruptcy or a suspension of payments (as described above).

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors in accordance with the respective rank and priority of their claims. Simultaneously with the opening of the bankruptcy, a Dutch bankruptcy trustee (*curator*) and a supervisory judge (*rechter-commissaris*) are appointed. The bankruptcy trustee is charged with the administration and liquidation of the bankruptcy estate and acts under the supervision of the supervisory judge. Under Dutch law, as soon as a debtor is declared bankrupt, all pending executions of judgments against such debtor will be terminated by operation of law and all attachments on the debtor's assets will be released by operation of law. Legal proceedings to procure payment from the estate that are pending on the date of the bankruptcy order are automatically stayed.

The basic principle of Dutch bankruptcy law is the so-called *paritas creditorum* (principle of equal treatment) which means that all creditors have an equal right to payment and that the proceeds of bankruptcy proceedings shall be distributed in proportion to the size of their claims. However, creditors with collateral security (*zakelijke zekerheidsrechten*) over assets in a bankruptcy estate are able to exercise their rights as if no formal insolvency procedure has occurred. Furthermore, certain preferred creditors (such as, but without limitation, the tax and social security authorities) will have special rights that take priority over the rights of other creditors. Each of these claims, except for secured claims, will have to be submitted to the bankruptcy trustee to be verified. "Verification" under Dutch law means that the bankruptcy trustee determines the value of the claim and whether and to what extent the claim will be admitted in the bankruptcy proceedings for the purpose of the distribution of the proceeds. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of the noteholders that are due and payable by their terms within one year of the date of the bankruptcy of the Issuer or security grantor will be accelerated and become due and payable as of that date. The valuation of claims that would not have been payable within one year from the date of the bankruptcy may be based on a net present value analysis. Interest payments that fall due after the date of the bankruptcy cannot be verified. The existence, value and ranking of any claims submitted by the noteholders may be challenged in the Dutch bankruptcy proceedings. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed. Generally, in a creditors' meeting (*verificatie vergadering*), the bankruptcy trustee, the insolvent debtor and all provisionally verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooi procedure*). Such separate court procedures could also cause payments to the holders of the Notes to be delayed compared with holders of undisputed claims.

If it is likely that there will be insufficient assets in the bankruptcy estate to distribute to the unsecured creditors, the bankruptcy judge may decide, at the request of the bankruptcy trustee, that it will not be necessary to deal with the unsecured claims and that there will not be a meeting at which claims are admitted or rejected. If the bankruptcy estate is sufficient to make a distribution to unsecured non-preferential creditors, remaining amounts after satisfaction of the secured and the preferential creditors are distributed among the positively verified unsecured non-preferential creditors, who will be satisfied on a pro rata basis. Pursuant to article 138 Dutch Bankruptcy Act a composition may be offered to creditors, which shall in general be binding on unsecured non-preferential creditors if (i) it is approved by a simple majority of the unsecured non-preferential creditors present or represented at the meeting, with admitted and provisionally admitted claims representing at least 50% of the total amount of the admitted and provisionally admitted unsecured non preferential claims, and (ii) subsequently ratified (*gehomologeerd*) by the court. Under certain conditions, the supervisory judge (*rechter-commissaris*) may derogate from this procedure. The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Foreign creditors are, in general, not treated differently from creditors that are incorporated or residing in the Netherlands.

As mentioned above, secured creditors which have a right in rem (*goederenrechtelijke rechten*) may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in suspension of payments proceedings, the court may order a "cooling-off period" (*afkoelingsperiode*) on the basis of article 63a Dutch Bankruptcy Act for a maximum of two months during (and potentially an additional two months) which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Furthermore the bankruptcy trustee may force a secured creditor to realize its security right by giving the creditor notice to do so within a reasonable time. A failure to take recourse by the creditor will result in the creditor forfeiting its rights to enforce its security rights, albeit that its claim shall continue to be preferred. However, in such an event the creditor must contribute to costs of the bankruptcy which may be considerable. Any excess proceeds of enforcement and for which there is no valid security right must be returned to the bankruptcy estate and may not be off set to any unsecured claims against the debtor.

Moreover, to the extent that Dutch law applies, a legal act performed by a debtor (including, without limitation, the provision of security or an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its bankruptcy trustee. This can occur if (i) the insolvent debtor performed such acts without an obligation to do so (*onverplicht*), (ii) generally the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (iii) at the time the act was performed both the insolvent debtor and (unless the act was for no consideration (*om niet*)) the party with whom or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced. In addition, in the case of such a bankruptcy, the bankruptcy trustee may nullify the debtor's performance of any due and payable obligation (including (without limitation) an obligation to provide security for any of its or a third party's obligations) if (i) the payee (*hij die betaling ontving*) knew that a request for bankruptcy had been filed at the moment of payment, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

Limitations on Validity and Enforceability of the Security Interests

Pursuant to Dutch law, payment under a security document may be withheld under the doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other defenses afforded by Netherlands law to obligors generally. Other general defenses include claims that a guarantee or security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*); furthermore, under Netherlands law, a party to an agreement may under certain circumstances suspend performance of its obligations under such agreement pursuant to the *exceptio non-adimpleti contractus* or otherwise.

Under Dutch rules on financial assistance, a public company (*naamloze ven nootschap*) may not grant guarantees or collateral with a view to the acquisition of the shares in its capital by a third party. This prohibition also applies to any subsidiaries of the relevant public limited-liability company (including foreign subsidiaries). It is generally assumed that a guarantee or collateral which violates Dutch financial assistance rules prohibitions is null and void. More specifically, if a guarantee or collateral partly violates financial assistance prohibitions, the guarantee or collateral will be void for that part. In addition, there is a risk that the void part will contaminate the remainder of the guarantee or collateral so that, from a Dutch law perspective, the guarantee or collateral is void in its entirety. In order to enable Dutch subsidiaries to grant guarantees or other collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Dutch rules on financial assistance, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so called “limitation language” in relation to subsidiaries incorporated or established in the Netherlands. Pursuant to such limitation language, it is agreed between the relevant parties that such guarantee or collateral is deemed not to be given to the extent the same would constitute a violation of the Dutch rules on financial assistance.

Pursuant to Dutch law it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries could use a parallel debt structure, whereby the Dutch subsidiaries, as separate and independent obligations, undertake to pay to the Security Agent on behalf of the holders of the Notes offered hereby amounts equal to the amounts due by it to the other creditors. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest. Consequently, the security interests are granted to the Security Agent on behalf of the holders of the Notes offered hereby in its own capacity as creditor acting in its own name pursuant to the parallel debt, and not as a representative (*vertegenwoordiger*) of the creditors. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such a parallel debt structure has never been tested before a Dutch court and we cannot assure that it will mitigate or eliminate the risk of unenforceability posed by Dutch law.

A Dutch security interest can only serve as security for monetary claims (*geldvorderingen*) and be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property must be carried out in accordance with applicable provisions and limitations in the Netherlands Civil Code (*Burgerlijk Wetboek*) and the Netherlands Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

Under Dutch law, receipt of any payment made by the Issuer under security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such security interest. The validity and enforceability of a security interest granted by or in, the Issuer may also be successfully contested by the Issuer (or their bankruptcy trustee in bankruptcy) on the basis of an ultra vires claim. The validity and enforceability of the obligations of the Dutch subsidiaries under security interest may also be successfully contested by any creditor, or by the subsidiaries’ respective bankruptcy trustee in bankruptcy when the subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for voidable preference under the Netherlands Civil Code and Netherlands Bankruptcy Act are met. As a result, the value of the security interests provided by the Issuer may be limited.

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its bankruptcy trustee in bankruptcy if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Dutch Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity’s articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company’s corporate interests (*vennootschappelijk belang*) and to its benefit; and whether the subsistence of the company is jeopardized by the transaction.

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy. Pursuant to the *actio pauliana* provisions, legal acts performed by a natural or legal debtor can be challenged in or outside bankruptcy of the relevant debtor and may be nullified by the liquidator in bankruptcy or by any creditor of that debtor outside bankruptcy, if: (i) such debtor performed such acts without an obligation to do so (*onverplicht*), (ii) the concerned creditor or, in the case of bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act, and (iii) at the time the act was performed both the relevant debtor and the counterparty knew or should have known that one or more of the debtor's creditors (existing or future) would be prejudiced in their means of recovery. This is different if the act was entered into for no consideration (*om niet*), in which case such knowledge by the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance.

The liability of the Issuer under the relevant security documents, will be limited to the amount that will result in such security interest not constituting a fraudulent preference or conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurances as to what standard a court will apply in making a determination of the maximum liability of the Issuer. There is a possibility that the entire security interest may be set aside, in which case the entire liability may be extinguished.

If a court were to find that the issuance of the Notes, or the granting of the security, was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such security documents are ineffective, could void the security over the collateral, or could require the holders of the Notes to repay any amounts received with respect to the Notes or any enforcement proceeds received from enforcement of the security. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the Issuer and would be a creditor solely of the Guarantor, any other guarantor or security provider, if applicable, under any Guarantee or Security Documents that have not been declared void.

Romania

The following is a summary of certain insolvency law considerations in Romania, where the Company is organized. This description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Guarantee, the Collateral or the Proceeds Loan. Prospective investors in the Additional Notes should consult their own legal advisors with respect to such limitations and considerations.

Ad-hoc mandate and preventive concordat proceedings

Law no. 85/2014 on insolvency prevention and insolvency procedures, as amended (the "**Insolvency Code**"), the main Romanian statute governing insolvency proceedings, currently sets forth two mechanisms under which companies in financial distress may seek redress. These mechanisms are: (i) the ad-hoc mandate (*mandatul ad-hoc*); and (ii) the preventive concordat (*concordatul preventiv*).

The ad-hoc mandate

The ad-hoc mandate is a confidential procedure initiated at the request of any company facing financial difficulties. The Insolvency Code defines the debtor facing financial difficulties as the debtor which, although it performs or is able to perform its due obligations, has low short term liquidity and / or a high long term indebtedness, which may affect the performance of its contractual obligations with the resources generated by its operational activity or obtained from financial activity.

The procedure may be initiated by the debtor by filing a request with the competent court for the appointment of an ad-hoc representative (who must be a licensed insolvency practitioner).

The request must contain a detailed description of the reasons why the appointment of an ad-hoc representative is necessary. The appointment of the ad-hoc representative is decided (approved or dismissed) by the court following a fast and confidential procedure.

Under the Insolvency Code the ad-hoc representative's mandate is to reach an agreement with one or more creditors, mainly in view of: (i) overcoming the financial distress situation; (ii) safeguarding the debtor; (iii) maintaining the employment positions; and (iv) satisfying the receivables held by creditors against the debtor.

An agreement with the creditors must be reached within 90 calendar days of the date of the ad-hoc representative's appointment.

The ad-hoc representative may propose certain measures aimed at fulfilling its mandate's objective, such as full or partial remission of debt, re-scheduling of payments, maintenance or cessation of certain contracts and layoffs.

The ad-hoc mandate does not suspend the enforcement proceedings that can be initiated by the creditors to recover their outstanding debt (together with the interest, penalties or other expenses), nor does it prevent the creditors from initiating insolvency proceedings.

The ad-hoc mandate is terminated either: (i) by unilateral notice given by the debtor or by the ad-hoc representative; (ii) if an agreement between the debtor and its creditors is reached; or (iii) if no such agreement is reached within the 90-day deadline.

The preventive concordat

The preventive concordat is a procedure whereby a company facing financial difficulties but which is not insolvent may enter into an agreement with all or some of its creditors to implement a recovery plan for its business and for the payment of its outstanding debts.

Certain entities cannot benefit from this procedure. These include, under the Insolvency Code, (i) companies that benefitted from a failed preventive concordat procedure within the three years preceding the offer of preventive concordat, (ii) companies that were convicted or the shareholders (save for holders of bearer shares) or directors of which were convicted for certain criminal acts within the five years preceding the opening of the procedure or (iii) companies whose management was held liable for (part of) the liabilities of the company, having caused the insolvency of the debtor.

The request for a preventive concordat is filed by the debtor with the competent court. The preventive concordat procedure is conducted by a concordat manager (*administrator concordatar*), being a licensed insolvency practitioner proposed by the debtor and appointed by the insolvency judge.

The main role of the concordat manager is to prepare, together with the debtor, the list of creditors and a concordat offer within 30 days from its appointment. Such concordat offer should include the concordat project and the recovery plan, accompanied by (i) the statement issued by the debtor acknowledging the state of financial distress and (ii) a list of known creditors (including those whose receivables are partially or fully challenged), also stating the value of the receivables and related preference circumstances that have been accepted by the debtor. The term within which the receivables of the participating creditors must be paid cannot exceed 24 months from the date of the validation (*omologare*) of such concordat project by enforceable decision of the court. Such term may be extended by an additional 12 months. During the first year of the concordat period, the debtor shall pay a minimum of 20% of the value of the receivables established under the concordat project. Payments due under agreements extending beyond the 24-month term or postponed beyond this term shall be made as they fall due.

On the basis of the concordat offer, the debtor may request that the insolvency judge grant a temporary stay on enforcement proceedings, substantially under the same conditions applicable to injunction proceedings. Such a suspension may last until (i) the concordat is validated by an enforceable decision of the insolvency judge, or (ii) the rejection of the concordat offer by the creditors whose receivables are not challenged, in accordance with the conditions set forth by the applicable law, if no agreement is reached.

In order to reach an agreement on the preventive concordat, the debtor, in the presence of the concordat manager, may organize one or several individual or collective negotiation sessions with the creditors. The creditors must cast their vote on the concordat offer (with potential amendments resulting from negotiations) within 60 days from receipt of the preventive concordat offer. Unconditional votes are deemed affirmative votes, while conditional votes are deemed negative votes. A preventive concordat is approved with the votes of the creditors representing 75% of the value of the accepted and unchallenged receivables. However, creditors which, directly or indirectly, control, are controlled by or are under common control with the debtor, can only vote if the concordat would grant them less than what they would have received in bankruptcy.

After its approval, the preventive concordat is validated by the insolvency judge (at the request of the concordat manager and provided that the applicable conditions are met) and subsequently communicated to the creditors and registered with the Romanian trade registry office ("**Trade Registry**").

Upon communication of the court decision validating the preventive concordat, all individual enforcement proceedings and the course of all ongoing limitation periods are suspended, to the extent that they concern or involve the creditors who have signed the preventive concordat. The Insolvency Code provides that the interests, penalties and any other expenses related to the outstanding receivables are not suspended, unless the creditors who have signed the preventive concordat expressly agreed to the contrary by the concordat agreement.

To render the preventive concordat enforceable against creditors (both known and unknown) who did not execute it, the concordat manager must request that the insolvency judge validate the preventive concordat. The request is approved if the following conditions are met: (i) the value of the receivables that are challenged or under litigation does not exceed 25% of all receivables of the creditors; and (ii) the preventive concordat was approved by the creditors representing at least 75% of the value of the accepted and unchallenged receivables.

Upon validating the preventive concordat, the insolvency judge also orders the suspension of all enforcement procedures against the debtor. At the request of the concordat manager and conditional upon the debtor granting guarantees to the creditors, the insolvency judge may postpone the due date of the receivables of the creditors who did not execute the preventive concordat for a period of up to 18 months. Subject to certain exceptions, no interest, penalties or other related expenses will apply within this period. Additional requirements apply to make the preventive concordat agreement enforceable against creditors holding budgetary claims (e.g., taxes, contributions, fines).

The preventive concordat may be challenged by, among others, the creditors who voted against it. The challenge must be filed within 15 days or six months as of the validation of the concordat by the insolvency judge, depending on whether it is based on reasons of relative nullity (*nulitate relativa*) or on reasons of absolute nullity (*nulitate absoluta*), respectively.

As long as a validated preventive concordat is in effect, no insolvency proceeding can be opened against the debtor.

Any creditor obtaining a writ of enforcement (*titlu executoriu*) against the debtor during the preventive concordat procedure may request to adhere to the preventive concordat or recover its receivables through any other means provided by law (e.g., enforcement).

The measures set out in the preventive concordat, including alterations to receivables, also benefit to the co-debtors, guarantors and third-party security providers of the debtor.

Insolvency considerations and certain limitations on validity and enforceability

Jurisdiction of Romanian courts

The Company is organized under the laws of Romania and has its statutory seat (*sediu social*) in Romania. Therefore, Romania is presumed to be the center of main interests (within the meaning of the Regulation (EU) 848/2015 of the European Parliament and of the Council on insolvency proceedings (the "**EU Insolvency Regulation**")) of the Company in the absence of proof to the contrary. Consequently, the main insolvency proceedings in respect of the Company would likely be initiated in Romania while secondary proceedings could be initiated in one or more EU jurisdictions (with the exception of Denmark) in which the Company has an establishment.

If the Company does not have an establishment in any other EU member state, no court of any other EU member state will have jurisdiction to open territorial proceedings in respect the Company under the EU Insolvency Regulation.

Concept of insolvency; commencement of insolvency proceedings; main steps

"**Insolvency**" is the status of a debtor's estate characterized by the insufficiency of available funds to cover debts which are certain, due and payable. Under the Insolvency Code, insolvency is presumed (under a rebuttable presumption) to be actual if the debtor has not paid its debts towards one or more creditors for at least 60 days after their due dates. Insolvency is imminent if it is proven that the debtor will not be able to pay its debts with the cash funds available when such debts become due.

The insolvency proceedings may be opened upon the request of either (i) the debtor; (ii) a creditor with a receivable that is certain, due and payable for more than 60 days and, after any applicable off-set exceeds RON40,000 or (iii) any other persons / institutions expressly provided by the law. The above conditions applicable for the filing made by creditors also apply to the filing made by the debtor.

For employees, the receivable must exceed the value of six, national, monthly-average gross wages, per employee. Also, when the application for the opening of the insolvency proceedings is introduced by the debtor, the amount of the budgetary receivables shall be less than 50% of the declared amount of the debtor's claims.

A debtor which is in a state of insolvency has the obligation to file for insolvency within 30 days of the occurrence of the state of insolvency. If the insolvency is imminent but has not yet actually occurred, the debtor does not have a legal obligation (but is entitled) to file for insolvency. The debtor's obligation to file for insolvency does not apply when the debtor is engaged in good-faith in extra-judicial negotiations with its creditors for the restructuring of its debts. In this case, the debtor must file for insolvency within five calendar days after the date on which such negotiations have failed. If during the negotiations relating to the ad-hoc mandate or preventive concordat, the debtor becomes insolvent but there are significant indicators that the parties may reach an agreement within a short period of time, the debtor, in good-faith, is required to initiate the insolvency proceedings within five calendar days after the date on which such negotiations have failed.

There are two types of insolvency proceedings: a general one (*procedura generala*) and a simplified one (*procedura simplificata*) applicable in limited cases (for example, for an individual performing commercial activities or for companies which, for example, have no assets).

Observation period

The first phase following the opening of the general procedure is the "observation period," a sequence of steps aimed first at assessing whether the debtor's business is still viable and, depending on the result of the assessment, if the reorganization procedure is to follow or if the debtor should go directly into bankruptcy. The observation period is also used for determining the causes of the debtor's insolvency and identifying the persons which are responsible for it, preparing a list of the debtor's assets and collecting information about its creditors. The Insolvency Code also provides that an inventory of the debtor's assets must begin within 60 days from the opening of the procedure.

At the end of the observation period, the debtor will either be subject to a reorganization plan approved by the creditors and confirmed by the court or will enter into bankruptcy (that is, winding up and liquidation of its assets).

Debtor's divestment

The opening of insolvency proceedings will entail the termination (in whole or in part) of the debtor's right to manage its business, consisting of the right to direct its activity, manage its assets and dispose of them (including, with certain exceptions, the assets acquired after the opening of insolvency proceedings). The insolvency judge may order full or partial termination of the debtor's right of administration upon the appointment of the judicial administrator (i.e., an insolvency practitioner who will effectively manage the company during the insolvency procedure), while also specifying the conditions for the exercise of this right.

As an exception, if the debtor declares an intention to follow the judicial reorganization procedure, it may continue its operations under the supervision of the judicial administrator.

The creditors, the committee of creditors or the judicial administrator may at any time file a petition with the insolvency judge requesting termination of the Company's right of administration. Such petition must be justified upon the continuous losses experienced by the Company or the improbability of achieving a rational activity plan.

In all cases, the debtor's right of administration automatically ceases upon the entry into bankruptcy. From such date, the debtor may only carry out the activities that are necessary for the performance of liquidation operations.

Participation of the creditors in the proceeding

In order to participate in the insolvency proceeding, a creditor must file a request to register the receivable for the analysis of the judicial administrator and the court. The request must be accompanied by the documents substantiating the receivable and any security interests or other preference rights. The deadline for filing such request is established by the court but cannot exceed 45 calendar days after the opening of the procedure. The analysis of the receivables, which includes the drafting and communication of the preliminary receivables table must be made within 20 calendar days (or 10 calendar days in the case of the simplified procedure) of the expiry of the deadline for filing the receivable registration request. The insolvency judge may extend the foregoing terms by 30 days. Employees' receivables are registered by the judicial administrator according to the debtor's accounting books.

Creditors admitted to participate in the procedure are registered in the table of creditors, and are generally entitled to vote on the reorganization plan (as part of the relevant class of creditors) and to participate in distributions made from the estate of the debtor, in accordance with the prescribed order of preference.

Creditors which do not register their receivable in due time are not entitled to: (i) participate in the insolvency proceedings, (ii) participate in any distribution of proceeds as a result of the procedure or (iii) unless the debtor is proven to be fraudulent or is convicted for simple or fraudulent bankruptcy, enforce their rights against the debtor after finalization of the procedure.

Receivables which arise after the opening of the insolvency proceedings do not need to be registered in the creditors' table and must be paid in accordance with their terms. Similar rules are applicable to receivables which arise after the opening of the bankruptcy proceedings.

Preferred creditors will be registered based on the request to register the receivable. If the security is assessed by the judicial administrator / liquidator at a value which is lower than the value of the receivable, the creditor will be registered with an unsecured claim with respect to the balance of the receivable. If, however, the proceeds from the liquidation of the assets over which the security is created exceed the initially assessed value of these assets, the secured creditor will be entitled to receive such additional proceeds for the account of its security up to the limit of the principal and accessories due to such creditor until the liquidation of the respective asset.

Receivables not yet due or subject to a condition precedent will be registered on a preliminary basis. Holders of conditional receivables (including receivables whose payment is conditioned upon the prior enforcement against the main debtor) are allowed to vote and participate in the distribution of proceeds only after the fulfillment of the relevant condition.

Further limitations may arise in relation to the declaration of a receivable as due and payable as a result of insolvency. For example, clauses which regard insolvency as an event of default triggering the termination or cancellation of an obligation or the loss of the benefit period or stipulating acceleration on the event of insolvency are null and void under the Insolvency Code.

Main effects of commencement of the insolvency proceedings

Stay of creditors' enforcement claims

All judicial or extra-judicial claims and enforcement proceedings of the creditors (such as enforcement claims that may be filed by a holder of the Additional Notes against the Company in relation to the Guarantee and/or the Collateral) aimed at recovering receivables from the debtor are automatically suspended as of the date the insolvency proceeding is opened.

The Insolvency Code permits certain exceptions to the stay of all creditors' enforcement claims. Thus, claims aimed at ascertaining the existence and / or the amount of receivables resulting after the opening of the insolvency proceeding are not suspended. For such claims, creditors may file payment requests during the observation and reorganization periods, to be analyzed by the judicial administrator in a 10-day term from the delivery of such request, in accordance with the applicable legal provisions, without it being necessary to register these claims in the table of receivables. In addition, the holder of a current, certain, due and payable receivable that has been acknowledged by the judicial administrator or in respect of which the judicial administrator failed to take any action within the 10-day term from the delivery of the payment request made by the creditor or that has been acknowledged by the insolvency judge in accordance with the foregoing procedure and whose amount exceeds the threshold value (as set forth by law) may request the initiation of the bankruptcy procedure against the debtor, anytime during the observation period, if the debtor does not pay the relevant debt within 60 days from the date when the action was taken by the judicial administrator or by decision of the court or as of the lapse of the 10-day term from the delivery of the payment request by the creditor provided that the judicial administrator did not take any action within such term. Also, creditors secured with a mortgage over bank accounts or with cash collateral may request that the amounts of money available in the relevant accounts upon opening of the procedure be released in order to satisfy their due receivables, within five days as of the filing of such request. Inter alia, challenges by the debtor filed in exercising the appeal right against the creditors, commenced prior to the opening of the insolvency procedure, as well as civil actions initiated within a criminal trial and judicial actions against co-debtors and / or third-party guarantors are also exempted from the general stay.

Preferred creditors may request the court to allow the expedited enforcement of their claims, within the insolvency proceedings, if the taxes, stamp duties and other expenses related to the sale of such assets, including the expenses necessary for the conservation and administration of these assets, as well as the for the remuneration of the judicial administrator, the liquidator and the other experts involved in the proceedings, are paid from the proceeds of the enforcement and if one of the following situations is applicable:

- the value of the secured claim (or of the part of such claim secured with the relevant asset(s)) is equal to, or higher than, the value of the pledged asset(s), determined by a valuator according to the international valuation standards and a) the pledged asset is not of vital importance for the success of the proposed reorganization plan; or b) the pledged asset is part of a functional unit, and by its separate sale, the value of the remaining assets is not decreased; or
- the protection of the secured claim by the existence of the security is not appropriate because: a) the pledged asset is decreasing in value or there is a serious risk that it may suffer an important loss of value; b) the value of a lower-ranking secured claim decreases due to the accrual of the interest and penalties of any kind in favor of a higher ranking secured claim; or c) the pledged asset is not insured against the risk of destruction or deterioration.

Stay of all interests, penalties and expenses in relation to unsecured and secured debts

As of the date of commencement of the procedure, no interest, increment, penalties or expenses in relation to un-preferred debts, may be charged against the debtor. After the confirmation of the reorganization plan, interest, increments and penalties, as well as any expenses ancillary to the obligations incurred after the opening of the general insolvency procedure shall be paid in accordance with the acts from which they originate and the approved repayment schedule.

Secured creditors may, however, in the distribution procedure, ask for any accessory amounts accrued before and after the commencement of the procedure, provided that the proceeds from the sale of the pledged asset is sufficient to cover such additional amounts.

Annulment of "fraudulent transactions"

The judicial administrator (or the creditors' committee in case the judicial administrator fails to take action) and, a creditor holding more than 50% of the total value of registered receivables, may request the annulment of certain acts and operations concluded by the debtor to defraud its creditors within a period of up to two years before the opening of the proceedings.

In addition, the following acts may also be annulled by the insolvency judge, in order to obtain the restitution of the transferred assets or the value of the rendered performance:

(a) transfers without consideration entered into during the two years prior to the opening of insolvency proceedings, except for humanitarian sponsorships;

(b) operations carried out during the six months prior to the opening of insolvency proceedings, where the debtor's obligations obviously exceed the corresponding obligations of its counterparty;

(c) acts entered into during the two years prior to the opening of insolvency proceedings in which all involved parties intended to remove assets from the debtor's estate and thus protect them from enforcement by the debtor's creditors or to otherwise affect the creditors' rights;

(d) acts by which the debtor transferred ownership over any of its assets to a creditor for repayment of a previous debt or otherwise in the creditor's benefit, during the six months prior to the opening of insolvency proceedings, if the amount that the respective creditor would be entitled to receive in the case of bankruptcy is lower than the value of the transfer;

(e) creating or perfecting preference rights during the six months prior to the opening of the insolvency proceedings, for a receivable which otherwise would have been unsecured;

(f) early repayments of debts in the six months before the commencement of the insolvency proceedings, if the original due date was a date after the commencement of the proceedings; or

(g) acts of transferring or undertaking obligations by the debtor during the two years prior to the opening of the insolvency proceedings with the intention to conceal or delay the insolvency or to defraud a creditor.

The foregoing situations are presumed to represent fraudulent operations by the debtor to the detriment of its creditors. This presumption may be rebutted by the debtor by providing evidence to the contrary.

The acts mentioned under paragraphs (d), (e) and (f) above will not be annulled provided that (i) they are executed in good faith for the performance of an agreement concluded with the creditors following extra-judicial negotiations for the restructuring of the debtor's obligations; and (ii) the respective agreement was of a nature reasonably conducive to the debtor's financial recovery and was not prejudicial to, and/or discriminatory towards any creditors. This exemption applies accordingly to the ad-hoc mandate and the preventive concordat procedures.

Acts concluded within the two years prior to the opening of insolvency proceedings within the debtor's group or with related persons may also be annulled, provided that they were concluded inter alia with:

(a) a shareholder holding more than 20% of the debtor's share capital or of the voting rights;

(b) a director, manager or member of the supervisory board of the debtor;

(c) any natural or legal person having a dominant position over the debtor or its activity;

(d) a co-owner of the property which is shared with the debtor; or

(e) the spouse or relatives up to the 4th degree of the natural persons mentioned in paragraphs (a) to (d) above.

Under the Insolvency Code, the assets transferred or their corresponding value under the annulled transactions will have to be returned to the insolvent estate by the first beneficiary (*terţul dobanditor*). The first beneficiary returning the assets will be entitled to participate to the insolvency proceeding as an unsecured ordinary creditor for the value of such assets plus, if the case, the increase of the value of the asset, provided that it concluded the initial transfer in good faith and without the intent to hinder, delay or mislead the creditors. The first beneficiary who has acted in bad faith will only be entitled to be reimbursed the paid price and to participate in the distribution of the proceeds in accordance with the rules set forth under the Insolvency Code. The subsequent beneficiary (*terţul subdobanditor*) may be required to return the assets transferred or their corresponding value only in case the second beneficiary did not pay adequate consideration for the asset and it was aware or should have been aware of the fact that the transfer was subject to annulment. Generally, the bad faith of the creditor will have to be proved. The subsequent beneficiary may re-claim from the debtor only the value of the investments made to upgrade the asset (provided that such investment had resulted in an increase of the respective asset's value) and will have rights similar to a bad-faith first beneficiary. In case the asset is returned to the insolvent estate, any security existing at the date of the transfer will be reinstated and re-registered with the relevant registers. Under the Insolvency Code, among others, receivables of first or second beneficiaries who have acted in bad-faith rank subsequent to unsecured receivables of other creditors.

Reorganization plan

The debtor, the judicial administrator and creditors holding at least 20% of the total value of receivables registered in the final table of receivables may propose a reorganization plan within 30 days of publication of the final table of receivables and with the observance of certain other deadlines. The 30-day deadline may be extended by the insolvency judge, upon request of an interested party or of the judicial administrator if these are sufficient grounds for this. After the expiry of such deadline, no party may propose a reorganization plan and bankruptcy proceedings will be commenced against the debtor (in case no proposal has been filed).

Certain debtors are not allowed to propose a reorganization plan (for example, debtors who, in the five-year period preceding the request for opening insolvency proceedings had undergone another insolvency proceeding, and those which, or the directors, managers or shareholders of which, have been convicted for certain criminal offenses within such five-year period).

Content of the plan

The reorganization plan must indicate, among other things (i) the perspectives for redressing the debtor's activity (by reference to the actual possibilities and the particularities of such activity); (ii) the schedule for the repayment of the debts; (iii) the list of the categories of receivables that are not disfavored (i.e., such receivables did not suffer any alteration in terms of amount, security or other ancillary terms, such as the rescheduling of payments to the disadvantage of the creditor, as a result of the approval of the reorganization plan, subject to certain exceptions); (iv) the treatment to be applied to the disfavored receivables; (v) whether and to what extent the debtor's liabilities shall be discharged; (vi) a presentation of what each category of creditors would receive under the reorganization plan compared to what they would receive in bankruptcy (on the basis of a valuation report prepared in accordance with the applicable provisions) and (vii) the manner in which the current receivables shall be satisfied. The reorganization plan may also provide for amendments to the constitutive documents of the debtor (which may be operated automatically without involving the debtor's corporate bodies) and/or other measures deemed adequate for its implementation (e.g., the preservation, by the debtor, of the right to manage its activity, including the right to dispose of its assets, under the supervision of the judicial administrator, the liquidation of one or more assets of the debtor, the modification or cessation of certain preference rights subject to the granting of the holder of the right of equivalent protection or guarantees, in accordance with the specific provisions of the law, and the prolongation of the due date, the modification of the interest rate, the applicable penalties or any other clauses of the relevant agreement to which the debtor is a party or of the other acts from which the obligations of the debtor originate).

Approval and confirmation of the plan

After its proposal, the reorganization plan must be approved by the creditors in the creditors' assembly and then confirmed by the insolvency judge.

For the purpose of approving the plan within the creditors' assembly, the creditors' votes are divided between five different categories of receivables: (1) preferred receivables (in which the claims of the holders of the Notes against the Company would be included up to the value of the Collateral granted by the Company); (2) employees' receivables; (3) budgetary receivables; (4) receivables held by indispensable creditors (i.e., unsecured creditors providing services, raw materials, materials and/or utility services in the absence of which the debtor would be unable to continue its activity and who cannot be replaced by any other supplier rendering similar services under the same financial conditions); and (5) other unsecured receivables (in which any claims of the holders of the Additional Notes against the Company which exceed the value of the Collateral granted by the Company would be included). Each claim enjoys a right to vote, which the creditor will exercise within the category of claims to which that claim belongs.

A plan is deemed accepted by a category of claims if it is approved by the creditors holding the absolute majority of the amount of the claims in that category. The Insolvency Code sets out certain additional conditions for the approval of the plan, inter alia it requires that the creditors representing at least 30% of the total value of the receivables approve the plan.

Creditors which, directly or indirectly, control, are controlled by or are under common control with the debtor may vote on the reorganization plan only if (i) the repayment schedule provides that they will not recover any amount or that they will recover a lower amount on their receivable under the plan than they would in a bankruptcy proceeding and (ii) any such payments that would be granted to them would rank subsequent to receivables of unsecured creditors.

This limitation would be applicable to the Issuer with respect to the vote of a reorganization plan for the Company.

The plan will be confirmed by the insolvency judge if (i) the majority of categories of creditors and at least one of the disfavored categories approved the plan, provided that creditors representing at least 30% of the receivables approve the plan (if there are only two or four categories, the plan is deemed accepted in cases where at least half of the categories and at least one of the disfavored categories approve the plan, provided that creditors representing at least 30% of the receivables approve the plan); (ii) each disfavored receivable that voted against the plan receives fair and equitable treatment; and (iii) the content of the reorganization plan fulfills the legal requirements (it contains the types of measures required by law).

Implementation of the plan

A duly approved and confirmed reorganization plan must be complied with by the debtor and the creditors (including those that voted against the plan) both during the reorganization period and during the bankruptcy proceedings, in the event the reorganization fails. The implementation of the reorganization may not exceed three years from the date of its confirmation.

Bankruptcy procedure

Bankruptcy proceedings may be opened either directly under the simplified procedure or, in the case of a general procedure, in circumstances such as a reorganization plan not having been proposed, approved or confirmed or the debtor failing to comply with its payment obligations or other undertakings under the confirmed reorganization plan. Also, throughout the reorganization period, any creditor having a current, certain, due and payable claim of more than

RON40,000, that (i) has been acknowledged by the judicial administrator or (ii) in respect of which the judicial administrator failed to take any action within 10 days from the delivery of the payment request made by the creditor or (iii) has been acknowledged by the insolvency judge in accordance with the law, may request the opening of the bankruptcy proceedings against the debtor throughout the observation period, provided that such claims are not satisfied within 60 days as of the action taken by the judicial administrator or the insolvency judge or as of the lapse of the 10-day term from the delivery of the payment request by the creditor provided that the judicial administrator did not take any action within such term.

Distribution of proceeds

The proceeds resulting from the sale of assets over which securities are created shall be used to cover debts, in the following order (i) taxes, stamp duties and any other expenses, costs relating to the conservation and sale of the said assets, as well as the expenditures advanced by the creditors during the enforcement proceedings, claims of the utilities suppliers incurred after the opening of insolvency proceedings and the remuneration owed (as of the distribution date) to the persons engaged for the benefit of all creditors, in accordance and subject to the applicable provisions; (ii) receivables, including principal, interest, as well as other ancillary amounts, held by preferred creditors and accrued after the opening of the insolvency procedure; and (iii) receivables, including principal, interest, as well as other ancillary amounts, held by preferred creditors and accrued any time prior to the opening of the insolvency procedure (such as the holders of the Additional Notes, up to the value of the Collateral granted by the Company).

A preferred creditor will be entitled to participate in any distribution of amounts made prior to the sale of the asset which is subject to its preference cause. The amounts received from such distributions shall be deducted from those which the secured creditor would be entitled to receive as proceeds from the sale of the relevant assets, if this is necessary in order to prevent such creditor from receiving more than it would have if the pledged assets were sold prior to such distributions.

If the proceeds from the sale of the asset which is subject to its preference cause are insufficient for the full payment of the relevant preferred creditors (such as the Noteholders), then preferred creditors will have an unsecured claim for the balance of their receivable(s). They will be allowed to claim the proceeds from the sale of other unpledged assets, according to the order of priority set out below:

(a) charges, stamp duties or any expenses related to the insolvency proceedings, including expenses with the conservation and administration of the debtor's assets, with the continuation of the debtor's activity, as well as with the remuneration of the persons involved in the proceedings;

(b) claims arising from financings granted during the observance period in order to perform current activities;

(c) employees' claims;

(d) claims (i) resulting from the continuation of the debtor's activity after the commencement of the proceedings, (ii) representing damages arising out of the unilateral termination by the judicial administrator / liquidator of agreements entered into by the debtor prior to the opening of the proceedings; (iii) of good faith third-party acquirers arising from the return of the assets to the insolvency estate in case of annulment of acts concluded by the debtor before the opening of proceedings;

(e) budgetary claims;

(f) receivables resulting from financings received from banks, trade receivables or rents, as well as claims of leasing companies in certain scenarios and bonds;

(g) other non-secured receivables; and

(h) subordinated receivables, in the following preference order: (i) claims of the bad faith third-party acquirers (whether first or second beneficiaries) that returned the asset to the insolvency estate and loans granted to the debtor by a shareholder holding at least 10% of its share capital or by a member of the economic interest group; and (ii) receivables resulting from transactions without consideration.

Each claim will be satisfied only after the full satisfaction of the claims in the superior categories. If the amounts are not sufficient to fully satisfy the claims in one category, they will be distributed to the creditors within the respective category pro-rata with the amount of their receivables as registered in the final consolidated table of receivables. After all assets are liquidated and all the creditors are paid, the remaining amounts (if any) will be transferred to an account accessible to the shareholders.

To the extent they exceed the value of the Collateral provided by the Company, the receivables of the holders of the Additional Notes against the Company would be included under the category of receivables set out in paragraph (f) above. In addition, the receivables held by the Issuer against the Company under the Proceeds Loan will be included in the subordinated receivables category set out in paragraph (h)(i) above, while the receivables held by the creditors under the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the ING Facilities Agreement, the

Citi Facilities Agreement and certain hedge counterparties to the extent not covered by the value of the Collateral, will be included in the category set out in paragraph (f) above.

Therefore, if the Company undergoes bankruptcy proceedings, the holders of the Additional Notes may recover less than the amounts due under the Guarantee and the Issuer may not be able to recover all the amounts due to it by the Company under the Proceeds Loan.

Nevertheless, this risk may be mitigated to a certain extent by the provisions of the Intercreditor Agreement setting out a contractual distribution of insolvency / bankruptcy proceeds.

Insolvency of group companies

The Insolvency Code sets out certain measures for coordinating insolvency proceedings commenced against several members of a group. This applies to group companies located in Romania. The group is defined as two or more companies interconnected through control and/or qualified participations (meaning a shareholding quota between 20% and 50%). The Company and its affiliated companies located in Romania would be subject to the special provisions of the Insolvency Code.

Group insolvency proceedings can be opened upon the request of (i) two or more insolvent debtors within the same group; (ii) one or more members of the same group who are not insolvent or subject to imminent insolvency; or (iii) a creditor having a claim against two or more members of the same group, subject to the requirements generally set out by the law and described above, which apply to group companies proceedings as well.

In order to ensure the consistency of measures taken by the insolvency officials in the insolvency of a group, the Insolvency Code provides, among other things, that:

(a) the creditors' committees of all insolvent group companies must gather in a meeting at least once every three months with the main purpose of making recommendations on the carrying out of the debtors' business and the proposed reorganization plans;

(b) the general meeting of shareholders of each insolvent company will appoint the same special administrator for each member of the group;

(c) if the creditor holding more than 50% of the value of the receivables with respect to each insolvent company is the same, the same judicial administrator / consortium of judicial administrators will be appointed for all the insolvent companies subject to a conflict check being performed;

(d) the judicial administrator appointed with respect to any of the insolvent companies may propose a reorganization plan for any other insolvent company; and

(e) even if a member of the group is not insolvent or subject to imminent insolvency, it is entitled to participate in a common request for the opening of insolvency proceedings.

Receivables of a member of the group against the insolvent member of the group arising before the opening of insolvency proceedings will automatically be deemed subordinated receivables.

If a member of the group grants a loan to the insolvent member of the group after the insolvency proceedings are opened, for the purposes of the continuation of the activity of the debtor or in view of the implementation of the reorganization plan and subject to the creditors' committee approval, such loan will rank under point (d) of the bankruptcy distribution order set out in the Insolvency Code.

Other limitations on validity and enforceability

Limitations on granting the Guarantee and the Collateral under Romanian law

Several Romanian laws may affect the validity or enforceability of the Guarantee and the Collateral, including those related to corporate benefit, corporate purpose and fraudulent conveyance or similar laws, regulations or defenses affecting the rights of creditors generally. Due to these limitations, the obligations of the Company and of the other Romanian Guarantors under the Guarantee and the Collateral could be significantly less than the obligations with respect to the Additional Notes, or the Company and/or the other Romanian Guarantors may have effectively no obligation under the Guarantee or the Collateral.

Corporate benefit

Under Romanian law, a company may create security (including both security interests and guarantees) subject to compliance with the rules on corporate benefit and capacity. Under Romanian law, any agreement or document entered into by a company must have the ultimate purpose of being beneficial for such company, in accordance with its corporate purpose (as per its authorized business object) and must be in the company's commercial interest.

A Romanian company creating security must receive a real and adequate benefit in exchange for the security. While corporate benefit for down-stream security (i.e., security granted to secure financial obligations of direct or indirect subsidiaries of the relevant guarantor) is usually self-evident, the validity and effectiveness of up-stream or cross-stream security (i.e., security granted to secure obligations of the direct or indirect parent or sister companies of the relevant guarantor), such as the Guarantee and the Collateral issued by the Company and by other Romanian Guarantors, depend on the existence of a real and adequate benefit in exchange for the granted security. Generally, the risk undertaken by a Romanian grantor of a guarantee or security for the benefit of a third party (such as the Issuer or other Guarantors) must not be disproportionate to the direct or indirect economic benefit to it.

The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case-by-case basis. In particular, in the case of up-stream security for the obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group and arm's length fees paid to the guarantor with respect to the security granted.

Absence of a real and adequate (whether express or implied) benefit could render the security provided by a Romanian company null and void as an ultra vires act and/or as lacking corporate benefit and/or as lacking the underlying cause (*cauza*) and/or as fraudulent to the interests and rights of its creditors.

The management team of a Romanian guarantor or grantor of security may be held liable if a court holds that it did not act in the best interest of the company and that the acts carried out do not have a corporate benefit or do not fall within the corporate purpose of the company. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over a Romanian grantor or having knowingly received an advantage or profit from such improper control.

Given the above limitations, the obligations and liabilities of the Company and of the other Romanian Guarantors under the Guarantee and with respect to the Collateral shall, in any case and at any time, be limited to a guarantee of the obligations of the Issuer and the Guarantors under the Additional Notes, the Guarantee and the Indenture, up to an amount equal to the proceeds from the issuance and sale of the Additional Notes to the extent on-lent (directly or indirectly) to the Company or the other respective Guarantors by the Issuer, in each case which remains outstanding at the time of enforcement of the Guarantee or the Collateral. Moreover, any payment made by Guarantors shall reduce in an equal amount the amount outstanding towards the Issuer under the Proceeds Loan.

Fraudulent conveyance

Romanian law also contains provisions regarding fraudulent conveyance outside of a bankruptcy scenario.

A creditor may challenge (*acţiune revocatorie*) the acts concluded by its debtor, which defraud its interests, such as those through which the debtor is creating or increasing its insolvency status. The creditor must fulfill certain requirements to be entitled to file the claim such as: (i) it must hold a receivable for a sum certain (*creanţă certă*) against the debtor; and (ii) it must evidence that it suffered a damage as a result of the execution of the challenged act. An agreement with consideration (*contract cu titlu oneros*) or a payment made for the performance of such agreement may be successfully challenged only if the counterparty to that agreement or the entity receiving the relevant payment was aware that the respective debtor was creating or increasing its insolvency.

Subject to special legal provisions, the creditor may challenge the relevant act of its debtor within one year from the date he became aware of, or should have become aware of, the damage resulting from the challenged act.

If the creditor successfully challenges the relevant act, the latter becomes unenforceable (i.e., as if such act had not been concluded by the debtor) towards the creditor filing the claim, as well as towards all the other creditors entitled to challenge the same act and who intervened in the trial initiated by the first creditor.

The counterparty to the challenged act may keep the assets acquired from the debtor if it pays to the creditor an amount equal to the loss suffered by the creditor as a result of the challenged act. If this payment is not made, the court may seize the asset until the enforcement is terminated.

Parallel debt

Parallel debt structures have been used in Romania due to certain limitations of Romanian law which (i) require that the pledgee and the creditor be the same person and (ii) prescribe that the security interest cannot be held and registered on behalf of third parties who do not hold the secured claim.

The Romanian Civil Code (which entered into force in October 2011) has introduced the possibility that a movable mortgage may be created either in favor of the creditor of the secured obligation or a third party designated by it. Such third party is entitled to exercise all the rights of the relevant creditor and is bound by all of its obligations. The movable mortgage created in favor of several creditors may be registered in the name of an agent appointed by those creditors. Such agent is entitled to exercise all the rights of the creditors who appointed him. However, the nature of the agency relationship are not explained and characterized in detail under Romanian law and this new structure has not yet been tested in court.

Although the enforceability in Romania of certain rights (particularly in insolvency proceedings) of a security agent benefiting from a parallel debt was recognized in the past, there is no assurance that Romanian courts will reach a similar determination in other cases, especially where such concern parallel debt structures created after the entry into force of the Romanian Civil Code. Thus, there is a risk that a Romanian court may not recognize the claim held by the Security Agent under the parallel debt structure and that consequently, the security interest securing the respective claim could be deemed invalid and/or unenforceable.

The Intercreditor Agreement provides for the creation of a parallel debt structure. On the basis of this structure, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture and the Intercreditor Agreement. The security interest over the Collateral governed by Romanian law will directly secure the parallel debt, not the obligations under the Additional Notes.

To the extent that the security interests in the Collateral created under the parallel debt structure are successfully challenged (including by other creditors of the Company), the security interest in the Collateral may be invalidated and/or unenforceable and the holders of the Additional Notes may not recover any amounts from the enforcement of the Collateral.

Guarantee dependent on the validity of the main obligation

Under Romanian law, the validity and enforceability of guarantees (including security interests) are conditional upon the validity and enforceability of the guaranteed obligations. Therefore, to the extent the Parallel Debt claim and/or the obligations of the Issuer in relation to the Additional Notes are invalidated, the obligations of the Company and of the other Romanian Guarantors under the Guarantee and with respect to the Collateral (to the extent these are governed by the Romanian law) would also become invalid and unenforceable.

Floating charges

Moveable mortgages perfected in accordance with Romanian law usually grant the holder of the respective security interest the right to pursue (*drept de urmarire*) the asset even if it is transferred by the mortgagor to third parties. However, in the case of a mortgage over the universality of moveable assets, Romanian law specifically provides that an asset part of the universality becomes unencumbered once it is transferred.

Upon enforcement of the mortgage over the universality of the Company's moveable assets, the security interest would crystallize over (and the Security Agent would be entitled to enforce against) only those assets which are part of the universality at the time of the enforcement.

Other enforcement matters

Regulated enforcement proceedings

Rules governing the enforcement of security interests over moveable assets are included in the Romanian Civil Code and the related law for its application, as well as in the Romanian Code of Civil Procedure. Since little or no authoritative interpretation, doctrine, case law or market practice exists with respect to the interpretation and application of the foregoing rules, it is not clear how certain provisions on enforcement measures set out in the two enactments should be interpreted and applied in correlation with each other. These matters may create procedural difficulties in enforcing the Guarantee and the Collateral and may limit the ability of the Security Agent to enforce the Collateral.

Enforcement proceedings may also be protracted by other third parties (e.g., other creditors) exercising certain legal rights, including the right to challenge certain enforcement actions taken by the Security Agent.

The relevant legal provisions on enforcement cover several matters, including (i) the manner in which the assets enforced against may be sold, (ii) rules for determining the price at which they may be transferred, (iii) the conditions (very restrictive) to be met for the creditor to be able to take over or to take into administration the asset subject to enforcement and (iv) the distribution of enforcement proceeds.

Enforcement of security interests over moveable assets under the Romanian Civil Code can generally be performed through: (i) sale of the mortgaged asset and distribution of proceeds; (ii) direct takeover of the asset by the creditor on account of the secured claim (which can only happen subject to, inter alia, the prior approval of the mortgagor); or (iii) taking over the asset for the purpose of administering it.

Direct takeover by the secured creditor of the encumbered moveable asset on account of the secured claim can only occur if there is no applicable legal provision to the contrary and subject to the mortgagor's consent (which may be granted only after the non-performance of the secured obligations occurs) and no opposition having been filed by the persons notified in this respect in accordance with the legal requirements (e.g., certain other secured creditors or creditors benefiting from legal liens), within fifteen days from the notification. The secured claim is discharged in full following the taking over of the mortgaged asset even if such asset's value is lower than that of the secured claim.

Enforcement of security interests over moveable assets under the Romanian Code of Civil Procedure can be performed through: (i) identification and attachment of the movable assets, followed by a sale either by way of public auction, direct sale (either by the enforcement officer or by the mortgagor, with the prior approval of the secured creditor and the enforcement officer) or other means permitted by law and distribution of the sale proceeds; (ii) direct takeover of the asset by the creditor on account of the secured claim (which can only happen if, inter alia, the mortgaged asset could not be sold in accordance with the foregoing item (i)); or (iii) garnishment (*poprire*), where the case, followed by a sale in accordance with item (i) above and distribution of the sale or garnished proceeds.

Enforcement through the sale of assets under the Romanian Civil Code may start only on the basis of a court decision approving the initiation of the enforcement proceedings and, in principle, does not require the involvement of an enforcement officer, while enforcement under the provisions of the Romanian Code of Civil Procedure requires the approval and involvement of authorized enforcement officers, in accordance with certain rules set out by law. The enforcement, as well as the enforcement officer's actions or failure to act, may be challenged in court.

Under the Romanian Civil Code, a junior-ranking secured creditor may object to the enforcement started by a senior ranking creditor against a movable asset which is mortgaged in favor of both creditors if there are other movable assets mortgaged in favor of the senior creditor sufficient to cover the same debt. Subject to certain conditions, the junior-ranking creditor can request that the enforcement be suspended as regards the asset which is mortgaged in its favor and continued as regards other assets indicated to the senior ranking creditor.

Distribution of enforcement proceeds

The proceeds resulting from the enforcement of security interests must firstly be used to cover the reasonable expenses made by the creditor in relation to the enforcement. The excess shall be used to pay the higher ranking creditors and those preferred on the basis of mandatory legal liens, even if their receivables are conditional.

With respect to the part of the claims exceeding the value of the Collateral, if several creditors initiate enforcement proceedings or if, prior to distributing the amount resulting from the enforcement, other creditors filed documents evidencing their receivables, the enforcement officer must distribute the proceeds from the enforcement in a mandatory order set by the Romanian Code of Civil Procedure. Claims of creditors preferred by special legislation (if any), enforcement expenses, receivables of secured or privileged creditors, wages and similar employees' receivables, tax and budget contribution receivables, bank loans and trade receivables, rents and administrative fines are some of the receivables which, while differently ranked in the order of distribution, are all preferred to ordinary unsecured receivables such as those arising from the Proceeds Loan and the Guarantee in excess of the value of the Collateral.

Dissolution and liquidation of companies

Dissolution

Romanian companies may be dissolved, as a general rule, in a two-step process: "dissolution," mandatorily followed by "liquidation." There are some cases where dissolution leads directly to a company's deregistration from the Trade Registry without liquidation.

There are seven general instances in which a company will be dissolved:

1. expiry of the period established for the life of the company;
2. impossibility of carrying out the company's business or the fulfillment thereof;
3. nullity of the company declared by court;
4. decision of the general meeting of the shareholders (voluntary dissolution);
5. court decision, following a petition by any shareholder, for justified reasons, such as serious disputes between the shareholders that hinder the company's operation;
6. bankruptcy; and
7. other reasons prescribed by law or by the articles of incorporation of the company.

In case of voluntary dissolution, the resolution of the general meeting of the shareholders approving the dissolution of the company is published in the Official Gazette. The creditors of the company may challenge the resolution within 30 days after the date of its publication.

In addition to the above, other dissolution cases may apply, depending on the legal form of the company. In particular, any interested person, as well as the Trade Registry, may request the court to decide upon the dissolution of a Romanian joint stock company if:

(a) the company no longer has statutory bodies or they cannot meet;

(b) the shareholders have disappeared or their domicile or residence is unknown;

(c) the company no longer fulfils the conditions relating to statutory seat, including as a result of the expiration of the duration of the deed attesting the rights of use over the relevant premises or the transfer of the right of use or ownership over such premises;

(d) the company ceased its operations (or did not resume its operation further to the expiration of the temporary inactivity period notified to the competent tax authorities and registered with the Trade Registry, provided that such has lasted for less than three years as of the date of registration with the Trade Registry);

(e) the company did not replenish its share capital, in accordance with the applicable legal provisions;

(f) the company did not file its annual financial statements or, as the case may be, the consolidated annual financial statements and the accounting records with the competent territorial units of the Ministry of Public Finance, within more than 60 days after the expiration of the term set forth by law;

(g) the company did not file the statement of no activity, further to its incorporation, with the competent territorial units of the Ministry of Public Finance, within more than 60 days after the expiration of the term set forth by law;

(h) the net assets of the company have decreased to less than half of the value of the share capital and remedial actions are not taken within the deadlines prescribed by applicable laws; or

(i) has had less than two shareholders for a period longer than nine months.

In all cases, the dissolution must be registered with the Trade Registry.

Liquidation

As a rule, the dissolution of a company results in the opening of the liquidation procedure. The management of the company cannot undertake new operations and the operations, powers and capacity of the company will be limited to those necessary for the purposes of liquidation.

The liquidation of a company comprises all the operations undertaken for the purpose of winding up the company's business. Such operations are necessary to determine and perform an evaluation of the company's rights and liabilities, settling the company's debts and ensuring the distribution of proceeds among the shareholders. The liquidation of a company must be finalized within a year as of the date of the registration of the dissolution with the Trade Registry. Under certain circumstances, the court may extend the liquidation term in one-year increments, not more than twice.

The liquidation procedure is implemented by a liquidator appointed by the general meeting of the shareholders of the joint stock company to be liquidated, unless otherwise provided in the constitutive act or by the court, in the case of the failure to obtain a majority vote.

The liquidator has powers similar to the directors of the company and may undertake all actions necessary to finalize the liquidation. However, the liquidator may not make any distribution to shareholders until the company's creditors have been paid in full. The liquidator must prepare a liquidation balance sheet and determine the manner of distribution of the assets or proceeds resulting from the sale of the company's assets to the shareholders, taking into account, as the case might be, the provisions contained in the company's articles of incorporation. Such liquidation balance sheet and the related distribution document must be registered with the Trade Registry. In the case of joint-stock companies such documents must also be published in the Official Gazette. The shareholders may file claims with respect to the liquidation balance sheet and to the distribution document subject to the term and procedure under the applicable law.

HUNGARY

Limitations on enforcement of the Hungarian share pledges

Although the new Civil Code became effective in Hungary in 2014, because certain Collaterals securing 2013 Notes will remain in place, subject to such amendments as are required to give effect to the Transactions, the former Civil Code (Act IV of 1959 on the Civil Code) will continue to be applicable to certain Collaterals.

If the Issuer's obligations under the Notes or the Guarantors' obligations under the Guarantee are not satisfied in full when due, the Security Agent shall be entitled to enforce the security interest without further litigation regarding the right of enforcing the share pledge. Under Hungarian law, the pledgee and the creditor should be the same person and the security interest cannot be held and registered on behalf of third parties who do not hold the secured claim the beneficiary of a claim.

Satisfaction of a claim on the basis of a pledged asset is done in a court-enforced debt collection procedure, unless the involved parties agree to sell the pledged asset jointly. From the date when the Security Agent's right to seek satisfaction can be first exercised, the Security Agent may also acquire ownership of the pledged asset upon the Guarantor's consent. The court-enforced debt collection procedure includes the sale of the pledged asset by a public auction. In the course of this auction, the debtor's shareholder, the debtor and a person appointed by the debtor have preemption rights.

In order to enforce any claim under the Hungarian share pledges entered into a notarial deed in a court-enforced debt collection procedure, a stamp duty of maximum 1% of the claim but a minimum of HUF 5,000 up to a maximum of HUF 150,000 needs to be paid in advance.

The enforceability of the Hungarian share pledges may be limited by statutes relating to statutory time limitations, lapse of time, bankruptcy, insolvency, liquidation or other laws relating to or affecting generally the enforcement of creditors' rights, and claims may be or become subject to set-off or counterclaim.

Bankruptcy

The bankruptcy trustee (in Hungarian: *vagyonfelügyelő*) has the right to challenge contracts concluded or declarations made by the bankrupt company following commencement date of bankruptcy proceedings. If the subject matter of such contract or declaration is an undertaking by the bankrupt company and such contract or legal declaration is made without the approval of the bankruptcy trustee. The bankruptcy trustee may seek recovery of payments made by the bankrupt company following the commencement date of bankruptcy proceedings in respect of claims existing at the commencement date of bankruptcy proceedings.

In a bankruptcy proceeding is commenced against a company, a moratorium of 120 days (which could be extended to 365 days) should be applicable. During the period of the moratorium the creditor of the bankrupt company is not entitled to rescind or terminate a contract with the bankrupt company on the basis that the bankrupt company does not pay its debts thereunder. However, pursuant the Hungarian law, termination and rescission are not excluded for other reasons.

Liquidation

Under Hungarian law, a liquidation procedure may be initiated either by the debtor itself or by its creditor(s). The commencement of the liquidation procedure is ordered by the court if it deems the debtor to be insolvent.

Upon the commencement date of the liquidation, all debts of the debtor become due and payable. In the course of the liquidation procedure, the liquidator collects the receivables of the debtor, enforces its claims against third parties and sells its assets in order to satisfy the creditors' claims. Following the commencement date of the liquidation, any claim against the Company can only be enforced within the frame of the liquidation procedure.

Should a liquidation procedure be commenced against the Hungarian subsidiary, the Security Agent would have to announce its claims against the Hungarian subsidiary and have them registered by the liquidator in the same way as the other creditors, and the Security Agent would qualify as one of the preferential creditors.

Should any claim under the Hungarian share pledges be enforced in a liquidation procedure, a stamp duty of 1% of the claim a minimum of HUF 5,000 up to a maximum of HUF 200,000 needs to be paid in advance. Additionally, HUF 80,000 needs to be paid in advance by the creditor who initiated such liquidation procedure.

In case of a liquidation proceeding any creditor(s), and/or the liquidator may file a claim within 120 days from the date of becoming aware of the same, or within one-year (as forfeit deadline) from the date of publication of the commencement of the liquidation to contest contracts concluded by the debtor within the following deadlines:

- five years prior to the date when the court received the petition for opening liquidation proceedings or thereafter, if those aimed at concealing the debtor's assets or to defraud any creditor, and the counterpart to such contract had or should have had knowledge of such intention;
- three years prior to the date when the court received the petition for opening liquidation proceedings or thereafter, if those aimed at transferring the debtor's assets without any compensation or at undertaking any commitment to provide encumbrances over any assets of debtor without compensation, or if the stipulated consideration constitutes unreasonable and extensive benefits to a third party;
- ninety days prior to the date when the court received the petition for opening liquidation proceedings or thereafter, if those aimed at giving preferential treatment and privileges to any of the creditors, in particular the amendment of an existing contract to the benefit of a creditor, or to provide financial collateral with respect to a previously unsecured claim;
- three years prior to the date when the court received the petition for opening liquidation proceedings or thereafter, if those aimed at transferring ownership, transferring/assigning rights or claims or calling an option, each by way of security, on the basis of which the beneficiary failed to perform or not properly performed its settlement obligation towards the debtor, or it failed to deliver to the debtor any collateral which exceeds the secured claim; if the beneficiary failed to register the acquisition by way of security of the ownership interest, right or claim in the collateral registry or the call option in the land registry, the existence of the conditions to challenge the contract shall be presumed.

If the contest is successful, the provisions of the Hungarian Civil Code with regard to invalid contracts shall apply.

Furthermore, the liquidator, on behalf of the debtor, shall be entitled to reclaim within 120 days from the time of becoming aware of the same or within a one-year forfeit deadline from the date of publication of the notice of liquidation to contest any service the debtor has provided within a 60 day period preceding the date when the court received the petition for opening liquidation proceedings or thereafter, if it was provided to give preference to a creditor and if such service is not usually provided under normal circumstances. Prepayment of a debt is, in particular, considered as giving preference or privileges to a creditor.

The claims registered by the liquidator are satisfied on the basis of the ranking of the claims set out by the law. Claims of preferential creditors, such as the Security Agent's claim, will have priority over other claims. However, the claims of secured creditors will not have priority over the costs of liquidation (as such term is defined under Hungarian insolvency legislation) except for debts secured by a charge, pledge or mortgage for which the proceeds received from the sale of the underlying encumbered asset, less:

- documented costs and expenses relating to works to be performed in order to restore the encumbered asset form its status endangering life and other assets;
- costs and expenses relating to the lawsuits concerning the claw-back of the encumbered asset, costs and expenses relating to the maintenance, safeguarding and sale of the encumbered asset;
- taxes and stamp duties to be paid in connection with the encumbered asset, which become due after the date of commencement of the liquidation procedure;
- in case of pledge of receivables, costs and expenses relating to the collection of receivables;
- maximum 1% of the net purchase price (in case of pledge of receivables, the proceeds of collecting the receivables) as costs in connection with the arrangement, placement and safeguarding of the debtor's documents; and
- 7.5% of the net purchase price (in case of pledge of receivables, the proceeds of collecting the receivables), shall be used exclusively to satisfy such secured claims, provided however that (i) such charge, pledge or mortgage was established without the statutory presumption of bad faith or gratuitous advantage and such charge, pledge or mortgage was established prior to the date of commencement of the liquidation proceedings and (ii) the beneficiary of such charge, pledge or mortgage has notified the liquidator on its claim within the statutory time period and has paid the required fee in order to register its claim.Once the liquidator has completed its tasks, the court approves, among others, the final liquidation balance sheet, the statement of revenues and expenditures, the closing report and the distribution of the assets of the Company and the deletion of the Company from the company register. In general, payments to the creditors may only be made following the approval of these documents by the court.

Deprived claims

Hungarian law prescribes that a contract, by which the cover for satisfying a third party creditor's claims has been deprived in whole or in part, shall not be effective vis-à-vis such third party creditor, if the beneficiary of the contract gave no adequate consideration or acted in bad faith.

These provisions of Hungarian law creates the risk that a guarantee or security undertaking of a Hungarian security provider might be challenged by any of the existing third party creditors of the security provider claiming that as the security provider does not receive adequate consideration under the respective financing agreements for the guarantee and security undertaking provided by it, it has no genuine business interest in providing such guarantee or security. In the absence of case law it is uncertain whether such guarantee and/or security can be successfully challenged based on the above. In any event, even if the challenge is successful, it will not result in the guarantee and the security provided by the Hungarian security provider being held null and void, as it is only ineffective vis-à-vis the third party creditors concerned.

Once the liquidator has completed its tasks, the court approves, among others, the final liquidation balance sheet, the statement of revenues and expenditures, the closing report and the distribution of the assets of the Company and the deletion of the Company from the company register. In general, payments to the creditors may only be made following the approval of these documents by the court.

SPAIN

General enforcement limitations under Spanish law

The security interest securing the Notes might not be fully enforceable in Spain in accordance with its terms. Any remedies available to the holder of the Notes in Spain will be subject to, *inter alia*, the nature of remedies recognised by Spanish Courts, whether they assume jurisdiction over enforcement claims, their discretion and applicable mandatory provisions of Spanish law, including the Spanish Law on Civil Procedure of January 7, 2000 (*Ley 1/2000, de 7 de enero, de Enjuiciamento Civil*).

In this respect, without limitation:

- if the principal obligation is to be complied with in a jurisdiction other than Spain, it may not be enforceable in Spain to the extent that compliance therewith would be illegal under the laws of the primary jurisdiction, in which circumstances any collateral securing that principal obligation in Spain may also become unenforceable;

- Spanish law does not protect the abusive exercise of rights (i.e. against such an agreement's purpose and prejudicing third parties) or arbitrary decisions or determinations by one of the parties. Accordingly, Spanish courts may refuse to uphold the termination of an agreement based on an unreasonable, inequitable or bad faith interpretation of one of its events of default;
- in accordance with the general principles of Spanish Civil Procedural laws, the rules of evidence in any judicial proceeding cannot be modified by agreement of the parties. Accordingly, provisions in an agreement in which determinations by a party are to be deemed to be conclusive would not be upheld by a Spanish court. A determination, designation, calculation or certificate from one party as to any matter provided in the secured documents might, in certain circumstances, be held by a Spanish court not to be final, conclusive and binding, if it could be shown to have an unreasonable or arbitrary basis or in the event of manifest error despite any provision in the secured documents to the contrary;
- it may not be disregarded that the enforcement of the Spanish law security could require a judgment to be previously rendered in New York declaring the default or acceleration of the secured obligations and the amount due and payable thereunder;
- a certified translation into Spanish by an official translator of any document not executed in Spanish will be required to make such document admissible in evidence in Spain;
- under Spanish law, nullity or termination of the principal obligation will entail nullity or termination of collateral obligations securing it;
- if existence of an obligation is dependent exclusively on the discretion of one of the parties to the contract, such obligation may not be recognized by Spanish law and enforced by Spanish courts;
- Spanish courts may not recognize an acceleration or enforcement of the principal obligation solely on the basis of a breach of an ancillary undertaking, or if they consider that such acceleration or enforcement amounted to an abuse of the claimant's rights, and consequently deny a claim to enforce collateral securing such principal obligation, or suspend such enforcement;
- enforceability of any Spanish security documents' provisions relating to application of enforcement proceeds will be subject to manadatory Spanish law requiredments on the order of distributions;
- if a transaction is performed in formal compliance with a Spanish law requirement, but the actual intention is to cover another transaction, a Spanish court will apply the law govering the transaction that was meant to be covered;
- under Spanish law, claims may become time-barred or may be or become subject to the defense of set-off or counterclaim, abuse of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, undue influence, duress or error;
- a Spanish court may refuse to give effect to any provision in the security interest on the grounds that such provision conflicts with Spanish public order (*orden páblico*) or it may not grant enforcement in the event that it deems that a right has been exercised in such a manner to constitute an abuse of right; and
- under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply.

Limitations on enforcement of the Spanish share pledge

An existing first-ranking pledge over the shares in the Company's Spanish subsidiary, Digi Spain, will be extended and ratified in order to secure the obligations of the Issuer and the Guarantors under the Notes and the Indenture and other financing agreements that share in the Collateral. However, any security agreements perfecting such security interests will only be executed and accepted by the Security Agent on behalf of the beneficiaries of thereof on the basis of deemed authorizations in the Indenture and the Intercreditor Agreement. The holders of the Notes will not be entitled to take individual enforcement actions in respect of any security interests in Spain, which shall only be enforceable through the Security Agent in accordance with the Intercreditor Agreement.

Spanish law does not expressly regulate the possibility of creating a single global pledge to secure several obligations. Nevertheless, global real estate mortgages are regulated by article 153.bis of the Spanish Mortgage Law dated February 8, 1946 (*Decreto de 8 de febrero de 1946, por el que se aprueba la nueva redacción oficial de la Ley Hipotecaria*). Therefore, and to the extent not forbidden, any security governed by Spanish common law (*derecho común*) may be created to secure various obligations, but this possibility is not expressly recognised in any applicable legislation, nor has it been tested in Spanish courts.

Perfection of Spanish law security interests over moveable assets (such as shares) requires the transfer of possession (*desplazamiento posesorio*) of the collateral to the secured party and the formalization of those security interests in public deeds (*documento público*). According to established legal doctrine, the beneficiaries of the security interests must expressly accept the security interest, in order to perfect it via a duly authorised representative. The powers of security agents or trustees to act on behalf of the beneficiaries of the security interests in the Spanish collateral have not been tested in Spanish courts. Therefore, it might be necessary to prove the identity of such beneficiaries from time to time, and the authority of the Security Agent and the Trustee to act on behalf of the holder of the Notes by means of a duly notarized power of attorney, which, in certain circumstances, must be apostilled or legalized. These requirements could make impossible, or cause significant delays in, enforcement of the Collateral in Spain by the Security Agent. In addition, the relevant Spanish court or other competent authority may request that the underlying transaction document and transfers documents in relation to the interests in the Notes be notarized, apostilled or legalised, as applicable.

Finally, if enforcement of Collateral causes a change of control of Digi Spain, the Spanish Markets and Competition National Commission (*Comisión Nacional de los Mercados y la Competencia*) must be informed. Also, if the control of Digi Spain were acquired by a dominant operator, regulatory clearance will be required. There are also certain by-law limitations under Spanish law which prohibit transfers of shares in favor of (i) persons carrying out the same corporate purpose at the relevant company within Spain; (ii) certain persons set out in a list published by the Spanish Ministry of Foreign Affairs or the competent European Union bodies; or (iii) persons from countries with whom persons from the European Union are forbidden to carry out commercial activities. To the extent that such persons seek to enforce the pledge of Digi Spain shares, the transfer of shares would be invalid.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the "**Purchase Agreement**") dated February 7, 2019, among the Issuer, and the Guarantors and Citigroup Global Markets Limited as the Initial Purchaser we have agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase, the Additional Notes from the Issuer.

The Purchase Agreement provides that the Initial Purchaser will purchase all the Additional Notes if they purchase any of them.

The Initial Purchaser offered the Additional Notes initially at the price indicated on the cover page hereof. The Initial Purchaser may change the price at which the Notes are offered and other selling terms of the Additional Notes at any time without notice. The Initial Purchaser may offer and sell Additional Notes through certain of its affiliates.

The Purchase Agreement provides that the obligations of the Initial Purchaser to pay for and accept delivery of the Additional Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Purchase Agreement provides that the Issuer and the Company will indemnify and hold harmless the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. The Issuer, the Company and subsidiaries or other affiliates of the Company have agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, any debt (including, without limitation, any debt securities, loans or other instruments) of, or guaranteed by, the Issuer or the Company and having a tenor of more than one year during the period from the date of the Purchase Agreement through and including the date 90 days after the date of the Purchase Agreement, in each case, without the prior written consent of Citigroup Global Markets Limited.

The Additional Notes and the related Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Additional Notes are restricted as described under "*Notice to Investors*."

The Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Additional Notes in, from or otherwise involving the United Kingdom.

The Additional Notes and the related Guarantees have not been and will not be registered under the laws of any member state of the EEA. The offering of the Additional Notes and related Guarantees is being made, and the Additional Notes and the related Guarantees are being offered and issued, only to persons other than retail investors in the EEA, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Accordingly, no key information document required by the PRIIPs Regulation for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Additional Notes are not intended to be, and should not be, advertised, offered, sold or resold, transferred, delivered or otherwise made available to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law.

The Initial Purchaser has represented and agreed that an offering of Additional Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Additional Notes, and that it has not distributed, and will not distribute, any offering memorandum, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

The Initial Purchaser has represented, warranted and agreed that any Additional Notes will only be offered in The Netherlands to qualified investors (as defined in the Prospectus Directive).

No action has been taken in any jurisdiction, including the United States, The Netherlands and the United Kingdom, by the Issuer or the Initial Purchaser that would permit a public offering of the Additional Notes or the possession, circulation or distribution of this prospectus or any other material relating to us or the Additional Notes in any jurisdiction where action for this purpose is required. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Additional Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This prospectus does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this prospectus and resale of the Additional Notes. See "*Notice to Investors*."

The Initial Purchaser has advised us that it intends to make a market in the Additional Notes as permitted by applicable law. The Initial Purchaser is not obligated, however, to make a market in the Additional Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Additional Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Additional Notes at a particular time or at a price that will be favorable to you. See "*Risk Factors—Risks relating to the Notes—There is no assurance that the holders of the Additional Notes will be able to sell them*."

Delivery of the Additional Notes was made against payment, therefore on February 12, 2019.

In connection with the offering of the Additional Notes, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Additional Notes. Specifically, the Stabilizing Manager may bid for and purchase Additional Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Additional Notes. The Stabilizing Manager, or persons acting on its behalf, may also over-allot the offering of the Additional Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase the Additional Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Additional Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Additional Notes. See "*Risk Factors—Risks relating to the Notes—There is no assurance that the holders of the Additional Notes will be able to sell them*."

The Initial Purchaser or its respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. The Initial Purchaser or its respective affiliates may also receive allocations of the Additional Notes. The Initial Purchaser and its respective affiliates may be currently advising us or other interested parties, and may advise us or other interested parties from time to time on other transactions in the future. In particular, the Initial Purchaser or its affiliates act as arrangers, lenders or other counterparties to certain of our financing arrangements, including the 2018 Senior Facilities Agreement, the 2016 Senior Facilities Agreement, the Citi Facilities Agreement, the ING Facilities Agreement, the BRD Agreements and certain of our leasing arrangements, for which they have received, or may in the future receive, customary fees, commissions and payments.

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Additional Notes.

The Additional Notes and the Guarantees thereof have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Additional Notes and the Guarantees thereof are being offered and sold only (i) to "qualified institutional buyers" (as defined in Rule 144A) ("**QIBs**") in compliance with Rule 144A; and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. The terms "offshore transaction," "U.S. person" and "United States" have the meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Additional Notes (including the Guarantees thereof) within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Additional Notes hereunder (other than the Initial Purchaser) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A and Regulation S are used herein as defined therein):

(1) It understands and acknowledges that the Additional Notes (and the Guarantees thereof) have not been registered under the U.S. Securities Act or any applicable state securities law; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable state securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144) of the Issuer or acting on behalf of the Issuer and it is either:

   (i) a QIB and is aware that any sale of the Additional Notes to it will be made in reliance on Rule 144A, and the acquisition of Additional Notes will be for its own account or for the account of another QIB; or

   (ii) a non-U.S. person purchasing the Additional Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that none of us, the Issuer or the Initial Purchaser, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Additional Notes, other than the information contained in this prospectus, which prospectus has been delivered to it and upon which it is relying in making its investment decision with respect to the Additional Notes. It acknowledges that neither the Initial Purchaser nor any person representing the Initial Purchaser makes any representation or warranty as to the accuracy or completeness of the information contained in this prospectus. It also acknowledges that (i) it has been afforded an opportunity to request from us and the Initial Purchaser and to review and has received all additional information considered by it to be necessary to verify the accuracy and completeness of the information provided to it and (ii) that it has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning the Additional Notes offered hereby other than those contained in this prospectus, and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser.

(4) It is purchasing the Additional Notes and the Guarantees thereof for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Additional Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) It acknowledges that each Additional Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED,

TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A")) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THE SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A) TO THE ISSUER, THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR PURSUANT TO CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

Each purchaser will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Additional Notes as well as to holders of these Additional Notes.

(6) It agrees that it will give to each person to whom it transfers the Additional Notes notice of any restrictions on transfer of such Additional Notes.

(7) It acknowledges that the Transfer Agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(8) It acknowledges that the Issuer, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Additional Notes are no longer accurate, it will promptly notify the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(9) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchaser that would result in a public offering of the Additional Notes or the possession, circulation or distribution of this prospectus or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Additional Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer and the Company by Freshfields Bruckhaus Deringer LLP, with respect to U.S. federal and New York law as well as with respect to Dutch and Spanish law, Peli Filip SCA, with respect to Romanian law, and Orbán & Perlaki, Attorneys-at-Law, with respect to Hungarian law.

Certain legal matters in connection with the Offering will be passed upon for the Initial Purchaser by Cleary Gottlieb Steen & Hamilton LLP, with respect to U.S. federal and New York law, Clifford Chance Badea SCA with respect to Romanian law, Andrékó Kinstellar, Ügyvédi Iroda, with respect to Hungarian law, Houthoff London B.V., with respect to Dutch law and Linklaters, S.L.P., with respect to Spanish law.

INDEPENDENT AUDITORS

The 2015 and 2016 Annual Financial Statements included in this prospectus were audited by Ernst & Young Assurance Services SRL, independent auditors, as stated in their reports appearing herein. Ernst & Young Assurance Services SRL, with its business address at Bucharest Tower Center Building, 21st Floor, 15-17 Ion Mihalache Blvd. 011171 Bucharest, Romania, is registered with the trade registry under no. J40/5964/1999, Sole Registration Code 11909783. Ernst & Young Assurance Services SRL is a member of the Chamber of Financial Auditors of Romania and is registered in the Public Registry of Financial Auditors.

The 2017 Annual Financial Statements included in this prospectus were audited by Ernst & Young Accountants LLP, whose principal place of business is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands. Ernst & Young Accountants LLP is registered at the Chamber of Commerce of Rotterdam in The Netherlands under number 24432944. The registered accountants of Ernst & Young Accountants LLP are members of the NBA (*Koninklijke Nederlandse Beroepsorganisatie van* Accountants—the Royal Netherlands Institute of Chartered Accountants). The NBA is the professional body for accountants in the Netherlands. The Issuer appointed Ernst & Young Accountants LLP as its statutory auditors in compliance with applicable Dutch regulations in connection with the IPO.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Additional Notes from the Initial Purchaser will be furnished with a copy of this prospectus and, to the extent provided to the Initial Purchaser by us for such purpose, any related amendments or supplements to this prospectus. Each person receiving this prospectus and any related amendments or supplements to this prospectus acknowledges that:

- such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to point (i) above, no person has been authorized to give any information or to make any representation concerning the Additional Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser.

For so long as any of the Notes remain “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial holder of an Note, or to any prospective purchaser of an Note designated by such holder or beneficial holder, the information specified in, and meeting the requirement of Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to the Issuer, 75 Dr. Staicovici street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania or RCS & RDS, 75 Dr. Staicovici Street, Forum 2000 Building, 5th District, Bucharest, Romania. All of the above documents will be available at the offices of the Issuer.

ENFORCEMENT OF CIVIL LIABILITIES

Overview

The presence of the Issuer and the Guarantors outside of the United States and United Kingdom may limit your legal recourse against us. The Issuer is incorporated under the laws of The Netherlands, the Company is incorporated under the laws of Romania and DIGI Hungary and Invitel are both incorporated under the laws of Hungary. All of the Issuer's and the Company's directors and executive officers named in this prospectus reside outside the United States and United Kingdom, principally in Romania, with the exception of Mr. Bogdan Ciobotaru, who is a resident of the United Kingdom, Mr. Sambor Ryszka, who is a resident of Hungary, Mr. Marius Varzaru, who is a resident of Spain, and Mr. Piotr Rymaszewski, who is a resident of Poland. All or a substantial portion of the assets of the Issuer and the Guarantors and the assets of their respective directors and executive officers are located outside the United States and United Kingdom, principally in Romania and Hungary. As a result, you may not be able to effect service of process within the United States or United Kingdom upon the Issuer or the Guarantors or their respective directors and executive officers or to enforce court judgments obtained in the United States against the Issuer or the Guarantors or their respective directors and executive officers in jurisdictions outside the United States, including actions under the civil liability provisions of securities laws of the United States. In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions outside the United States and United Kingdom, liabilities predicated upon securities laws of the United States or United Kingdom.

There is no treaty between the United States and either Romania, Hungary or The Netherlands providing for reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. Under the terms of the Indenture, the Issuer, the Guarantors and the Trustee agree that any dispute, controversy or cause of action against the Issuer, the Guarantors and/or the Trustee arising out of the Indenture or any transaction contemplated therein, the Additional Notes or other deposited securities, will be referred to and resolved by the courts of New York or England and Wales, as more fully described in the Indenture.

Romania

Under Romanian law, reciprocity is presumed to exist in fact (*de facto*) unless there is proof to the contrary; such proof is to be determined by the Romanian Ministry of Justice, in consultation with the Romanian Ministry of Foreign Affairs. These limitations may deprive you of effective legal recourse for claims related to your investment in the Additional Notes. The possible need to re-litigate in Romania a judgment obtained in a foreign court on the merits may also significantly delay the enforcement of such judgment. Under Romanian law, certain amounts may be payable by the claimant upon the initiation of any action or proceeding in any Romanian court. These amounts in many instances depend on the amount of the relevant claim.

The procedure for recognition and enforcement in Romania of a judgment rendered by a foreign court in civil and commercial matters depends on whether the respective foreign court is (i) from a EU member state; (ii) a state that is a party to the Lugano Convention; or (iii) other states (i.e., states that are neither EU member states nor parties to the Lugano Convention).

Writ of enforcement

In Romania, enforcement proceedings may only be initiated on the basis of a writ of enforcement (*titlu executoriu*), usually a court decision or another document recognized as such under Romanian law. Enforcement proceedings may only be initiated to the extent that the creditor holds a receivable which is certain, liquid and due, and only after the initiation of the enforcement has been approved by the competent court of law. Creditor's claims which are conditioned on the occurrence of a certain event cannot be enforced, but such creditors may, under certain conditions, participate in the distribution of proceeds resulting from the enforcement.

Inter alia, neither the Proceeds Loan nor the Company's Guarantee are recognized as a writ of enforcement under Romanian law. To initiate enforcement proceedings in Romania, investors must first obtain a court decision.

Statute of limitations

As a general rule, any creditor that is not already in possession of a writ of enforcement must apply to the court to obtain a decision ordering payment within three years of the date of maturity of the obligation. The statute of limitations period may be extended, suspended or deemed to have restarted under certain circumstances. Special rules on the limitation periods may apply.

The Netherlands and Hungary

In The Netherlands and Hungary, the procedure for recognition and enforcement of a judgment rendered by a foreign court in civil and commercial matters will also depend on whether the respective foreign court is (i) from a EU member state; (ii) a state that is a party to the Lugano Convention; or (iii) other states (i.e., states that are neither EU member states nor parties to the Lugano Convention).

A final and conclusive judgment for the repayment of money against the Issuer, DIGI Hungary or Invitel rendered by any court in the Unites States in a competent jurisdiction will not be directly recognized and enforced by the courts of The Netherlands or Hungary, as applicable.

Judgments rendered by courts of EU member states

Recognition and enforcement under EC Regulation No. 1215/2012

A final and conclusive judgment *in personam* rendered by a court from an EU member state may be recognized and enforced in Romania, The Netherlands or Hungary, as applicable, *provided* that the relevant conditions set forth in EC Regulation No. 1215/2012 are met.

Under EC Regulation No. 1215/2012, an EU member state will recognize a judgment rendered in another EU jurisdiction unless, among other things:

- such recognition is manifestly contrary to public policy in the EU member state in which recognition is sought;
- where it was given in default of appearance, the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable it to arrange for its defense, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so;
- it is irreconcilable with an earlier judgment given in a dispute between the same parties in the EU member state in which recognition is sought;
- it is irreconcilable with an earlier judgment given in another EU member state or in a third state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in the EU member state addressed; or
- in other cases expressly set out by EC Regulation No. 1215/2012, such as cases when the judgment has been rendered without the observance of the cases of exclusive jurisdiction.

In addition to the above, other conditions may be applicable with respect to specific matters under special local legislation or international conventions.

A judgment rendered in another EU jurisdiction can be enforced in Romania, The Netherlands or Hungary only if: (i) it is enforceable in the state where the judgment was made; (ii) the competent enforcement authority is provided with a copy of the judgment which satisfies the conditions necessary to establish its authenticity; (iii) the competent enforcement authority is provided with an original certificate issued by the relevant state's court or other competent authority substantially in the form set out in Annex I of the Regulation No. 1215/2012, and none of the conditions above preventing the recognition of the judgment is applicable; (iv) where the judgment orders a periodic payment by way of penalty, (including but not limited to, default interest), the amount of the payment has been finally determined by the court of the state of origin; and (v) the right to enforce the final judgment is not restricted by any limitation period.

Recognition and enforcement of uncontested claims under EC Regulation No. 805/2004

In addition to and independently from the procedure provided by the EC Regulation No. 1215/2012, EC Regulation No. 805/2004 of the European Parliament and of the European Council ("**EC Regulation No. 805/2004**") regulates the creation of a European Enforcement Order for uncontested claims in civil and commercial matters. Under EC Regulation No. 805/2004, a claim shall be regarded as uncontested if: (i) the debtor has expressly agreed to it by admission or by means of a settlement which has been approved by a court or concluded before a court in the course of proceedings; or (ii) the debtor has never objected to it, in compliance with the relevant procedural requirements under the law of the EU member state of origin, in the course of the court proceedings; or (iii) the debtor has not appeared or been represented at a court hearing regarding that claim after having initially objected to the claim in the course of the court proceedings, provided that such conduct amounts to a tacit admission of the claim or of the facts alleged by the creditor under the law of the EU member state of origin; or (iv) the debtor has expressly agreed to it in an authentic instrument.

A judgment that has been certified as a European Enforcement Order in the EU member state of origin shall be recognized and enforced in the other EU member states without the need for a declaration of enforceability and without any possibility of opposing its recognition.

A judgment on an uncontested claim delivered in a EU member state shall, upon application at any time to the court of origin, be certified as a European Enforcement Order if: (i) the judgment is enforceable in the EU member state of origin; and (ii) the judgment does not conflict with the rules on jurisdiction as laid down in EC Regulation No. 1215/2012; and (iii) the court proceedings in the member state of origin meet the minimum requirements as set out in the EC Regulation No. 805/2004 (where the claim is deemed uncontested because the debtor has never objected to the claim or has not appeared or been represented at a court hearing as detailed above); and (iv) the judgment was given in the member state of the debtor's domicile within the meaning of EC Regulation No. 1215/2012, in cases where: (a) a claim is uncontested (where the debtor has never objected to the claim or has not appeared or been represented at a court hearing as detailed above); and (b) it relates to a contract concluded by a person (a "consumer") for a purpose which can be regarded as being outside his trade or profession; and (c) the debtor is the consumer.

The European Enforcement Order certificate shall take effect only within the limits of the enforceability of the judgment. The enforcement procedures shall be governed by the law of the EU member state of enforcement. A judgment certified as a European Enforcement Order shall be enforced under the same conditions as a judgment handed down in the EU member state of enforcement.

Enforcement shall, upon application by the debtor, be refused by the competent court in the EU member state of enforcement if the judgment certified as a European Enforcement Order is irreconcilable with an earlier judgment given in any EU member state or in a third country, provided that: (i) the earlier judgment involved the same cause of action and was between the same parties; and (ii) the earlier judgment was given in the EU member state of enforcement or fulfils the conditions necessary for its recognition in the EU member state of enforcement; and (iii) the irreconcilability was not and could not have been raised as an objection in the court proceedings in the EU member state of origin. Under no circumstances may the judgment or its certification as a European Enforcement Order be reviewed as to its substance in the EU member state of enforcement.

Judgments rendered by courts of non-EU member states that are parties to the Lugano Convention

A similar procedure as the one described above under "*—Judgments rendered by courts of EU member states—Recognition and enforcement under EC Regulation No. 1215/2012*" is applicable in Romania, The Netherlands and Hungary to judgments rendered by courts of non-EU member states that are parties to the Lugano Convention. Such judgements are recognized in Romania and The Netherlands without any special procedure being required, but the initiation of the enforcement procedures must be approved by the competent courts in Romania and The Netherlands, as the case may be.

Judgments rendered by courts of other states

The recognition and enforcement of a final and conclusive judgment rendered by a court of a non-EU member state that is not a party to the Lugano Convention is less certain than the recognition and enforcement of a judgment rendered by a court of an EU member state or of a state that is a party to the Lugano Convention. The recognition and enforcement of a final and conclusive judgment rendered by a court of a non-EU member state that is not a party to the Lugano Convention is subject to (i) in Romania, the Romanian Civil Procedure Code; (ii) in The Netherlands, the Dutch Civil Procedure Code and Dutch case law; and (iii) in Hungary, Act XXVIII of 2017 on International Private Law.

Romania

Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, the laws of Romania permit an action to be brought before a competent court in Romania for the recognition of a final and conclusive judgment in personam rendered by a court of a non-EU member state that is not a party to the Lugano Convention, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Inter alia, such conditions require that: (i) the judgment is final according to the law of the state where it was rendered; (ii) the judgment was rendered by a competent court and such competence did not derive exclusively from the defendant's presence in the country of the court's jurisdiction or the presence of assets of the defendant located in the country of the court's jurisdiction, which do not have a direct connection to the case in which the judgment was rendered; (iii) there is reciprocity with respect to the effects of foreign judgments, between Romania and the respective state; and (iv) where the judgment was given in default of appearance, there is evidence that the party who lost the trial was served with the summons for the court hearing where the court tried the merits of the case and with the document which instituted the court proceedings in due course and that such party was given the opportunity to defend itself and challenge the judgment.

A judgment shall not be recognized in any of the following cases:

- it is manifestly contrary to the Romanian private international law public order (such incompatibility is evidenced by taking into account, in particular, the criterion of the strength of the link between the specific case and the Romanian jurisdiction, as well as the gravity of the consequences of such incompatibility) and the enforcement of such judgment would be inconsistent with or contrary to the Romanian private international law public order;
- the judgment in a matter of law where entities/individuals cannot freely dispose of their rights has been obtained with the sole purpose to avoid the applicable laws of the jurisdiction designated in accordance with the Romanian private international law public order;

- the claim has been settled between the same parties through a decision of Romanian courts (even if not final) or is pending before Romanian courts at the date when the foreign court is vested;
- the judgment is irreconcilable with a prior foreign judgment susceptible of being recognized in Romania;
- the claim falls within the exclusive jurisdiction of the Romanian courts;
- the right to defense has not been observed during trial; or
- the judgment is subject to an appeal judged under the laws of the jurisdiction in which it has been given.

The recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters are subject to special legislation and certain conditions may need to be fulfilled.

Judgments rendered by courts in non-EU member states that are not a party to the Lugano Convention can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of the respective judgment are met; (ii) the judgment is enforceable according to the law of the jurisdiction where it was made and (iii) where the judgment establishes an obligation arising from a foreign fiscal law, there exists reciprocity regarding the effects of foreign judgments in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the judgment whose recognition and enforcement is sought.

The Romanian courts cannot refuse to recognize a foreign judgment solely because the tribunal which delivered the foreign decision applied laws other than those prescribed by the Romanian private international law, except (i) where the suit relates to the civil status and capacity of a Romanian citizen and (ii) the foreign decision differs from that which would have reached under Romanian law.

Foreign decisions stipulating protective measures and those for which only a temporary enforcement is available (*hotarari date cu executare proviziorie*) cannot be enforced in Romania.

A foreign decision rendered by a competent court has evidentiary force before the Romanian courts with respect to the facts which such decision ascertains, except where such facts are manifestly contrary to the Romanian private international law public order.

The Netherlands

In regards to recognition and enforcement of relevant judgments ("**Foreign Judgment**") rendered in non-EU member states or Lugano Convention states (except Liechtenstein) ("**Foreign Court**"), there is no relevant treaty applicable in this respect in The Netherlands. According to Article 431 of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*), enforcement of a Foreign Judgment in The Netherlands is only possible if an international or national rule so states. In order to obtain a judgment that is enforceable against the Issuer in The Netherlands, a holder of a Foreign Judgement must file its claim against the Issuer with a competent court of The Netherlands. If a person has obtained a Foreign Judgement which is enforceable in the jurisdiction of such the relevant Foreign Court and files his claim with the court of competent jurisdiction in The Netherlands, such court will generally give binding effect to the Foreign Judgment insofar as it finds that:

- the jurisdiction of the Foreign Court has been based on grounds which are internationally acceptable;
- proper legal procedures have been observed,
- the Foreign Judgment does not contravene Dutch public policy; and
- the Foreign Judgment is not irreconcilable with a judgment of a court of The Netherlands given between the same parties, or with an earlier judgment of a non-Dutch court given between the same parties in a dispute involving the same cause of action and subject matter, provided that such earlier judgment fulfils the conditions necessary for it to be given binding effect in The Netherlands.

Moreover, a Dutch court may reduce the amount of damages granted by a Foreign Court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of Foreign courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

Hungary

Under Act XXVIII of 2017 on International Private Law and in the absence of bilateral treaties on mutual recognition of judgements, a final, binding and enforceable judgment for payment rendered by a court of a non-EU country in commercial matters may be recognized in Hungary subject to the following conditions and limitations. A judgment of a non-EU court can be recognized in Hungary only if:

- the relevant court had jurisdiction with respect to the relevant dispute in accordance with Hungarian law (for example, if the parties to choose to apply the forum of the relevant court to resolve disputes under their agreement);
- the foreign judgment is final and binding under the law under which it was passed; and
- the reciprocity of enforcement of judgments is guaranteed between the relevant non-EU country and Hungary (with the exception where, the jurisdiction of Hungarian courts is excluded or the jurisdiction was chosen by the parties in accordance with Hungarian laws on the choice of jurisdiction, in which case the reciprocity is not a strict requirement for the purposes of the recognition),

unless any of the limitations or grounds for rejection set out below apply.

Based on Act XXVIII of 2017 on International Private Law, the recognition or enforcement of a judgment in Hungary of a non-EU court may be rejected if:

- the judgment is related to a matter in respect of which Hungarian courts or other authorities have exclusive jurisdiction to solve the relevant dispute;
- doing so would violate public order in Hungary (which could potentially include cases where the judgments were based on the findings of a procedure that seriously violates the basic principles of Hungarian law);
- the defendant has not participated (either personally or through its representative) in the given proceedings because the defendant was not served at his domicile or residence with the document which instituted the proceedings in sufficient time and in such a way as to enable the defendant to arrange for his or her defense;
- the judgment was passed as a result of proceedings which commenced after the commencement of proceedings before a Hungarian court or authority between the same parties on the same legal and factual basis;
- if, prior to the passing of the judgment, a final and binding decision was passed by any Hungarian court or authority on the merits of the matter between the same parties involving the same cause of action;
- if the judgment is irreconcilable with an earlier judgment rendered by a Hungarian court or other Hungarian authority involving the same cause of action and between the same parties; or
- if an earlier judgment was passed in another state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Hungary.

A judgment of any non-EU Court may only be enforced in Hungary if all the above conditions are met in the opinion of the competent Hungarian court with which enforcement is sought. Enforcement and foreclosure based on the relevant judgment of any non-EU court may be sought against Hungarian defendants after having received an enforcement decision from a competent Hungarian court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce in Hungary judgments obtained from a non-EU court in commercial law matters. However, it cannot be assured that those judgments will be recognized or enforceable in Hungary.

LISTING AND GENERAL INFORMATION

1. The Issuer (formerly known as Cable Communications Systems N.V.) is a public company incorporated under the laws of The Netherlands. The Issuer was incorporated on March 29, 2000 and is the controlling shareholder of the Company. The Issuer is registered with the Dutch trade register under registration number 34132532. The Issuer's registered office is located at 75 Dr. Staicovici street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania. The Issuer's telephone number is +40 31 400 6505.

2. The Additional Notes are guaranteed by the Company, DIGI Hungary and Invitel.

   a. The Company is a joint stock company incorporated under the laws of Romania. RCS & RDS is registered with the Bucharest Trade Registry Office under registration number J40/12278/1994. The Company's registered office is located at 75 Dr. Staicovici Street, Forum 2000 building, second floor, 5th district, Bucharest, Romania. The Company was incorporated on July 7,1994. The Company's telephone number is +40 31 400 4440.

   b. DIGI Hungary is a limited liability company incorporated under the laws of Hungary. DIGI Hungary is registered with the Court of Registration of Budapest under registration number Cg.01-09-667975. DIGI Hungary's registered office is located at Váci út 35, 1134 Budapest, Hungary. DIGI Hungary was incorporated on February 12, 1998 and its telephone number is +36 1 707 1000.

   c. Invitel is a private company limited by shares incorporated under the laws of Hungary. Invitel is registered with the Court of Registration of Budapest under registration number Cg. 01-10-049957. Invitel's registered office is located at H-1134 Váci út 37. Budapest, Hungary. Invitel was incorporated on November 17, 1995 and its telephone number is +36 1 707 6005.

3. The issue of the Additional Notes was authorized by the written resolutions of the Meeting of Class A Shareholders of the Issuer dated February 5, 2019 and the written resolutions of the managing board of the Issuer of the same date.

4. The extension of the existing Guarantee by the Company to cover the Additional Notes was authorized by the board of directors of the Company on February 5, 2019. The extension of the existing Guarantee by DIGI Hungary to cover the Additional Notes was authorized by a resolution of the sole shareholder of DIGI Hungary on February 5, 2019. The extension of the existing Guarantee by Invitel to cover the Additional Notes was authorized by its board of directors on February 5, 2019.

5. Application was made to the Irish Stock Exchange plc (trading as Euronext Dublin), for the Additional Notes to be admitted to the Official List and trading on its regulated market. The regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin) is a regulated market for the purposes of MiFID II. Such approval relates only to the Additional Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the European Economic Area.

6. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Additional Notes and is not itself seeking admission of the Additional Notes to the Official List of the Irish Stock Exchange plc (trading as Euronext Dublin), or to trading on the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin), for the purposes of the Prospectus Directive.

7. The Additional Notes share the same ISINs and Common Codes as the Original Notes, except that the Additional Notes sold in reliance on Regulation S will temporarily have a different ISIN and Common Code from, and will not trade fungibly with, the Original Notes sold in reliance on Regulation S during the period from the Additional Notes Issue Date (as defined herein) through (and including) the 40th day following the Additional Notes Issue Date. After the 40th day following the Additional Notes Issue Date, certain selling restrictions with respect to the Additional Notes sold in reliance on Regulation S will terminate and the Additional Notes sold in reliance on Regulation S will become fully fungible with, and share the same ISIN and Common Code as, the Original Notes sold in reliance on Regulation S. See "*Plan of Distribution*," "*Description of the Additional Notes—Form of Notes" and "Book-Entry; Delivery and Form*." The temporary Common Code for the Additional Notes that were issued pursuant to Regulation S is 195091587. The temporary ISIN for the Additional Notes that were issued pursuant to Regulation S is XS1950915873.

8. We have appointed Wilmington Trust (London) Limited as Security Agent, and Wilmington Trust, National Association, as Trustee.

9. We have appointed Deutsche Bank Luxembourg S.A., as Registrar and Transfer Agent, and Deutsche Bank AG, London Branch as Paying Agent.

10. For as long as the Additional Notes are listed on the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin), electronic or physical copies of the following documents will be available for inspection free of charge, during normal business hours on any weekday, at our offices located at 75 Dr. Staicovici street, Forum 2000 building, Phase I, fourth floor, 5th district, Bucharest, Romania and 75 Dr. Staicovici Street, Forum 2000 Building, 5th District, Bucharest, Romania:

    a. this prospectus;

    b. the Articles of Association (English translation) of the Issuer and the Guarantors;

    c. the Indenture and the Guarantees;

    d. the Intercreditor Agreement and the documents creating the security interests in the Collateral as contemplated by the Indenture; and

    e. our Financial Statements.

11. Copies of the Purchase Agreement will be available for inspection at the Paying Agent's principal office at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London, EC2N 2DB.

12. Unless disclosed in the sections section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of this prospectus, there has been no material adverse change in the prospects of the Issuer since December 31, 2017, which is the date of our last audited consolidated financial statements included in this prospectus, and there has been no significant change in our financial or trading position or the financial or trading position of the Issuer since September 30, 2018.

13. The Issuer and the Guarantors have not been engaged in or, so far as they are aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had, a significant effect on the Issuer's financial position or profitability during the 12 months preceding the date of this prospectus, except as set forth in the section entitled "*Litigation and Legal Proceedings*."

14. Holders of the Additional Notes may contact the Transfer Agent with questions relating to the transfer of Additional Notes on the books of the Registrar, which shall be maintained at the Registrar's principal office at 2 Boulevard Konrad Adenauer, L-1115 Luxembourg, Luxembourg.

15. The Additional Notes are expected to generate an annual yield of 5.0%.

16. The expenses in relation to the admission of the Additional Notes to trading on the regulated market of the Irish Stock Exchange plc (trading as Euronext Dublin) was approximately €5,000.

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DIGI COMMUNICATIONS NV

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH
IAS 34 INTERIM FINANCIAL REPORTING

for the nine-month period ended 30 September 2018

CONTENTS

GENERAL INFORMATION

Directors:

Serghei Bulgac
Bogdan Ciobotaru
Valentin Popoviciu
Piotr Rymaszewski
Sambor Ryszka
Marius Catalin Varzaru
Zoltan Teszari

Registered Office:

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

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").

The transaction was closed on 30 May 2018 for a total consideration of approximately EUR 135.4 million. Control was transferred at the same date. There are certain conditions regarding divesting part of the Invitel business in certain areas that need to be fulfilled.

In accordance with the requirements of IFRS 3 "Business Combinations", the Purchase Price Allocation ("PPA") analysis for the Invitel acquisition of shares started in view of consolidating the Invitel's assets, liabilities and results. The PPA assessment is in a preliminary phase, but can be finalized over a period of 12 months, as per IFRS 3 requirements. The PPA is undertaken by an external independent valuator.

These unaudited interim condensed consolidated financial statements include the consolidated results of Invitel starting from 1 June 2018 and the preliminary valuation of the fair value of identifiable assets and liabilities of Invitel as at the date of acquisition. For details, please see Note 12 Business Combinations.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Financial Position
as at 30 September 2018
(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,082,933	900,691
Intangible assets	5	245,672	215,248
Financial assets at fair value through OCI		35,960	42,146
Investments in associates		788	784
Long term receivables		4,768	2,018
Other non-current assets		4,323	—
Deferred tax asset		2,442	2,828
Total non-current assets		**1,376,886**	**1,163,715**
Current assets			
Inventories		14,082	10,063
Programme assets	5	28,821	22,250
Trade and other receivables		63,669	82,472
Contract assets		34,734	—
Income tax receivable		436	1,727
Other assets		13,624	11,046
Derivative financial assets	15	40,411	34,883
Cash and short term deposits		17,063	16,074
Total current assets		**212,840**	**178,515**
Total assets		**1,589,726**	**1,342,230**
EQUITY AND LIABILITIES	6		
Equity attributable to equity holders of the parent			
Share capital		6,918	6,918
Share premium		5,251	3,406
Treasury shares		(14,032)	(13,922)
Reserves		(13,653)	1,248
Retained earnings		165,021	138,869
Total equity attributable to equity holders of the parent		**149,505**	**136,519**
Non-controlling interest		7,245	6,029
Total equity		**156,750**	**142,548**
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	7	777,960	648,040
Deferred tax liabilities		61,916	45,517
Decommissioning provision		5,571	5,409
Other long term liabilities		34,251	36,738
Total non-current liabilities		**879,698**	**735,704**
Current liabilities			
Trade payables and other payables		407,535	358,074
Interest-bearing loans and borrowings	7	109,324	82,009
Income tax payable		2,659	—
Derivative financial liabilities	15	1,629	10,131
Provisions		7,224	2,497
Contract liabilities		24,907	—
Deferred revenue		—	11,267
Total current liabilities		**553,278**	**463,978**
Total liabilities		**1,432,976**	**1,199,682**
Total equity and liabilities		**1,589,726**	**1,342,230**

The notes on pages 12 to 46 are an integral part of these interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements were re-issued on 6 February 2019.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 September 2018
(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited Nine month period ended 30 September 2018 Continuing Operations	Discontinued Operations	TOTAL	Unaudited Nine month period ended 30 September 2017 Continuing Operations	Discontinued Operations	TOTAL
Continuing Operations							
Revenues	9	756,368		756,368	687,335	—	687,335
Other income		9,729		9,729	10,695	—	10,695
Operating expenses	10	(668,169)		(668,169)	(597,506)	—	(597,506)
Other expenses		(16,279)	(1,070)	(17,349)	(2,927)	—	(2,927)
Operating Profit		**81,649**	(1,070)	**80,579**	**97,597**	**—**	**97,597**
Finance income	11	3,819		3,819	15,129	—	15,129
Finance expenses	11	(45,007)		(45,007)	(35,856)	—	(35,856)
Net finance costs		**(41,188)**		**(41,188)**	**(20,727)**	**—**	**(20,727)**
Profit before taxation		**40,461**	(1,070)	**39,391**	**76,870**	**—**	**76,870**
Income tax		(18,465)		(18,465)	(18,814)	—	(18,814)
Net profit for the period		**21,996**	(1,070)	**20,926**	**58,056**	**—**	**58,056**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations—foreign currency translation differences		(5,044)	—	(5,044)	249	—	249
Cash Flow hedge reserves		518	—	518	926	—	926
Items that will not be reclassified to profit or loss							
Revaluation of equity instruments measured at fair value through OCI*		(6,186)	—	(6,186)	—	—	—
Other comprehensive income/(loss) for the period, net of income tax		**(10,712)**	**—**	**(10,712)**	**1,175**	**—**	**1,175**
Total comprehensive income for the period		**11,284**	**(1,070)**	**10,214**	**59,231**	**—**	**59,231**

*) following the adoption of IFRS 9, no recycling of gains or losses to profit or loss will be recorded on derecognition of financial assets at fair value through OCI starting from 1 January 2018. Under the previous accounting standard, recycling of gains or losses to profit or loss would occur.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 September 2018
(all amounts in EUR ‘000, unless specified otherwise)

	Notes	Unaudited Nine month period ended 30 September 2018 Continuing Operations	Discontinued Operations	TOTAL	Unaudited Nine month period ended 30 September 2017 Continuing Operations	Discontinued Operations	TOTAL
Profit attributable to:							
Equity holders of the parent		19,381	—	19,381	55,738	—	55,738
Non-controlling interest		1,545	—	1,545	2,318	—	2,318
Profit for the period		**20,926**	**—**	**20,926**	**58,056**	**—**	**58,056**
Total comprehensive income attributable to:							
Equity holders of the parent		8,948	—	8,948	56,861	—	56,861
Non-controlling interest		1,265	—	1,265	2,370	—	2,370
Total comprehensive income for the period		**10,213**	**—**	**10,213**	**59,231**	**—**	**59,231**
Basic earnings per share (EUR/share)		**0.2**	**—**	**0.2**	**0.6**	**—**	**0.6**
Diluted earnings per share (EUR/share)		**0.2**	**—**	**0.2**	**0.6**	**—**	**0.6**

The notes on pages 12 to 46 are an integral part of these interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements were re-issued on 6 February 2019.

DIGI Communications N.V.
Interim Condensed Consolidated Cash Flow Statement
for the 9 month period ended 30 September 2018
(all amounts in EUR '000, unless specified otherwise)

	Notes	Unaudited Nine month period ended 30 September 2018	Unaudited Nine month period ended 30 September 2017
Cash flows from operating activities			
Profit before taxation		**39,391**	**76,871**
Adjustments for:			
Depreciation, amortization and impairment	10	152,684	126,469
Interest expense, net	11	33,546	26,508
Impairment of trade and other receivables	10	7,537	7,300
Share-based payment expense		12,404	926
Unrealised losses/ (gains) on derivative financial instruments		(12,587)	(19,471)
Unrealised foreign exchange loss / (gain)		3,464	4,298
Gain on sale of assets		(11)	(251)
Provisions		4,729	—
Cash flows from operations before working capital changes		**241,157**	**222,650**
Changes in:			
Trade receivables, other assets and contract assets (increase)		(28,267)	(19,403)
Inventories (increase)		(4,219)	(1,909)
Trade payables, other payables and contract liabilities (increase)		8,915	13,745
Contract liabilities (increase)		12,380	5,297
Cash flows from operations		**229,966**	**220,380**
Interest paid		(26,837)	(20,228)
Income tax paid		(2,574)	(5,111)
Cash flows from operating activities		**200,555**	**195,041**
Cash flow used in investing activities			
Purchases of property, plant and equipment		(146,972)	(132,276)
Purchases of intangibles		(52,770)	(54,180)
Acquisition of subsidiaries, net of cash acquired acquired*		(141,599)	(1,366)
Proceeds from sale of property, plant and equipment		184	669
Cash flows used in investing activities		**(341,157)**	**(187,153)**
Cash flows from financing activities			
Dividends paid to shareholders		(3,122)	(21,006)
Cash outflows from purchase of treasury shares		(703)	—
Proceeds from borrowings	7	174,827	39,181
Repayment of borrowings	7	(23,259)	(16,284)
Financing costs paid		(2,667)	—
Settlement of derivatives		(826)	(2,822)
Payment of finance lease obligations		(2,661)	(1,234)
Cash flows used in/from financing activities		**141,589**	**(2,165)**
Net increase / (decrease) in cash and cash equivalents		**987**	**5,723**
Cash and cash equivalents at the beginning of the period		16,074	14,625
Effect of exchange rate fluctuations of cash and cash equivalents held		2	39
Cash and cash equivalents at the end of the period		**17,063**	**20,386**

* *Included is the consideration paid for acquisition of Invitel in amount of EUR 135,4 million paid by Digi Hu for the completion of transaction on 30 May 2018. For details, please see Note 12 Business Combinations.*

The notes on pages 12 to 46 are an integral part of these interim condensed consolidated financial statements.

Cash and cash equivalents as at 30 September 2018 includes cash equivalents in amount of EUR 3,851.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Changes in Equity
for the period ended 30 September 2018
(all amounts in EUR '000, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2018 (audited)	**6,918**	**3,406**	**(13,922)**	**(29,957)**	**35,120**	**(3,667)**	**(248)**	**138,869**	**136,519**	**6,029**	**142,548**
Comprehensive income for the period											
Net profit for the period	—	—	—	—	—	—	—	19,381	**19,381**	1,545	**20,926**
Foreign currency translation differences	—	—	—	(4,731)	—	—	—	—	**(4,731)**	(313)	**(5,044)**
Revaluation of equity instruments measured at fair value through OCI	—	—	—	—	—	(6,186)	—	—	**(6,186)**	—	**(6,186)**
Cash Flow hedge reserves[1]	—	—	—	—	—	—	485	—	**485**	33	**518**
Transfer of revaluation reserve (depreciation)	—	—	—	—	(4,468)	—		4,468	—	—	—
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**(4,731)**	**(4,468)**	**(6,186)**	**485**	**23,849**	**8,949**	**1,265**	**10,214**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions	—	1,845	(110)	—	—	—	—	9,339	**11,074**	630	**11,704**
Dividends distributed	—	—	—	—	—	—	—	(7,037)	**(7,037)**	(679)	**(7,716)**
Total contributions by and distributions to owners	**—**	**1,845**	**(110)**	**—**	**—**	**—**	**—**	**2,302**	**4,037**	**(49)**	**3,988**
Changes in ownership interests in subsidiaries											
Payments while having full control											
Movement in ownership interest while retaining control	—	—	—	—	—	—	—	—	**—**	—	**—**
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—	—	**—**	—	**—**
Total transactions with owners	**—**	**1,845**	**(110)**	**—**	**—**	**—**	**—**	**2,302**	**4,037**	**(49)**	**3,988**
Balance at 30 September 2018 (unaudited)	**6,918**	**5,251**	**(14,032)**	**(34,688)**	**30,652**	**(9,853)**	**237**	**165,020**	**149,505**	**7,245**	**156,750**

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

The notes on pages 12 to 46 are an integral part of these interim condensed consolidated financial statements.

DIGI Communications N.V.
Interim Condensed Consolidated Statement of Changes in Equity
for the period ended 30 September 2018
(all amounts in EUR '000, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value reserves	Cash flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017 (audited)	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**	**—**	**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**
Comprehensive income for the period											
Net profit for the period	—	—	—	—	—	—	—	55,738	**55,738**	2,318	**58,056**
Foreign currency translation differences	—	—	—	233	—	—	—	—	**233**	16	**249**
Cash Flow hedge reserves(1)	—	—	—	—	—	—	890	—	**890**	36	**926**
Transfer of revaluation reserve (depreciation)	—	—	—	—	(5,426)	—	—	5,426	—	—	—
Total comprehensive income/(loss) for the period	**—**	**—**	**—**	**233**	**(5,426)**	**—**	**890**	**61,164**	**56,861**	**2,370**	**59,231**
Transactions with owners, recognized directly in equity											
Contributions by and distributions to owners											
Net change in share capital	6,867	(5,165)	—	—	—	—	—	(1,702)	—	—	—
Equity-settled share-based payment transactions	—	—	—	—	—	—	—	927	927	—	927
Sale of Treasury Shares	—	—	2,777	—	—	—	—	—	**2,777**	—	**2,777**
Dividends distributed	—	—	—	—	—	—	—	(6,000)	**(6,000)**	(425)	**(6,425)**
Total contributions by and distributions to owners	**6,867**	**(5,165)**	**2,777**	**—**	**—**	**—**	**—**	**(6,775)**	**(2,296)**	**(425)**	**(2,721)**
Changes in ownership interests in subsidiaries											
Swap of NCI against Available for sale financial assets	—	—	—	—	—	—	—	41,177	**41,177**	—	**41,177**
Movement in ownership interest while retaining control	—	—	—	—	—	—	—	(4,248)	(4,248)	2,182	(2,066)
Total changes in ownership interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**36,929**	**36,929**	**2,182**	**39,111**
Total transactions with owners	**6,867**	**(5,165)**	**2,777**	**—**	**—**	**—**	**—**	**30,154**	**34,633**	**1,757**	**36,390**
Balance at 30 September 2017 (unaudited)	**6,918**	**3,082**	**(13,926)**	**(29,948)**	**37,570**	**—**	**(2,829)**	**131,792**	**132,659**	**5,565**	**138,224**

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

1. CORPORATE INFORMATION

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

The parent company of the Group is Digi Communications N.V. ("DIGI" or "the Company" or "the Parent"), a company incorporated in Netherlands with place of business and registered office in Romania. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. DIGI registered office is located in Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania. On 11 April 2017 the Company changed its name to Digi Communications N.V., its former name being Cable Communications Systems N.V.

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

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

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

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

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

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

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel"). The transaction was closed on 30 May 2018 for a total consideration of approximately EUR 135.4 million. For details, please see Note 12 Business Combinations.

Re-issue of previously issued financial information for the nine month period ended 30 September 2018

On 14 November 2018, the Company issued and published on its website the condensed consolidated interim financial report for the nine-month period ended 30 September 2018 ("the original financial statements"). In connection with the Company's decision to issue an additional EUR 125.000 senior secured notes due 2023, the Company was required to re-issue financial information for the nine-month period ended 30 September 2018 and financial information for the nine-month period ended 30 September 2017 in these unaudited interim condensed consolidated financial statements for the nine-month period ended 30 September 2018 ("the re-issued financial statements). As a result of this, the Company made certain changes compared to the original financial statements, as a result of the impact of adjusting subsequent events and inaccuracies/errors that were identified.

Below tables summarize the adjustments that were recorded as at 30 September 2018:

As at 30 September 2018 *(all in Euro thousand)*

Statement of Financial Position	Reported as at 14 November 2018	Adjustments	Adjusted
Other non-current assets		4,323[1]	4,323
Derivative financial assets	36,848	3,563[2]	40,411
Deferred tax liabilities	(60,826)	(1,090)[3]	(61,916)
Trade payables and other payables	(410,030)	2,495[4]	(407,535)
Provisions	—	(7,224)[5]	(7,224)
Equity attributable to equity holders of the parent	(147,577)	(1,928)[6]	(149,505)
Non-controlling interest	(7,112)	(133)[6]	(7,245)

1 recognition of deferred green certificates (€4,323)

2 fair value re-assessment for embedded derivative asset (€3,563)

3 additional deferred tax liability generated by the recorded adjustments (€1,090)

4 reclassification from trade and other payables to provisions (€2,495)

5 additional provisions in connection with ongoing litigation (€4,729) and reclassification from trade and another payables line (€2,495)

6 impact on equity attributable to equity holders of the parent (€1,928) and non-controlling interest (€133) of the recorded adjustments above

Below tables summarize the adjustments that were recorded for the nine month period ended 30 September 2018:

9 months period ended 30 September 2018 (all in Euro thousand)

Statement of comprehensive income	Reported as at 14 November 2018	Adjustments	Adjusted
Revenues	752,045	4,323[1]	756,368
Other expenses	(12,620)	(4,729)[2]	(17,349)
EBITDA	233,670	(407)	233,263
Finance income	257	3,562[3]	3,819
Income Tax	(17,373)	(1,092)[4]	(18,465)
Net profit for the period	18,864	2,062	20,926

1 recognition of deferred green certificates (€4,323)

2 additional provisions in connection with ongoing litigation (€4,729)

3 fair value re-assessment for embedded derivative asset (€3,563)

4 additional deferred tax expense from the recorded adjustments (€1,092)

Below tables summarize the adjustments that were recorded for the nine month period ended 30 September 2017:

9 months ended 30 September 2017 (all in Euro thousand)

Statement of comprehensive income	Reported as at 14 November 2018	Adjustments	Adjusted
Revenues	684,071	3,264	687,335[1]
Operating expenses	(596,579)	(927)	(597,506)[2]
EBITDA	221,729	2,337	224,066
Finance income	706	14,423	15,129[3]
Income Tax	(15,944)	(2,870)	(18,814)[4]
Net profit for the period	44,166	13,890	58,056
Other comprehensive income:			
Available for sale financial asset, net change in fair value	41,177	(41,177)[5]	—

1 recognition of deferred green certificates (€3,264)

2 recognition of expense related to the Group's Share Option Plans (€927)

3 fair value re-assessment for embedded derivative asset (€14,423)

4 additional deferred tax expense from the recorded adjustments (€2,870)

5 reclassification to retained earnings of the Swap of NCI against Available for sale financial assets

The cash flow statements and the statements of changes in equity have been also restated accordingly.

These unaudited interim condensed consolidated financial statements were authorized for re-issue on 6 February 2019 by the Board of Directors of Digi Communications N.V.

2.1 BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the nine month period ended 30 September 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017 which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and part 9 of book 2 of the Dutch Civil code.

(b) Basis of measurement

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

(c) Judgements and estimates

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

(d) Functional and presentation currency

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

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

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

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

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

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

Currency	2018 1 Jan	2018 Average for the 9 months	2018 30 Sep	2017 1 Jan	2017 Average for the 9 months	2017 30 Sep
RON per 1EUR	4.6597	4.6514	4.6637	4.5411	4.5513	4.5991
HUF per 1EUR	310.14	317.41	323.78	311.02	308.49	311.23
USD per 1EUR	1.1643	1.1944	1.1598	1.0510	1.1145	1.1806

2.2. GOING CONCERN

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

For further information refer to Note 13b) Liquidity risk.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017, except for the following amended IFRSs which have been adopted by the Group as of 1 January 2018:

New pronouncements

The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2018:

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

- **IFRS 9 Financial Instruments: Classification and Measurement**

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group adopted the new standard on the required effective date and utilized the option of simplified initial application. As the effect arising from transition to IFRS 9 was not material, the cumulative effect arising from the transition was recognized in the statement of comprehensive income for the period of initial application. Prior year comparative information was not restated and continues to be reported under IAS 39. The Group provides the explanation of the reasons for changes in items in the consolidated statement of financial position and the consolidated statement of comprehensive income.

a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Group's debt financial assets are at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables, which are classified and measured as Debt instruments at amortised cost beginning 1 January 2018;

Other financial assets include equity instruments which are classified and subsequently measured as financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

There are no significant factoring arrangements in place and no significant sales of receivables have occurred in the past. For these trade receivables the principal is deemed to be the amount resulting from a transaction in the scope of IFRS 15.

The entity has determined that the trade receivables do not include a significant financing component and, hence, the time value of money component was considered immaterial and ignored in the SPPI assessment. All trade receivables of the Group are plain vanilla. Therefore, trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest;

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group recorded the following required reclassifications as at 1 January 2018:

		IFRS 9 measurement category	
	IAS 39 Amount	**Amortised cost**	**Fair value through OCI**
IAS 39 measurement category			
Loans and receivables			
Trade and other receivables	49,949	49,949	—
Contract assets	32,523	32,523	—
Available for sale			
Unquoted equity instruments	42,146	—	42,146
	124,618	**82,472**	**42,146**

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

b) Impairment

The new impairment model requires the recognition of impairment allowances based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Financial assets measured at amortized cost will be subject to the impairment requirements of IFRS 9. In general, the application of the expected credit loss model results in earlier recognition of credit losses and increases the amount of loss allowance recognized for the relevant items.

The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The only impact on the financial statements of the Group due to the new requirements of IFRS 9 resulted from applying the probability of default as it results from historical patterns also to the trade and other receivables, as well as contract assets which are not yet due. Trade receivables overdue by more than 6 months are written off. The Group considers a financial asset in default when contractual payment are 60 days past due. 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 before taking into account any credit enhancements held by the Group. The Company applies the simplified method.

Upon adoption of IFRS 9, the Group computed additional impairment as on the Group's Trade receivables and contract assets as at 1 January 2018. The additional impairment was not recorded in the opening balance of Retained earnings, as at 1 January 2018, given the fact that the amount was not material.

With respect to cash and cash equivalent amounts, due to the fact that the Group's exposure is towards banks with very low probability of default there was no allowance to be recorded as the amounts are insignificant.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9. Remeasurements are mostly attributable to application of the expected credit losses model.

	Allowance for impairment under IAS 39 as at 31 December 2017	**Remeasurement**	**Allowance for impairment under IFRS 9 as at 1 January 2018**
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	48,421	1,136	49,557
Loans and receivables under IAS 39/ Contract assets	—	106	106
Total	**48,421**	**1,242**	**49,663**

Hedging

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

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

At the date of initial application, 1 January 2018, the Group applied the modified retrospective method and did not restate the comparative period, as permitted by IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 Revenue from contracts with customers using the modified retrospective method of adoption with initial date of application of 1 January 2018, limiting the application of the new standard to contracts that have not yet been completely fulfilled at the date of initial application. Contracts that have not been yet completely fulfilled as of 1 January 2018 are accounted for, as if the requirements of the new standard would have applied since the beginning of the contract.

The impact of initial application of IFRS 15 consist solely of reclassifications and a more disaggregated presentation of revenues by categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors (for details, please see the disaggregated presentation of revenues, included in Note 10). Thus, the cumulative effect arising from transition to be recognized as an adjustment to the opening balance of retained earnings in the year of initial application was not recognized, as it is not significant. Prior year comparatives were not adjusted in order to reflect the effect of reclassification in the consolidated statement of financial position. Instead, the Group presents the adjustments made to items in the consolidated statement of financial position as at 1 January 2018 attributable to IFRS 15.

Impact on the consolidated statement of financial position at 31 December 2017

	Carrying amount in accordance with IAS 18	Reclassification	Carrying amount in accordance with IFRS 15
Current assets			
Trade and other receivables	82,472	(32,523)	49,949
Contract assets	—	32,523	32,523
Total	**82,472**	**—**	**82,472**
Current liabilities			
Contract liabilities	—	11,267	11,267
Deferred income	11,267	(11,267)	—
Total	**11,267**	**—**	**11,267**

The overview presented above contains only those items of the consolidated statement of financial position that are affected by the first-time application of IFRS 15. The carrying amounts as of 1 January 2018 are shown before the effect of impairment losses on contract assets recognized in accordance with the initial application of IFRS 9. Please refer to the section above, for the impact of initial application of IFRS 9.

The reclassifications mainly concern the following items:

- the unbilled amounts in relation with equipment sold in installments to customers (such as TV sets, telephones and tablets), that, under IAS 18 were recognized under trade and other receivables, as of 31 December 2017, are reclassified as contract assets under IFRS 15; these represent the right to consideration in exchange for goods or services already transferred to the customer;

- the deferred income in relation with amounts collected in advance, from customers, which is recognized as contract liabilities under IFRS 15, being the obligation to transfer goods or services for which the Group has received consideration (or an amount of consideration is due) from the customer;

Impact on the consolidated statement of comprehensive income for the nine months ended 30 September

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our consolidated statement of comprehensive income is:

	For the period ended 30 September 2018		
	Without adoption of IFRS 15	**Effect of IFRS 15**	**As reported**
Revenues	756,368	(756,368)	—
Revenues from contract with customers	—	749,132	749,132
Other revenues	—	7,236	7,236
Total	**756,368**	**—**	**756,368**

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from contracts with customers is recognised when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from sale of goods was recognized when the significant risk and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognized in proportion to the stage of completion of the work performed at the reporting date, or at the time when the services are performed.

Recognition and unbundling of revenues

Owing to the nature of the Group's revenues, which mainly consist of subscription revenues (both for residential customers as well as the majority of business customers), the impact of IFRS 15 compared to IAS 18 consists of the following:

- reclassifications between categories of revenues (cable, internet, telephony) due to re-allocation of promotions;

- reclassification between categories of revenues (cable, DTH, other) in respect of equipment in custody for which no rental fees are received;

- earlier recognition of revenues for sale of mobile phones, which is in part a reclassification of revenues (from telephony, cable, internet to other) and partly create a contract asset (which is included in the calculation of the impairment allowance under IFRS 9, as described above).

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

Revenues from services

The Group's main sources of revenue from services are:

- revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV, subscription services;

- revenue from the provision of internet and data communication subscription services (fixed and mobile);
- revenue from the provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services.
- *Subscription fees and voice traffic services*

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

- *Prepaid services*

Revenue from sale of prepaid cards, net of discounts allowed, included in the Group's prepaid services packages is recognised over time based on usage. Prepaid revenue is deferred until the customer uses the traffic or the card expires.

- *Customer loyalty programme*

Starting with 2016, the Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The fair value of the consideration is deducted from the future subscription values and recognized as revenue when it is redeemed, or at expiration.

(i) 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.

Equipment sales

Revenue is recognized at a point in time, when the Group performs under the contract and the control of goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Sales of mobile, CTV 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.

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.

Rental income

Rental income comprising of the fair value of the consideration received or receivable arising from leases of assets is accounted over the lease term (unless another systematic basis is more representative of the pattern in which the usage benefit derived from the leased asset is diminished).

Advertising

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized at a point in time, when the relating advertising is performed.

Supply of electricity

Realized results from trading of electricity are reported in the Profit and Loss account on a net basis as part of Operating expenses. Mark-to-market results (unrealised) from fair value assessment of energy trading contracts are reported as Other income/ (Other expense) in the Profit and Loss account.

Revenues from electricity production are recognized in the period when these have been delivered into the Romanian national electric grid and / or to customers.

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

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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 to obtain a contract

Under IFRS 15, amounts capitalized by the Group as subscriber acquisition costs (intangible assets) met the criteria describe in the new standard and were reclassified as costs to obtain a contract. The amortization period was also analyzed and found to be compliant with IFRS 15 requirements.

Principal versus agent

Under IFRS 15, the principal versus agent assessment is based on whether the Group controls the specific goods or services before transferring to the customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the goods or services. The Group has concluded that it is the principal in all its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Presentation and disclosure requirements

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

The Group has considered these clarifications when performing the analysis of the IFRS 15 implementation impact, as detailed above.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **IFRS 16: Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees—leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group will transition to IFRS 16 in accordance with the modified retrospective approach, therefore the prior-year figures will not be adjusted.

The Group has started an assessment of the impact of IFRS 16 on its consolidated financial statements. The application of IFRS 16 will have a material effect on components of the consolidated statements and the presentation of the net assets, financial position and results of operations.

Statement of financial position: IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. In future, assets must be recognized for the right of use received and liabilities must be recognized for the payment obligations entered into for all leases.

The Group will make use of the relief options provided for leases of low-value assets and short-term leases. In contrast, the accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases according to IAS 17.

For leases that have been classified to date as operating leases in accordance with IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate at the time the standard is first applied. The right of use asset will generally be measured at the amount of the lease liability plus initial direct costs. Advance payments and liabilities from the previous financial year will also be accounted for. The preliminary results of the analysis indicate a probable significant increase in lease liabilities and total assets. The Group's equity ratio will decline and the Net debt will rise accordingly due to the material increase in lease liabilities.

Statement of comprehensive income: In contrast to the presentation to date of operating lease expenses, in future depreciation charges on right of use assets and the interest expense from the unwinding of the discount on the lease liabilities will be recognized. IFRS 16 also provides new guidance on the treatment of sale and leaseback transactions. The seller/lessee recognizes a right of use asset in the amount of the proportional original carrying amount that relates to the right of use retained. Accordingly, only the proportional amount of gain or loss from the sale must be recognized.

These changes will improve the profit from operating activities (EBIT).

Cash flow statement: The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

To assess the impact of the application of IFRS 16, the Group performs an on-going analysis of its operational leases contracts as at 31 December 2018. To assess whether a contract is or contains a lease, the Group analyses if:

- The contract relates to an identified asset, which may be physically distinct or represent substantially all the capacity of a physically distinct asset;

- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the contractual period;

- The Group has the right to direct the use of the asset

The remaining lease payments of the contracts, which were considered to be in the scope of IFRS 16, were discounted using the incremental borrowing rate which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Discount rates estimated considering lessee's incremental borrowing rate for each type of lease contracts reflects the specific risk of the lessee, country of operation and each sector for which funding would be needed.

The Group performs an on-going analysis to estimate the present value of the rent expenses which will represent the estimated additional impact on debt to be recognized in the Consolidated financial position and the carrying amount of the Right of usage asset; to estimate the depreciation expense for the additional assets recognized in the Consolidated financial position and the estimated interest expense of the lease liability, based on maturity profiles.

We expect the adoption of IFRS 16 from 1 January 2019 to have a significant impact on the above elements.

Other standards

Other standards which were issued but not yet effect and not early adopted have no impact on the Group's 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

- IFRS 9: Prepayment features with negative compensation (Amendment)

- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

- IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
- Conceptual Framework in IFRS standards
- the Annual Improvements to IFRSs 2015 – 2017 Cycle issued by IASB.

3. SEGMENT REPORTING

Nine months ended 30 September 2018	Romania	Hungary[1]	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	514,219	134,972	89,988	17,189	—	—	**756,368**
Inter-segment revenues	2,602	—	616	452	(3,670)	—	**—**
Segment operating expenses	(320,091)	(108,722)	(69,159)	(21,183)	3,670	—	**(515,485)**
Adjusted EBITDA	**196,730**	**26,250**	**21,445**	**(3,542)**	**—**	**—**	**240,883**
Depreciation, amortization and impairment of tangible and intangible assets	—	—	—	—	—	(152,684)	**(152,684)**
Other income (Note 18)	9,729	—	—	—	—	—	**9,729**
Other expenses (Note 18)	(14,830)	(2,519)	—	—	—	—	**(17,349)**
Operating profit							**80,579**
Additions to tangible non-current assets	117,264	163,547	4,198	53	—	—	**285,062**
Additions to intangible non-current assets	40,399	15,285	6,420	1,426	—	—	**63,530**
Carrying amount of:							
Property, plant and equipment	796,458	279,601	6,607	267	—	—	**1,082,933**
Non-current intangible assets	201,892	32,975	8,468	2,337	—	—	**245,672**
Investments in associates and Financial assets at fair value through OCI	788	—	—	35,960	—	—	**36,748**

(1) *As at 30 September 2018, Hungarian operations include the consolidated results of both Digi Hu and Invitel. For details, please see Note 12 Business combinations.*

The types of products and services from which each segment derives its revenues are disclosed in Note 9.

Nine months ended 30 September 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue	494,319	113,107	66,904	13,005	—	—	**687,335**
Inter-segment revenues	1,788	—	884	433	(3,105)	—	**—**
Segment operating expenses	(328,770)	(80,311)	(49,168)	(15,893)	3,105	—	**(471,037)**
Adjusted EBITDA	**167,337**	**32,796**	**18,620**	**(2,455)**	**—**	**—**	**216,298**
Depreciation, amortization and impairment of tangible and intangible assets	—	—	—	—	—	(126,469)	**(126,469)**
Other income (Note 18)	7,913	—	—	2,782	—	—	**10,695**
Other expenses (Note 18)	—	—	—	(2,927)	—	—	**(2,927)**
Operating profit						—	**97,597**
Additions to tangible non-current assets	104,641	28,042	1,722	185	—	—	**134,590**
Additions to intangible non-current assets	25,678	948	3,713	1,809	—	—	**32,148**
Carrying amount of:							
Property, plant and equipment	739,738	133,442	2,762	258	—	—	**876,200**
Non-current intangible assets	176,810	29,909	4,893	2,150	—	—	**213,762**
Investments in associates and Financial assets at fair value through OCI	986	—	—	44,414	—	—	**45,400**

The types of products and services from which each segment derives its revenues are disclosed in Note 9.

4. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the nine month period ended 30 September 2018, the Group acquired property, plant and equipment with a cost of EUR 285,062 (nine months ended 30 September 2017: EUR 134,591). The majority of increase in additions in the period relate to the additions of property, plant and equipment of Invitel, as a result of Invitel's consolidation. For details regarding the Invitel's tangible assets included in consolidation at the acquisition date, please see details in Note 12 Business Combinations.

The acquisitions related mainly to networks EUR 161,543 (nine months ended 30 September 2017: EUR 65,976), customer premises equipment of EUR 32,531 (nine months ended 30 September 2017: EUR 22,613), equipment and devices of EUR 61,122 (nine months ended 30 September 2017: EUR 32,119), buildings and structures of EUR 18,776 (nine months ended 30 September 2017: EUR 7,485) and vehicles of EUR 7,858 (nine months ended 30 September 2017: EUR 3,325).

Costs to fulfil the performance obligations under the contracts with customers in amount of EUR 18,209 were capitalized during the nine months period ended at 30 September 2018 (nine months ended 30 September 2017: EUR 16,365).

5. NON-CURRENT INTANGIBLE ASSETS AND PROGRAMME ASSETS

Acquisitions

Non-current intangible assets

During the nine-month period ended 30 September 2018, the Group acquired non-current intangible assets with a cost of EUR 63,530 (30 September 2017: EUR 32,148). The majority of increase in additions in the period relate to the additions of non-current intangible assets of Invitel, as a result of Invitel's consolidation. For details regarding the Invitel's non-current intangible assets included in the consolidation at the acquisition date, please see details in Note 12 Business Combinations.

The additions were as follows:

- Software and licences in amount of EUR 16,319 (30 September 2017: EUR 13,906);
- Customer relationships by acquiring control in other companies in amount of EUR 22,420 (30 September 2017: EUR 2,628);
- Costs to obtain contracts with customers (Subscriber Acquisition Costs "SAC") in amount of EUR 22,192 (30 September 2017: EUR 15,614); SAC represents third party costs for acquiring and connecting customers of the Group;
- Goodwill increased by EUR 2,667 due to the consolidation of the Invitel acquisition, which was completed in May 2018. (30 September 2017: EUR 0). For details, please see Note 12 Business Combinations.

Programme assets

During the nine month period ended 30 September 2018, additions of programme assets in the amount of EUR 35,095 (30 September 2017: EUR 32,532) represent broadcasting rights for sports competitions for 2018/2019 season and related advance payments for future seasons, and also rights for movies and documentaries.

Goodwill

(i) Reconciliation of carrying amount

Cost	
Balance at 1 January 2017	**77,178**
Additions	—
Effect of movement in exchange rates	(718)
Balance at 30 September 2017	**76,460**
Balance at 1 January 2018	**76,089**
Additions	2,667
Effect of movement in exchange rates	(1,023)
Balance at 30 September 2018	**77,733**

The acquisition of Invitel was closed on 30 May 2018. In accordance with the requirements of IFRS 3 "Business Combinations", the Purchase Price Allocation ("PPA") analysis for the Invitel acquisition of shares was started in view of consolidating the Invitel's assets, liabilities and results. The preliminary goodwill was accounted for using the acquisition method and it is included on line "Intangible assets" in the group's consolidated statement of financial position as at 30 September 2018. For details, please see Note 12 Business Combinations.

(ii) Impairment testing of goodwill

Goodwill is not amortized but is tested for impairment annually (as at 31 December) and when circumstances indicate the carrying values may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units as of last December were disclosed in the annual consolidated financial statements for the year ended 31 December 2017. There were no impairment indicators for the cash generating units to which goodwill was allocated as of 30 September 2018.

6. EQUITY

The issued and paid-up capital as at 30 September 2018 is in amount of EUR 6,918, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 34,243,972 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.

On 15 May 2018 Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options, which have vested in accordance with the provisions of the Company's stock option plan granted in 2017. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 220,000 shares, while Mr. Valentin Popoviciu was granted 60,000 shares.

In June 2018, the board of directors of the Company decided upon the initiation of the class B shares buy-back program in accordance with the resolutions of the general shareholders meeting of the Company from 2 May 2018 (the GSM), to be used for the purpose of the several stock option programs. Up to 30 September 2018, a total of 108,104 class B shares were repurchased through the buy-back program.

Consequently, as at 30 September 2018, the Company had 6.43 million treasury shares.

The GSM from 2 May 2018 approved the distribution of a gross dividend of RON 0.35 per share for 2017. The dividend was paid on 30 May 2018.

7. INTEREST-BEARING LOANS AND BORROWINGS

Included in long term interest-bearing loans and borrowings are bonds of EUR 349,464 (December 2017: EUR 349,384), bank loans EUR 424,834 (December 2017: EUR 296,261) and leasing EUR 3,662 (December 2017: EUR 2,395).

Included in short term interest-bearing loans and borrowing are bank loans of EUR 42,471 (December 2017: EUR 33,151), short portion of long term interest-bearing loans of EUR 50,853 (December 2017: EUR 40,656), leasing obligations amounting to EUR 4,147 (December 2017: EUR 1,814), other short-term debts of EUR 21 (December 2017: EUR 16) and interest payable amounting to EUR 11,832 (December 2017: EUR 6,372).

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

	Carrying amount
Balance as of 1 January 2018	**730,049**
New drawings	
Proceeds from bank borrowings and leasing obligations	180,295
Proceeds from business combinations	918
Interest expense for the period	31,295
Repayment	
Payment of lease obligations	(2,661)
Repayment of borrowings	(23,259)
Current year interest paid	(24,586)
Additional financing costs	(1,918)
Effect of movements in exchange rates	(2,849)
Balance as of 30 September 2018	**887,284**

On 25 May 2018, Digi KFT and RCS & RDS drew HUF 31,299,850 thousand, EUR 45,000 and RON 75,000 thousand out of the Senior Facility Agreement 2018 ("SFA 2018"). In October 2018, RCS & RDS drew the remaining available amount of RON 78,884 thousand from Facility B1 of the SFA 2018.

8. RELATED PARTY DISCLOSURES

		30 September 2018	31 December 2017
Receivables from Related Parties			
Ager Imobiliare S.R.L.	(ii)	737	718
Other		10	61
Total		**747**	**779**

		30 September 2018	31 December 2017
Payables to Related Parties			
RCS Management S.A.	(i)	8,118	3,825
Other		870	591
Total		**8,988**	**4,416**

(i) Shareholder of DIGI

(ii) Entities affiliated to a shareholder of the parent

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date was extended to May 2019. As at 30 September 2018 the outstanding amount is EUR 3,491.

In May 2018, RCS & RDS declared dividends in amount of RON 50,000 thousand, equivalent of EUR 10.8 million from 2017 profit.

At the end of May 2018, Digi HU has granted Invitel a loan of HUF 2,963,900 thousand with a maturity of 5 years and an interest rate of 2.65% plus BUBOR per annum. In August 2018, Invitel has repaid this outstanding loan.

Compensation of key management personnel of the Group

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Short term employee benefits—salaries	3,525	1,761

The amount above include employer contributions to State pension plan.

In May 2017 and May 2018 share option plans were approved by the General Shareholders' Meeting for members of the Company's Board of Directors. For details, please see Note 14.

9. REVENUES

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

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
a) Revenues from contracts with costumers		
Cable TV		
Romania	141,737	135,967
Hungary	43,221	35,314
	184,958	**171,281**
Internet and data		
Romania	134,257	127,888
Hungary	39,942	30,410
	174,199	**158,298**
Telephony		
Romania	149,352	137,779
Hungary	11,588	5,777
Spain	89,916	66,696
Italy	17,125	12,934
	267,981	**223,186**
DTH		
Romania	24,764	27,372
Hungary	24,121	25,270
	48,885	**52,642**
Other revenues		
Romania	56,873	58,733
Hungary	16,100	16,335
Spain	72	208
Italy	64	72
	73,109	**75,348**
b) Other revenues		
Romania	7,236	6,580
Total revenues	**756,368**	**687,335**

Other revenues as at 30 September 2018 include mainly revenues from sale of handsets and other CPE, as well as advertising revenues.

The timing of transfer of goods to the customers at a point in time are in amount of EUR 28,487 for the nine months period ended 30 September 2018 (for the nine months period ended 30 September 2017: EUR 34,389). The rest of the services provided to customers are transferred over time and revenue is recognized accordingly.

In the nine month period ended 30 September 2018, from the moment of consolidation, Invitel's revenues contributed with EUR 25,505 to the Group's consolidated revenues.

10. OPERATING EXPENSES

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Depreciation of property, plant and equipment	92,263	71,303
Amortization of programme assets	28,484	29,497
Amortization of non-current intangible assets	30,656	23,200
Salaries and related taxes	135,201	108,812
Contribution to pension related fund	3,855	12,779
Programming expenses	68,431	62,532
Telephony expenses	123,917	113,792
Cost of goods sold	26,417	30,202
Rentals	49,812	42,242
Invoicing and collection expenses	14,321	11,244
Utilities	14,361	12,867
Copyrights	7,045	6,769
Internet connection and related services	2,953	2,769
Impairment of receivables, net of reversals	7,537	7,300
Impairment of property, plant and equipment	1,275	2,469
Impairment of non-current intangible assets	5	—
Taxes to authorities	7,146	7,079
Other materials and subcontractors	7,436	6,540
Other services	23,529	15,525
Other expenses	23,525	30,585
Total operating expenses	**668,169**	**597,506**

2017 and 2018 share option plans expenses accrued in the period are included in the caption "Salaries and related taxes". For details of these share option plans, please see Note 14. Expenses presented on line "Contribution to pension related fund" decreased in the period due to the legislative change enacted at the beginning of 2018, according to which pension contributions were transferred from the employer to the employee.

In the nine month period ended 30 September 2018, from the moment of consolidation, Invitel's operating expenses, including depreciation, contributed with EUR 32,261 to the Group's consolidated operating expenses.

11. NET FINANCE COSTS

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Financial revenues		
Interest from banks	220	45
Other financial revenues	3,599	14,425
Foreign exchange differences (net)	—	659
	3,819	**15,129**
Financial expenses		
Interest expense and amortization of borrowing cost	(33,546)	(26,504)
Net gain/(loss) on derivative financial instruments	(685)	(2,822)
Foreign exchange differences (net)	(4,652)	—
Other financial expenses	(6,124)	(6,530)
	(45,007)	**(35,856)**
Net Financial Cost	**(41,188)**	**(20,727)**

12. BUSINESS COMBINATIONS

Acquisition of Invitel Távközlési Zrt ("Invitel")

On 21 July 2017, DIGI Távközlési és Szolgáltató Kft. ("Digi HU") our subsidiary in Hungary, acting as purchaser, has signed a share-purchase agreement ("SPA") with Ilford Holding Kft. and Invitel Technocom

Távközlési Kft., acting as sellers for the acquisition of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt ("Invitel").

Invitel Távközlési Zrt is one of Hungary's telecommunication services provider. Invitel offers entertainment and multimedia, digital and HD television, broadband internet and telephone services in different villages and townships and the served areas include nearly 1.1 million households.

The transaction was closed on 30 May 2018 for a total consideration of approximately EUR 135.4 million, after the Hungarian Competition Authority (Gazdasági Versenyhivatal—"GVH") approved the transaction (the "Initial Decision"), with certain conditions regarding divesting part of the Invitel business in certain areas that need to be fulfilled.

Control was transferred at the same date, in form of a share transfer certificate, which confirms that the ownership title over the shares is transferred at the respective date together with all rights and obligations resulting from such transfer. The related purchase price was paid by the buyer to the seller at the same date.

On 14 November 2018, the GVH formally withdrew the Initial Decision and it opened a new investigation ("New Procedure") for reassessing limited aspects, but also decided to allow Digi HU to continue to exercise control over Invitel ("Exemption Decision") until the issuance by the GVH of a new decision on the Transaction. Therefore, Digi HU's ownership and control over Invitel is not affected by the above-mentioned GVH's decisions. As a consequence, the implementation by Digi HU of the Transaction is not affected by the GVH's New Procedure, except for certain limited behavioural restrictions from the Initial Decision that were reinstated.

The transaction is expected to allow Digi Group to consolidate its position on the Hungarian telecommunications market, to expand its customer reach and experience, as well as to create better operational synergies.

As per the SPA concluded between Digi HU acting as Purchaser and Ilford Holding Kft. and Invitel Technocom Távközlési Kft., acting as sellers on 21 July 2017, at the completion date of the transaction from 30 May 2018, the Sellers Debt due to Ilford Holding Kft, in amount of HUF 27,280,548 thousand (approximately EUR 85,000 equivalent, using foreign exchange rate as at the date of transaction), was part of the purchase consideration settled by Digi HU. As a consequence, Digi HU has become the creditor for Invitel's loan for a period of 5 years, with interest of 2.65% plus BUBOR per annum.

In accordance with the requirements of IFRS 3 "Business Combinations", the Purchase Price Allocation ("PPA") analysis for the Invitel acquisition of shares started in view of consolidating the Invitel's assets, liabilities and results. The PPA assessment is in a preliminary phase, but will be finalized over a period of 12 months, as per IFRS 3 requirements. The PPA is undertaken by an external independent evaluator. The purpose is to estimate the market value of the assets acquired and the liabilities assumed by Digi HU following the Transaction.

At the date of reissuing these financial statements, the PPA report prepared by the independent valuer is still in draft form, as the valuer is still working with the Group to refine the assumptions and inputs included in the valuation, in particular for the valuation of the customer relationships.

The valuation of assets and liabilities was performed in accordance with the Valuation Standards issued by ANEVAR in 2018, which incorporate the IVS based on three valuation approaches:

- Cost approach-based on the Depreciated Replacement Cost method;

- Market approach-estimates the market value of an asset based on market prices in actual transactions and on asking prices for assets currently financial assets at fair value through OCI;

- Income approach-market value is estimated based on the discounted cash flows that the asset is expected to generate or the costs avoided as a result of the ownership of the assets over the remaining useful life. The cash flows are discounted to present value at a rate of return (cost of capital) that considers the relative risk of achieving the cash flows and the time value of money.

The allocation of the purchase price to assets acquired and liabilities assumed was performed according to IFRS 3.

The 30 September 2018 consolidated financial statements include the consolidated results of Invitel starting from 1 June 2018 and the preliminary valuation of the fair value of identifiable assets and liabilities of Invitel as at the date of acquisition.

The preliminary fair values of the identifiable assets and liabilities of Invitel as at the date of acquisition were:

	Fair Value recognized on acquisition
Purchase consideration paid	**135,576**
Assets acquired	
Intangible assets	30,337
Tangible assets	130,926
Financial assets	45
Net working capital	(5,670)
Total assets	**155,638**
Long term liabilities	(9,867)
Current Liabilities	(2,923)
Provisions	(781)
Deferred income	(10,045)
Total liabilities	**(23,616)**
Cash and bank accounts	3,349
Net debt assumed	**(20,267)**
Deferred tax assets/ liabilities(*)	(2,462)
Net assets, excluding Goodwill	**132,911**
Minority interest, @ 0.001605%	2
Preliminary goodwill	**2,667**

* At acquisition date the Group has recognised a deferred tax liability of EUR 2,462, which comprises mainly the tax effect of the difference between the tax base and the fair value of the trademarks and customer relationships recognized at acquisition date.

At the acquisition date, Invitel recorded accumulated fiscal losses amounting to HUF 68,716 million for which no deferred tax asset was recognized.

The fair value of trade receivables recognized at acquisition was EUR 4,472. The gross contractual amount for trade receivables due was EUR 6,328, of which EUR 1,864 was expected to be uncollectible.

The preliminary identifiable intangible assets include the existing intangible assets of Invitel (licenses, software, etc), trademarks and customer relationships.

The preliminary identifiable tangible assets include land, buildings, network, plant & machinery, motor vehicles and assets in progress.

The preliminary implied goodwill was accounted for using the acquisition method and is included on line "Intangible assets" in the group's consolidated statement of financial position.

Net cash outflow on acquisition	**At acquisition date**
Purchase consideration paid	135,576
Less: Cash on Invitel's balance sheet @31 May 2018	(3,316)
Net cash outflow	**132,260**

Invitel's acquisition costs representing legal, financial and fiscal costs were in amount of EUR 2,519 and were included in Operating expenses. Since these represent non-recurring costs, they were adjusted from the Group's adjusted EBITDA as at 30 September 2018. For details please see Note 18 EBITDA.

From the date of acquisition up to 30 September 2018, Invitel has contributed with EUR 25,505 of consolidated revenue and EUR 7,955 to the consolidated EBITDA of the Group. If the combination had taken place at the beginning of the year, Invitel would have contributed with EUR 60,359 of consolidated revenue.

The goodwill of EUR 2,667 comprises the value of expected synergies arising from the acquisition and intangible assets that did not qualify for separate recognition at acquisition date (e.g. the assembled workforce and related labor contracts). Goodwill is allocated entirely to the Hungary segment.

13. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

The carrying amount of trade and other receivables, net of impairment adjustment, and cash and cash equivalents represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

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

(b) Liquidity risk

At 30 September 2018, the Group had net current liabilities of EUR 340,438 (31 December 2017: EUR 285,462). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

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

(c) Currency risk

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

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

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

(d) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risk (EUR and USD) through market fluctuations of interest rates. Details of borrowings are disclosed in Note 7.

(e) Exposure to electricity price risk

Through its electricity production and trading activities, the Group is exposed to electricity price risk, due to the volatility of prices on the electricity market and the potential mismatches between purchase prices and selling prices. In particular, due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties could adversely affect our financial condition.

In the year ended 31 December 2017 we increased significantly the weight of electricity purchased from the forward electricity market in order to naturally hedge our exposure. Moreover, to reduce our exposure to price volatilities, from March 2017 we started to refocus our energy supply business on residential and mid-sized and smaller business customers and decrease the overall volume of electricity supplied to business customers.

14. SHARE-BASED PAYMENT

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. On 15 May 2018, this stock option plan vested and Mr. Serghei Bulgac, Chief Executive Officer and Executive Director of the Company and Mr. Valentin Popoviciu, Executive Director of the Company, have exercised their stock options. In accordance with this stock option plan, Mr. Serghei Bulgac was granted 220,000 shares, while Mr. Valentin Popoviciu was granted 60,000 shares.

In December 2017, 1.5 million shares were granted as options to eligible employees under the share based payment plan. A total number of 2,746 employees are included in the share based payment plan, which was a one-time event after the IPO.

On 2 May 2018, the General Shareholder's Meeting has approved the grant of stock options for class B shares applicable to the executive and non-executive Board members in 2018.

In May 2018, Mr. Serghei Bulgac (Chief Executive Officer and Executive Director of the Company), Mr. Valentin Popoviciu (Executive Director of the Company), Mr. Marius Varzaru (Non-executive Director) and Mr. Bogdan Ciobotaru (Non-executive Director) have been granted by the Company conditional stock options pursuant to the decision of the Company's general meeting of shareholders dated 2 May 2018. The number of options of class B shares granted as part of this stock option plan (applicable for the years 2018 and 2019) amounts to a total of 686,090 stock options. The further vesting of all option shares granted will be conditional upon several performance criteria and the passage of a minimum duration of 1 year.

The Company also granted on 24 May 2018 conditional stock options to a limited number of Romanian directors and employees. The number of options of class B shares granted to such directors and employees amounts to a total of 250,000 stock options. The further vesting of all option shares granted will be conditional upon several performance criteria and the passage of a minimum duration of 1 year.

The Company approved in June 2018 the implementation of a stock option plan to the benefit of the officers and employees of Digi Spain S.L.U., the Company's subsidiary in Spain. The maximum number of options of class B shares allocated to this plan amounts to 35,000. The grant of the stock options under this plan will be determined based on performance criteria and the vesting will be conditional upon the passage of a minimum duration of 1 year.

For the nine month period ended 30 September 2018, the related share option expense of EUR 12,409 (nine month period ended 30 September 2017: nil), out of which EUR 2,309 is included in the Consolidated statement of profit or loss and other comprehensive income included under the line item Operating expenses, within salaries and related taxes (Note 10), and the amount of EUR 10,101 is excluded from adjusted EBITDA because the related share option plans are estimated to be one-time events.

15. FINANCIAL INSTRUMENTS

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

Financial assets at fair value through OCI

Financial assets at fair value through OCI comprise shares in RCSM. In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. As at 30 September 2018, the fair value assessment of the shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as of the valuation date (RON/share 28.7), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Embedded derivatives

The fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds. The fair value was obtained from a third party financial institution. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

Electricity trading assets and liabilities

The Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on PZU market around the valuation date, and
- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date.

As at 30 September 2018 the Group had derivative financial assets in amount of EUR 40,411 (31 December 2017: EUR 34,883), which included:

- Embedded derivatives of EUR 36,826 related to the bond (the Bonds include several call options as well as one put option (31 December 2017: EUR 33,264).
- Electricity trading assets (term contracts) of EUR 3,428 being mark to market gain from fair valuation of electricity trading contracts (31 December 2017: EUR 1,619).
- Interest rate swaps asset in amount of EUR 157 (31 December 2017: EUR 601 liability): On May 22, 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility (which is currently part of the Senior Facility Agreement from 2016) through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

- As at 30 September 2018 the Group had derivative financial liabilities in amount of EUR 1,629 (31 December 2017: EUR 10,131), which included:

- Electricity trading liabilities (term contracts) of EUR 1,629 being mark to market loss from fair valuation of electricity trading contracts (31 December 2017: EUR 9,530).

	Financial assets at fair value through OCI	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2018	**42,146**	**33,264**	**(601)**	**1,619**	**(9,530)**
Gains or (losses) recognised in profit or loss for the year		3,562	(685)	1,809	7,901
Gains or (losses) recognised in other comprehensive income	(6,186)	—	617	—	—
Settlements	—	—	826	—	—
30 September 2018	**35,960**	**36,826**	**157**	**3,428**	**(1,629)**

	Available for sale financial assets	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2017	**—**	**13,908**	**(5,318)**	**3,141**	**(11,038)**
Gains or (losses) recognised in profit or loss for the year	—	19,356	(3,373)	(1,522)	1,508
Gains or (losses) recognised in other comprehensive income	(3,667)	—	4,326	—	—
Purchases	45,813	—	—	—	—
Settlements	—	—	3,764	—	—
31 December 2017	**42,146**	**33,264**	**(601)**	**1,619**	**(9,530)**

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
30 September 2018				
Financial assets at fair value through OCI	—	—	35,960	**35,960**
Interest rate swaps	—	—	—	**—**
Embedded derivatives	—	—	36,983	**36,983**
Electricity trading assets (term contracts)	—	—	3,428	**3,428**
Electricity trading liabilities (term contracts)	—	—	(1,629)	**(1,629)**
Total	**—**	**—**	**74,742**	**74,742**
31 December 2017				
Financial assets at fair value through OCI	—	—	42,146	**42,146**
Interest rate swaps	—	—	(601)	**(601)**
Embedded derivatives	—	—	33,264	**33,264**
Electricity trading assets (term contracts)	—	—	1,619	**1,619**
Electricity trading liabilities (term contracts)	—	—	(9,530)	**(9,530)**
Total	**—**	**—**	**66,898**	**66,898**

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 30 September 2018) and fair value measurement hierarchy are presented in the table below:

	30 September 2018		
	Carrying amount	**Fair Value**	**Hierarchy**
Bonds	349,464	369,600	Level 1
Senior Facilities	469,263	473,396	Level 3
Other long term loan(*)	7,182	7,210	
Loans	**825,909**	**850,206**	

	31 December 2017		
	Carrying amount	**Fair Value**	**Hierarchy**
Bonds	349,384	376,199	Level 1
Senior Facilities	333,170	340,800	Level 3
Other long term loan(*)	4,506	4,633	
Loans	**687,060**	**721,632**	

(*) Other long term loan as at 30 September 2018 includes loan from Libra Bank and BRD. As at 31 December 2017 this line includes loan from Libra Bank.

16. GENERAL COMMITMENTS AND CONTINGENCIES

(a) Contractual commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.2% p.a., 3M EURIBOR + 6.2% p.a. or 3M ROBOR + 6.2% p.a.

The Group leases under operating leases several main types of assets:

- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring and pillars/land for mobile network in Romania and Hungary;
- pillars for network support in Romania in several urban areas for “fibre to the block networks”;
- fibre optic line capacities in Hungary;

- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Spain, Italy.

As at 30 September 2018, contractual commitments for capital expenditure amounted to approximately EUR 65,353 (31 December 2017: EUR 54,052) and contractual operating commitments amounted to approximately EUR 219,199 (31 December 2017: EUR 214,880), including operating leases.

In addition to the above, there are approximately another 600 operating lease contracts signed for a period of over 5 years, with an automatic renewal clause or for an indefinite term. The annual rent for these contracts is EUR 2,735 (31 December 2017: EUR 1,879).

(b) Letters of guarantee

As of 30 September 2018, there were bank letters of guarantee and letters of credit issued in amount of 5,554 EUR mostly in favour of content and satellite suppliers and for participation to tenders (31 December 2017: EUR 20,237).

We have cash collateral agreements for issuance of letters of counter guarantees. As at 30 September 2018 we had letters of guarantee issued in amount of EUR 0.5 million (31 December 2017: EUR 0.5 million). These agreements are secured with moveable mortgage over cash collateral accounts.

(c) Legal proceedings

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

Intact Media Group Litigations, which ceased under a Settlement Agreement

Starting with March 2011, the Intact Media Group initiated a series of lawsuits against us, while we also initiated a series of counter-claims or separate claims.

On 15 June 2018, RCS & RDS S.A. (the Romanian subsidiary of the Company—"**RCS & RDS**") concluded a settlement agreement with Antena TV Group S.A. ("**Antena Group**") and Antena 3 S.A. on the grounds of which the parties have irrevocably waived all the claims which were the subject of the disputes between them and, therefore, have agreed to cease all disputes between RCS & RDS and Intact Media Group. In the implementation of the Settlement Agreement, the parties submitted requests in each file registered with the courts to cease these disputes. The courts vested with most of these disputes have already acknowledged their cease, and in the near future all the two remaining litigations will be finally ceased by implementing the Settlement Agreement. More details in this respect are available below.

i) The must carry related litigations

Starting with March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. In these litigations were claimed both damages of approximately EUR 100 million, as well as requests to impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards. The approximately EUR 100 million damage claims were assigned by Antena Group to a different company named First Quality Debt Recovery. After challenging in court the validity of such assignment agreements, we obtained, on 18 January 2018, a final and binding decision annulling such assignments.

In the first proceeding, Antena Group claimed that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer free of charge such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to EUR 65 million for our alleged breach of the must carry rules.

To the best of our knowledge, no other broadcaster in Romania raised against any distributor claims similar to the ones brought against us by Antena Group. Not even Antena Group raised similar claims against other distributors (although all of them are carrying the must carry channels, including Antena 1, in packages similar to the ones offered by us).

On 28 June 2018, Bucharest Tribunal admitted the joint request submitted by RCS & RDS and Antena Group as per the Settlement Agreement, ceasing the first instance judgment in the first dispute. The Tribunal's decision was communicated to the parties and is now final.

The EUR 65 million monetary damages were reiterated, in 2012, by First Quality Debt Recovery in a different lawsuit (on the grounds of the Assignment Agreement which was later annulled by the courts at RCS & RDS request), which was stayed. RCS & RDS requested the court to resume the trial in this file to acknowledge the case of the judgment as a result of both the liquidation and the deregistration of First Quality Debt Recovery from the Trade Registry on 10 November 2017, as well on the grounds of the Settlement Agreement concluded with Antena Group. The court resumed the trial on 17 October 2018 and anulled the statement of claim due to First Quality's lack of capacity.

Separately, Antena Group has filed in 2012 two lawsuits claiming (i) monetary damages of approximately EUR 35 million allegedly caused by our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the EUR 35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2.

Following the Settlement Agreement, RCS & RDS and Antena Group filed joint requests to settle the litigation having as object the monetary damages for the retransmission of the TV stations GSP TV and Antena 2. The Bucharest Court ceased the proceedings in first instance in the disputes concerning claims for retransmission of Antena 2 on 26 June and 10 July 2018. The court also acknowledged on 2 July and 5 September 2018 of the cease of the disputes regarding the claims related to retransmitting GSP TV station. The court decisions ceasing the litigations were communicated to the parties and are now final.

ii) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS&RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The claimants also requested the court to order RCS&RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.R.L.

On 17 July 2018, The Fifth District Court admitted the joint request filed by the parties to the dispute, ceasing the first instance judgement. The solution is final.

iii) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately EUR 40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have been carried by RCS&RDS, from June 2011 until June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

On 21 June 2018, the Bucharest Tribunal admitted the joint request filed by the parties to the dispute as per the Settlement Agreement, ceasing the first instance judgment. The solution is final.

iv) Litigation regarding the outcome of the GSP investigation

On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.

On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS&RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to re-open the investigation and issue a decision taking into consideration all arguments raised by Antena Group.

On 22 June 2018, the parties filed a joint request to cease the dispute as per the Settlement Agreement and a date for this request to be heard is to be established by the High Court of Cassation and Justice.

v) Other reciprocal claims with the Intact Media Group

Compensation of damage to reputation

In November 2012, we initiated proceedings against Antena Group and other Intact Media Group entities for compensation in respect of the damage to our business reputation inflicted by a media campaign conducted via media assets of Intact Media Group that we consider defamatory. We requested: (i) a declaration that the adversary media campaign was being conducted in abuse of Intact Media Group's rights; (ii) an order obliging Intact Media Group to publish such declaration via its TV and newspaper network; and (iii) monetary compensation in the aggregate amount of approximately EUR 1.2 million for damage to our business reputation.

On 22 June 2018, the parties filed a joint request to cease the dispute as per the Settlement Agreement. The High Court of Cassation and Justice gave effects to this request by a final and binding decision on 4 October 2018.

Violation of certain contracts

In 2011 and 2012, we initiated two proceedings against Antena Group claiming approximately EUR 2.6 million in damages resulting from their breaches of certain contractual arrangements. In 2012, Antena Group responded with counterclaims in both proceedings in the total aggregate amount of approximately EUR 3.3 million.

The parties filed joint requests also to cease these disputes as per the Settlement Agreement.

In the first dispute, the court ceased the judgement on 26 June 2018, the solution became final.

In the second dispute, the request will be analysed after the file is transmitted to the High Court of Cassation and Justice by the court of appeal.

Pecuniary claim filed by the National Cinematography Centre

On 4 November 2016, the National Cinematography Centre filed before the Bucharest Tribunal a claim for payment with respect to a value of EUR 1.2 million, including principal and accessories as royalty tax due by law to this claimant. On 7 May 2018, the court admitted the National Cinematography Centre's claim in part by granting to the claimant RON 3.9 million. This decision is not final. We have challenged it. The first hearing in front of the Bucharest Court of Appeal was set for March 2019.

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

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

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

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

Motion filed by certain US individuals against the Company, RCS&RDS, RCS Management S.A., DIGI Távközlési és Szolgáltató Kft, and its subsidiary, i-TV Digitális Távközlési Zrt.

On 2 May 2017, certain individuals (William Hawkins, Eric Keller, Kristof Gabor, Justin Panchley, and Thomas Zato) (collectively, the "Plaintiffs") filed in the United States District Court for the Eastern District of Virginia—Alexandria Division (the "**US Court**") a motion to enforce a default judgment (the "**Motion**") that was issued in favour of the Plaintiffs by the US Court in the Civil Action No. 1:05-cv-1256 (LMB/TRJ) in February 2007 (the "**Default Judgment**") against Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. (the predecessor to i-TV Digitális Távközlési Zrt.) (the "**Defendants**") jointly and severally. Additionally, the Motion sought to extend the enforcement of the Default Judgment against the following entities that were not parties to the original proceedings and not named in the Default Judgment: i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., and the Company.

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately $USD1.8 million in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

The Motion alleges that i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft. and the upstream separate companies RCS&RDS, the Company, and RCS Management S.A. violated the Default Judgment, to which these companies were not party, when, ten years ago, DIGI Távközlési és Szolgáltató Kft. entered the share capital of DMCC Kommunikacios Rt. (i-TV Digitális Távközlési Zrt.'s predecessor).

For more than ten years after the Default Judgment was issued in 2007, the Plaintiffs filed no actual claim against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company. During the same period, the Plaintiffs never sought to enforce the Default Judgment against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company in Hungary or another foreign jurisdiction. Nor did they seek to enforce the Default Judgment against any of the Defendants in their domestic countries.

We deem the Motion, which requests payment from the Defendants, i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. and the Company, jointly and severally, of $USD1.8 million, plus interest, as well as other compensation, damages, fees and expenses, as vexatious for numerous legal and factual reasons. Those reasons include, but are not limited to, the lack of any actual proof of fraud on behalf of either of i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company, the Plaintiffs' passivity for more than ten years, the lack of jurisdiction of the US Court over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A., or the Company, as well as the fact that the Motion, if granted, would go against mandatory legal provisions of any of the jurisdictions where i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company operate.

On 8 February 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (the "**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The Appellate Court has issued a scheduling order for the exchange of written arguments (phase completed), and the hearing took place at the end of January 2019. The Appellate court is expected to issue its decision in the forthcoming months.

Should the Appellate Court grant the Plaintiffs' appeal in whole or in part and reject the Defendants' cross-appeal in whole or in part, the matter would return to the US Court for trial on the merits of the case.

We additionally believe any judgment issued by the US Court against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company would not be enforceable, as it would need to be first recognized in the relevant jurisdictions where these companies operate, subject to the foreign judgement's compliance with those jurisdictions' mandatory legal provisions.

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

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

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

By 2015, the JV became virtually insolvent, as initial expectations on its prospects had failed to materialize. In 2015, in order to recover the EUR 3.1 million investment it had made into the JV from 2009 to 2011 and to be able to manage the business of the events hall directly and efficiently, RCS&RDS entered into a settlement agreement with Bodu S.R.L. In 2016, in accordance with that settlement agreement, RCS&RDS acquired (at a discount to nominal value) Bodu S.R.L.'s outstanding bank debt (which was secured by its share of, and assets it contributed to, the JV). Thereafter, RCS&RDS set-off its acquired receivables against Bodu S.R.L. in exchange for the real estate and business of the events hall. Bodu S.R.L. was replaced as RCS&RDS's JV partner by Integrasoft S.R.L., one of our Romanian subsidiaries.

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

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

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

On 22 August 2017, the DNA sent to court under the judiciary control Mr. Ioan Bendei in connection with the offences of bribery and accessory to money laundering, RCS&RDS in connection with the offences of bribery and money laundering, INTEGRASOFT S.R.L. in connection with the offence of accessory to money laundering, Mr. Mihai Dinei in connection with the offences of accessory to bribery and accessory to money laundering, and Mr. Serghei Bulgac in connection with the offence of money laundering. The DNA has also requested the Bucharest Tribunal to maintain the preventive and precautionary measures instituted by the DNA, including the attachment of the two real estate assets pertaining to RCS&RDS to secure an amount of up to RON 13,714,414 (approximately EUR 3 million) that was instituted by the DNA on 25 July 2017, as well as of the judicial control with respect to Mr. Ioan Bendei instituted on 7 June 2017.

Mr. Ioan Bendei contested, amongst others, the judicial control imposed by the DNA. On 31 August 2017, based on the final decision published by the Bucharest Court of Appel, the court decided by final ruling to revoke the judicial control measure imposed by the DNA with respect to Mr. Ioan Bendei, with the consequence that the obligations and the communication restrictions imposed by the DNA on 7 June 2017 are no longer applicable.

On 15 January 2019, the Bucharest Tribunal dismissed the giving of bribe-related allegations against RCS&RDS and its past and current directors on the basis that they had become time-barred, and convicted RCS&RDS in connection with the offence of money laundering for which the court applied a criminal fine in the amount of RON 1,250,000. The Bucharest Tribunal's decision also decided on the confiscation from RCS&RDS of an amount of EUR 3,100,000 plus RON 655,124 and it maintained the seizure over the two real estate assets first instituted by the DNA. Integrasoft S.R.L. was convicted in connection with the offence of accessory to money laundering for which the court applied a criminal fine of RON 700,000. Mr. Bendei Ioan was convicted to a 4 years imprisonment sentence in connection with the offence of accessory to money laundering resulting from his capacity of director of Integrasoft S.R.L.

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

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

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

We strongly deem the Bucharest Tribunal's decision to be profoundly unjust, incorrect and ungrounded. This decision is neither final nor enforceable. We have already challenged this decision to the Bucharest Court of Appeal.

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

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

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

After completing the sale, RCS&RDS conducted in good faith the claims against the Sold Company, aiming to obtain the dismissal and/or the mitigation of such claims. However, under the control of the new owner, the Sold

Company suffered several corporate changes (including chain de-mergers) that finally resulted in the Sold Company no longer operating the business sold by RCS&RDS through the SPA. Later, the Sold Company (which had meanwhile become a shell entity) was renamed to Yolt Services s.r.o. In RCS&RDS's view, all these post-closing changes have severely impaired the scope of the indemnity provided under the SPA.

In its claim in front of the VIAC, Yolt Services s.r.o. requests RCS&RDS to pay approximately EUR 4,5 million together with the accrued default interest and other costs (amounting to approximately EUR 2,8 million) as indemnity under the SPA for tax and copyright claims (the latter in favor of a Czech collective rights management body), as well as indemnity for breach of the seller's warranties and for other losses. We deem that the claimant lacks legal standing, and these claims as ungrounded and abusive, while some of them are either statute barred or do not meet the conditions for indemnification under the SPA.

We have also filed in front of the VIAC a counterclaim against the claimant for unpaid amounts for services provided by RCS&RDS to the Sold Company post-closing, in approximate outstanding unpaid amount of EUR 1.1 million together with accrued default interest, as well as for other amounts due to RCS&RDS under the SPA.

The hearing in the arbitration proceeding took place on 23 January 2019, while the parties are expected to submit post-hearing briefs and additional evidence within the next weeks.

Competition Council GSP Tv Investigation

RCS&RDS has been until the date of this report subject to one infringement investigation by the Competition Council which has been finalized in 2015. To the best of our knowledge, no other infringement investigation is pending against RCS&RDS.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011.

The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the must-carry regime.

The RCC also issued a formal, but not-binding recommendation for us to produce general terms to be complied by third party broadcasters wishing to retransmit their content via our network. Our relations with "must-carry" and pay-tv channels are expressly excluded from the scope of that recommendation.

The RCC's decision was subjected to judicial review. Antena TV Group S.A.'s challenge against the RCC's decision was rejected as ungrounded by the Bucharest Court of Appeal, but Antena TV Group S.A. filed a higher appeal against the first court's award. The trial will be settled as per the Settlement Agreement (the details of this case are explained in a dedicated section above: "Litigation regarding the outcome of the GSP investigation").

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

In connection with the decision issued by the Hungarian Competition Authority (Gazdasági Versenyhivatal—"**GVH**") in May 2018 (the "**Initial Decision**") approving the acquisition by our Hungarian subsidiary—DIGI Távközlési és Szolgáltató Kft. ("**Digi HU**"), as the purchaser, of shares representing in total 99.998395% of the share capital and voting rights of Invitel Távközlési Zrt. ("**Invitel**") from Ilford Holding Kft. and InviTechnocom Kft., acting as sellers (the "**Transaction**"—the completion of which we have disclosed to the market on 30 May 2018), on 14 November 2018, the GVH issued several decisions whereby it formally withdrew the Initial Decision and it opened a new investigation ("**New Procedure**") for reassessing limited aspects in connection with certain settlements where i-TV Digitális Távközlési Zrt. ("**i-TV**"—one of Digi HU's subsidiaries in Hungary) and Invitel overlap.

GVH's stated reason for withdrawing the Initial Decision is based on allegations that Digi HU has failed to proactively comment during the initial assessment on certain data regarding the territorial scope of certain telecommunications services provided by i-TV, which has been used by the GVH in its Initial Decision. On that basis, the GVH also imposed a fine on Digi HU of approximately EUR 280 (HUF 90,000,000).

Digi HU's ownership and control over Invitel is not affected by the above-mentioned GVH's decisions, as the GVH simultaneously decided on 14 November 2018 to allow Digi HU to continue to exercise control over Invitel ("**Exemption Decision**") before the issuance by the GVH of a new decision on the Transaction. As a consequence, on the basis of the Exemption Decision, the implementation by Digi HU of the Transaction is not affected by the GVH's New Procedure, except for certain limited behavioural restrictions from the Initial Decision that were reinstated.

In relation to the operation of i-TV, the GVH imposed certain behavioural interim obligations on Digi HU until the completion of the New Procedure. i-TV represents a minor part of DIGI HU's business in Hungary.

We continue to strongly hold that Digi HU fully cooperated during the initial procedure by providing complete and accurate information, and that the GVH's decision to withdraw the Initial Decision and to apply a fine is incorrect. In December 2018, we have challenged in court the parts of the GVH's decision alleging Digi HU's guilt and setting the size of the fine. This procedure is ongoing.

Meanwhile, we will continue to fully and in good faith cooperate with the GVH during the New Procedure in order to ensure that a new decision re-approving the Transaction is finalized as soon as possible.

17. SUBSEQUENT EVENTS

In October 2018, RCS & RDS drew the remaining available amount of RON 78,884,000 from Facility B1 of the SFA 2018.

On 14 January 2019, the Board of Directors of the Company decided to convert 1,200,000 class A shares held by the Company in treasury into an equal number of class B shares (the "Conversion"). Given the difference in the nominal value between a class A share (EUR 0.1) and a class B share (EUR 0.01) of the Company, in accordance with article 5 (4) from the Company's articles of association, the Conversion resulted in a decrease by EUR 0.09 in nominal value per class A share subject of the Conversion (in total—UR 108.000). This amount will be added to the general equity reserves of the Company.

The class B shares resulting from the Conversion will be used by the Company (in addition to the existing treasury class B shares and to the class B shares repurchased through the ongoing buy-back program) for the purpose of the several ongoing Company's subsidiaries employees and managers' stock option plans having a vesting period in 2019. For more details in connection with the above-mentioned stock option plans, please see Note 14.

For details regarding the up-date of the litigations, please see Note 16 (c) above.

18. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) our charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark to market results (unrealized) from fair value assessment of energy trading contracts.

	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Revenues and other income	**756,368**	**687,335**
EBITDA		
Operating profit	80,579	97,597
Depreciation, amortization and impairment	152,684	126,469
EBITDA	**233,263**	**224,066**
Other income	(9,729)	(10,695)
Other expenses	17,349	2,927
Adjusted EBITDA	**240,883**	**216,298**
Adjusted EBITDA (%)	*31.85%*	*31.47%*

For the nine months ended 30 September 2018, EBITDA was adjusted to exclude Other income and Other expense. Other income represents mark to market gain from fair value assessment of the energy trading contracts. Other expense represents the accrued expenses for the period related to the share option plans from 2017 and 2018 which are expected to be one-time events (for details, please see Note 14) and Invitel's acquisition related costs.

For the nine months ended 30 September 2018, Invitel contributed with EUR 7,955 to the consolidated EBITDA of the group.

For the nine months ended 30 September 2017, EBITDA was adjusted to exclude Other income and Other expense. Other income includes mark to market gain from fair valuation of the energy trading contracts in amount of EUR 7,748 and EUR 164 representing revenues from disposal of the participation in Digi SAT d.o.o, which are excluded from adjusted EBITDA. As of 30 September 2017 Digi recorded EUR 2,927 IPO related costs (Other one-off expenses) out of which EUR 2,782 were recovered (Other one-off income) from the selling shareholders in the IPO from May 2017.

19. FINANCIAL INDICATORS

	Value as at 30 September 2018
Financial Indicator	
Current ratio	
Current assets/Current liabilities	0.38
Debt to equity ratio	
Long term debt/Equity x 100 (where Long term debt = Borrowings over 1 year)	518%
Long term debt/Capital employed x 100 (where Capital employed = Long term debt+ Equity)	84%
Trade receivables turnover	
Average receivables/Revenues x 270	32.28 days
Non-current assets turnover	
(Revenues/Non-current assets)	0.73

Bucharest, 6 February 2019,

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

Serghei Bulgac,
CEO

Valentin Popoviciu
Executive Director

DIGI COMMUNICATIONS N.V.

CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended 31 December 2017

DIGI COMMUNICATIONS N.V.
Consolidated Financial Statements
Prepared in accordance with International Financial Reporting Standards
for the year ended 31 December 2017

CONTENTS

GENERAL INFORMATION

Directors:

Serghei Bulgac
Bogdan Ciobotaru
Valentin Popoviciu
Piotr Rymaszewski
Sambor Ryszka
Marius Catalin Varzaru
Zoltan Teszari

Registered Office:

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

Auditors:

Ernst & Young Accountants LLP.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and board of directors of Digi Communications N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements 2017 of Digi Communications N.V., based in Bucharest.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Digi Communications N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and stand-alone statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated and stand-alone statements of profit or loss and other comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for opinion

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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Audit firms supervision act (Wet toezicht accountantsorganisaties, Wta), the Code of Ethics for Professional Auditors (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants, VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€8,000,000
Benchmark applied	Approximately 3.0% of earnings before interest, taxes, depreciation and amortization (EBITDA)
Explanation	The users of the financial statements of a for-profit entity typically focus on operating performance, particularly profit before tax. Over the past years Digi Communication N.V.'s profit before tax heavily fluctuated, resulting from the impact of the discontinuance of operations and other non-recurring transactions. Furthermore, we note that in Digi Communications N.V.'s external communications, earnings before interest, taxes, depreciation and amortization (EBITDA) is commonly used to report on financial performance. Considering these aspects, we have concluded that EBITDA is the most appropriate and stable benchmark for Digi Communications N.V. to base our materiality upon. The materiality is thereby set at €8,000,000, using a percentage of 3.0%, which is within a generally accepted range.

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

We agreed with the board of directors that misstatements in excess of €400,000, which are identified during the audit, 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 entities. Our group audit mainly focused on group entities that are either significant based on their size or risk relative to the consolidated financial statements. All entities that have contributions to consolidated EBITDA exceeding 5% of total are included within our audit scope. This resulted into full scope audit procedures on the financial information of two entities and specific audit procedures on the financial information of one entity. The procedures performed for group entities with an audit scope represent 95% of revenue and 96% of total assets. We used the work of other EY member firms when auditing entities outside the Netherlands.

By performing the procedures mentioned above at group entities, 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 consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

In previous year "Revaluation of property, plant and equipment" and "Useful lives of property, plant and equipment" have been identified as key audit matter. Since no material revaluation and no adjustment of useful lives occurred in 2017, these are no longer key audit matters.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter	Key observations
Risk of inappropriate revenue recognition given multiple sources of revenue and complexlty of billing systems (refer to note 17 to the consolidated financial statements)		
The group recognized revenue from multiple sources, including rendering of cable TV (CATV) and direct-to-home TV (DTH) subscription services, provision of internet and data communication subscription services (fixed and mobile) and provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services. There is an inherent telecommunications industry risk associated with the recognition of revenue, given the complexity of billing systems, which process large volumes of data, and the impact of changing offerings and pricing models on revenue recognition (such as tariff structures and incentive arrangements). The group's revenue recognition relies on complex IT systems, comprising of a number of interdependent interfaces and databases.	We focused our audit on those IT systems and related internal controls that are significant to the group's revenue recognition process. Considering that audit procedures over the IT systems and application controls require specific expertise, we involved our IT specialists in order to assist us in our audit procedures. In addition to IT audit procedures, we have analyzed the group's accounting policy for each revenue stream considering both the substance of the commercial offers that were in force during the year, and the applicable requirements of IFRS as well as the industry practices for each revenue stream and we have verified that the group's accounting policies are implemented consistently as adopted.	We found that the revenue billed through these systems has been properly recognized in the financial statements 2017.
Risk of impairment of property, plant and equipment and non-current intangible assets (refer to note 5 and 6a to the consolidated financial statements)		
At 31 December 2017, property, plant and equipment and non-current intangible assets amount to €901 million and €215 million respectively, together amounting to approximately 83% of total assets presented in the statement of financial position. Property, plant and equipment require an assessment of triggering events for impairment at each reporting date, whereas goodwill is tested for impairment at least annually.	Our audit procedures included an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, the discount rates and other data used by the company, for example by comparing them to external data. This assessment included support of EY valuation experts.	We noted the assumptions relating to the impairment models fell within the acceptable ranges. We agree with management's conclusions that no impairments are required and we concluded the disclosures in the consolidated financial statements being proportionate and in accordance with EU-IFRS.

Key audit matter	How our audit addressed the matter	Key observations
The goodwill impairment tests carried out by management are complex and requite significant management judgment. The recoverable amounts of (groups of) cash-generating units (CGUs) have been determined based on fair value less costs to sell. Fair value less costs to sell was determined by discounting the expected future cash flows from continuing use of the CGU's. Management performed the annual impairment tests for goodwill and specific impairment tests for other assets when indicators had been identified. These impairment tests did not reveal impairments.	We evaluated the 2018 financial forecast and the solidity of management's financial forecast process. Furthermore, we evaluated management's outlook in the explicit period as well as the long term growth rate, in particular around forecasted revenues, EBITDAs and capital expenditures. Our assessment also included sensitivity analyses. We assessed the adequacy of the disclosures included in the consolidated financial statements.	
Risk of non-compliance with covenants associated with bonds and senior facllities agreement (refer to note 14 to the consolidated financial statements and note 13 to the stand-alone financial statements)		
The availability of adequate funding and whether the group meets its financial covenants are significant for our audit, due to the relatively high leverage of the group. As of 31 December 2017, interest-bearing loans and borrowings, including bonds, amount to €730 million and total equity amounts to €143 million. The group's disclosure about the covenants of the bonds and the covenants of the Senior Facilities Agreement (SFA) is included in Note 14 (Interest bearing loans and borrowings, including bonds).	As part of our audit, we read the terms of the SFA and bonds with a particular focus on covenants clauses. Based on the audited financial information, we evaluated the group's assessment of compliance with the covenant requirements covering both quantitative and qualitative covenants as at 31 December 2017. Given the relevance of the EBITDA (earnings before interest tax, depreciation and amortization) in the quantitative covenant calculations, we focused our procedures on the correct classification of items in EBITDA and on the specific items included in or excluded from EBITDA, in accordance with criteria as stated in the SFA and bonds terms. We further assessed the adequacy of the disclosures included in the notes to the consolidated financial statements.	We agree with the covenant calculations as per 31 December 2017 and we evaluated the disclosures in note 14 regarding the covenants as appropriate and in accordance with EU-IFRS.

Key audit matter	How our audit addressed the matter	Key observations
Risk of non-recoverable overdue trade and other receivables (refer to notes 10 and 23i) to the consolidated financial statements)		
At 31 December 2017, the group records trade receivable and other receivables balances of €82 million after allowance of doubtful debtors. The identification and determination of trade receivables allowance requires management to make judgements and assumptions and represents a process with a significant level of uncertainties. The main assumptions used by management in evaluating the level of the allowance include factors such as age of the balance, type of customers, existence of disputes and historical payment patterns. The group's disclosures about trade receivables allowance are included in Note 2.2 f) (accounting policies – impairment), Note 10 (Trade and other receivables) and Note 23 (Financial risk management – i) Credit risk section) to the consolidated financial statements.	As part of our audit, we tested controls over the collection process and we tested collections from customers subsequent to year-end, on a sample basis. Additionally, we evaluated management's assessment of the creditworthiness of clients and the factors taken into account when establishing the percentage of allowance or considering that no allowance is necessary. This evaluation included an assessment of the historical cash collection patterns and degree of accuracy of previous allowance estimates. We reviewed the correspondence with the group's external lawyers in respect of any disputes with customers and the attempts by management to recover the amounts outstanding, where applicable. We also assessed the adequacy of the group disclosures to the consolidated financial statements.	We did not identity evidence of material misstatement in the valuation of overdue trade and other receivables and we conclude the disclosures being appropriate and in accordance with EU-IFRS.

REPORT ON 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 that consists of:

- The group management report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

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.

Management is responsible for the preparation of the other information, including the group management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the board of directors as auditor of Digi Communications N.V. as of the audit for the year 2014 and have operated as statutory auditor since that date.

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 audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the board of directors for the financial statements

Management 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, management 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.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The non-executive members of the board of directors are responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the assignment 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 have detected all material errors and fraud.

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.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- ▶ 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 for one 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 company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the board of directors 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 audit 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 board of directors 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 board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 21 March 2018

Ernst & Young Accountants LLP

signed by F.J. Blenderman

DIGI COMMUNICATIONS N.V.
Consolidated Statement of financial position
as at 31 December 2017

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

	Notes	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	5	900,691	825,989
Intangible assets	6a	215,248	206,812
Available for sale financial assets (AFS)	7	42,146	—
Investment in associates		784	995
Long term receivables		2,018	3,927
Deferred tax assets	20	2,828	3,126
Total non-current assets		**1,163,715**	**1,040,849**
Current assets			
Inventories	9	10,063	18,552
Programme assets	6b	22,250	30,312
Trade and other receivables	10	82,472	108,965
Income tax receivable		1,727	2,804
Other assets	11	11,046	6,321
Derivative financial assets	25	34,883	17,049
Cash and cash equivalents	12	16,074	14,625
Total current assets		**178,515**	**198,628**
Total assets		**1,342,230**	**1,239,477**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	6,918	51
Share premium		3,406	8,247
Treasury shares		(13,922)	(16,703)
Reserves		1,248	9,096
Retained earnings		138,869	40,474
Equity attributable to equity holders of the parent		**136,519**	**41,165**
Non-controlling interest		6,029	1,438
Total equity		**142,548**	**42,603**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	14	648,040	665,540
Deferred tax liabilities	20	45,517	34,812
Decommissioning provision		5,409	—
Other long term liabilities	15.2	36,738	46,076
Total non-current liabilities		**735,704**	**746,428**
Current liabilities			
Trade and other payables	15.1	360,571	373,969
Interest-bearing loans and borrowings	14	82,009	44,047
Income tax payable		—	1,390
Derivative financial liabilities	25	10,131	16,356
Deferred revenue		11,267	14,684
Total current liabilities		**463,978**	**450,446**
Total liabilities		**1,199,682**	**1,196,874**
Total equity and liabilities		**1,342,230**	**1,239,477**

The financial statements were approved by the Board of Directors on 21 March 2018 and were signed on its behalf by:

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

DIGI COMMUNICATIONS N.V.
Consolidated Statement of profit or loss and other comprehensive income for the year ended as at 31 December 2017
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
Revenues	17	916,551	—	916,551	842,755	—	842,755
Other income	28	2,509	—	2,509	—	—	—
Loss from sale of discontinued operations	21	—	—	—	—	(674)	(674)
Operating expenses	18	(800,841)	—	(800,841)	(755,848)	—	(755,848)
Other expenses	28	(2,820)	—	(2,820)	(6,969)	—	(6,969)
Operating profit		**115,399**	**—**	**115,399**	**79,938**	**(674)**	**79,264**
Finance income	19	19,977	—	19,977	45,312	—	45,312
Finance expenses	19	(55,903)	—	(55,903)	(101,467)	—	(101,467)
Net finance costs		**(35,926)**	**—**	**(35,926)**	**(56,155)**	**—**	**(56,155)**
Profit / (loss) before taxation		**79,473**	**—**	**79,473**	**23,783**	**(674)**	**23,109**
Income tax	20	(17,442)	—	(17,442)	(11,326)	—	(11,326)
Net profit / (loss)		**62,031**	**—**	**62,031**	**12,457**	**(674)**	**11,783**
Other comprehensive income							
Items not to be reclassified to profit or loss							
Revaluation of property, plant and equipment, net of tax		—	—	—	16,660	—	16,660
Items that are or may be reclassified to profit or loss, net of tax							
Foreign operations—foreign currency translation differences		(601)	—	(601)	1,609	—	1,609
Change in fair value available for sale asset	7	(3,667)	—	(3,667)	2,367		2,367
Available for sale financial asset, reclassification of gain	7	—	—	—	(33,722)		(33,722)
Cash Flow hedge reserves		3,603	—	3,603	654	—	654
Other comprehensive income for the year, net of tax		**(665)**	**—**	**(665)**	**(12,432)**	**—**	**(12,432)**
Total comprehensive income for the year		**61,366**	**—**	**61,366**	**25**	**(674)**	**(649)**

The financial statements were approved by the Board of Directors on 21 March 2018 and were signed on its behalf by:

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

DIGI COMMUNICATIONS N.V.

Consolidated Statement of profit or loss and other comprehensive income for the year ended as at 31 December 2017

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

	Notes	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
Profit / (Loss) attributable to:							
Equity holders of the parent		58,268	—	58,268	13,434	(648)	12,786
Non-controlling interest		3,763	—	3,763	(977)	(26)	(1,003)
Net profit / (loss) for the year		**62,031**	**—**	**62,031**	**12,457**	**(674)**	**11,783**
Total comprehensive income attributable to:							
Equity holders of the parent		57,419	—	57,419	221	(648)	(427)
Non-controlling interests		3,947	—	3,947	(196)	(26)	(222)
Total comprehensive income for the year		**61,366**	**—**	**61,366**	**25**	**(674)**	**(649)**
Earnings per share (in EUR) attributable to equity holders	8						
Net profit/(loss)		**58,268**	**—**	**58,268**	**13,434**	**(648)**	**12,786**
Basic earnings/(loss) per share (EUR/share)		**0.625**	**—**	**0.625**	**0.146**	**(0.007)**	**0.139**
Diluted earnings/(loss) per share (EUR/share)		**0.624**	**—**	**0.624**	**0.146**	**(0.007)**	**0.139**

The financial statements were approved by the Board of Directors on 21 March 2018 and were signed on its behalf by:

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

DIGI COMMUNICATIONS N.V.
Consolidated Statement of Cash Flows
for the year ended 31 December 2017
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2017	2016
Cash flows from operating activities			
Profit/(loss) before taxation		**79,473**	**23,109**
Adjustments for:			
Depreciation, amortization and impairment	5, 6	171,812	170,094
Revaluation deficit recognised in profit or loss		—	6,276
Interest expense, net	19	36,368	45,173
Derecognition of unamortized borrowing costs	14	—	26,505
Impairment of trade and other receivables	18	9,368	9,677
Losses/(gains) on derivative financial instruments	23	(16,159)	14,547
Equity settled share-based payments	24	1,642	—
Unrealised foreign exchange loss/(gain)		13,322	5,741
Reclassification of fair value adjustment of AFS		—	(33,722)
Gain on sale of assets		(342)	(1,462)
(Gain)/loss on disposal of subsidiary	21	—	674
Cash flows from operations before working capital changes		**295,484**	**266,612**
Changes in:			
Decrease/(increase) in trade receivables and other assets		(2,393)	(29,540)
Increase in inventories		8,489	(5,974)
Increase in trade payables and other current liabilities		(6,965)	31,424
(Decrease)/increase in deferred revenue		(3,416)	(7,248)
Cash flows from operations		**291,199**	**255,274**
Interest paid		(33,419)	(43,981)
Income tax paid		(10,172)	(7,823)
Net cash flows from operating activities		**247,608**	**203,470**
Cash flow used in investing activities			
Purchases of property, plant and equipment	5,15	(169,828)	(142,629)
Purchases of intangibles	6,14	(71,706)	(70,767)
Acquisition of subsidiaries, net of cash and acquisition of NCI	22	(1,666)	(2,124)
Acquisition of AFS	22	—	(939)
Proceeds from sale of property, plant and equipment		948	505
Net cash flows used in investing activities		**(242,252)**	**(215,954)**
Cash flows from financing activities			
Dividends paid to shareholders		(21,289)	(4,428)
Cash outflows from acquisition of treasury shares		(2,459)	—
Proceeds from borrowings	14	56,966	496,304
Repayment of borrowings	14	(27,290)	(477,628)
Financing costs paid	14	(4,546)	(26,779)
Settlement of derivatives		(3,764)	(5,802)
Payment of finance lease obligations		(1,566)	(3,428)
Net cash flows (used in)/from financing activities		**(3,948)**	**(21,761)**
Net increase/(decrease) in cash and cash equivalents		**1,408**	**(34,245)**
Cash and cash equivalents at the beginning of the year	12	**14,625**	**49,662**
Effect of exchange rate fluctuations of cash and cash equivalents held		41	(792)
Cash and cash equivalents at the end of the year	12	**16,074**	**14,625**

DIGI COMMUNICATIONS N.V.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017
(all amounts are in thousand EUR, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2017	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**	**—**	**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**
Comprehensive income for the period											
Profit/(loss) for the year	—	—	—	—	—	—	—	58,268	**58,268**	3,763	**62,031**
Foreign currency translation differences	—	—	—	(543)	—	—	—	—	**(543)**	(58)	**(601)**
Movements Fair Value reserves for AFS (Note 7)	—	—	—	—	—	(3,667)	—	—	**(3,667)**	—	**(3,667)**
Cash Flow hedge reserves	—	—	—	—	—	—	3,361	—	**3,361**	242	**3,603**
Transfer of revaluation reserve (depreciation)	—	—	—	—	(6,765)	—	—	6,765	—	—	—
Total comprehensive income for the period	**—**	**—**	**—**	**(543)**	**(6,765)**	**(3,667)**	**3,361**	**65,033**	**57,419**	**3,947**	**61,366**
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Increase of share capital through conversion of share premium and reserves	9,949	(8,247)	—	—	—	—	—	(1,702)	—	—	—
Conversion of class A shares to class B shares	(3,082)	—	—	—	—	—	—	3,082	**—**	**—**	**—**
Purchase of Treasury Shares	—	—	(2,459)	—	—	—	—	—	**(2,459)**	—	**(2,459)**
Swap of treasury shares against AFS (Note 7)	—	3,406	1,030	—	—	—	—	—	**4,436**	—	**4,436**
Equity-settled share-based payment transactions	—	—	—	—	—	—	—	1,642	**1,642**	—	**1,642**
Dividends distributed (Note 13)	—	—	—	—	—	—	—	(6,000)	**(6,000)**	(416)	**(6,416)**
Total contributions by and distributions to owners	**6,867**	**(4,841)**	**(1,429)**	**—**	**—**	**—**	**—**	**(2,978)**	**(2,381)**	**(416)**	**(2,797)**
Changes in ownership interests in subsidiaries											
Swap of NCI against AFS (Note 7)	—	—	—	1,349	(1,955)	—	193	39,923	**39,510**	1,866	**41,376**
Swap of treasury shares against NCI (Note 22)	—	—	4,210	*(582)*	*844*	—	(83)	(3,583)	**806**	*(806)*	**—**
Total changes in ownership interests in subsidiaries	**—**	**—**	***4,210***	***767***	***(1,111)***	**—**	***110***	**36,340**	**40,316**	**1,060**	**41,376**
Total transactions with owners	***6,867***	***(4,841)***	***2,781***	***767***	***(1,111)***	**—**	***110***	**33,362**	**37,935**	**644**	**38,579**
Balance at 31 December 2017	***6,918***	***3,406***	***(13,922)***	***(29,957)***	***35,120***	***(3,667)***	***(248)***	**138,869**	**136,519**	**6,029**	**142,548**

DIGI COMMUNICATIONS N.V.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017
(all amounts are in thousand EUR, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2016	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**
Comprehensive income for the period											
Profit/(loss) for the year	—	—	—	—	—	—	—	12,786	**12,786**	(1,003)	**11,783**
Foreign currency translation differences	—	—	—	1,545	—	—	—		**1,545**	64	**1,609**
Revaluation of property, plant and equipment, net of tax (Note 5)	—	—	—	—	15,970	—	—	—	**15,970**	690	**16,660**
Fair Value for AFS (Note 7)	—	—	—	—	—	2,367	—	—	**2,367**	—	**2,367**
Reclassification AFS gain (Note 7)	—	—	—	—	—	(33,722)	—	—	**(33,722)**	—	**(33,722)**
Cash Flow hedge reserves	—	—	—	—	—	—	627	—	**627**	27	**654**
Transfer of revaluation reserve (depreciation)	—	—	—	—	(9,288)	—	—	9,288	—	—	—
Total comprehensive income for the period	**—**	**—**	**—**	**1,545**	**6,682**	**(31,355)**	**627**	**22,074**	**(427)**	**(222)**	**(649)**
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends distributed (Note 13)	—	—	—	—	—	—	—	(57,546)	**(57,546)**	(370)	**(57,916)**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(57,546)**	**(57,546)**	**(370)**	**(57,916)**
Changes in ownership interests in subsidiaries											
Movement in ownership interest while retaining control (Note 22)	—	—	—	—	—	—	—	(1,516)	**(1,516)**	(130)	**(1,646)**
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	—	(1,516)	**(1,516)**	(130)	**(1,646)**
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(59,062)**	**(59,062)**	**(500)**	**(59,562)**
Balance at 31 December 2016	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**	**—**	**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**

1. CORPORATE INFORMATION

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

The parent company of the Group is Digi Communications N.V. ("DIGI" or "the Company" or "the Parent"), a company incorporated in Netherlands, with place of business and registered office in Romania. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. DIGI registered office is located in Str. Dr. Nicolae Staicovici, nr. 75, bl. Forum 2000 Building, Faza 1, et. 4, sect. 5, Bucuresti, Romania.

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

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

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

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

The Group provides telecommunication services of Cable TV (television), Fixed and Mobile Internet and Data, Fixed-line and Mobile Telephony ("CBT") and Direct to Home television ("DTH") services in Romania, Hungary, Spain and Italy. The largest operating company of the Group is RCS&RDS. At the end of 2017, DIGI Group had a total of 13,976 employees (2016: 13,400 employees).

The controlling shareholder of DIGI is RCS Management ("RCSM") a company incorporated in Romania. The ultimate controlling 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 asset is the ownership of RCS&RDS and respectively DIGI.

The consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 21 March 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

(b) Consolidated financial statements

These financial statements (consolidate and separate) from the legal financial statements of DIGI, to be filed with The Dutch Authority for the Financial Markets ("AFM") and 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 buildings, land, network, equipment and devices and customer premises equipment measured at revalued amount, and except for available for sale financial assets and derivative financial instruments measured at fair value as described in the accounting policies under Note 2.2 below.

(d) Going concern assumption

Management believes that the Group will continue as a going concern for the foreseeable future. In recent years the Group operated in an environment of exchange rate volatility whereby the functional currencies (RON, HUF, etc.) fluctuated against the USD and EUR. The unfavourable evolution of the exchange rates has impacted the financial result. However it did not affect the operations of the Group.

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

Please refer to Note 23 for a discussion of how management addresses liquidity risk.

(e) Functional and presentation currency

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

The consolidated financial statements are presented in Euro ("EUR") and all values are rounded to the nearest thousand EUR except when otherwise indicated. The Group uses the EUR as a presentation currency of the consolidated financial statements under IFRS as adopted by EU 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;
- Senior Notes are denominated in EUR.

The translation into presentation currency of the financial statements of each entity is described under Note 2.2 below.

(f) Significant estimates and judgments

In the process of applying the Group's accounting policies, 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 affects that period only, and future periods, if the change affects both.

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

- Notes 2.2 (d): recognition and classification of programme assets;
- Notes 2.2 (c) and 5: recognition of customer premises equipment;
- Notes 7 and 22b: recognition and valuation of share swap contracts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 6: key assumptions used in discounted cash flow projections in relation to goodwill impairment testing;

- Note 2.2 (c) and Note 5: useful lives of property, plant and equipment;

- Notes 3a and 5: revaluation of buildings, network, equipment and devices and customer premises equipment;

- Note 23 i): impairment of trade receivables;

- Notes 3 and 23 iv): fair value of financial instruments, in particular available for sale financial assets (Note 3f and Note 7);

- Note 26: contingencies;

- Note 14 and 23 iv): bonds embedded derivatives;

- Note 20: recognition and measurement of deferred tax assets.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Parent has prepared the consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances for all Group entities.

New pronouncements

The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendments did not have a significant effect on the financial position or performance of the Group.

- **IAS 7: Disclosure Initiative (Amendments)**

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Group has provided the required disclosures in Note 14.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. This improvement did not have an effect on the Group's financial statements.

    - ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in associates as at 31 December 2017. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using consistent accounting policies. Upon consolidation adjustments are recorded in order to align the few inconsistent accounting policies.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using consistent accounting policies. Upon consolidation adjustments are recorded in order to align the few inconsistent standalone accounting policies.

Business combinations

The Group accounts for business combinations using the acquisition method. 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. 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 the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

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.

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Investments in associates

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

Investments in significant associates are accounted for using the equity method (equity-accounted investees).

Under the equity method, the investment in an associate is initially recognised at cost. The cost of the investment includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in insignificant associates are accounted for at cost less any accumulated impairment losses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency—Transactions and balances

Transactions in foreign currencies have been recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been retranslated into the functional currency at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency 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 currency using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and

- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations—Translation to presentation currency

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

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

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

Currency	2017 Jan – 1	2017 Average for the year	2017 Dec – 31	2016 Jan – 1	2016 Average for the year	2016 Dec – 31
RON per 1EUR	4.5411	4.5681	4.6597	4.5245	4.4908	4.5411
HUF per 1EUR	311.02	309.30	310.14	313.12	311.47	311.02
USD per 1EUR	1.0510	1.1293	1.1993	1.0887	1.1070	1.0510

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: vehicles, furniture and office equipment; or

- using the revaluation model, at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land, buildings, network, equipment and devices and customer premises equipment ("CPE").

Each year, the management assesses whether revaluation is necessary as per IAS 16.

Land is not depreciated.

Property, plant and equipment is measured at cost upon initial recognition.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use, and capitalised borrowing costs, when applicable.

The costs of internally developed networks 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.

Property, plant and equipment includes customer premises equipment, such as direct to home ("DTH"), cable, Internet and mobile radio equipment in custody with customer, when the Group retains control over such assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of customer premises equipment in custody of customers with suspended services as at the reporting date is fully impaired.

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

Depreciation is calculated on a straight-line basis to write off recorded cost of the assets over their estimated useful lives.

As at 31 December 2016, management completed its review of the estimated useful lives of property, plant and equipment. As the Group continued to build and utilise the network and related assets, there is a more consistent ground for estimating the consumption pattern of those assets. Consequently, useful lives for several asset sub-categories were revised in order to match the current best estimate of the period over which these assets will generate future economic benefits.

The estimated useful lives applied prospectively from 1 January 2016 onwards 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	5 years
Furniture and office equipment	3-9 years

As at 31 December 2017, management completed its annual review of the estimated useful lives of property, plant and equipment and usefull lives were considered adequate for the type of asset and pattern of use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or 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.

Revaluation

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 transferred to retained earnings as the assets are depreciated or upon disposal.

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.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss.

Customer relationships

Customer relationships represent the cost incurred by the Group when acquiring 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 fair value at the date of the acquisition and are presented separately from any goodwill resulting in the acquisition.

Management determines the useful life used for the amortization of customer relationships based on management analysis and past experience. The useful life used for amortizing customer relationships is of 7 years (straight line method is used).

Subscriber acquisition costs

Subscriber acquisition costs ("SAC") represent the costs for acquiring and connecting new subscribers of the Group companies, consisting of commissions paid to third parties for contracting a new subscriber at the point at which the contract is signed with the customer. The Company capitalises as intangible assets the subscriber acquisition costs as they meet the requirements of IAS 38 for capitalization.

SAC are amortized over the related contract period, being a one or two year period.

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 subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment.

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

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

Programme assets

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

- Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season. Sports rights are amortized over the broadcasting period on a straight line basis. Any rights not expected to be utilized are written off;

- Film and television broadcasting rights are recognised at their acquisition cost, when the programme is available for screening, and are amortised over their broadcasting period.

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

The Group classifies the cash outflows for the purchase of programme assets as cash flows used in investing activities in the Consolidated Statement of Cash Flows, based on the long-term nature of the contribution of these assets to the subscriber acquisition, subscriber retention and consequent revenue generation, based on the comprehensive strategy of the Group.

Other intangible assets

Other intangible assets that are acquired by the Group (the 2100 MHz the 900 MHz, the 2600 MHz and the 3700 MH mobile telephony licenses in Romania, the 1800 MHz and 3800 MHz mobile telephony license in Hungary, software and other intangible assets) have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of the mobile telephony licences is charged on a straight line basis over the period of each license.

As at 31 December 2016, management completed its review of the estimated useful lives of mobile telephony licenses. For certain mobile telephony licenses there are options for extension, automatic upon the request of the Group. Consequently, useful lives were revised in order to match the current best estimate of the period over which these licenses will generate future economic benefits. Estimated useful lives for mobile telephony licenses are now between 15-25 years. The change of estimated useful lives was applied prospectively from 1 January 2016 onwards.

As at 31 December 2017, management completed its annual review of the estimated useful lives of intangible assets and useful lives were considered adequate for the type of asset and pattern of use.

Software licenses (including software related to telecommunication equipment) are amortized on a straight line over their estimated useful life which is generally 3 to 8 years. Other contractual intangible assets are amortized over their underlying contract period.

e) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the date that the Group becomes a party to the contractual provisions of the instrument.

For regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned, the trade date is applied for recognition.

Classification

The Group classifies non-derivative financial assets into the following categories: loans and receivables, cash and cash equivalents and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, on the date that they are originated. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets included in loans and receivables category include trade and other receivables and other long term receivables.

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.

Available-for-sale assets

Available for sale assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Recognition

The Group initially recognises financial liabilities on the date that the Group becomes a party to the contractual provisions of the instrument.

Classification

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Other financial liabilities

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, issued bonds and trade and other payables.

The Group established vendor financing and reverse factoring agreements with suppliers. In some cases, payment terms are extended in agreements between the supplier and the Group. Depending on the nature of the agreements' clauses, these transactions are classified as trade payables. If these agreements imply extended payment terms, trade payables are classified as long term. Corresponding cash flows are presented as Cash flow from investing or operating activities, as applicable.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) 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, net of any tax effects.

Transactions with the Company's A shares between shareholders 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, except for transactions with non-controlling interest, for which the resulting surplus or deficit on the transaction is 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 the 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 and discontinued operations:

- basic earnings per share are calculated by dividing net profit/(loss) for the year attributable to the equity holders of the Group, by the weighted average number of ordinary shares outstanding during the period;

- diluted earnings per share are calculated based on the net profit/(loss), adjusted by the dilutive effect of employee stock-options, net of the related tax effect.

Earnings per share are adjusted retrospectively for increases in the number of shares resulting from capitalisation, bonus issues or share splits, as well as for decreases resulting from reverse share splits, including when such changes occur subsequent to the reporting period but before the financial statements are authorized for issue.

(iv) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Derivatives held for trading

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Derivatives as hedging instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f) Impairment

i) Non-financial assets

Property, plant and equipment and intangible assets other than goodwill

The carrying amount of the Group's property, plant and equipment 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.

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 to sell 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

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

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

Goodwill

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

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

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

Impairment losses recognized for goodwill cannot be subsequently reversed.

ii) Financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. The main assumptions used by management in evaluating the level of the allowance include factors such as age of the balance, type of customers, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties, as well as the Group's historical loss experiences for the relevant aged category. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI. Impairment losses for an impaired available-for-sale equity instrument are not reversed through profit or loss, but only through OCI.

Investments in associates

An impairment loss in respect of investments in associates is measured by comparing the recoverable amount of the investment with its carrying amount. The recoverable amount of the investment is the higher of its fair value less costs of disposal and its value in use. The Group determines the fair value less costs of disposal based on a discounted cash flow ("DCF") valuation model. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

g) Inventories

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

Cost is determined on a FIFO 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 equipment 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.

h) Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses as services are rendered.

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.

Share based payment transactions

Refer to paragraph q) below.

i) 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 discounted using a current pre-tax rate that reflects, where appropriate, 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 telecom 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 fair 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.

j) Leases

The Group as a lessee

Service contracts that do not take the legal form of a lease but convey rights to the Group to use an asset or a group of assets in return for a payment or a series of fixed payments are accounted for as leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Contracts meeting these criteria are then evaluated to determine whether they are either an operating lease or finance lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalized leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term unless there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful lives.

Indefeasible Rights of Use (IRUs) represent the right to use a portion of the capacity of a terrestrial transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. Such assets are included in property, plant and equipment in the consolidated statement of financial position. They are depreciated over the shorter of the expected period of use and the life of the contract.

Leases, including IRU leases and lease of satellite transponders, where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

When a sale and lease back transaction results in a finance lease, any excess of the sales proceeds over the carrying amount is deferred and amortised over the lease term (no profit on disposal of the asset is recorded in profit or loss). No loss is recognized unless the asset is impaired. If no loss is recognised, the leased asset is recorded at the previous carrying amount and continues to be accounted as before the sale and leaseback transaction.

The Group as a lessor

The Group currently has no material arrangements as a lessor. The existing arrangements as a lessor, which are not material, are all operating leases.

k) Contingencies

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

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

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

l) Revenue and other income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenues from services

The Group's main sources of revenue from services are:

- Revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV, subscription services;

- Revenue from the provision of internet and data communication subscription services (fixed and mobile);

- Revenue from the provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The revenues from services are recognized as follows:

- *Subscription fees and voice traffic services*

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

- *Deferred revenue*

  Any subscription revenue received in advance of the service being provided is recorded as deferred revenue and recognized over the period when the service is provided.

- *Prepaid services*

  Revenue from the sale of prepaid cards, net of discounts allowed, included in the Group's prepaid services packages, is recognised based on usage. Prepaid revenue is deferred until the customer uses the traffic or the card expires.

- *Customer loyalty programme*

  Starting with 2016, the Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The vouchers' fair value (which is the same as their nominal value) is deducted from the future subscription values and recognized as revenue when utilised or at expiration.

Equipment sales

Revenue is recognized when the significant risks and rewards of ownership of the equipment have passed to the buyer, usually upon delivery.

Multiple element arrangements

Sales of certain packaged offers are considered as comprising identifiable and separate components to which general revenue recognition criteria can be applied separately. Once the separate components have been identified, the amount received or receivable from the customer is allocated, based on each component's fair value, first to the undelivered element and the remainder, if any, to the delivered element. For the delivered element the revenue is recognized only when the following criteria are met:

- the delivered item has a value to the consumer on a standalone basis, and
- there is objective and reliable evidence of the fair value of the undelivered item.

Where the promotional offer includes a period of free service, a portion of the revenue is recognized over the period of the free service.

Instalment sales

Revenue attributable to the sales price, exclusive of interest, is recognized when the risks and rewards of ownership have passed to the buyer, usually upon delivery. The revenue recognised on the sale is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognized as revenue as it is earned, using the effective interest method.

Rental income

Rental income arising from operating leases of assets is accounted for on a straight-line basis over the lease term of ongoing leases.

Advertising

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized when the relating advertising is performed.

Supply of electricity

Realized results from trading of electricity are reported in the Profit and Loss account on a net basis as part of Operating expenses. Mark-to-market results (unrealised) from fair value assessment of energy trading contracts are reported as Other income/ (Other expense) in the Profit and Loss account.

Revenues from electricity production, including the related green certificates granted under Romania's renewable energy support scheme, are recognized when electricity is produced. 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.

m) Finance income and finance expense

Finance income comprises interest income on funds invested, dividend income, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on derivative financial instruments that are recognised in profit or loss and reclassifications of net gains in hedging instruments previously recognised in other comprehensive income.

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

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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.

n) Related parties

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

o) Income tax

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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.

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 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.

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.

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.

p) 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 credit to 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. Performance 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.

In 2016 no share based payment plan applied (no grants were made and all previous awards vested). In 2017 a new share option plan was applied for certain management members and certain employees.

r) Discontinued operations

A discontinued operation is a component of the Group's business, operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

s) Subsequent events

Post period-end events that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes, when material.

t) Segment reporting

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

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of comprehensive income is disclosed in Note 28. 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.

2.3 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group does not plan to adopt these standards early.

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

The financial assets available-for-sale of the Group will be designated as financial assets at fair value through OCI under IFRS 9. In this case, the fair value gain or losses would not be recycled through profit and loss upon derecognition, and there will be no impairment accounting.

There are no other anticipated changes to classification and measurement arising from the implementation of IFRS 9.

Impairment

The new impairment model requires the recognition of impairment allowances based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. Financial assets measured at amortized cost will be subject to the impairment requirements of IFRS 9. In general, the application of the expected credit loss model will result in earlier recognition of credit losses and increase the amount of loss allowance recognized for the relevant items.

The only impact on the financial statements of the Group due to the new requirements of IFRS 9 will result from applying the probability of default as it results from historical patterns also to the trade and other receivables which are not yet due (as the Group was already applying a method compliant with IFRS 9 for amounts due), with expected loss given default being assessed at 100%. The additional amount of allowances to be recorded as a consequence is not significant (approximately EUR 1,242).

With respect to cash and cash equivalent amounts, due to the fact that the Group's exposure is towards banks with very low probability of default there would be no allowance to be recorded as the amounts will be immaterial.

Hedging

Under IFRS 9, generally more hedging instruments and hedged items will qualify for hedge accounting. The Group's hedges existing as of 31 December 2017 will suffer no changes.

The Group will apply retrospectively IFRS 9 but will not restate the comparative period, as permitted by IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

Recognition and unbudling of revenues

Owing to the nature of the Group's revenues, which mainly consist of subscription revenues (both for residential customers as well as the majority of business customers), the impact of IFRS 15 compared to the current IAS 18 is not significant, and consists of the following:

- Reclassifications between categories of revenues (cable, internet, telephony) due to re-allocation of promotions

- Reclassification between categories of revenues (cable, DTH, other) in respect of equipment in custody for which no rental fees are perceived

- Earlier recognition of revenues for sale of mobile phones, which is in part a reclassification of revenues (from telephony, cable, internet to other) and partly will create a contract asset (which will be thereafter included in the calculation of the impairment allowance under IFRS 9, as described above).

The net estimated impact of the IFRS 15 implementation for year ended 31 December 2017 for the Romanian operations is as follows:

Type of revenues	Decrease/(Increase) In million EUR
Revenues from Mobile subscription	(0.5)
Revenues from CATV/DTH subscription	14.7
Revenues from Fixed internet subscription	0.5
Revenues from rent	(14.3)
Revenues from mobile handsets	(1.4)
Contract asset	1.0

For the operations of the Group in other countries the impact is not significant.

Costs to obtain a contract

Amounts currently capitalized by the Group as subscriber acquisition costs (intangible assets) meet the criteria to be classified as costs to obtain a contract under IFRS 15. The amortization period has also been analyzed and found to be compliant with IFRS 15 requirements.

Principal versus agent

Under IFRS 15, the principal vs. agent assessment will be based on whether the Group controls the specific goods or services before transferring to the customer, rather than whether it has exposure to significant risks and rewards associated with the sale of the goods or services. The Group has not identified revenue arrangements in which it would be an agent under IFRS 15, thus changing the current treatment under IFRS 15.

Disclosures

Disclosures will be enhanced as per the new standard's requirements, starting with 1 January 2018.

The Group will transition to IFRS 15 application by applying the modified retrospective approach (therefore will not restate the comparative period).

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

The Group has considered there clarifications when performing the analysis of the IFRS 15 implementation impact, as detailed above.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Group has started an assessment of the impact of IFRS 16 on its consolidated financial statements. The application of IFRS 16 will have a significant impact on the consolidated statement of financial position, as the Group will recognize new assets and liabilities for most of its operating leases (please refer to Note 26 for details of the Group's operating leases as lessee, and additional items such as the spectrum fees which will also be in the scope of IFRS 16). In profit or loss statement, depreciation expense and interest expense will be reported instead of lease expense.

- **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 amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group does not hold investment property.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. These amendments have no impact on the Group's consolidated financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. For the moment the Group had no transactions in scope of these amendments.

- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. This interpretation has no impact on the Group's consolidated financial statements as the Group was already applying this treatment.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. Management has assessed that these improvements will not have an impact on the consolidated financial position or performance of the Group.

    - ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

    - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that this interpretation will not have an impact on the consolidated financial position or performance of the Group.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that these improvements will not have an impact on the consolidated financial position or performance of the Group.

    - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

    - ***IAS 12 Income Taxes*:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

    - ***IAS 23 Borrowing Costs*:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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

The fair value of property, plant and equipment recognised as a result of a business combination and of property, plant and equipment 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 of property, plant and equipment is based on the market approach and, where market approach cannot be used given the high degree of specialization of the asset being valued, cost 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). The cost approach relies on the determination of the depreciated replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Please refer to Note 5 for disclosures of the revaluation performed in 2016.

b) Intangible assets

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 are part of creating the related cash flows. Main assumptions used are the churn rate, EBITDA %, the discount rate.

c) Derivatives

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.

Please refer to Notes 23 and 25 for additional disclosures regarding fair values of derivatives.

d) Non-derivative financial assets and liabilities

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.

Please refer to Note 23 for additional disclosures regarding fair values of non-derivative financial instruments.

e) Equity-settled share-based payment transactions

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 24 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.

Please refer to Note 24 for additional disclosures regarding share-based payments.

f) Available for sale financial assets

The market value of the shares was determined in 2016 based on a discounted cash flow method and comparable enterprise/equity values of other entities in the telecom industry. The main inputs used in the discounted cash flow calculation are Group revenues, EBITDA, WACC, terminal growth rate.

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. Consequently, the fair value assessment of the available for sale shares held in RCSM at year end 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. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Please refer to Note 23 for additional disclosures regarding the fair valuation of AFS investments.

4. SEGMENT REPORTING

31 December 2017	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	655,172	150,424	92,691	18,264	—	—	**916,551**
Inter-segment revenues	3,125	—	1,205	572	(4,902)	—	**—**
Segment operating expenses	(431,332)	(110,673)	(68,063)	(23,863)	4,902	—	**(629,029)**
EBITDA (Note 28)	**226,965**	**39,751**	**25,833**	**(5,027)**	**—**	**—**	**287,522**
Depreciation, amortization and impairment of tangible and intangible assets						(171,812)	**(171,812)**
Other income (Note 28)	156	—	—	2,353	—	—	**2,509**
Other expenses (Note 28)	(217)	—	—	(2,603)	—	—	**(2,820)**
Operating profit	**—**	**—**	**—**	**—**	**—**	**—**	**115,399**
Additions to tangible non-current assets	150,134	39,926	2,835	213	—	—	**193,108**
Additions to intangible non-current assets	35,311	1,030	5,351	2,878	—	—	**44,570**
Carrying amount of:							
Property, plant and equipment	752,698	144,083	3,662	248	—	—	**900,691**
Non-current intangible assets	177,628	29,610	5,603	2,407	—	—	**215,248**
Investments in associates and AFS	784	—	—	42,146	—	—	**42,930**

The types of products and services from which each segment derives its revenues are disclosed in Note 17.

31 December 2016	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	612,691	137,850	83,036	9,178	—	—	**842,755**
Inter-segment revenues	2,695	—	1,648	453	(4,796)	—	**—**
Segment operating expenses	(413,114)	(86,510)	(70,735)	(13,915)	4,796	—	**(579,478)**
EBITDA (Note 28)	**202,272**	**51,340**	**13,949**	**(4,284)**	**—**	**—**	**263,277**
Depreciation, amortization and impairment of tangible and intangible assets						(170,094)	**(170,094)**
Revaluation impact						(6,276)	**(6,276)**
Other expenses (Note 28)	(6,969)	—	—	—	—	—	**(6,969)**
Loss from sale of discontinued operations	—	—	—	(674)	—	—	**(674)**
Operating profit							**79,264**
Additions to tangible non-current assets	184,501	35,163	1,010	133	—	—	**220,807**
Additions to intangible non-current assets	31,897	1,606	2,814	987	—	—	**37,304**
Carrying amount of:							
Property, plant and equipment	708,992	115,426	1,450	121	—	—	**825,989**
Non-current intangible assets	171,408	30,747	3,434	1,223	—	—	**206,812**
Investments in associates and AFS	995	—	—	—	—	—	**995**

The types of products and services from which each segment derives its revenues are disclosed in Note 17.

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 31 December 2016	**17,803**	**78,052**	**566,836**	**93,945**	**74,431**	**274,159**	**38,367**	**24,334**	**1,167,927**
Additions	4,416	3,004	14,176	156,884	4,825	6,634	1,633	1,536	**193,108**
Transfer from construction in progress ("CIP")/reallocation (assets taken into use)	—	8,246	77,557	(163,186)	28,051	43,612	3,897	1,823	**—**
Disposals	—	(438)	—	(582)	(23)	(151)	(1,513)	(5)	**(2,712)**
Effect of movements in exchange rates	(456)	(2,148)	(14,109)	(1,644)	(2,459)	(5,548)	(855)	(490)	**(27,709)**
At 31 December 2017	**21,763**	**86,716**	**644,460**	**85,417**	**104,825**	**318,706**	**41,529**	**27,198**	**1,330,614**
Depreciation and impairment									
At 31 December 2016	—	**6,762**	**149,782**	**127**	**—**	**143,097**	**26,626**	**15,544**	**341,938**
Depreciation charge	—	4,580	42,238	—	14,847	27,468	3,522	3,381	**96,036**
Impairment	—	—	—	—	2,040	—	—	—	**2,040**
Disposals	—	(8)	—	—	(19)	(118)	(1,385)	(5)	**(1,535)**
Effect of movements in exchange rates	—	(305)	(4,160)	(3)	(290)	(2,862)	(617)	(319)	**(8,556)**
At 31 December 2017	—	**11,029**	**187,860**	**124**	**16,578**	**167,585**	**28,146**	**18,601**	**429,923**
Net book value									
At 31 December 2016	**17,803**	**71,290**	**417,054**	**93,818**	**74,431**	**131,062**	**11,741**	**8,790**	**825,989**
At 31 December 2017	**21,763**	**75,687**	**456,600**	**85,293**	**88,247**	**151,121**	**13,383**	**8,597**	**900,691**

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At 31 December 2015	**12,043**	**62,190**	**476,482**	**83,397**	**142,637**	**226,347**	**30,140**	**18,473**	**1,051,709**
Additions	8,207	4,321	5,789	186,393	—	9,888	2,410	3,799	**220,807**
Transfer from construction in progress (“CIP”)/ reallocation (assets taken into use)	—	15,568	89,421	(185,197)	33,517	38,462	6,088	2,141	**—**
Transfers from inventories	—	—	—	9,973	—	—	—	—	**9,973**
Disposals	—	(269)	(2,201)	(311)	(178)	(143)	(142)	(15)	**(3,259)**
Disposals through deconsolidation of subsidiaries	—	—	(769)	—	—	—	—	(1)	**(770)**
Cancellation of accumulated depreciation against gross carrying amount of the revaluated asset	—	(3,694)	—	—	(115,722)	—	—	—	**(119,416)**
Revaluation surplus recognised in other comprehensive income	929	990	—	—	17,523	—	—	—	**19,442**
Revaluation deficit recognised in profit or loss	(3,264)	(647)	—	—	(2,365)	—	—	—	**(6,276)**
Effect of movements in exchange rates	(112)	(407)	(1,886)	(310)	(981)	(395)	(129)	(63)	**(4,283)**
At 31 December 2016	**17,803**	**78,052**	**566,836**	**93,945**	**74,431**	**274,159**	**38,367**	**24,334**	**1,167,927**
Depreciation and impairment									
At 31 December2015	—	**7,402**	**114,068**	**—**	**102,074**	**117,797**	**23,283**	**12,342**	**376,966**
Depreciation charge	—	3,132	38,842	—	12,367	25,572	3,516	3,264	**86,693**
Impairment	—	—	—	128	1,702	—	—	—	**1,830**
Disposals	—	(26)	(2,201)	—	(171)	(98)	(72)	(15)	**(2,583)**
Deconsolidation of subsidiaries	—	—	(493)	—	—	—	—	(1)	**(494)**
Cancellation of accumulated depreciation against gross carrying amount of the revaluated asset	—	(3,694)	—	—	(115,722)	—	—	—	**(119,416)**
Effect of movements in exchange rates	—	(52)	(434)	(1)	(250)	(174)	(101)	(46)	**(1,058)**
At 31 December 31, 2016	—	**6,762**	**149,782**	**127**	**—**	**143,097**	**26,626**	**15,544**	**341,938**
Net book value									
At 31 December 2015	**12,043**	**54,788**	**362,414**	**83,397**	**40,563**	**108,550**	**6,857**	**6,131**	**674,743**
At 31 December 2016	**17,803**	**71,290**	**417,054**	**93,818**	**74,431**	**131,062**	**11,741**	**8,790**	**825,989**

Property, plant and equipment additions

Most of the additions in 2017 and 2016 relate to the triple play network, as the Group has continued to invest in expanding to new areas but also has continued the upgrade of the existing network. Other additions relate to continued investment in the mobile radio network coverage in Romania and the set-up of the mobile radio network in Hungary, and equipment investments mainly in the Company's TV production facilities.

Property, plant and equipment in leasing

The carrying amount of property, plant and equipment includes an amount of EUR 12,251 as of 31 December 2017 (31 December 2016: EUR 12,915) representing land and buildings as assets held under finance leases. The ownership title of these assets should be transferred to RCS&RDS at the end of the leasing agreements (refer to Note 14 (x)).

Revaluation of land and buildings

The Group engaged an accredited independent appraiser to determine the fair value of its land and buildings as of 31 December 2016. In terms of the buildings, only the owned buildings in Romania were subject to the fair value appraisal. Improvements to rented buildings from Romania and Hungary were excluded from the fair value appraisal. The revaluation registered a decrease in fair value of EUR 2,335 for land and an increase of EUR 343 for buildings. These values were recorded through profit and loss with a total negative impact of EUR 3,911 (as part of Operating expenses) and through other comprehensive income with a total positive impact of EUR 1,919.

The fair value was determined by reference to market-based evidence, using the market comparable method, the cost and income approach. The valuation techniques are selected by the independent appraiser, in accordance with International Valuation Standards. There were no changes in the valuation techniques compared to the previous revaluation.

The fair value is overall determined to be Level 3 in the fair value measurement hierarchy. The inputs used in the valuation were either:

- Level 2 inputs based on the IFRS 13 classification (e.g. current rents, prices per sqm, yields, occupancy rates, etc. publicly available on the market for similar assets and other market-corroborated inputs), or

- Level 3 (unobservable) inputs representing for example assumptions in respect to operational costs, replacement costs, depreciation adjustments—most of them derived based on publicly available technical studies (rather than direct inputs from the market), with orderly adjustments performed by the appraiser.

The valuation is sensitive to its main inputs, being the sales value per sqm (which was in the range of 224 EUR/sqm to 1,167 EUR/sqm for apartments located in different cities in Romania and 224 EUR/sqm to 637 EUR/sqm for market values estimated for the main land plots), the rental value per sqm (which was in the range of 12 EUR/sqm to 21.5 EUR/sqm for the main assets) and the yield (which was in the range of 7.5% to 10% for the main assets).

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

	31 December 2017	**31 December 2016**
Cost	**23,533**	**19,705**
Fair value	**21,763**	**17,803**

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

	31 December 2017	**31 December 2016**
Cost	90,363	81,470
Accumulated depreciation	(18,742)	(14,436)
Net carrying amount	**71,621**	**67,034**
Fair value	**75,687**	**71,290**

Revaluation of network, equipment and devices and customer premises equipment

Network, equipment and devices, and customer premises equipment were revalued as of 31 December 2012 on the basis of their depreciated replacement cost calculated by the Group's personnel (fair value is classified as Level 3 in the fair value measurement hierarchy, since this valuation was performed using a non-observable input). Replacement cost was determined as follows:

- for materials and equipment, based on price quotations from suppliers and prices of the most recent acquisitions;
- for personnel costs, based on the historical salaries multiplied by the Group's salary growth rate;
- for subcontractor costs, based on historical fees multiplied by the consumer price indices for services.

As of 31 December 2016 management has assessed that the replacement cost of network, equipment and devices which are not fully amortized did not vary significantly from the 31 December 2012 revaluation and respectively their acquisition cost for additions during 2013-2016. Given the new technologies used by the Group no significant instances of technological obsolescence were identified.

Customer premises equipment were revalued as of 31 December 2016 on the basis of their depreciated replacement cost calculated by the Group's personnel (fair value is classified as Level 3 in the fair value measurement hierarchy, since this valuation was performed using non-observable inputs). Replacement cost was determined based on price quotations from suppliers and prices of the most recent acquisitions. Additionally, a ceiling was applied in the revaluation process by reference to the original acquisition prices (in RON equivalent at the applicable exchange rates as of 31 December 2016) and applying a yearly discount for the typical price decreases in telecommunications' industry. Given the new technologies used by the Group no significant instances of technological obsolescence were identified.

The revaluation generated a net increase in fair value of EUR 15,158, recorded through profit and loss for revaluation deficit of EUR 2,365 (as part of Operating expenses) and through other comprehensive income for revaluation surplus of EUR 17,523.

Network, equipment and devices, and customer premises equipment are part of cash generating units containing goodwill, which are tested annually for impairment (refer to Note 6).

If network, equipment and devices, and customer premises equipment were measured using the cost model, the carrying amounts would be as follows:

Network

	31 December 2017	31 December 2016
Cost	711,729	631,477
Accumulated depreciation	(289,753)	(251,244)
Net carrying amount	**421,976**	**380,233**
Fair value	**456,600**	**417,054**

Equipment and devices

	31 December 2017	31 December 2016
Cost	427,933	382,018
Accumulated depreciation	(282,819)	(256,516)
Net carrying amount	**145,114**	**125,502**
Fair value	**151,121**	**131,062**

Customer premises equipment

	31 December 2017	31 December 2016
Cost	548,534	517,672
Accumulated depreciation	(468,198)	(458,251)
Impairment	(8,625)	(6,585)
Net carrying amount	**71,711**	**52,836**
Fair value	**88,247**	**74,431**

Estimated useful lives

As at 31 December 2016, management reviewed the estimated useful lives of property, plant and equipment. As the Group continued to build and utilise the network and related assets, there is a more consistent ground for estimating the consumption pattern of those assets. Consequently, useful lives for several asset sub-categories were revised in order to match the current best estimate of the period over which these assets will generate future economic benefits.

The change of estimated useful lives was applied prospectively from 1 January 2016 onwards. For details, please see also Note 2.2 c) Basis of preparation and accounting policies.

As at 31 December 2017, management completed its annual review of the estimated useful lives of property, plant and equipment and useful lives were considered adequate for the type of assets and pattern of use.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

Impairment

In addition to the compulsory impairment test for the CGUs which include goodwill, an assessment of impairment indicators has been made for the CGUs which do not include goodwill (such as the renewable energy production), as well as for specific assets (such as abandoned construction-in-progress).

Commitments for property, plant and equipment

For details regarding commitments for property, plant and equipment please see Note 26.

6. INTANGIBLE ASSETS

a) Non-current intangible assets

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At 31 December 2016	**77,178**	**75,301**	**2,883**	**78,814**	**174,968**	**409,144**
Additions	267	3,839	—	19,731	20,733	44,570
Disposals	—	—	—	—	(1,938)	(1,938)
Effect of movement in exchange rates	(1,356)	(1,992)	(67)	(929)	(3,641)	(7,985)
At 31 December 2017	**76,089**	**77,148**	**2,816**	**97,616**	**190,122**	**443,791**
Depreciation						
At 31 December 2016	**—**	**66,615**	**1,307**	**65,354**	**69,056**	**202,332**
Amortization	—	6,871	416	13,549	10,781	31,617
Impairment	—	—	—	546	—	546
Disposals	—	—	—	—	(1,848)	(1,848)
Effect of movement in exchange rates	—	(1,655)	(36)	(871)	(1,542)	(4,104)
At 31 December 2017	**—**	**71,831**	**1,687**	**78,578**	**76,447**	**228,543**
Net Book Value						
At 31 December 2016	**77,178**	**8,686**	**1,576**	**13,460**	**105,912**	**206,812**
At 31 December 2017	**76,089**	**5,317**	**1,129**	**19,038**	**113,675**	**215,248**

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At 31 December 2015	**77,240**	**74,782**	**2,883**	**64,172**	**153,426**	**372,503**
Additions	—	645	—	14,587	22,072	37,304
Disposals	—	—	—	—	(12)	(12)
Effect of movement in exchange rates	(62)	(126)	—	55	(518)	(651)
At 31 December 2016	**77,178**	**75,301**	**2,883**	**78,814**	**174,968**	**409,144**
Depreciation						
At 31 December 2015	**—**	**56,560**	**577**	**57,809**	**52,429**	**167,375**
Amortization		10,309	733	7,126	16,835	35,003
Impairment	—	—	—	398	—	398
Effect of movement in exchange rates		(254)	(3)	21	(208)	(444)
At 31 December 2016	**—**	**66,615**	**1,307**	**65,354**	**69,056**	**202,332**
Net Book Value						
At 31 December 2015	**77,240**	**18,222**	**2,306**	**6,363**	**100,997**	**205,128**
At 31 December 2016	**77,178**	**8,686**	**1,576**	**13,460**	**105,912**	**206,812**

(i) Customer relationships

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

(ii) Impairment testing for cash-generating units containing goodwill

The Group defines cash-generating units (CGUs) based on three criteria:

1. country;

2. infrastructure used in providing the services; and

3. bundling of services affecting independence of cash flows.

Since a significant percentage of customers buy bundled services of CBT (cable, broadband and telephony), mobile telephony services, in countries where the Group is providing CBT, mobile telephony services and DTH services, the Group identified separate CGUs for CBT, mobile telephony services and DTH respectively. Television production does not represent separate CGUs in Romania due to the RCS&RDS strategy, structure of subscribers and revenues generated. In 2016 mobile telephony was not considered a separate CGU, for the same reasons as television production, however in 2017 management decided to separate it due to the current growth of the standalone mobile subscriptions.

In addition, solar electricity production companies are also considered distinct CGUs.

Goodwill acquired through business combinations has been allocated among cash generating units for the purposes of impairment testing as follows:

- CBT Romania;
- CBT Hungary;
- Mobile Spain.

Goodwill	**31 December 2017**	**31 December 2016**
CBT	**75,811**	**76,868**
Romania	54,483	55,600
Hungary	21,100	21,040
Mobile		
Spain	228	228
DTH	**278**	**310**
Romania	278	310
Total	**76,089**	**77,178**

Recoverable amounts for the CGUs have been determined on the basis of fair value less costs to sell calculations using cash flow projections based on financial budgets approved by senior management covering a five-year period (level 3 on fair value hierarchy).

Key assumptions used in the calculations of the recoverable amounts

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

Discount rate

- for the Romanian territory 8.23 % p.a. (2016: 8.17%);
- for the Hungarian territory 8.91% p.a. (2016: 9.14%).

The discount rate applied to the cash flows of each CGU is based in the Group's Weighted Average Cost of Capital (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use.

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

- for Romanian CBT CGU 2% p.a. (2016: 1.7%);
- for Hungarian CBT CGU 2% p.a. (2016: 1.7%).

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 Hungary, 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 Hungarian CBT CGU is based on past experience and growth expectation from tighter cost control and additional revenue from new subscribers connected to the fixed network.

The Company does not disclose information regarding prospective EBITDA margins and revenue growth rates for the budget period, given the strategic nature of this information.

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 fixed network) and other business drivers.

Management believes that as of 31 December 2017 no reasonable change in the main assumptions could result in an impairment charge (31 December 2016: no reasonable change).

(iii) Subscriber acquisition costs ("SAC")

SAC represents third party costs for acquiring and connecting customers of the Group. In 2017 SAC was generated in relation with contracting customers in Romania (12,069 EUR), Spain (5,287 EUR), Hungary (258 EUR) and Italy (2,117 EUR). In 2016 SAC was generated in relation with contracting customers in Romania (EUR 10,810), in Spain (EUR 2,721), Hungary (EUR 326) and Italy (EUR 730).

(iv) Licences and software

Estimated useful lives

As at 31 December 2016, management reviewed the estimated useful lives of mobile telephony licenses. For certain mobile telephony licenses there are options for extension, automatic upon the request of the Group. Consequently, useful lives were revised in order to match the current best estimate of the period over which these licenses will generate future economic benefits. For details, please see also Note 2.2 d) Basis of preparation and accounting policies.

As at 31 December 2017, management completed its annual review of the estimated useful lives of intangible assets and useful lives were considered adequate for the type of assets and pattern of use.

2100 MHz license (Romania)

In January 2007 the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") granted to RCS&RDS a *2100 MHz* license for a period of 15 years which may be extended at the request of the Company for another 10 years, for a total consideration of EUR 27,056 (equivalent of USD 35,000), entirely paid as of 31 December 2014. The cost of the *2100 MHz* license was EUR 23,110 and was determined at inception date by discounting the future payments using effective interest method at the date the license was granted to RCS&RDS (interest rate used was 7.6% p.a., similar to interest rate on other long term borrowings contracted by RCS&RDS). The carrying amount of the *2100 MHz* license as of 31 December 2017 is EUR 5,961 (2016: EUR 6,550).

900 MHz license (Romania)

In September 2012 IGCTI granted to RCS&RDS 1 spectrum block in the 5 MHz broadband to be used starting with April 2014 for a period of 15 years, for a total consideration of EUR 40,000 out of which EUR 26,000 was paid in 2012. The remaining amount of EUR 14,000 was paid in June 2013. The carrying amount of the 900 MHz license as of 31 December 2017 is EUR 28,781 (2016: EUR 32,158).

The obligations assumed in relation to the 900 MHz license are: allow access to MVNOs (mobile virtual network operators), coverage of a number of small cities in Romania presently without coverage until 5 April 2016, coverage for voice services of 98% of the population until 5 April 2019, coverage for data services of 60% of population until 5 April 2021. We fulfilled our license obligations, as reviewed by ANCOM.

1800 MHz license (Hungary)

In September 2014 NMHH granted to Digi Hungary 1 spectrum block in the 5 MHz for a period of 15 years, for a total consideration of HUF 10 billion (EUR 32,600) which was fully paid in October 2014. The carrying amount of the 1800 MHz license as of 31 December 2017 is EUR 27,189 (2016: EUR 28,726). The license has no coverage obligations assumed.

2600 MHz license (Romania)

In August 2015 the purchase of a 2600 MHz license from 2K Telecom for a total consideration of EUR 6,600 was approved by the Romanian General Inspectorate for Communication and Information Technology ("IGCTI"). The carrying amount of the *2600 MHz* license as of 31 December 2017 is EUR 5,278 (2016: EUR 3,563).

3700 MHz license (Romania)

In October 2015 RCS&RDS has participated in an auction and acquired from the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") a 3700 MHz license for a total consideration of EUR 1,880. The license was granted and came into effect starting with December 2015 and its carrying amount as of 31 December 2017 is EUR 1,435 (2016: EUR 1,227).

3800 MHz license (Hungary)

The 3800 MHz license obtained for a total consideration of EUR 820 by Digi Hungary has a carrying amount as of 31 December 2017 of EUR 765 (2016: EUR 809).

FM Radio frequency licenses (Romania)

In 2015 RCS&RDS obtained the right of use of several audiovisual licences, through a transfer of licenses approved by the National Audiovisual Council of Romania. These licences are currently used to broadcast the Digi FM, Pro FM, Dance FM and Music FM radio stations.

Other

Included in "Licenses and software" category is also the software required for the operation and maintenance of communication equipment.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

b) Current intangible assets—programme assets

	31 December 2017	31 December 2016
Balance at 1 January	**30,312**	**29,536**
Additions	34,122	47,058
Amortization (Note 18)	(41,573)	(46,170)
Effect of movement in exchange rates	(611)	(112)
Balance at 31 December	**22,250**	**30,312**

Included in "Additions" is an amount of EUR 28,540 representing broadcasting rights for sports competitions for 2017/2018 season (2016: EUR 34,376 for 2016/2017 season) and related advance payments for future seasons, the difference representing movies and documentaries rights. Contractual obligations related to future seasons are presented as commitments in Note 26.

7. AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)

	31 December 2017	31 December 2016
Balance at 1 January	**—**	**43,373**
Additions	45,813	1,653
Fair value adjustment—OCI	(3,667)	2,367
Non-cash distribution of dividends (Note 13)	—	(47,393)
Balance at 31 December	**42,146**	**—**

The above available for sale financial assets comprise shares in RCSM (which is the parent of the Company). As at 31 December 2017 the percentage of ownership of DIGI in RCSM is 9.0% (31 December 2016: nil). For additional disclosures on the fair values of the AFS refer to Note 23 (iv).

On 9 March 2017 three share swaps agreements were concluded between the Company and three minority shareholders of RCSM, through which the minority shareholders of RCSM exchanged 16,582 shares of RCSM for 17,367,832 shares in RCS&RDS, which became effective on 7 April 2017. Given the fact that the fair value of RCSM shares as of the transaction date was not determined, the most objective measure for the cost of the shares was assessed to be the fair value of RCSM shares determined by reference to the share price of Digi shares at the IPO (similar to the determination at year-end, detailed in Note 3f). The difference between the value of the non-controlling interest that was the consideration given for the RCSM shares, which is represented by the percentage of interest from the consolidated net asset value of RCS&RDS Group as of 31 March 2017, namely EUR 1,866, and the fair value of the AFS shares acquired was credited to retained earnings.

On 24 March 2017 another swap agreement was concluded between the Company and a minority shareholder of RCSM, through which the minority shareholder of RCSM exchanged 1,778 shares of RCSM for 255 shares of the Company (before the split of the shares performed in preparation of the IPO), which became effective on 7 April 2017. Given the fact that the fair value of RCSM shares as of the transaction date was not determined, the most objective measure for the cost of the shares was assessed to be the fair value of RCSM shares determined by reference to the share price of Digi shares at the IPO (similar to the determination at year-end, detailed in Note 3f). The difference between cost of the treasury shares that were the consideration given for the RCSM shares, namely EUR 1,030, and the fair value of the AFS shares acquired was credited to share premium.

As of 31 December 2017 the fair value of the RCSM shares was determined as detailed in Note 3f.

As of 31 December 2016 the AFS assets, that consisted of RCSM shares as well, were derecognized, following the distribution of dividends in kind on 27 December 2016 (please see Note 13), and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss (as Finance income).

The decrease in the fair value of the AFS shares during 2017, as reported in OCI, is not considered to be an impairment.

8. EARNINGS PER SHARE (EPS)

	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
Net profit/(loss) for the year	**62,031**	**—**	**62,031**	**12,457**	**(674)**	**11,783**
Non-controlling interests	(3,763)	—	(3,763)	977	26	1,003
Net profit/(loss) attributable to equity holders of the parent	**58,268**		**58,268**	**13,434**	**(648)**	**12,786**
Weighted average number of ordinary shares outstanding (number of shares)						
Weighted average number of ordinary shares outstanding—basic*	**—**	**—**	**93,226,786**			**91,827,804**
Share option plan	—	—	172,337	—	—	—
Weighted average number of shares outstanding—diluted*			**93,399,123**			**91,827,804****
Earnings/(loss) per share (EUR/share) basic	**0.625**	**—**	**0.625**	**0.146**	**(0.007)**	**0.139**
Earnings/(loss) per share (EUR/share) diluted	**0.624**	**—**	**0.624**	**0.146**	**(0.007)**	**0.139**

* The number of outstanding shares excludes treasury shares

** The weighted average number of shares outstanding has been subject to a correction compared to the 2016 consolidated financial statements, in which 99,958,650 shares were included. The earnings per share have also been changed accordingly.

In February 2017, the general meeting of shareholders of the Company has unanimously resolved among others to amend the articles of association pursuant to which, inter alia, two classes of shares will be created being: class A shares with a nominal value of ten eurocent (EUR 0.10) each and in respect of which for each share A, ten (10) votes may be cast and class B shares with a nominal value of one eurocent (EUR 0,01) each and in respect of which for each share B one (1) vote may be cast. The weighted average number of shares outstanding was retrospectively adjusted for the comparative period. For details about the share split and bonus issuance of shares, please see Note 13.

During 2017 a share option plan was implemented for management and employees. These share options have a dilutive effect on earnings. For details, please see Note 24.

9. INVENTORIES

	31 December 2017	31 December 2016
Merchandise and equipment	3,366	6,255
Materials and consumables	6,697	12,297
Total inventories, net	**10,063**	**18,552**

Merchandise and equipment

This category includes terminal equipment sold to the customers. Such equipment includes mostly mobile phones.

Materials and consumables

This category includes mainly inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

10. TRADE AND OTHER RECEIVABLES

	31 December 2017	31 December 2016
Trade receivables	75,304	107,096
Receivable from related parties (refer to Note 14)	779	1,014
Other taxes receivable	349	380
Other receivables	6,040	475
Total trade and other receivables	**82,472**	**108,965**

For details regarding credit risk please refer to Note 23.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

11. OTHER ASSETS

	31 December 2017	31 December 2016
Advances to suppliers	4,051	4,291
Prepayments	6,995	2,030
Total other assets	**11,046**	**6,321**

For details regarding credit risk please refer to Note 23.

12. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Bank accounts	15,800	14,340
Petty cash	274	285
Total cash and cash equivalents	**16,074**	**14,625**

Collateral

For details on the pledges placed on the Group assets and restricted cash please refer to Note 14 (xiv).

13. EQUITY

As of 31 December 2016, DIGI had an authorised share capital of EUR 250 comprised of 250,000 units of ordinary shares with nominal value of EUR/share 1 each. At the date of the balance sheet 50,594 ordinary shares were issued and fully paid. There were no other issued shares.

	31 December 2016
Ordinary Shares—Issued and Paid (No.)	50,594
Ordinary Shares—Unissued (No.)	199,406
Nominal Value	1 EUR per share
Share Capital Value (EUR thousand)	51

At 31 December 2016, the shareholders of DIGI were as follows:

	31 December 2016	
Shareholder name	**No. of shares**	**%**
RCSM	29,277	57.87%
Teszari Zoltan	2,326	4.60%
Carpathian Cable Investment Ltd	9,953	19.67%
Celest Limited (Cyprus)	2,694	5.32%
DIGI—treasury shares	4,135	8.17%
Other	2,209	4.38%
Total	**50,594**	**100.00%**

In February 2017, the general meeting of shareholders of the Company has unanimously resolved the following:

- to amend the articles of association pursuant to which, inter alia, two classes of shares will be created being: class A shares with a nominal value of ten eurocent (EUR 0.10) each and in respect of which for each share A ten (10) votes may be cast and class B shares with a nominal value of one eurocent (EUR 0.01) each and in respect of which for each share B one (1) vote may be cast;

- a conversion and split of each currently issued ordinary share in the Company with a nominal value of EUR 1 into ten (10) class A shares with a nominal value of EUR 0.10 each;

- the increase of the share capital by issuing up to 100 million class A shares pro-rata to the shareholdings, subject to availability of reserves.

These resolutions took effect 11 April 2017.

In April 2017 the Board of DIGI was authorized to issue a number of 99,494,060 class A shares at a total nominal value of EUR 9,949,406 through incorporation of share premium and reserves (bonus issuance, based on the shareholders' resolutions from February 2017).

Therefore, as at 31 December 2017, the authorized capital of the company amounts to EUR 11,000,000. 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 2017 is in amount of EUR 6,918,043, divided into 100,000,000 shares (out of which (i) 65,756,028 class A shares with a nominal value of ten eurocents (EUR 0.10) each and (ii) 34,243,972 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 2017
Class A:	
Ordinary Shares—Issued and Paid (No.)	65,756,028
Ordinary Shares—Unissued (No.)	34,243,972
Nominal Value	0.10 EUR per share
Class B:	
Ordinary Shares—Issued and Paid (No.)	34,243,972
Ordinary Shares—Unissued (No.)	65,756,028
Nominal Value	0.01 EUR per share
Share Capital Value (EUR thousand)	6,918,043

The rights attaching to the class B shares are uniform in all respects except for the voting rights to the class A shares.

At 31 December 2017, the shareholders of DIGI are as follows:

Shareholder name	**31 December 2017** No. of shares	**%**
Class A:		
RCS Management S.A.	57,866,545	57.87%
Teszari Zoltan	2,280,122	2.28%
DIGI-treasury shares	5,609,361	5.61%
Total class A	**65,756,028**	
Class B:		
Shares listed on BVB	33,246,818	33.25%
DIGI—treasury shares	997,154	1.00%
Total class B	**34,243,972**	
TOTAL	**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.

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 differs from the result in these financial statements.

In April 2017 the Company declared dividends of 6 million EUR for year ended 31 December 2016, which were paid in May 2017; the related amount of dividend per share was EUR/share 0.063.

On 27 December 2016 the general shareholders meeting of DIGI has approved the distribution of cash dividends in amount of 300 EUR/share for shareholders. RCSM has exercised the option to receive distribution in kind, representing all the RCSM shares that were held by DIGI at the date (20,400 shares), instead of the cash dividends.

The 2016 distributions consisted of EUR 10,154 cash and EUR 47,392 distribution in kind representing all the available-for-sale shares in RCSM. The related amount of dividend per share was EUR/share 1,726.32 for RCSM and respectively EUR/share 407.62 for the other shareholders.

Nature and purpose of reserves

Translation reserve

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

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Cash flow hedges

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

14. INTEREST BEARING LOANS AND BORROWINGS

Long term portion		**Nominal interest rate**	**31 December 2017**	**31 December 2016**
2016 Bonds	(i)	5% p.a.	349,384	349,638
2016 Senior Facilities Agreement	(ii)	3M ROBOR + 2.65%p.a.	293,079	307,296
Obligations under finance leases	(xv)	Variable linked to LIBOR and EURIBOR+ respective margin	2,395	3,990
Other	(vii)		3,182	4,616
Total long term portion			**648,040**	**665,540**

Current portion		**Nominal interest rate**	**31 December 2017**	**31 December 2016**
2016 Senior Facilities Agreement	(ii)	3M ROBOR + 2.65%p.a.	40,091	25,085
Overdrafts	(iii-v)	Variable linked to EURIBOR/ ROBOR/ LIBOR+ respective margin	25,062	7,217
Obligations under finance leases	(xv)	Variable linked to LIBOR and EURIBOR+ respective margin	1,814	1,782
Other	(ix)-(xiii)		15,042	9,962
Total current portion			**82,009**	**44,047**

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

	Long term loans	**Bonds**	**Short term loan**	**Interest**	**Total**
Balance as at 1 January 2017	**338,274**	**349,636**	**10,708**	**5,197**	**703,815**
Proceeds from borrowings	33,693	—	23,273	—	**56,966**
Repayment of borrowings	(24,626)	—	(2,664)	—	**(27,290)**
Interest expense	—	—	—	35,203	**35,203**
Interest paid	—	—	—	(33,419)	**(33,419)**
New finance cost*	(864)	(357)	—	—	**(1,221)**
Amortisation of deferred finance costs and inception value of embedded derivative	1,072	93	—	—	**1,165**
Effects of movements in exchange rates	(9,874)	12	1,077	(594)	**(9,379)**
Balance as at 31 December 2017	**337,675**	**349,384**	**32,394**	**6,387**	**725,840**

**New finance cost presented above in amount of EUR 1,220 includes additional borrowing cost during the period. In the Cash flow statements, the amount of EUR 4,546 represents finance cost paid in 2017 related to 2016 borrowings.*

(i) 2016 Bonds

On 26 October 2016 the Company issued Bonds with a value of EUR 350,000 with a 5% coupon yield falling due in October 2023.

Arrangement fees

The total cost of concluding the 2016 Bonds is amortised using the effective interest method over the life of the Bonds. As of 31 December 2017 the unamortized balance of bond issuance related fees was EUR 7,498 (2016: EUR 8,637).

Drawing

As of 31 December 2017, the nominal balance is EUR 350,000 (EUR 349,384 presented net of borrowing fees and including bifurcation of fair value of embedded derivative at inception).

Pledges

Details on pledges are presented further in section (xiv) of the Note 14.

Covenants

The Group has agreed to certain covenants with respect to the Bonds, including, among other things, limitations on its ability to: incur or guarantee additional indebtedness; 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 our restricted subsidiaries' ability to pay dividends; sell or issue capital stock of restricted subsidiaries; engage in any business other than a permitted business; and impair the security interests with respect to the Collateral. Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Bonds receive investment grade ratings from the relevant credit rating agencies.

In accordance with the terms of the Bonds, the Group is required to compute the Consolidated Leverage Ratio if certain events take place. The Consolidated Leverage Ratio means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA (computed in accordance with the terms of the Bonds, being adjusted with certain items such as share option plan expense and net fixed assets sale) for the most recent four full consecutive fiscal quarters for which internal consolidated financial statements of the Company are available at the time of such determination. The Consolidated Leverage Ratio should not exceed 3.75 to 1. Please see Note 23 vii).

The Group is in compliance with all the covenants under the 2016 Bonds as at 31 December 2017.

On 8 August 2017, the 2016 Senior Secured Bonds, were admitted to trading on the Main Securities Market of the Irish Stock Exchange. In connection with this listing, DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság (the Hungarian subsidiary of RCS & RDS S.A., the Company's subsidiary) acceded as an additional guarantor under to the Indenture and the Intercreditor Agreement dated 26 October 2016 relating to the Bonds, as well as under the Senior Facility Agreement dated 7 October 2016.

(ii) 2016 Senior Facilities Agreement ("2016 SFA")

On 7 October 2016, RCS & RDS, as borrower, entered into the Senior Facilities Agreement with, among others, BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Bank, as lead arrangers. The Senior Facilities Agreement consists of (i) the SFA Facility A1; (ii) the SFA Facility A2; and (iii) the SFA Facility B. The SFA Facility A1 was drawn for the purposes of funding the refinancing of the 2015 Senior Facilities Agreement and capital expenditure requirements of the Group. The SFA Facility A2 was drawn for the purpose of funding the refinancing of the 2013 Bonds. The SFA Facility B was drawn for the general corporate and working capital purposes of the Group. Facilities A1 and A2 mature in October 2021. Facility B matures in 2019.

Drawing

On 26 October 2016, the Company drew (a) RON 930.0 million (EUR 204.8 million equivalent as at 31 December 2016) under the SFA Facility A1 and repaid the 2015 Senior Facilities Agreement in full; and (b) RON 600.0 million (EUR 132.1 million equivalent as at 31 December 2016) under the SFA Facility A2. During 2017 Facility B was fully drawn for the general corporate and working capital purposes of the Group, amounting to RON 157 million.

As at 31 December 2017 the outstanding principal amounts for SFA A1 was RON 860.3 million (EUR 184.6 million equivalent), for SFA A2 was RON 555.0 million (EUR 119.1 million equivalent) and for SFA B was RON 157.0 million (EUR 33.7 million equivalent).

The interest rate under the Senior Facilities Agreement is floating at a margin of 2.65% per annum plus ROBOR. Interest is payable every three months. The interest rate swaps concluded for the 2015 Senior Facilities Agreement remained valid and the hedging relationship continues to apply.

The interest rate under the 2015 Senior Facilities Agreement was floating at a margin of 2.5% per annum plus ROBOR. On May 22, 2015 RCS&RDS concluded an interest rate swap for the entire initial term loan facility through which interest is fixed at 5.75% until maturity date. The interest rate swap is secured by the Collateral pursuant to the terms of the Intercreditor Agreement.

The interest rate for the additional amount drawn in December 2015 (the "Accordion" agreement) is floating at a margin of 2.5% per annum plus ROBOR for the term loan facility portion (the interest rate was fixed at 5.50% until maturity date, through an interest rate swap concluded in January 2016) and floating ROBOR + 2.5% for the revolver credit portion).

Maturities and repayment schedule

The repayment schedule for any principal amount drawn under the SFA Facility A1/A2 is as follows:

Repayment date	**Repayment instalment %***
28-Apr-17	3.75
30-Oct-17	3.75
30-Apr-18	6.25
30-Oct-18	6.25
30-Apr-19	8.75
30-Oct-19	8.75
30-Apr-20	8.75
30-Oct-20	8.75
30-Apr-21	8.75
Termination date for the SFA Facility A1/ A2	36.25
Total	**100**

*(percentage of the SFA Facility A1/A2 loan outstanding as at the end of the availability period for the SFA Facility A1/A2);

Facility B is due to be repaid in full in October 2019.

Arrangement fees

The total cost of concluding the loan is amortised using the effective interest method over the remaining term of the Senior Facilities Agreement. As of 31 December 2017 the unamortized balance of borrowings related fees incurred in 2017 was EUR 2,664 (31 December 2016: EUR 2,496).

The Senior Facilities Agreement concluded on October 2016 was accounted for as a modification of the previous 2015 Senior Facilities Agreement therefore the unamortized borrowing costs of the 2015 Senior Facilities Agreement in amount of EUR 1,581 (31 December 2016: EUR 2,045) as at 31 December 2017 will continue to be amortised over the life of the 2016 Senior Facility Agreement using the effective interest method (please see also Note 19).

Pledges

The Senior Facilities Agreement is unconditionally guaranteed by the Company on a senior secured basis, and shares in the Collateral, together with the 2016 Bonds, the ING Facilities Agreement, the Citi Facilities Agreement, the BRD Letters of Guarantee and Letters of Credit Facilities, RCS Management loan, 2017 Bridge Loan and 2018 Senior Facility, pursuant to the terms of the Intercreditor Agreement.

Covenants

The Group has agreed under the Senior Facilities Agreement to comply with two financial ratio covenants regarding leverage ("total net debt to EBITDA ratio) and interest cover and certain qualitative covenants, mainly related to authorisations, compliance with corporate legislation in force, preservation of assets, negative pledge, limitations on disposals, mergers, acquisitions, arm's length transaction, change in nature of business, limitation on subsidiary indebtedness, events of default and others.

The financial ratio covenants included in Senior Facilities Agreement include maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.75 until 31 December 2016 and afterwards a maximum consolidated total net indebtedness to EBITDA ratio of 3.25; and (ii) a minimum EBITDA to net total interest ratio of 3.75 until 31 December 2016 and afterwards a minimum EBITDA to net total interest ratio of 4.25. For a period of 18 months starting from the date of completion of the acquisition by Digi Kft. of the Hungarian telecommunications operator Invitel Tavkozlesi Zrt, the Consolidated Total Net Indebtedness to EBITDA ratio shall not be more than 3.75:1.

The Group is in compliance with all the covenants under the Senior Facility Agreement as at 31 December 2017.

(iii) 2013 ING Facilities Agreement

On 1 November 2013, RCS&RDS entered, into the ING Facilities Agreement with ING Bank N.V. in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The existing facilities with ING Bank N.V. were fully repaid and terminated on November 4, 2013 using the proceeds of the Bond and the New Senior Facilities Agreement. The ING Facilities Agreement entered into force thereafter. The ING Facilities Agreement is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of multipurpose facility to be used as overdraft and for issuance of letters of guarantee.

Drawings

As of 31 December 2017 EUR 4,291 (31 December 2016: EUR 4,163) were drawn under the overdraft facility. In addition EUR 2,034 and RON 2,979 Letters of Guarantee were issued under the letters of guarantee facility (31 December 2016: EUR 1,973 and RON 13,122).

In addition to the ING Facilities Agreement, on April 28, 2016 RCS & RDS entered into an uncommitted letter of guarantee facility of up to EUR 5.0 million with ING Bank N.V., Bucharest Branch. The letter of guarantee issued under this facility has expired.

(iv) Citi Facilities Agreement

On 25 October 2013, RCS&RDS entered into the Citi Facilities Agreement with Citibank, to consolidate its existing uncommitted credit facilities with Citibank into a single uncommitted facility for working capital purposes.

On 25 October 2013, the RCS&RDS entered into a personal guarantee agreement with Citibank pursuant to which it provides Citibank with a personal guarantee for the due performance of the Citi Facilities Agreement by the Group. The Citi Facilities Agreement share the Collateral, pursuant to the terms of the Intercreditor Agreement.

On 4 November 2013 RCS&RDS repaid the Citi Facilities Agreement using the proceeds from the Bond and the New Senior Facilities Agreement.

The Citi Facilities Agreement consists of uncommitted overdraft, bank guarantee and letters of guarantee facilities.

As of 31 December 2017, the overdraft was utilised in amount of EUR 10,903 equivalent (31 December 2016: 3,054) and bank letters of guarantee were issued in amount of EUR 13,282 and RON 9,198 (31 December 2016: USD 750, EUR 1,031 and RON 16,264). The overdraft facility was extended in 2018 with an additional amount of RON 50,000 thousand.

(v) Unicredit agreements

On 5 October 2010, RCS&RDS entered into a cash collateral agreement with UniCredit Tiriac Bank S.A., for EUR 59 for issuance of a letter of counter guarantee, which expired in August 2017 (the "Unicredit Cash Collateral Agreement").

On 15 December 2015, RCS & RDS entered into an agreement with UniCredit Bank S.A. for an uncommitted overdraft/bank guarantee facility in amount of EUR 2,000. As at 31 December 2017 EUR 1,996 (31 December 2016: nil) were drawn under the overdraft facility.

(vi) BRD Letters of Guarantee Facility

As of 31 December 2017 the Group had letters of guarantee issued by BRD with a value of EUR 500.

On 20 September 2017, RCS & RDS entered into the BRD Letters of Credit Facility. As at 31 December 2017, the outstanding amount for these facilities was USD 9,426 (EUR 7,872 equivalent, representing letters of credit).

(vii) Libra Loan Agreement

On 25 February 2016, RCS & RDS entered into a loan agreement for the aggregate amount of RON 32,000 thousand repayable in 5 years with Libra Bank (the "Libra Loan Agreement"). RCS&RDS drew RON 31,555 thousand and used the funding to acquire certain real property in Bucharest, which has been mortgaged in favour of Libra Bank as security for the Libra Loan Agreement. As at 31 December 2017 RON 21,105 thousand (EUR 4,529 equivalent using exchange rate as at 31 December 2017) was outstanding under the Libra Loan Agreement (31 December 2016: EUR 5,923).

(viii) 2017 Bridge Loan

On 13 October 2017, RCS & RDS S.A. („RCS&RDS"), DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság („Digi Kft."), as the borrowers, the Company, as a guarantor, and Citibank N.A., London Branch and ING Bank N.V. as the arrangers, have concluded a short-term loan with two facilities in the aggregate amount of EUR 200 million. 2017 Bridge Loan shares in the Collateral, together with the 2016 Bonds, the Senior Facilities Agreement, ING Facilities Agreement, the Citi Facilities Agreement, the BRD Letters of Guarantee and Letters of Credit Facilities, RCS Management loan and 2018 Senior Facility on a pari passu basis pursuant to the terms of the Intercreditor Agreement.

One facility, in amount of EUR 140,000, was concluded for the purpose of financing the acquisition by Digi Kft. of the Hungarian telecommunications operator Invitel Tavkozlesi Zrt. The other facility, in amount of EUR 60,000 was concluded for general corporate purposes.

The 2017 Bridge Loan has a maturity of 12 months. It can be extended for an additional period of up to 6 or 12 months.

As at 31 December 2017 these facilities were not drawn. After the year end, the Bridge Facility committments was partially refinanced by the Syndicated Facility signed in February 2018. For details see Note 27.

(ix) RCS Management loan

On 12 May 2017, RCS&RDS entered into a short term loan with RCS Management, for a principal amount of EUR 5,000. The loan bears a 5.5% per annum interest rate, the repayment date being set for 10 May 2018. As at 31 December 2017 the outstanding amount is EUR 3,694.

(x) Santander Facility

On 30 October 2015, Digi Spain entered into a new EUR 1,500 short-term facility agreement with Banco Santander (the "Santander Facility"). This facility was renewed in October and at the same time the limit was increased up to EUR 2,000. In 2017 this facility was renewed until 30 October 2018. As at 31 December 2017, the balance drawn under the Santander Facility was EUR 1,950 (31 December 2016: EUR 1,065).

(xi) Caixa Facility

On 6 February 2014, Digi Spain entered into a facility agreement with Caixabank, S.A. (the "Caixa Facility"), containing an overdraft and a reverse factoring option. On January 30, 2015, the agreement was renewed and on July 28, 2015 an amendment to lower interest rates was agreed. On 17 January 2017, the agreement has been renewed again. The term of the Caixa Facility is indefinite and the maximum amount which can be used is EUR 500. As at 31 December 2017, the balance drawn under the Caixa Facility overdraft was EUR 391 (31 December 2016: EUR 388).

On 21 October 2016, Digi Spain entered into a short-term loan with Caixabank, S.A for EUR 1,800 with maturity on February 28, 2017 (the "Caixa Loan"), when the loan was repaid. As at 31 December 2017, the balance was nil.

(xii) BBVA Letter of Guarantee & Facility

As at 31 December 2017, Digi Spain had letters of guarantee issued by BBVA with a value of EUR 0.9 million, out of which EUR 0.3 million (cash collateral).

In October 2017, Digi Spain entered into a short-time loan with BBVA for an amount of EUR 2,000 with maturity until July 2018. As at 31 December 2017, the outstanding amount is EUR 1,556.

In February 2018, Digi Spain entered into a new credit facility annually renewable for an amount of up to EUR 3,000.

(xiii) OTP Bank Hungary Loan Agreement

In December 2016, Digi Hungary has entered into a short term loan of HUF 1,300 million (EUR 4,192) with OTP bank in Hungary. Out of this loan, as at 31 December 2016 HUF 500 million (EUR 1,608) was drawn and outstanding. The remaining amount was drawn in January 2017. In 2017 the maturity of the loan was extended until May 2018.

(xiv) Collateral for all facilities of RCS & RDS and DIGI

The obligations of the Group under the Bonds, as well as their obligations under the Senior Facilities Agreement, under the ING Facilities Agreement and the Citi Facilities Agreement 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 certain assets of RCS&RDS and DIGI, namely:

(a) Certain Capital Stock that DIGI holds in RCS&RDS (other than certain shares of Capital Stock of RCS&RDS that are subject to a call option in favor of the purchaser of our Serbian subsidiary), which as at 31 December 2017 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) Receivables under the Proceeds Loan (The Proceeds Loan is the loan provided by DIGI to its subsidiary, RCS&RDS on 4 November 2013 amended and restated on 26 October 2016—currently EUR 350,000)

(d) 100% of the quota in DIGI T.S. Kft Hungary;

(e) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(f) subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account monies, trade and other receivables, intragroup receivables, inventories, movable tangible property (including networks, machinery, equipment, vehicles, furniture and other similar assets), intangible assets, intellectual property rights, insurance and proceeds related to any of the foregoing as described in the General Movable Mortgage Agreement between RCS&RDS and Wilmington Trust (London) Limited.

(xv) Obligations under finance leases

The Group financed the acquisition of certain assets (buildings and land) through finance leases. As at 31 December 2017 there are several leasing contracts in place.

One leasing contract is with Raiffeisen Leasing (the initial contract was signed with ING Lease Romania, which sold its portfolio to Raiffeisen Leasing at the beginning of 2014) (in December 2015 this lease was refinanced in EUR) and another one is with Piraeus Leasing. The remaining length of these lease contracts is 30 months for Raiffeisen Leasing and 85 months for Piraeus Leasing.

In December 2015 the Group entered into two new lease agreements with Unicredit Leasing IFN for two buildings in Timisoara and Arad. The lease agreement for the Timisoara property was terminated on August 11, 2016. The remaining length of the building in Arad lease contract is 24 months.

In March 2018, RCS & RDS entered into a new leasing agreement for autovehicles with UniCredit for a total amount of EUR 2,000.

In March 2018, Digi Spain entered into a leasing agreement for equipment with Caixabank for an amount up to EUR 1,500.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31 December 2017		31 December 2016	
	Net	**Gross**	**Net**	**Gross**
Within one year	1,814	1,956	1,782	1,989
Later than one but less than five years	2,015	2,252	3,275	3,615
More than five years	380	393	715	755
Less: future finance charges (interest)	—	(392)	—	(587)
Total	**4,209**	**4,209**	**5,772**	**5,772**

15. TRADE AND OTHER PAYABLES, OTHER LONG TERM LIABILITIES

15.1 TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
Trade payables and payables to fixed assets suppliers	263,087	253,539
Accruals	52,970	62,639
Value added tax ("VAT")	6,904	10,106
Other payables related to investments	5,741	5,011
Salary and related taxes	21,243	19,649
Amounts payable to related parties (Note 16)	3,842	1,285
Dividends payable (Note 16)	574	15,354
Other	6,210	6,386
Total trade and other payables	**360,571**	**373,969**

Included in payables to suppliers and accruals above is EUR 138,631 (31 December 2016: EUR 138,936) representing amounts due for property, plant and equipment and EUR 23,076 (31 December 2016: EUR 24,909) representing payment obligations for intangible assets.

Other payables related to investments refer mostly to scheduled payments for purchase of shares of newly acquired subsidiaries and non controlling interests, and payments for customer relationships.

15.2 OTHER LONG TERM LIABILITIES

	31 December 2017	31 December 2016
Other long term liabilities	36,738	46,076

Other long term liabilities include long term payables due to vendor financing agreements with our suppliers, according to which we have negotiated longer payment terms especially for network and equipment as well as customer premises equipment (CPE).

16. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of DIGI and its subsidiaries (the main subsidiaries are included in Note 22(a)); RCSM is the Group's ultimate holding company.

The following tables provide the total amount of balances with related parties:

Receivables from related parties

		31 December 2017	31 December 2016
Party			
Ager Imobiliare S.R.L.	(ii)	718	698
Digi Serbia	(ii)	—	218
Music Channel S.R.L.	(ii)	51	52
RCSM	(i)	1	37
Other		9	9
Total		**779**	**1,014**

Payables to related parties

		31 December 2017	31 December 2016
Party			
Related parties-shares	(ii)	—	1,082
RCSM	(i)	3,825	5,711
Digi Serbia	(ii)	—	117
Mr. Zoltan Teszari	(iii)	—	648
Other		591	9,081
Total		**4,416**	**16,639**
Of which: dividends payable (Note 15.1)		*574*	*15,354*

(i) Shareholder of DIGI

(ii) Entities affiliated to a shareholder of the parent

(iii) Ultimate beneficial shareholder

Outstanding balances at the year-end are interest free. There have been no guarantees provided or received for any related party receivables or payables, other than the pledge on shares of RCS&RDS, provided by DIGI for loans and borrowings (refer to Note 14 (xiv)). For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2016: nil).

For dividends distributed, please refer to Note 13.

Compensation of key management personnel of the Group

	2017	2016
Short term employee benefits—salaries, including employer contribution to State pension plan	2,572	2,258
Share-based payments (at vesting)	—	—

In 2017 a share option plan was implemented for certain members of management and employees. None of the share options have vested during the reported period. For details, please refer to Note 24.

	2017
Transactions with related parties Revenues	
Selling shareholders IPO cost recovery (Note 28)	2,353
Total	**2,353**

	2017
Transactions with related parties Expenses	
Interest	174
Total	**174**

	2017
Transactions of the Company with group entities Revenues	
RCS&RDS SA—Dividend	10,340
RCS&RDS SA—Interest	20,284
RCS&RDS SA—Cost recovery	2,356
Total	**32,979**

	2017
Transactions of the Company with group entities Expenses	
RCS&RDS SA—Cost recovery	485
Total	**485**

During 2017 the Group also had the following transactions with its shareholders:

a) swaps of shares as described in Note 7 (4 minority shareholders)

b) swap of shares as described in Note 22b

c) purchase of 977,154 Company's class B shares (treasury shares) from one minority shareholder in April 2017, for an amount of EUR 2,459

d) sale and repurchase agreement of Company's treasury shares between the Company and RCSM as part of the pre-IPO restructuring process.

The transactions with related parties, except for the compensation of key management personnel presented above, were insignificant during 2016.

17. REVENUES

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

	2017	2016
Cable TV		
Romania	182,374	175,673
Hungary	47,652	40,993
	230,026	**216,666**
Internet and data		
Romania	171,566	163,627
Hungary	40,822	37,954
Italy	—	—
Spain	—	—
	212,388	**201,581**
Telephony Revenues		
Romania	187,519	147,107
Hungary	7,397	8,040
Spain	92,466	82,709
Italy	18,163	8,997
	305,545	**246,853**
DTH Revenue		
Romania	36,116	38,714
Hungary	33,480	31,378
	69,596	**70,092**
Other revenues		
Romania	77,598	87,568
Hungary	21,073	19,485
Spain	225	328
Italy	100	182
	98,996	**107,563**
Total revenues	**916,551**	**842,755**

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

The significant increase in telephony revenues is due to the increase in Mobile telephony revenues.

18. OPERATING EXPENSES

	2017	**2016**
Depreciation of property, plant and equipment (Note 5)	96,036	86,693
Amortization of programme assets (Note 6)	41,573	46,170
Amortisation of non-current intangible assets (Note 6)	31,617	35,003
Revaluation impact (Note 5)	—	6,276
Impairment of property, plant and equipment (Note 5)	2,040	1,830
Impairment of non-current intangible assets (Note 6)	546	398
Salaries and related taxes	141,318	119,049
Contribution to pension related fund	20,490	19,171
Programming expenses	83,301	73,915
Telephony expenses*	154,886	141,032
Cost of goods sold	34,898	57,996
Rentals	56,934	50,322
Invoicing and collection expenses	15,094	13,812
Taxes and penalties*	9,447	10,525
Utilities	17,188	14,657
Copyrights	9,068	8,851
Internet connection and related services*	3,712	3,828
Impairment of receivables and other assets, net of reversals	9,368	9,677
Taxes to authorities	9,420	7,233
Other materials and subcontractors	9,214	6,918
Other services	22,613	18,219
Miscellaneous operating expenses	32,078	24,273
Total operating expenses	**800,841**	**755,848**

* *In 2017 Mobile data connection expenses for Digi Spain are presented on the "Telephony expenses line", not on the "Internet connection and related services line". For comparability purposes, the presentation of comparatives for 2016 was restated accordingly, by reclassifying an amount of EUR 15,475.*

In 2017 expenses of EUR 2,057 related to telephony taxes were presented under the "Telephony expenses line"as opposed to the previous year presentation under "Taxes and penalties". Due to this presentation change the comparative figures for 2016 were amended accordingly for an amount of EUR 2,151 presented under "Telephony expenses line" as opposed to the prior year's presentation as "Taxes and penalties".

Other expenses include mainly expenses related to own TV channels (Digi Sport, Digi 24 news channel, Digi World, Digi Life, Digi Animal World, Digi Film) and network maintenance expenses.

The significant increase in telephony expenses is mainly due to the increase in Mobile telephony expenses.

Salaries and related taxes capitalized for the development of network during the year ended 31 December 2017 amount to EUR 24,809 (2016: EUR 25,416).

19. NET FINANCE COSTS

	2017	2016
Finance income		
Interest from banks	59	49
AFS gain reclassified from OCI	—	33,722
Gain on derivative financial instruments and other financial revenue	19,918	11,541
	19,977	**45,312**
Finance expenses		
Interest expense	(36,368)	(45,173)
Loss on derivative financial instruments	(3,378)	(5,216)
Other financial expenses	(11,928)	(47,746)
Foreign exchange differences (net)	(4,229)	(3,332)
	(55,903)	**(101,467)**
Net Finance Costs total	**(35,926)**	**(56,155)**

In 2017 finance income includes the fair value gain from embedded derivative asset related to the 2016 Bonds. For details, please see Note 25.

The 2013 Bonds were refinanced on 26 October 2016. Other financial expenses in 2016 include redemption interest and penalties in amount of EUR 17,627, the expensing of the unamortized transaction costs of the 2013 Bond, in amount of EUR 8,802, and the de-recognition of the embedded derivative asset of the 2013 Bond upon exercise of call option, in amount of EUR 14,211.

In 2016 finance income includes the fair value gain from embedded derivative assets related to the 2016 Bonds in amount of EUR 5,474 and fair value gain from embedded derivative assets related to the 2013 Bonds in amount of EUR 4,956.

In October 2016 RCS & RDS concluded the Senior Facilities Agreement. The Senior Facilities Agreement was treated as a modification of the 2015 Senior Facilities Agreement. Therefore, the discounted present value of the cash flows under the Senior Facility Agreement was recalculated using the original effective interest rate of the 2015 Senior Facilities Agreement and compared with the amortised cost of the existing facility. The resulting adjustment to the amortised cost of the financial liability was recognised as finance income at the date of the modification, in amount of EUR 784.

20. INCOME TAX

Up to 21 April 2017 the Company was a Dutch Tax resident. In the context of the IPO concluded on 16 May 2017, the Company 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 Netherlands during 2016 and up to 21 April 2017 was 25%.

The statutory tax rate applied in Romanian entities during 2017 (after 21 April 2017) was 16%.

Other entities

The statutory tax rate applied in the Romanian entities during 2017 was 16% (2016: 16%).

The statutory tax rate applied in Hungary during 2017 was 9% (2016: 19%).

The statutory tax rate applied in Spain during 2017 was 25% (2016: 25%).

The statutory tax rate applied in Italy during 2017 was 31.4% (2016: 31.4%).

Components of income tax expense for the periods ended 31 December 2017 and 2016 respectively were:

	2017	2016
Current income tax charge	7,154	5,505
Deferred income tax relating to origination and reversal of temporary differences	10,288	5,821
Income tax expense/ (credit) recognised in profit or loss for continuing operations	**17,442**	**11,326**
Income tax expense/ (credit) recognised in profit or loss for discontinuing operations	—	—

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 Group's effective income tax rate for the financial years 2017 and 2016 is as follows:

	2017	2016
Net profit before income tax for continuing operations	**79,473**	**23,110**
At statutory income tax rate of the Company	12,716	5,777
Effect of difference in tax rates applicable for foreign subsidiaries	1,150	613
Non-deductible expenses / (Non-taxable income)	4,621	5,031
Exit tax in the Netherlands for change of Company's fiscal domicile	449	—
Effect of fiscal profit of the Company in the Netherlands before moving fiscal domicile (including higher tax rate 20/25%)	225	—
Taxes in respect of prior years (RCS&RDS due to fiscal control, the Company due to rectifications in tax declarations)	1,374	—
Changes in tax rate (Hungary in 2017, Spain in 2016)	(3,093)	(95)
Effective tax expense / (credit) from continuing operations	**17,442**	**11,326**

Deferred taxes in the consolidated statement of financial position are**:**

	31 December 2017	31 December 2016
Deferred tax assets	2,828	3,126
Deferred tax liabilities	(45,517)	(34,812)
	(42,689)	**(31,686)**

Movement of deferred taxes:

	2017	2016
Deferred taxes recognized in the statement of financial position	**(42,689)**	**(31,686)**
Difference from prior year balance	11,003	8,656
Of which:		
Recognized in profit or loss	10,288	5,822
Deferred tax liability related to interest rate swaps and related to revaluation, recognised in other comprehensive income	683	2,930
Effect of movement in exchange rates	32	(96)

The deferred tax (asset)/ liability for the financial year 2017 comprises the tax effect of temporary differences related to:

	Balance 1 January 2017	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Disposed on sale of subsidiary**	**Effect of movement in exchange rates**	**Balance 31 December 2017**
Property, plant and equipment	45,502	2,895			164	**48,561**
Intangibles	4,972	2,789			39	**7,800**
Accounts receivable	1,110	2,038			1	**3,149**
Accounts payable	(1,336)	(889)			—	**(2,225)**
Long term borrowings	868	13			—	**881**
Deferred tax liabilities	***51,116***	***6,846***			***204***	***58,166***
Intangibles	160	—			(160)	**—**
Accounts receivable	—	(127)			—	**(127)**
Interest expense postponed for deduction	(12,516)	2,195			—	**(10,321)**
Inventory	(952)	(235)			(2)	**(1,189)**
Cash Flow hedge reserves	(736)	—	683		—	**(53)**
Fiscal losses	(5,386)	1,610			(11)	**(3,787)**
Deferred tax assets	***(19,430)***	***3,443***	***683***		***(173)***	***(15,477)***
Offsetting (refer to Note 2.2 o)	*(16,304)*					*(12,649)*
Recognition						
Deferred tax liabilities	**34,812**					**45,517**
Deferred tax assets	**(3,126)**					**(2,828)**
Net deferred tax liability	**31,686**					**42,689**
Deferred tax (benefit) / expense						

The deferred tax (asset)/ liability for the financial year 2016 comprises the tax effect of temporary differences related to:

	Balance 1 January 2016	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Disposed on sale of subsidiary**	**Effect of movement in exchange rates**	**Balance 31 December 2016**
Property, plant and equipment	33,207	9,768	2,804	—	(277)	**45,502**
Intangibles	3,205	83	—	—	1,684	**4,972**
Intangible acquired through business combination	1,540		—	—	(1,540)	**—**
Accounts receivable	2,408	(1,345)	—	—	47	**1,110**
Accounts payable	(1,015)	(330)	—	—	9	**(1,336)**
Long term borrowings	974	(103)	—	—	(3)	**868**
Deferred tax liabilities	**40,319**	***8,072***	***2,804***	**—**	***(79)***	***51,116***
Intangibles	160	—	—	—	—	**160**
Accounts receivable	40	—	—	—	(40)	**—**
Accounts payable	—	—	—	—	—	**—**
Interest expense postponed for deduction	(9,509)	(3,076)	—	—	69	**(12,516)**
Inventory	(358)	(592)	—	—	(2)	**(952)**
Cash Flow hedge reserves	(864)	—	126	—	2	**(736)**
Fiscal losses	(6,758)	1,418	—	—	(46)	**(5,386)**
Deferred tax assets	**(17,289)**	***(2,250)***	***126***	**—**	***(17)***	***(19,430)***
Offsetting (refer to Note 2.2 o)	*(13,337)*	—	—	—	—	*(16,304)*
Recognition						
Deferred tax liabilities	**26,981**	—	—	—	—	**34,812**
Deferred tax assets	**(3,951)**	—	—	—	—	**(3,126)**
Net deferred tax liability	**23,030**	—	—	—	—	**31,686**
Deferred tax (benefit) / expense	**—**	**5,822**	**2,930**	**—**	**(96)**	**—**

Deferred tax assets recognised for fiscal losses relate mainly to the Group's operations in Hungary. Such losses, in amount of EUR 6,658 at 31 December 2017 (31 December 2016: EUR 11,569), are not subject to preapproval by tax authorities and can be carried forward until 2025.

In addition, in 2016 a deferred tax asset was recognized for interest expenses of RCS&RDS which were postponed for deduction until the gearing ratio falls again below 3. Such interest expenses became deductible in 2017 and the related fiscal loss (minus the amount utilized in 2017 against the 2017 fiscal profit) generated a deferred tax asset which was recognized.

Deferred tax asset in respect of the fiscal loss from Italy was recognised in amount of EUR 3,188 , similar to previous year.

For statutory purposes, RCS&RDS has performed several revaluations of its property, plant and equipment in year ended 31 December 2016. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders they would be taxed, i.e. they would generate a tax liability of EUR 7,174 (2016: EUR 5,781), for which a deferred tax liability is recognised.

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 26.

21. DISCONTINUED OPERATIONS

In April 2015, the Czech subsidiary, Digi Czech Republic sro was sold, which resulted into classification of discontinued operations. In 2016 we have recorded an additional provision regarding the sale transaction of the Czech subsidiary in net amount of EUR 674. This provision has not been changed in 2017. No further discontinued operations transactions occured in 2017.

22. SUBSIDIARIES AND NON-CONTROLLING INTEREST

a) Subsidiaries

The consolidated financial statements incorporate the financial information of the following main subsidiaries in each of the countries:

As of 31 December 2017 DIGI owns shares in RCS&RDS 93.58% (2016: 96.1%). Below are the presented the main subsidiaries of RCS&RDS (excluding inactive subsidiaries):

Subsidiary	**Country of Incorporation**	**Field of activity**	**Legal Ownership 2017**	**2016**
Digi T.S. Kft	Hungary	CATV, Internet, DTH, Telephony	100.00%	100.00%
DIGI SPAIN TELECOM S.L.U.	Spain	Telephony	100.00%	100.00%
DIGI ITALY SL	Italy	Telephony	100.00%	100.00%
ITV.	Hungary	CATV	100.00%	100.00%
CFO Integrator	Romania	Duct Rent	100.00%	100.00%
ENERGIAFOTO SRL	Romania	Solar energy	100.00%	100.00%
NOVITAS Electro	Romania	Solar energy	100.00%	100.00%
DELALINA S.R.L.	Romania	Solar energy	100.00%	100.00%

b) Changes in ownership interests while retaining control

In March 2017 a share swap agreement was concluded between Mr Teszari and the Company through which Mr Teszari exchanged a number of 7,500,000 shares of RCS&RDS for 1,042 shares of the Company (before the split of the shares performed in preparation of the IPO).

In the consolidated financial statements the transaction is between equity owners and was accounted as follows:

a) the non-controlling interest decreased by the respective percentage of interest from the consolidated net asset value of RCS&RDS Group as of 31 March 2017, namely EUR 806

b) the treasury shares value was decreased by the cost of the respective shares, namely EUR 4,210

c) the difference between the value of the treasury shares given and the non-controlling interest acquired was debited to retained earnings.

In 2017 DIGI also acquired 100 shares in RCS& RDS for the amount of EUR 0.1.

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(i) Credit risk

Credit risk exposure

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

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

The maximum exposure to credit risk at the reporting date was:

	Note	**31 December 2017**	**31 December 2016**
Trade and other receivables	10	82,472	108,965
Other assets	11	11,046	6,321
Cash and cash equivalents	12	15,801	14,340
Derivative assets	25	34,883	17,049
Long term receivables		2,018	3,927
Total		**146,220**	**150,602**

The carrying amount of the financial assets, net of the recorded impairment allowances, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. 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 maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

	31 December 2017	**31 December 2016**
Citibank	6,492	146
ING Bank	2,951	9,658
Banca Comerciala Romana	95	13
BRD Groupe Societe Generale	448	231
Unicredit Tiriac Bank	373	304
Other	5,442	3,988
Total	**15,801**	**14,340**

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

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

Impairment losses

The ageing of trade and other receivables, and other assets, at the reporting date was:

	Gross 31-Dec-17	Impairment 31-Dec-17	Net 31-Dec-17	Gross 31-Dec-16	Impairment 31-Dec-16	Net 31-Dec-16
1. Neither past due nor impaired	78,239	—	78,239	98,452*	—	98,452*
2. Past due but not impaired*	15,279	—	15,279	16,834*	—	16,834*
3. Impaired	48,421	(48,421)	—	45,058	(45,058)	—
Total	**141,939**	**(48,421)**	**93,518**	**160,343**	**(45,058)**	**115,286**
*** Ageing past due but not impaired**						
Past Due less 30 days	6,979	—	—	8,596*	—	—
Past Due 30-90 days	6,593	—	—	4,124	—	—
Past Due 90-180 days	1,707	—	—	4,114	—	—
Total	**15,279**	**—**	**—**	**16,834**	**—**	**—**

* *As at 31 December 2017 we present Other assets as Neither past due nor impaired. The presentation of comparative amounts was changed for previous year, as at 31 December 2016.*

The majority of receivables classified as neither past due nor impaired refer to residential subscribers.

The allowances recorded are mainly determined as collective assessment, based principally on ageing of balances due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017	2016
Balance at 1 January	45,058	77,439
Impairment loss recognized (Note 18)	9,368	9,051
Amounts written off	(5,818)	(41,381)
Effect of movement in exchange rates	(188)	(51)
Balance at 31 December	**48,420**	**45,058**

(ii) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated future interest payments and excluding the impact of netting agreements as at 31 December 2017:

	31 December 2017						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**725,840**	**837,993**	76,414	37,866	123,341	600,372	—
Finance lease liabilities	**4,209**	**4,598**	994	961	1,162	1,088	393
Trade and other payables and other liabilities	**390,404**	**392,842**	314,431	41,617	32,587	4,207	—
Derivative financial liabilities							
Interest rate swaps used for hedging	**601**	**2,413**	799	650	804	161	—
Energy trading acquisitions	**22,461**	**22,866**	11,664	7,023	4,179	—	—
Total	**1,143,515**	**1,260,712**	**404,302**	**88,117**	**162,073**	**605,828**	**393**

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 2016:

	31 December 2016						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**703,814**	**846,859**	42,324	30,999	76,127	697,408	—
Finance lease liabilities	**5,772**	**6,359**	994	994	1,932	1,683	755
Trade and other payables and other liabilities	**409,939**	**416,340**	314,432	55,437	32,745	13,725	2
Derivative financial liabilities							
Interest rate swaps used for hedging	**5,318**	**8,021**	1,969	1,754	2,579	1,718	—
Energy trading acquisitions	**1,264**	**1,268**	934	317	18	—	—
Total	**1,126,106**	**1,278,847**	**360,654**	**89,502**	**113,400**	**714,534**	**757**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At 31 December 2017, the Group had net current liabilities of EUR 285,462 (31 December 2016: EUR 251,818). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

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

(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 USD and EUR.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currencies other than the functional currencies of the Company and each of its subsidiaries.

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

The Board of Directors actively manages the exposure to EUR and USD currency only for borrowings.

The Group's exposure to foreign currency risk was as follows (amounts expressed in thousands of the respective currencies):

	31 December 2017		31 December 2016	
	USD	**EUR**	**USD**	**EUR**
Trade and other receivables	3,638	5,984	3,973	4,690
Cash and cash equivalents	598	6,357	6	5,486
Interest bearing loans and borrowings, including bonds	—	(353,695)	—	(352,797)
Bank overdraft	(9,426)	(2,006)	1	—
Finance lease liabilities	—	(4,209)	—	(5,770)
Trade and other payables	(60,726)	(61,086)	(47,714)	(59,870)
Gross exposure	**(65,916)**	**(408,655)**	**(43,734)**	**(408,261)**

The following significant exchange rates applied for the year ended 31 December 2017:

	2017	**2016**
Romania		
USD	3.8915	4.3033
EUR	4.6597	4.5411
Hungary		
USD	258.82	293.69
EUR	310.14	311.02

Sensitivity analysis for currency risk

A 10 percent strengthening of the currencies listed below 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 2017	**Effect on profit before tax 2016**
EUR	40,866	40,826
USD	5,505	4,144
Total	**46,371**	**44,970**

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 and 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 14.

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 IRS.

At the reporting date the interest rate repricing profile of the variable rate interest-bearing financial instruments was:

	All reprice at 6 months or less	
	31 December 2017	**31 December 2016**
Interest bearing payables	10,986	77,319
Finance lease liabilities	1,875	2,129
Senior Facility Agreement	337,414	336,923
Interest rate swap	601	5,318
Other	29,592	13,140
Total	**380,468**	**434,828**

The Group has entered into fixed for floating interest rate swaps for the 2015 SFA (this Facility was refinanced through the 2016 SFA, but the IRS agreements are still in force until 2020), as follows:

- In May 2015 RCS&RDS concluded an interest rate swap for the entire initial term loan facility through which interest is fixed at 5.75%, and
- The interest rate for the "Accordion" agreement was fixed at 5.50% through an interest rate swap concluded in January 2016.

Consequently the interest rate of the combined instrument (loan and swap) was fixed until maturity on 30 April 2020—more details are included in Note 14 (ii).

The 2016 Senior Facilities Agreement bears variable interest rate. The interest rate swaps concluded by the Group for the 2015 Senior Facilities Agreement are still valid under the same terms (amounts, maturities, interest rates etc).

Except for the ones presented in the table above there are no other major interest bearing financial instruments.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates, after taking into consideration the effect of the IRS, at the reporting date would have increased (decreased) profit or loss before tax by:

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
31 December 2017		
Variable rate instruments, after IRS effect	(1,929)	1,929

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
31 December 2016		
Variable rate instruments, after IRS effect	(1,924)	1,924

The effect in equity is the effect in profit or loss before tax, net of tax (16%).

Exposure to electricity price risk

Through its electricity production and trading activities, the Group is exposed to electricity price risk, due to the volatility of prices on the electricity market and the potential mismatches between purchase prices and selling prices. In particular, due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties could adversely affect our financial condition.

In the year ended 31 December 2017 we increased significantly the weight of electricity purchased from the forward electricity market in order to naturally hedge our exposure. Moreover, to reduce our exposure to price volatilities, from March 2017 we started to refocus our energy supply business on residential and mid-sized and smaller business customers and decrease the overall volume of electricity supplied to business customers.

iv) Fair values

The Group measures at fair value available for sale investments, embedded derivatives, interest rate swaps, cross currency swaps, electricity trading assets (term contracts) and electricity trading liabilities (term contracts).

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

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

The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements of financial instruments are categorised are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2017				
Available for sale financial assets			42,146	**42,146**
Interest rate swaps			(601)	**(601)**
Embedded derivatives			33,264	**33,264**
Electricity trading assets (term contracts)			1,619	**1,619**
Electricity trading liabilities (term contracts)			(9,530)	**(9,530)**
Total			**66,898**	**66,898**

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2016				
Interest rate swaps	—	—	(5,318)	**(5,318)**
Embedded derivatives	—		13,908	**13,908**
Electricity trading assets (term contracts)	—	—	3,141	**3,141**
Electricity trading liabilities (term contracts)	—	—	(11,038)	**(11,038)**
Total	**—**		**693**	**693**

Available for sale financial assets

As at 31 December 2016 the Group did not own available for sale financial assets.

As at 31 December 2017, the Company acquired AFS through swap of shares. For details, please see Note 7.

In 2017 the Company's class B shares were listed on the Bucharest Stock Exchange. As at 31 December 2017, the fair value assessment of the available for sale shares held in RCSM was consequently performed based on the quoted price/share of the shares of the Company as of the valuation date (RON/share 37.4), adjusted for the impact of other assets and liabilities of RCSM, given that the main asset of RCSM is the holding of the majority of the shares of the Company. The fair value assessment also takes into account the cross-holdings between the Group and RCSM.

Sensitivity analysis for available for sale financial assets

A change in share price at the reporting date would have an impact as follows:

	Share price	
	10% increase	**10% decrease**
31-Dec-17		
Available for sale financial assets	4,180	(4,180)
31-Dec-16		
Available for sale financial assets	—	—

Embedded derivatives

The fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds. The fair value was obtained from a third party financial institution. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

Electricity trading assets and liabilities

The Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on PZU market (OPCOM) around the valuation date. The spot price used for valuation as at 31 December 2017: RON/MWh 111.03 (31 December 2016 RON/MWh 210.15) , and

- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date (2017: 2.94%; 2016: 1.20%).

A change in electricity spot price or in the discount rate at the reporting date would have an impact as follows:

	spot price		discount rate	
	Average 10% increase	**Average 10% decrease**	**0.5 percentage points increase**	**0.5 percentage points decrease**
31-Dec-17				
Electricity trading assets	(270)	270	(9)	9
Electricity trading liabilities	1,293	(1,292)	67	(68)

	spot price		discount rate	
	Average 10% Increase	**Average 10% decrease**	**0.5 percentage points increase**	**0.5 percentage points decrease**
31-Dec-16				
Electricity trading assets	441	(400)	2	(2)
Electricity trading liabilities	(3,643)	3,312	(65)	66

Interest rate swaps

The fair value of derivatives acquired for risk management purposes was obtained from the counterparty financial institutions. The management has determined that such prices were developed in accordance with the requirements of IFRS 13. However the management has not performed a due diligence to understand in detail how the prices were developed, consequently the fair value was categorised in Level 3 of the fair value hierarchy.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2017 is as follows:

	Available for sale (Notes 7, 13)	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2017	**—**	**13,908**	**(5,318)**	**3,141**	**(11,038)**
Gains or (losses) recognised in profit or loss for the year	—	19,356	(3,373)	(1,522)	1,508
Gains or (losses) recognised in other comprehensive income	(3,667)	—	4,326	—	—
Purchases	45,813	—	—	—	—
Settlements	—	—	3,764	—	—
31 December 2017	**42,146**	**33,264**	**(601)**	**1,619**	**(9,530)**

	Available for sale (Notes 7, 13)	Cross currency swaps	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2016	**43,373**	**(493)**	**9,255**	**(6,094)**	**682**	**(1,666)**
Gains or (losses) recognised in profit or loss for the year	—	—	5,433*	(4,958)	2,459	(9,372)
Gains or (losses) recognised in other comprehensive income	2,367	—	—	779	—	—
Purchases	1,653	—	8,474*	—	—	—
Settlements**	(47,393)	493	(9,255)	4,955	—	—
31 December 2016	**—**	**—**	**13,908**	**(5,318)**	**3,141**	**(11,038)**

* *Net effect of gain on 2013 Bond embedded derivative in 2016 of EUR 4,956, expense of EUR 14,211 upon exercising the call option on 2013 Bond and recognition of fair value gain on 2016 Bond embedded derivative of EUR 5,433 after taking into consideration fair value of the embedded derivative asset at inception of EUR 8,474.*

** *As of 31 December 2016 the AFS assets were derecognized and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss and accordingly reclassified from OCI (EUR 33,722).*

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 2017 and 2016) and fair value measurement hierarchy are presented in the table below:

	31 December 2017		
	Carrying amount	Fair Value	Hierarchy
Loans (Note 14)	**687,060**	**721,632**	
Bonds*	349,384	376,199	Level 1
2016 Senior Facilities	333,170	340,800	Level 3
Other	4,506	4,633	

	31 December 2016		
	Carrying amount	Fair Value	Hierarchy
Loans (Note 14)	**687,911**	**729,167**	
Bonds*	349,638	372,164	Level 1
2016 Senior Facilities	332,382	350,835	Level 3
Other	5,892	6,168	

* *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.

vii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreement. Currently the ratio is 2.7 (2016: 2.9), level which, as mentioned, is constantly monitored.

24. SHARE-BASED PAYMENTS

In February 2007, the Group implemented a share-based payment plan for certain members of the management team and key employees. The options vested if and when certain performance conditions, such as revenue, subscriber targets and other targets of the Group were met. In 2016, the share-based payment plan was not applied.

On 14 May 2017 the General Shareholders' Meeting adopted the terms and conditions of the stock option plan for Class B Shares, applicable to the executive Board members of the Company. A total number of 280,000 class B shares were granted as part of the stock option plan, with vesting date in one year's time. Stock options granted to Executive Directors will be subject to performance criteria which, for the year 2017, include the (i) successful closing of the Offer and Admission, (ii) duration of employment with the Company and (iii) growth in EBITDA and in RGUs. At vesting date, the plan will be settled in shares, at no cost for the executive Board members.

In December 2017, the Board of Directors approved a stock option plan whereby a number of directors, officers and employees of certain subsidiaries of the Group in Romania were granted options to acquire for free class B shares of the Company, with up to 1.6% out from the total number of shares issued by the Company being allocated for this program. The beneficiaries will be able to exercise the stock option (the vesting) only after the lapse of one year from the grant date. Fair value at granting date was EUR 2,435.

In 2017, 1.5 million shares were granted as options to eligible employees under the share based payment plan. A total number of 2,746 employees are included in the share based payment plan. Fair value at granting date was EUR 12,387. At vesting date, the plan will be settled in shares.

As at 31 December 2017 the related share option expense of EUR 1,642 (2016: nil) in the Consolidated statement of profit or loss and other comprehensive income included under the line item Operating expenses, within salaries and related taxes. (Note 18).

25. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2017 the Group had both derivative financial liabilities and derivative financial assets.

	31 December 2017		31 December 2016	
	Fair value	**Notional**	**Fair value**	**Notional**
Derivative financial asset				
(see also Note 23)	**34,883**		**17,049**	
Embedded derivatives	33,264	n/a	13,908	n/a
Electricity trading assets (term contracts)	1,619	113 Gwh	3,141	95 GWh

	31 December 2017		31 December 2016	
	Fair value	**Notional**	**Fair value**	**Notional**
Derivative financial liability				
(see also Note 23)	**10,131**		**16,356**	
Interest rate swaps	601	197,651	5,318	197,651
Electricity trading liabilities (term contracts)	9,530	542 GWh	11,038	787 GWh

As at 31 December 2017 the Group had derivative financial assets in amount of EUR 34,883 (31 December 2016: 17,049), which included:

- Embedded derivatives of EUR 33,264 related to the bond (31 December 2016: 13,908) (the 2016 Bond include several call options as well as one put option, for which the combined fair value of these embedded options was assessed through the Option Adjusted Spread model and recognized a separate embedded derivative asset).

- Electricity trading assets (term contracts) of EUR 1,619 being mark to market gain from fair valuation of electricity trading contracts (31 December 2016: 3,141).

As at 31 December 2017 the Group had derivative financial liabilities in amount of EUR 10,131 (31 December 2016: EUR 16,356), which included:

- Interest rate swaps liability in amount of EUR 601 (31 December 2016: EUR 5,318): On May 22, 2015 and in January 2016 RCS & RDS concluded interest rate swaps for the entire term loan facility and Accordion term loan facility under the 2015 SFA, through which RCS&RDS hedged against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). Under the interest rate swaps RCS&RDS pays fixed and receives variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness. The interest rate swaps remain valid until the maturity of the agreement in 2020.

- Electricity trading liabilities (term contracts) of EUR 9,530 being mark to market loss from fair valuation of electricity trading contracts (31 December 2016: 11,038).

26. CONTINGENCIES AND COMMITMENTS

Uncertainties associated with the fiscal and legal system

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

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

The Dutch, Romanian and other Eastern and Central Europe Fiscal legislation include detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related 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.

Legal proceedings

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

Intact Media Group Litigation

In March 2011, the Intact Media Group initiated a series of lawsuits against us. Although we consider the Intact Media Group litigation to be, at least in a large part, abusive and vexatious, if these court claims are successful, they will generate significant adverse effects on our finances, management and business model.

a) The must carry related litigations

In March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately €100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to €65 million for our alleged breach of the must carry rules. The €65 million monetary damages were reiterated by First Quality in a different lawsuit.

The First Quality claim regarding the €65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On 15 April 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the €65 million monetary damages. Antena Group challenged the ruling of the Bucharest Tribunal, but the Bucharest Court of Appeal rejected the appeal in its entirety and upheld the decisions issued by the first court. RCS&RDS appealed limited aspects in connection to the reasoning of the Court of Appeal's decision, only in view of preserving its rights for the event Antena Group's challenge is successful. As neither First Quality Debt Recovery (company which has been deleted from the trade registry as a consequence of its dissolution and liquidation) nor Antena Group filed a higher appeal against this decision, we have decided not to pursue with our appeal. Therefore, on 18 January 2018 the court annulled our appeal and closed the case, with the motion already issued in our favour becoming irrevocable.

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favour and dismissed Antena Group's claims as ungrounded. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and overturned the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. In the retrial, the Bucharest Tribunal annulled the monetary claims (€65 million) filed in the case file (because Antena Group's failure to pay the stamp duties) and suspended the proceedings until a final settlement will be issued in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

Separately, Antena Group has also filed two lawsuits claiming (i) monetary damages of approximately €35 million consisting of loss of revenue due to our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Approximately €24 million out of these claims are related to our refusal to carry GSP TV, while the remaining €11 million is related to our refusal to carry Antena 2. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the €35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one. At our request, both the GSP TV and the Antena 2 claims for monetary damages were suspended until the final settlement of the lawsuit we initiated for challenging the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordering us to include the channel in our network in compliance with several technical requirements. However, we have been carrying the channel as of January 2012, and therefore the decision did not impact our network. The appeal filed by RCS&RDS against the first court decision was rejected in October 2014. The decision of the Bucharest Tribunal remained final.

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but only with regards to the judicial expenses. Initially, the appeal was rejected in October 2014, but following a retrial ordered by the High Court of Cassation and Justice, the court of appeals modified in part the first court's decision, by granting approx. € 2 (two) as judicial expenses to Antena Group. This decision was upheld by the Bucharest Court of Appeal. Given the financial immateriality of the case file, we have decided not to challenge this decision. However, Antena Group filed a higher appeal. On 15 November 2017, the High Court of Cassation and Justice rejected Antena Group's appeal as ungrounded, thus the decision of the Bucharest Court of Appeal remained final.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

We have also challenged, but failed to overturn in court a number of NAC (National Audiovisual Council of Romania) decisions on must carry rules and, particularly, a decision finding that we breached the obligation to provide certain must carry channels to our customers (including GSP TV).

Antena Group has not yet provided any objective criteria for the determination of their claims in damages.

b) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS&RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The claimants also requested the court to order RCS&RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.R.L.

We requested the court to reject the claim as RCS&RDS's behaviour is neither abusively discriminatory nor an abusive refusal to deal. We are mainly arguing that: (i) the claimants didn't initiate good-faith negotiations, as their channels are still under must-carry regime and they didn't even issue an offer to begin with; (ii) the alleged refusal to negotiate would be justified by the abusive past conduct of the claimant; (iii) the negotiations requested by Intact Media Group are not comparable to the ones with Pro TV S.A., given the different market conditions at the moment of the negotiations and the different status of the TV channels of the two groups; and (iv) the conditions required by antitrust legislation are not met (e.g., the claimants are not risking exiting the market).

In March 2015, RCS&RDS requested the court to stay the proceedings until the final settlement of four other trials of whose outcome may prove the existence of a justification for the alleged refusal to negotiate with Antena Group and Antena 3. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the €65 million monetary damages. Although the decision on suspension of the trial was challenged by Antena Group, the Bucharest Tribunal rejected on 15 June 2016 Antena Group's higher appeal as ungrounded, this decision being final. In October 2017, Antena Group and Antena 3 filed an extraordinary appeal against the Bucharest Tribunal's decision. Basically, these two companies argue that the court awarded more than the parties requested when it stated that the settlement of this lawsuit depends on the settlement of the injunctive relief and the €65 million monetary claim. On 19 December2017, the court rejected Antena Group's extraordinary appeal as not being admissible.

c) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately €40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have been carried by RCS&RDS, from June 2011 until June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

RCS&RDS requested the dismissal of the claim for being submitted by a person lacking standing on the matter, as the rights invoked by Antena Group (if any) are subject to mandatory collective management, and also for being unfounded, as the carriage was performed having either legal or contractual coverage.

On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016, the Bucharest Court of Appeal admitted Antena Group's appeal, annulled the first court's decision and sent the file back to the Bucharest Tribunal for a trial on the merits of the case. We have decided not to challenge this decision because, although it granted Antena Group standing in the file, it contains favourable conclusions on the merits of the case. More specifically, the Court of Appeal stated that the relation between Antena Group and RCS&RDS regarding the retransmission of the must carry channels is not subject to an agreement between the parties.

After the annulment decision of the Bucharest Court of Appeal, the case file returned to the Bucharest Tribunal. In front of the Bucharest Tribunal, RCS&RDS requested the court to bring into this claim RCS&RDS' competitors on the retransmission market in Romania. This request was dismissed by the court. At this stage in the judicial file, the judge is currently hearing the parties with respect to the evidence. The next hearing of this case by the Bucharest Tribunal is scheduled for 5 April 2018.

d) Litigation regarding the outcome of the GSP investigation

On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.

On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS&RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to re-open the investigation and issue a decision taking into consideration all arguments raised by Antena Group. The main grounds of this court claim regard the Competition Council's alleged wrongful analysis of the RCS&RDS' refusal to negotiate the retransmission of GSP TV channel, as well as the authority's alleged lack of a proper analysis regarding RCS&RDS' (alleged) discriminatory behaviour.

Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS&RDS needs to be introduced in the trial as defendant. On 3 October 2016, the court decided to reject Antena Group's claim in its entirety as ungrounded. Antena Group challenged the decision through a higher appeal. RCS&RDS also appealed limited aspects in connection to its reasoning, only in view of preserving its rights. The Romanian Supreme Court did not yet set the first hearing in this higher appeal. Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS.

e) Reciprocal contractual claims with the Intact Media Group

Compensation of damage to reputation

In November 2012, we initiated proceedings against Antena Group and other Intact Media Group entities for compensation in respect of the damage to our business reputation inflicted by a media campaign conducted via media assets of Intact Media Group that we consider defamatory. We requested: (i) a declaration that the adversary media campaign was being conducted in abuse of Intact Media Group's rights; (ii) an order obliging Intact Media Group to publish such declaration via its TV and newspaper network; and (iii) monetary compensation in the aggregate amount of approximately €1.2 million for damage to our business reputation.

On 7 March 2016, the Bucharest Court of Appeal ruled in our favour on most counts and required Antena Group to pay us €780,000 in moral damages. Antena Group filed a higher appeal to the Romanian Supreme Court against the decision of the appeal court. On 24 November 2016, the Romanian Supreme Court admitted the higher appeal and sent the case for retrial to the Bucharest Court of Appeal. The Bucharest Court of Appeal was to judge the case on 10 November 2017. However, as the two judges from the panel were in disagreement, the case was put back for trial to be judged by a panel of three judges. On 16 February 2018, the new panel partially admitted RCS&RDS's appeal and decided the following: (i) ordered the relevant companies from the Intact Media Group to pay to RCS&RDS an amount of 1,000,000 RON as moral damages, (ii) ordered the Intact Media Group to broadcast on the channels Antena 1 and Antena 3 the operative part of the ruling for one month after the court's ruling becomes final, (iii) ordered the Intact Media Group to publish the court's ruling in its entirety in three newspapers of national coverage, respectively: Jurnalul Naţional, Evenimentul Zilei, Adevărul, once a week for one month after the court's ruling becomes final and (iv) ordered the Intact Media Group, jointly, to pay to RCS&RDS the amount of 39,140 RON as trial expenses. The decision issued by the Bucharest Court of Appeal can be challenged within 15 days after communication. The written reasoning of the court has not yet been communicated to the parties.

Violation of certain contracts

In 2011 and 2012, we initiated two proceedings against Antena Group claiming approximately €2.6 million in damages resulting from their breaches of certain contractual arrangements. In 2012, Antena Group responded with counterclaims in both proceedings in the total aggregate amount of approximately €3.3 million.

In the first proceedings, we sought a refund of certain retransmission fees we had paid to Antena Group until 2010 in relation to two of its channels (Antena 3 and Antena 4). In turn, Antena Group sought further retransmission fees from us for 2010 and 2011. On November 2, 2015, the first instance court dismissed our claim and granted Antena Group's counterclaim in part, ordering us to pay approximately €1.9 million to Antena Group in retransmission fees and legal expenses. Both parties have appealed that decision. On 16 March 2017, the Bucharest Court of Appeal partially admitted both appeals and consequently awarded approx. €315,000 to us and approx. €900,000 to Antena Group. Both parties have filed a higher appeal against this decision. On 18 October 2017, the Romanian High Court of Cassation and Justice admitted both parties' appeals, overturned the decision issued by the Bucharest Court of Appeal and sent the case back to the Bucharest Court of Appeal for retrial. The first hearing in front of the Bucharest Court of Appeal was scheduled on 28 March 2018.

In the second proceedings, the court of the first instance fully dismissed both our claim and Antena Group's counterclaim, but both parties appealed the first court's decisions. On 3 May 2017, the Court of Appeal issued its ruling and rejected Antena Group's appeal and admitted RCS&RDS claim in its entirety consisting in the aggregate of €500,000. Antena Group appealed the decision in its entirety, while RCS&RDS appealed limited aspects in connection to its reasoning, only in view of preserving its rights for the event Antena Group's challenge is successful. On 1 February 2018, the Romanian High Court of Cassation and Justice granted Antena Group's appeal, overturned the decision issued by the Bucharest Court of Appeal and sent the case back to the Bucharest Court of Appeal for retrial. The first hearing in front of the Bucharest Court of Appeal has not yet been scheduled.

Pecuniary claim filed by the National Cinematography Centre

On 19 April 2016, the National Cinematography Centre in Romania (which is the Romanian public entity under the Romanian Ministry of Culture) filled against RCS&RDS a payment injunction amounting to at least €1.6 million, including principal amount and penalties for late payment.

Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital retransmission of TV content. We have dully declared our income to the National Cinematography Centre and have paid the outstanding principal amounts up to date, while we refuse to pay for the accessories that are claimed by the National Cinematography Centre, as being abusive and illegal. The total amount of these accessories is of approximate €1 million.

On 3 April 2017, the Court of Appeal rejected the claim against us. The decision of the court of first instance is final.

The above-mentioned case file involves an urgent (extraordinary) proceeding through which the National Cinematography Centre aimed at forcing RCS&RDS to pay the above-mentioned amounts. Given the rejection of the above claim by the court of first instance for lack of ground, on 4 November 2016, the National Cinematography Centre additionally filed before the Bucharest Tribunal the principal (ordinary) claim for payment, but with respect to a lower amount, in approximate value of €1.2 million, including principal and accessories. In connection with this second case file, the parties administer the evidence in front of the court. The next hearing is set for 26 March 2018.

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

Litigation with Electrica Distribuţie Transilvania Nord in relation to a concession agreement between the Company and the Oradea municipality

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

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

Motion filed by certain US individuals against the Company, RCS&RDS, RCS Management S.A., DIGI Távközlési és Szolgáltató Kft, and its subsidiary, i-TV Digitális Távközlési Zrt.

On 2 May 2017, certain individuals (William Hawkins, Eric Keller, Kristof Gabor, Justin Panchley, and Thomas Zato) (collectively, the "Plaintiffs") filed in the United States District Court for the Eastern District of Virginia—Alexandria Division (the "**US Court**") a motion to enforce a default judgment (the "**Motion**") that was issued in favour of the Plaintiffs by the US Court in the Civil Action No. 1:05-cv-1256 (LMB/TRJ) in February 2007 (the "**Default Judgment**") against Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. (the predecessor to i-TV Digitális Távközlési Zrt.) (the "Defendants") jointly and severally. Additionally, the Motion sought to extend the enforcement of the Default Judgment against the following entities that were not parties to the original proceedings and not named in the Default Judgment: i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., and the Company.

The Default Judgment, of which enforcement is sought before the US Court, awarded the Plaintiffs approximately $1.8 million in damages resulting from alleged unpaid debts that appear to have been caused by Laszlo Borsy and several related entities. It also ordered that the ownership interest of Defendants Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. be distributed to the Plaintiffs in total percentage of 56.14%. Finally, it prohibited Defendants Laszlo Borsy, Mediaware Corp., MediaTechnik Kft., Peterfia Kft, and DMCC Kommunikacios Rt. from disposing of or dissipating any assets of the initial defendant entities or engaging in any corporate transactions without the consent of the Plaintiffs.

The Motion alleges that i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft. and the upstream separate companies RCS&RDS, the Company, and RCS Management S.A. violated the Default Judgment, to which these companies were not party, when, ten years ago, DIGI Távközlési és Szolgáltató Kft. entered the share capital of DMCC Kommunikacios Rt. (i-TV Digitális Távközlési Zrt.'s predecessor).

For more than ten years after the Default Judgment was issued in 2007, the Plaintiffs filed no actual claim against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company. During the same period, the Plaintiffs never sought to enforce the Default Judgment against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company in Hungary or another foreign jurisdiction. Nor did they seek to enforce the Default Judgment against any of the Defendants in their domestic countries.

We deem the Motion, which requests payment from the Defendants, i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. and the Company, jointly and severally, of $1.8 million, plus interest, as well as other compensation, damages, fees and expenses, as vexatious for numerous legal and factual reasons. Those reasons include, but are not limited to, the lack of any actual proof of fraud on behalf of either of i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company, the Plaintiffs' passivity for more than ten years, the lack of jurisdiction of the US Court over i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, S.A., RCS Management S.A., or the Company, as well as the fact that the Motion, if granted, would go against mandatory legal provisions of any of the jurisdictions where i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A., or the Company operate.

On 8 February 2018, the US Court granted the Defendants' motion to vacate and dismissed the entire lawsuit for lack of subject matter jurisdiction. The US Court also vacated all prior orders entered in the case (the "**US Court's Decision**"). The Plaintiffs filed an appeal against the US Court's Decision with the United States Court of Appeals for the Fourth Circuit (—"**Appellate Court**"). The Defendants also filed a conditional cross-appeal on multiple grounds that need only be considered if the Appellate Court reverses the US Court's Decision. The Appellate Court has not yet issued a scheduling order.

Should the Appellate Court grant the Plaintiffs' appeal in whole or in part and reject the Defendants' cross-appeal in whole or in part, the matter would return to the US Court for trial on the merits of the case.

We believe any judgment issued by the US Court against i-TV Digitális Távközlési Zrt., DIGI Távközlési és Szolgáltató Kft., RCS&RDS, RCS Management S.A. or the Company would not be enforceable, as it would need to be first recognized in the relevant jurisdictions where these companies operate, subject to the foreign judgement's compliance with those jurisdictions' mandatory legal provisions.

Investigation by the Romanian National Anti-Corruption Agency

Since 2013, the Romanian National Anti-Corruption Agency (the "**DNA**") has been investigating whether a 2009 joint venture agreement between RCS&RDS and Bodu SRL with respect to a large events hall in Bucharest was compliant with criminal legislation.

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

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

On 22 August 2017, the DNA sent to court under the judiciary control Mr. Ioan Bendei in connection with the offences of bribery and accessory to money laundering, RCS&RDS in connection with the offences of bribery and money laundering, INTEGRASOFT S.R.L. in connection with the offence of accessory to money laundering, Mr. Mihai Dinei in connection with the offences of accessory to bribery and accessory to money laundering, and

Mr. Serghei Bulgac in connection with the offence of money laundering. The DNA has also requested the Bucharest Tribunal to maintain the preventive and precautionary measures instituted by the DNA, including the attachment of the two real estate assets pertaining to RCS&RDS to secure an amount of up to Lei 13,714,414 (approximately € 3 million) that was instituted by the DNA on 25 July 2017, as well as of the judicial control with respect to Mr. Ioan Bendei instituted on 7 June 2017.

Mr. Ioan Bendei contested, amongst others, the judicial control imposed by the DNA. On 31 August 2017, based on the final decision published by the Bucharest Court of Appel, the court decided by final ruling to revoke the judicial control measure imposed by the DNA with respect to Mr. Ioan Bendei, with the consequence that the obligations and the communication restrictions imposed by the DNA on 7 June 2017 are no longer applicable.

INTEGRASOFT S.R.L., RCS&RDS, and their officers have also submitted other preliminary requests and objections against the allegations brought by the DNA in court. On 16 November 2017, the Bucharest Tribunal rejected all these requests and objections. On 2 March 2018, the Bucharest Court of Appeal rejected the appeal filed by INTEGRASOFT S.R.L., RCS&RDS's and their officers. The file was returned to the Bucharest Tribunal (as the initially invested court) for judgment on the substance. The first hearing in front on the Bucharest Tribunal will take place on 4 April 2018.

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.

Competition Council Investigations

RCS&RDS has been until the date of this report subject to two infringement investigations by the Competition Council. As per our knowledge, no other infringement investigation is pending against RCS&RDS.

Telecom market interconnection investigation

In February 2011, the RCC opened an investigation on the telecommunications market related to interconnection tariffs charged by all telecommunications operators. We believe this investigation was launched with the aim of reducing the relatively high interconnection tariffs charged on the Romanian market and thereby reducing the rates ultimately charged to consumers.

By decision no 33/2015 the RCC decided to close the investigation in exchange for all operators undertaking and complying with a general commitment not to discriminate between the level of the tariffs charged for the on-net and the off-net calls. The RCC's decision accepting our commitment has closed the investigation without the application of any fines for the alleged anticompetitive conduct. The offering of commitments does not imply any admission of wrongdoing. A failure to comply with the terms of the commitment as accepted by the RCC may lead to penalties of up to 10 per cent of our aggregate turnover. The 2 years commitment period expired in November 2017. During the term of the commitments, RCS&RDS has provided to the RCC, upon request, business information, and has commissioned and periodically provided to the authority independent market studies on the evolution of the mobile telephony sector. Even though the monitoring period has ended, the mobile telephony operators will continue to be bound by the legal obligation non to discriminate between on-net and off-net calls.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania and our former commercial partner, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011. We have fully cooperated during this investigation and we consider the demands of Antena TV Group S.A. to be abusive and groundless, given that we have started retransmitting GSP TV following an injunctive relief that Antena TV Group S.A. obtained against us on grounds that starting July 2011 GSP TV became a "must-carry" channel.

The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the "must-carry" regime.

The RCC also issued a formal, but not-binding recommendation for us to produce general terms to be complied by third party broadcasters wishing to retransmit their content via our network. Our relations with "must-carry" and pay-tv channels are expressly excluded from the scope of that recommendation.

The RCC's decision is not final and is subject to judicial review. Antena TV Group S.A.'s challenge against the RCC's decision was rejected as ungrounded by the Bucharest Court of Appeal, but Antena TV Group S.A. filed a higher appeal against the first court's award and that trial is ongoing (the details of this case are explained in a dedicated section above: "Litigation regarding the outcome of the GSP investigation").

Material commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 6.2% p.a., 3M EURIBOR + 6.2% p.a. or 3M ROBOR + 6.2% p.a.

Operating leases

The Group leases under operating leases several main types of assets:

- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring, and pillars/land for mobile network in Romania and Hungary;
- pillars for network support in Romania in several urban areas for "fibre to the block networks";
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Spain, Italy.

Minimum lease payments under operating lease agreements (both non-cancellable and cancellable but which are not expected to be cancelled) are as follows:

	2017	**2016**
Less than one year	22,422	27,339
Between one and five year	51,526	50,332
More than five years	20,871	14,941
	94,819	**92,612**

The leases for local offices and commercial spaces typically run for an initial period of one year, with an option to renew the lease after that date. The leases of pillars for network support typically run for an initial period of 17 years. The leases for fibre optical line capacities typically run for an initial period between 4 and 7 years. None of the leases include contingent rentals.

Besides these lease agreements, there are approximately over 500 contracts signed for a period of over 5 years, with an automatic renewal clause or signed for an indefinite term. The average annual rent for these contracts is of maximum EUR 1,879 (2016: EUR 1,396).

Capital expenditure

The capital expenditure the Group has assumed until 31 December 2017 is mostly made of commitments for the purchase of mobile and fixed network equipment amounting to approximately EUR 54,052 (31 December 2016: EUR 85,642).

Satellite capacity expenses

The Group has committed under the long term agreement with Intelsat, the satellite solution provider, to use until November 2022 the contracted services and to pay monthly equal fees cumulating to EUR 26,689 (31 December 2016: EUR 7,373).

2100 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2100 MHz* radio spectrum license awarded until 31 December 2021 inclusively, amounting to a cumulated value of EUR 12,325 (31 December 2016: EUR 15,452).

900 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 900 MHz radio spectrum license awarded starting with April 2014 until April 2029 inclusively, amounting to a cumulated value of EUR 17,928 (31 December 2016: EUR 20,324).

1800 MHz spectrum fee

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the *1800 MHz* radio spectrum license awarded until 31 October 2029 inclusively, amounting to a cumulated value of EUR 5,565 (31 December 2016: EUR 5,843).

2600 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2600 MHz* radio spectrum license awarded until 31 April 2029 inclusively, amounting to a cumulated value of EUR 11,751 (31 December 2016: EUR 13,318).

3700 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *3700 MHz* radio spectrum license awarded until 31 November 2025 inclusively, amounting to a cumulated value of EUR 2,189 (31 December 2016: EUR 2,505).

3800 MHz spectrum fee

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the 3*800 MHz* radio spectrum license awarded until June 2034 inclusively, amounting to a cumulated value of EUR 5,874 (31 December 2016: nil).

Sports rights and TV films and documentaries

As of 31 December 2017, commitments for sports rights related to future seasons and TV films and documentaries amounted to EUR 23,425 (31 December 2016: EUR 49,167).

Letters of guarantee and letters of credit

As of 31 December 2017, there were bank letters of guarantee and letters of credit issued in amount of EUR 20,237 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2016: EUR 11,375).

27. SUBSEQUENT EVENTS

On 1 February 2018, RCS & RDS S.A. (the Company's subsidiary in Romania – „RCS&RDS"), DIGI Távközlési és Szolgáltató Korlátolt Felelősségű Társaság (RCS & RDS S.A.'s subsidiary in Hungary – „Digi Kft."), as the borrowers, the Company, as a guarantor, Citibank N.A., London Branch and ING Bank N.V. as the arrangers, ING Bank N.V. as the facility agent, and several other financial institutions as the lenders have concluded a syindicated loan providing for three facilities in HUF, RON and EURO currencies (the „2018 Syndicated Facility").

The 2018 Syndicated Facility is a medium-term loan agreement that partially refinances the 2017 Bridge Loan. The 2018 Syndicated Facility replaces the 2017 Bridge Loan for a corresponding value of approximately EUR 163,000 equivalent.

The 2018 Syndicated Facility is meant to be used partially for the financing of the acquisition by Digi Kft. of the Hungarian telecommunications operator Invitel Tavkozlesi Zrt. The remainder is intended to be used for general corporate purposes and/or capital expenditures.

The 2018 Syndicated Facility has a maturity of 5 years. The interest rate is of 2.65% per annum plus the relevant applicable interbank offered rates.

On 9 March 2018, the availability under the existing 2018 Syndicated Facility was increased with an additional amount of approximately EUR 16,000 equivalent. Therefore, the total current availability under the 2018 Syndicated Facility is of approximately EUR 179,000 equivalent.

In March 2018, RCS & RDS acquired 2 floors from the headquarters building in amount of EUR 2,500, the rest of the building being still part of the existing sale and leaseback agreement.

For developments in legal proceedings in which the Group was involved (both as a plaintiff and a defendant), subsequent to 31 December 2017, please refer to Note 26.

28. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) the charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark to market results (unrealized) from fair value assessment of energy trading contracts.

	2017	**2016**
Revenues	**916,551**	**842,755**
Operating profit	115,399	79,264
Depreciation, amortization and impairment	171,812	176,370
EBITDA	**287,211**	**255,634**
Loss from sale of discontinued operations (Note 21)	—	674
Other income	(2,509)	—
Other expenses	2,820	6,969
Adjusted EBITDA	**287,522**	**263,277**
Adjusted EBITDA (% of revenue)	*31.40%*	*31.24%*

For breakdown of depreciation, amortization and impairment refer to Notes 5 and 6(a) and 6(b).

During 2017 we recorded EUR 2,603 IPO related costs (presented as Other expenses) out of which EUR 2,353 were recovered from the selling shareholders in the IPO (presented as Other income). Mark-to-market loss from fair value assessment of energy trading contracts of EUR 217 is also presented as Other expenses in the year ended 31 December, 2017.

Other income includes the IPO related costs recovered from the selling shareholders as well as income from the disposal of Digi SAT d.o.o participation in amount of EUR 156.

Serghei Bulgac,	Bogdan Ciobotaru,	Valentin Popoviciu,	Piotr Rymaszewski,	Sambor Ryszka,	Catalin Marius Varzaru,	Zoltan Teszari,
CEO	*Independent Non-Executive Director*	*Executive Director*	*Independent Non-Executive Director*	*Non-executive Director*	*Non-executive Director*	*President*

DIGI COMMUNICATIONS NV
(former CABLE COMMUNICATIONS SYSTEMS NV)

CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended 31 December 2016

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Financial Statements
Prepared in accordance with International Financial Reporting Standards
for the year ended 31 December 2016

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GENERAL INFORMATION

Directors:

Zoltan Teszari, President of the Board of Directors
Marius Catalin Varzaru
Monique Charlotte Rosenkotter-Donker
Parveen Chantal Soebrati

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Naritaweg 165, 1043 BW, Amsterdam, Netherlands

Auditors:

Ernst & Young Assurance Services S.R.L.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Digi Communications NV (former Cable Communications Systems NV)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Digi Communications NV (former Cable Communications Systems NV), ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Key audit matters

Key audit matters are those matt ers that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition given the complexity of billing systems There is an inherent telecommunications industry risk associated with the recognition of revenue, given the complexity of billing systems, which process large volumes of data, and the impact of changing offerings and pricing models on revenue recognition (such as tariff structures and incentive arrangements). The Group's revenue recognition relies on IT systems, comprising of a number of interdependent interfaces and databases. Given the complexity of the IT environment, with highly automated processes and controls over the critical path of transactions, a significant component of the audit work was in the area of controls that we considered relevant and key for the financial reporting of revenue, such as controls over the capture, rating, storage and extraction of information. These controls are important because they ensure that access and changes to IT systems and related data are made and authorized in an appropriate manner. We therefore consider this as a key audit matter.	We focused our audit on those IT systems and controls that are significant for the Group's revenue recognition. Considering that audit procedures over the IT systems and application controls require specific expertise, we involved our IT specialists in order to assist us in our audit procedures. Our audit procedures included, but were not limited to, the following procedures: • a detailed understanding of the revenue processes and related document flows, identifying the IT systems as well as the controls designed and implemented within the respective processes that we considered relevant and significant for our audit; • testing the operating effectiveness of selected controls by inspecting evidence supporting whether they were in place throughout the year. We focused on billing systems controls with respect to data capture, mediation and recording of revenue transactions; on the controls over authorization of tariff changes and over the correctness of input of tariff information in the billing system as well as on the controls over the accuracy of automatic calculation of invoice amounts based on tariffs, usage and other relevant inputs;

Key audit matter	How our audit addressed the key audit matter
	With respect to IT general controls, we tested controls over the user access rights to systems and data, as well as managing system changes. The audit approach was tailored in accordance with the financial significance of the system and whether there were automated procedures supported by that system and our focus was on the following procedures: • testing whether only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications; • testing whether user access rights were set-up in accordance with Group's internal policies and procedures and • testing the operating effectiveness of controls over the system changes, in order to determine if changes were properly authorized, implemented and monitored. In addition, we also performed, amongst others, the following procedures: • Analysis over the calculation of revenues from subscription, by considering each type of subscription and the applicable tariff as per the commercial offers; Testing, on a sample basis, the proper allocation of cash receipts to subscribers.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition considering multiple revenue streams The Group's main sources of revenue are from subscription services, as follows: • Revenue from rendering of cable TV ("CATV") and direct-to-home TV ("DTH"), subscription services; • Revenue from rendering of internet and data communication subscription services (fixed and mobile); • Revenue from rendering of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services. Telecommunication services also comprise significant equipment sales. In addition to telecommunications revenues the Group also derives a smaller portion of revenues from rentals, energy production (including related green certificates), advertising, filming services for other operators etc. The Group's disclosures about revenue recognition are included in Note 2 (Basis for preparation and accounting policies) and Not e 17 (Revenues). We consider this a key audit matter due to the fact that there are multiple revenue streams which are subject to different IFRS requirements with respect to revenue recognition.	Our audit procedures included, but were not limited to the following procedures: • Analyse the Group's accounting policy for each revenue stream considering both the substance of the commercial offers that were in force during the year, and the applicable requirements of IFRS as well as the industry practices for each revenue stream; • Assess whether the Group's accounting policies are implemented consistently as adopted. In the area of revenue recognition, we also performed, amongst others, the procedures outlined in the above key audit matter *Revenue recognition given the complexity of billing systems.*

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Impairment of tangible and intangible assets

As at 31 December 2016 , the Group has recognized goodwill in amount of EUR 77,178 thousand, representing 37% out of total intangibles assets.

Under IFRS, an entity is required to test the goodwill for impairment at least annually. The determination of the recoverable amount, being determined by the Group as fair value less costs to sell, was significant to our audit because the computation of fair value less costs to sell is complex and relies on estimates and assumptions, therefore we have considered it a key audit matter.

Goodwill acquired through business combinations is allocated among the following cash generating units (CGUs), for the purpose of impairment testing: CBT (being: cable, TV, fixed and mobile internet and data, fixed line and mobile telephony) Romania, CBT Hungary and CBT Spain.

The main assumptions used by the Group in the estimation of fair value less costs to sell were:

- the discount rates (post-tax);
- the terminal growth rate;
- capital expenditure and
- assumptions underlying future operating cash flows for the explicit period of 5 years.

The Group's disclosures about the impairment test for the above CGUs, which include the goodwill as well as most of the tangible and other intangible assets of the Group, are included in Note 2.1 (Basis for preparation and account ing policies) and Note 6 (Intangible assets).

Furthermore, an assessment of impairment indicators has been made for the other CGUs, which do not include goodwill (such as the renewable energy production), as well as for specific assets (such as abandoned construction-in-progress).

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Our audit procedures included, but were not limited to, the following procedures:

- analysis of the methodology used by management to assess the fair value less costs to sell of the CGUs, to determine its compliance with accounting standards and consistency of application;
- valuation of the Group's key assumptions and estimates used to determine the discount rate, the future operating cash flows, the growth rate and the capital expenditure. We involved our valuation specialists to assist us in the evaluation of key assumptions and methodologies used by the Group for the impairment testing, including the determination of the discount rates for Romania and Hungary. In this context we evaluated whether or not certain assumptions on which the valuation was based, individually and taken as a whole, considered: i) the economic environment of the industry, and the Group's economic circumstances; ii) existing market information; iii) the business plans of the Group, including management's expectations; iv) the risk associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate; v) specific requirements of IFRS;
- test the mathematical accuracy of the discounted cash flow computations;
- assessment of the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;
- test the mathematical accuracy of the computations in respect of the sensitivity in the available headroom of CGUs.

We further assessed the adequacy of the Group's disclosures about the impairment test in the notes to the consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Covenants associated with bonds and Senior Facilities Agreement The availability of adequate funding and whether the Group meets its financial covenants are significant for our audit. We have considered this a key audit matter due to the high leverage of the Group (as of 31 December 2016 interest-bearing loans and borrowings, including bonds, amount to EUR 709 ,587 thousand and equity amounts to EUR 42 ,603 thousand). The Group's disclosure about the covenants of the bonds and the covenant s of the Senior Facilities Agreement (SFA) is included in Note 14 (Interest bearing loans and borrowings).	Our audit work included, but was not limited to the following procedures: • read the terms of the 2016 SFA and 2016 bonds with respect to the covenants clauses; • evaluate the Group's assessment of compliance with the debt covenant requirements including both quant itat ive and qualitative covenants as at 31 December 2016 ; • given the relevance of the EBITDA (earnings before interest tax depreciation and amortisation) in the quantitative covenant calculations, we focused our procedures on the correct classification of items in EBITDA and on the specific items included in or excluded from EBITDA, in accordance with criteria as stated in the SFA and bonds terms. We further assessed the adequacy of the disclosures included in the notes to the consolidated financial statements.

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<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Recoverability of overdue trade and other receivables

At 31 December 2016, the Group records trade and other receivable balances of EUR 154 ,023 thousand, before allowance adjustment of EUR 45,058 thousand.

The identification and determination of receivables allowance requires management to make judgements and assumptions and represents a process with a significant level of uncertainties.

The main assumptions used by management in evaluating the level of the allowance include factors such as age of the balance, type of customers, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties, as well as the Group's historical loss experiences for the relevant aged category.

Due to the significance of t rade and other receivables (representing 55% of Current assets) and the related estimation uncertainty, this is considered a key audit matter.

The Group's disclosures about receivables allowance are included in Note 2.2 f) (accounting policies – impairment), Note 10 (Trade and other receivables) and Note 23 (Financial risk management – Credit risk section) to the consolidated financial statements.

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Our audit work included, but was not limited to, the following procedures:

- test controls over the collection process;
- test application controls over the automatic computation of ageing of receivables;
- test collections from customers, on a sample basis, subsequent to the year-end;
- evaluate management's assessment of the creditworthiness of clients and the factors taken into account when establishing the percentage of allowance or considering that no allowance is necessary;
- evaluate the Group's allowance levels by considering the historical cash collection patterns and degree of accuracy of previous allowance estimates;
- obtain direct customer confirmations, and inspecting public information available about the insolvency proceedings and obtaining confirmation letter from external lawyers regarding the insolvency process, where applicable;
- review the correspondence with the Group's external lawyers supporting any disputes between the parties involved, and the attempts by management to recover the amounts outstanding, where applicable.

We further assessed the adequacy of the Group disclosures included in Note 10 (Trade and other receivables) and Note 23 (Financial risk management) to the consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Useful lives of property, plant and equipment Management judgment significantly impacts the carrying value of property, plant and equipment through the est imation of their useful lives. As described in Note 2.2.c) (accounting policies – property, plant and equipment) and Note 5 (Property, plant and equipment) to the consolidated financial statements, as of 31 December 2016 management has completed its review of the estimated useful lives of property plant and equipment and determined changes to be necessary to many types of assets from the categories of Customer premises equipment, Network and Equipment. The change of estimated useful lives was applied prospectively from 1 January 2016 onwards. Due to the significance of the impact on depreciation expense (a net decrease of EUR 23,173 thousand of the depreciation expense for the year 2016) and the degree of judgment involved in determining the revised useful lives, this is considered a key audit matter.	Our audit procedures included, but were not limited to, the following procedures: • reading the memos prepared by management to support the revised useful lives, including appendices with technical specifications and relevant public studies; • evaluation of the additional technical specifications obtained from certain suppliers; • testing the actual failure rates experienced so far by RCS&RDS as listed in the memos; • analyzing that the recent churn rates do not imply useful lives shorter than the revised ones; • comparing the revised useful lives with the ones disclosed in the latest financial statements available of other telecommunications groups based in Europe and a public study of useful lives applied by telecommunications groups based in the United States; • involving our Telecommunications industry specialists and our valuation & business modelling specialists to assist us and review the useful lives re-assessment from the methodology and assumptions reasonability point of view, including appropriate consideration of technological obsolescence and comparison to non-public benchmarks available to them; • evaluation of the consistency of the business strategy assumptions used for the revision of useful lives with the assumptions used for the business plan and impairment test, and other knowledge accumulated by us about management's plans during our audit. We further assessed the adequacy of the disclosures included in Note 2.2.c) (accounting policies – property, plant and equipment) and Note 5 (Property, plant and equipment) to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revaluation of property, plant and equipment The Group uses the revaluation model in order to account for land, buildings, network, equipment and devices and customer premises equipment. As of 31 December 2016, management has performed the annual analysis, in order to assess whether the carrying amount does not differ materially from the fair value of the above categories of property, plant and equipment. Following this analysis, management concluded that a revaluation exercise must be performed only for land, buildings and customer premises equipment. At 31 December 2016, the carrying value of assets carried under revaluation model was: • land: EUR 17,803 thousand (after 2016 revaluation); • buildings: EUR 71,290 thousand (after 2016 revaluation); • networks: EUR 417,054 thousand; • customer premises equipment: EUR 74,431 thousand (after 2016 revaluation), and • equipment and devices: EUR 131,062 thousand. We have considered the revaluation of customer premises equipment, as well as the assessment of management that no revaluation is necessary for network and for equipment and devices, to be a key audit matter due to the fact that it requires management to make significant judgements and assumptions. The main areas involving significant judgments and assumptions made by management were represented by: • determinat ion of current replacement cost of the assets; • the assets' specific physical/functional depreciation and the functional and economical obsolescence.	Our audit work included, but was not limited to, the following procedures: • perform a detailed underst anding of the Group's internal processes and related documentation flow as well as methods and assumptions used by management and the Group's internal specialists; • assessing the competence, capabilities of the Group's internal specialists, as well as their objectivity; • evaluate the valuation methodology used, giving consideration to the: (i) nature of the asset being valued; (ii) premise and standard of value; (iii) observable market prices; and (iv) whether the assumptions used provide a reasonable basis for the fair value measurement; • test the underlying data to evaluate that it: (i) is relevant; and (ii) provides objective support for the assumptions used in the valuation analysis, including where possible an overall assessment against industry practices; • evaluate the assumpt ns made by management for the specific technical adjustments related to the physical characteristics of the individual assets, including the allocation of individual assets to the categories from which the valuation assumptions have been derived; • analyse and corroborate the replacement costs sourced by management based on external/ internal evidence and similar benchmarks; • test the mathematical accuracy of the valuation models used by management; • for several of the above procedures we have involved our Telecommunications industry specialists and our valuation & business modelling specialists to assist us; • in respect of the useful lives used to account for the assets' physical/functional depreciation please refer to the procedures out lined in the above key audit matter.

Key audit matter	How our audit addressed the key audit matter
The Group's disclosures about the revaluation are included in Note 2.2 c) (accounting policies – property, plant and equipment) and Note 5 (Property, plant and equipment) to the consolidated financial statements.	*Useful lives of property, plant and equipment* We further assessed the adequacy of the Group disclosures included in Note 2.2 c) (accounting policies – property, plant and equipment) and Note 5 (Property, plant and equipment) to the consolidated financial statements.

Other information

The other information comprises the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future event s or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Other matters

As disclosed in Note 2.1 (b) to the consolidated financial statements, these statements have been prepared as part of the filling obligations of the Group, stated in the Offering Memorandum dated 12 October 2016. These consolidated financial statements are not intended for statutory filling purposes in any jurisdiction.

The partner in charge of the audit resulting in this independent auditor's report is Anamaria Cora.

On behalf of

Ernst & Young Assurance Services SRL

Name of signing person: Anamaria Cora

Bucharest, Romania

11 April 2017

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of financial position
as at 31 December 2016

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

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	825,989	674,743
Intangible assets	6a	206,812	205,128
Available for sale financial assets (AFS)	7	—	43,373
Investment in associates		995	1,000
Long term receivables		3,927	5,852
Deferred tax assets	20	3,126	3,951
Total non-current assets		**1,040,849**	**934,047**
Current assets			
Inventories	9	18,552	13,205
Programme assets	6b	30,312	29,536
Trade and other receivables	10	108,965	82,545
Income tax receivable		2,804	202
Other assets	11	6,321	8,209
Derivative financial assets	25	17,049	9,937
Cash and cash equivalents	12	14,625	49,662
Total current assets		**198,628**	**193,296**
Total assets		**1,239,477**	**1,127,343**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	51	51
Share premium		8,247	8,247
Treasury shares		(16,703)	(16,703)
Reserves		9,096	31,597
Retained earnings		40,474	77,462
Equity attributable to equity holders of the parent		**41,165**	**100,654**
Non-controlling interest		1,438	2,160
Total equity		**42,603**	**102,814**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	14	665,540	624,897
Deferred tax liabilities	20	34,812	26,981
Other long term liabilities	15.2	46,076	7,598
Total non-current liabilities		**746,428**	**659,476**
Current liabilities			
Trade and other payables	15.1	373,969	271,118
Interest-bearing loans and borrowings	14	44,047	63,118
Income tax payable		1,390	1,746
Derivative financial liabilities	25	16,356	8,253
Deferred revenue		14,684	20,818
Total current liabilities		**450,446**	**365,053**
Total liabilities		**1,196,874**	**1,024,529**
Total equity and liabilities		**1,239,477**	**1,127,343**

The financial statements were approved by the Board of Directors on 11/04/2017 and were signed on its behalf by:

Zoltan Teszari, President of the Board of Directors

Marius Catalin Varzaru, Member of the Board of Directors

Monique Charlotte Rosenkotter-Donker, Member of the Board of Directors

Parveen Chantal Soebrati, Member of the Board of Directors

Serghei Bulgac, CFO

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of profit or loss and other comprehensive income
for the year ended as at 31 December 2016
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2016 Continuing Operations	2016 Discontinued Operations	2016 Total	2015 Continuing Operations	2015 Discontinued Operations	2015 Total
Revenues	17	842,755	—	842,755	746,290	3,840	750,130
Gain/(loss) from sale of discontinued operations	21	—	(674)	(674)	—	20,882	20,882
Operating expenses	18	(755,848)	—	(755,848)	(696,567)	(3,115)	(699,682)
Other expenses	28	(6,969)	—	(6,969)	(998)	—	(998)
Operating profit		**79,938**	**(674)**	**79,264**	**48,725**	**21,607**	**70,332**
Finance income	19	45,312	—	45,312	9,869	—	9,869
Finance expenses	19	(101,467)	—	(101,467)	(70,726)	(23)	(70,749)
Net finance costs		**(56,155)**	**—**	**(56,155)**	**(60,857)**	**(23)**	**(60,880)**
Profit / (loss) before taxation		**23,783**	**(674)**	**23,109**	**(12,132)**	**21,584**	**9,452**
Income tax	20	(11,326)	—	(11,326)	(5,369)	(56)	(5,425)
Net profit / (loss)		**12,457**	**(674)**	**11,783**	**(17,501)**	**21,528**	**4,027**
Other comprehensive income							
Items not to be reclassified to profit or loss							
Revaluation of property, plant and equipment, net of tax		16,660	—	16,660	—	—	—
Items that are or may be reclassified to profit or loss, net of tax							
Foreign operations—foreign currency translation differences		1,609	—	1,609	(108)	—	(108)
Change in fair value available for sale asset		2,367	—	2,367	1,227	—	1,227
Available for sale financial asset, reclassification of gain	7	(33,722)		(33,722)	—	—	—
Cash Flow hedge reserves		654	—	654	(4,535)	—	(4,535)
Other comprehensive income for the year, net of tax		**(12,432)**	**—**	**(12,432)**	**(3,416)**	**—**	**(3,416)**
Total comprehensive income for the year		**25**	**(674)**	**(649)**	**(20,917)**	**21,528**	**611**

The financial statements were approved by the Board of Directors on 11/04/2017 and were signed on its behalf by:

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Parveen Chantal Soebrati, Member of the Board of Directors

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of profit or loss and other comprehensive income
for the year ended as at 31 December 2016
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2016 Continuing Operations	2016 Discontinued Operations	2016 Total	2015 Continuing Operations	2015 Discontinued Operations	2015 Total
Profit / (Loss) attributable to:							
Equity holders of the parent		13,434	(648)	12,786	(16,667)	20,637	3,970
Non-controlling interest		(977)	(26)	(1,003)	(834)	891	57
Net profit / (loss) for the year		**12,457**	**(674)**	**11,783**	**(17,501)**	**21,528**	**4,027**
Total comprehensive income attributable to:							
Equity holders of the parent		221	(648)	(427)	(19,896)	20,637	741
Non-controlling interests		(196)	(26)	(222)	(1,021)	891	(130)
Total comprehensive income for the year		**25**	**(674)**	**(649)**	**(20,917)**	**21,528**	**611**
Earnings per share (in EUR) attributable to parent company (Note 8)							
Net profit/(loss)		**13,434**	**(648)**	**12,786**	**(16,667)**	**20,637**	**3,970**
Basic and diluted earnings/(loss) per share (EUR/share)		**289.2**	**(13.9)**	**275.2**	**(358.7)**	**444.2**	**85.5**

The financial statements were approved by the Board of Directors on 11/04/2017 and were signed on its behalf by:

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Serghei Bulgac, CFO

Monique Charlotte Rosenkotter-Donker, Member of the Board of Directors

Parveen Chantal Soebrati, Member of the Board of Directors

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of Cash Flows
for the year ended 31 December 2016
(all amounts are in thousand EUR, unless specified otherwise)

	Notes	2016	2015
Cash flows from operating activities			
Profit/(loss) before taxation		**23,109**	**9,452**
Adjustments for:			
Depreciation, amortization and impairment	5, 6	170,094	187,905
Revaluation deficit recognised in profit or loss		6,276	—
Interest expense, net*	19	45,173	49,342
Finance cost & amortized borrowing costs*		26,505	4,923
Impairment of trade and other receivables	18	9,677	10,069
Impairment of investments in associates		—	1,542
Losses/(gains) on derivative financial instruments	23	14,547	(5,523)
Equity settled share-based payments	24	—	2,054
Unrealised foreign exchange loss/(gain)		5,741	(837)
Reclassification of fair value adjustment of AFS		(33,722)	
Other non cash items		—	(64)
Gain on sale of assets		(1,462)	(744)
(Gain)/loss on disposal of subsidiary	21	674	(20,882)
Cash flows from operations before working capital changes		**266,612**	**237,237**
Changes in:			
Decrease/(increase) in trade receivables and other assets		(29,540)	15,144
Increase in inventories		(5,974)	(3,704)
Increase in trade payables and other current liabilities		31,424	21,191
(Decrease)/increase in deferred revenue		(7,248)	(28,388)
Cash flows from operations		**255,274**	**241,480**
Interest paid		(43,981)	(44,235)
Income tax paid		(7,823)	(5,062)
Net cash flows from operating activities		**203,470**	**192,183**
Cash flow used in investing activities			
Purchases of property, plant and equipment	5,15	(142,629)	(113,733)
Purchases of intangibles	6,14	(70,767)	(80,618)
Acquisition of subsidiaries, net of cash and NCI	22	(2,124)	(1,827)
Acquisition of AFS	22	(939)	(1,460)
Sale of subsidiaries, net of cash disposed	21	—	25,132
Proceeds from sale of property, plant and equipment		505	919
Net cash flows used in investing activities		**(215,954)**	**(171,587)**
Cash flows from financing activities			
Dividends paid to shareholders		(4,428)	(1,622)
Proceeds from borrowings	14	496,304	258,229
Repayment of borrowings	14	(477,628)	(272,905)
Financing costs paid		(26,779)	(4,082)
Settlement of derivatives		(5,802)	(3,739)
Payment of finance lease obligations		(3,428)	(1,618)
Net cash flows (used in)/from financing activities		**(21,761)**	**(25,737)**
Net increase/(decrease) in cash and cash equivalents		**(34,245)**	**(5,141)**
Cash and cash equivalents at the beginning of the year	12	**49,662**	**54,288**
Effect of exchange rate fluctuations of cash and cash equivalents held		(792)	515
Cash and cash equivalents at the end of the year	12	**14,625**	**49,662**

* *As of 31 December 2015 interest expense and unamortized borrowing costs recognized as expense were both presented on the Interest expense, net line in the Cash flow. Comparative information was restated as of 31 December 2016, in order to present this information on separate lines. For details, please see Note 13 Borrowings.*

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of Changes in Equity
for the year ended 31 December 2016
(all amounts are in thousand EUR, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2016	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**
Comprehensive income for the period											
Profit/(loss) for the year	—	—	—	—	—	—	—	12,786	12,786	(1,003)	11,783
Foreign currency translation differences	—	—	—	1,545	—	—	—		1,545	64	1,609
Revaluation of property, plant and equipment, net of tax (Note 5)	—	—	—	—	15,970	—	—	—	15,970	690	16,660
Fair Value for AFS (Note 7)	—	—	—	—	—	2,367	—	—	2,367	—	2,367
Reclassification AFS gain (Note 7)	—	—	—	—	—	(33,722)	—	—	(33,722)	—	(33,722)
Cash Flow hedge reserves	—	—	—	—	—	—	627	—	627	27	654
Transfer of revaluation reserve (depreciation)	—	—	—	—	(9,288)	—	—	9,288	—		—
Total comprehensive income for the period	**—**	**—**	**—**	**1,545**	**6,682**	**(31,355)**	**627**	**22,074**	**(427)**	**(222)**	**(649)**
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners	—	—	—	—	—	—	—	—	—	—	—
Dividends distributed (Note 13)	—	—	—	—	—	—	—	(57,546)	(57,546)	(370)	(57,916)
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(57,546)**	**(57,546)**	**(370)**	**(57,916)**
Changes in ownership interests in subsidiaries											
Payments while having full control (Note 22)	—	—	—	—	—	—	—	—	—	—	—
Movement in ownership interest while retaining control (Note 22)	—	—	—	—	—	—	—	(1,516)	(1,516)	(130)	(1,646)
Total changes in ownership interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,516)**	**(1,516)**	**(130)**	**(1,646)**
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(59,062)**	**(59,062)**	**(500)**	**(59,562)**
Balance at 31 December 2016	**51**	**8,247**	**(16,703)**	**(30,181)**	**42,996**	**—**	**(3,719)**	**40,474**	**41,165**	**1,438**	**42,603**

DIGI COMMUNICATIONS (former CABLE COMMUNICATIONS SYSTEMS)
Consolidated Statement of Changes in Equity
for the year ended 31 December 2016
(all amounts are in thousand EUR, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2015	**51**	**8,247**	**(16,703)**	**(31,616)**	**46,775**	**30,128**	**—**	**68,261**	**105,143**	**2,197**	**107,340**
Comprehensive income for the period											
Profit for the year	—	—	—	—	—	—	—	3,970	**3,970**	57	**4,027**
Foreign currency translation differences	—	—	—	(110)	—	—	—	—	**(110)**	2	**(108)**
Fair Value for AFS	—	—	—	—	—	1,227	—	—	**1,227**	—	**1,227**
Cash Flow hedge reserves	—	—	—	—	—	—	(4,346)	—	***(4,346)***	(189)	***(4,535)***
Transfer of revaluation reserve (depreciation)	—	—	—	—	(10,461)	—	—	10,461	—	—	—
Total comprehensive income for the period	**—**	**—**	**—**	**(110)**	**(10,461)**	**1,227**	**(4,346)**	**14,431**	**741**	**(130)**	**611**
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions *(Note 24)*	—	—	—	—	—	—	—	1,968	**1,968**	86	**2,054**
Dividends distributed (note 13)	—	—	—	—	—	—	—	(3,500)	**(3,500)**		**(3,500)**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***(1,532)***	***(1,532)***	***86***	***(1,446)***
Changes in ownership interests in subsidiaries											
Payments while having full control (Note 22)	—	—	—	—	—	—	—	(707)	**(707)**	(31)	**(738)**
Movement in ownership interest while retaining control (Note 22)	—	—	—	—	—	—	—	(2,991)	**(2,991)**	38	**(2,953)**
Total changes in ownership interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***(3,698)***	***(3,698)***	***7***	***(3,691)***
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,230)**	**(5,230)**	**93**	**(5,137)**
Balance at 31 December 2015	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**

1. CORPORATE INFORMATION

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

The parent company of the Group is Digi Communications N.V. ("DIGI" or "the Company" or "the Parent"), a company incorporated in Netherlands. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. DIGI registered office is located in Amsterdam (1043 BW), Naritaweg 165, Telestone 8, The Netherlands. On 11 April 2017 the Company changed its name, its former name being Cable Communications Systems N.V.

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

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

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

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

The Group provides telecommunication services of Cable TV (television), Fixed and Mobile Internet and Data, Fixed-line and Mobile Telephony ("CBT") and Direct to Home television ("DTH") services in Romania, Hungary, Spain and Italy. The largest operating company of the Group is RCS&RDS. At the end of 2016, DIGI Group had a total of 13,400 employees (2015: 12,453 employees).

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

The consolidated financial statements were authorized for issue by the Board of Directors of DIGI on 11/04/2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

(b) Non—statutory consolidated financial statements

These Consolidated financial statements are not intended for statutory filing purposes in any jurisdiction. Consequently, they are not suitable for statutory filing in any jurisdiction. For statutory Dutch filing purposes the Group has applied the exception 408 of the Dutch Civil Code Book 2 Title 9 and therefore, the parent company of the Company, RCSM, will file its consolidated financial statements for the year ended 31 December 2016, prepared in accordance with IFRS as adopted by the EU, with the auditor's opinion and the annual report in English within six months after the balance sheet date or within one month after a lawfully made later publication at the office of the commercial register. .

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for buildings, land, network, equipment and devices and customer premises equipment measured at revalued amount, and except for available for sale financial assets and derivative financial instruments measured at fair value as described in the accounting policies under Note 2.2 below.

(d) Going concern assumption

Management believes that the Group will continue as a going concern for the foreseeable future. In recent years the Group operated in an environment of exchange rate volatility whereby the functional currencies (RON, HUF, etc.) fluctuated against the USD and EUR. The unfavourable evolution of the exchange rates has impacted the financial result. However it did not affect the operations of the Group.

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

Please refer to Note 23 for a discussion of how management addresses liquidity risk.

(e) Functional and presentation currency

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

The consolidated financial statements are presented in Euro (“EUR”) and all values are rounded to the nearest thousand EUR except when otherwise indicated. The Group uses the EUR as a presentation currency of the consolidated financial statements under IFRS as adopted by EU 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;
- Senior Notes are denominated in EUR.

The translation into presentation currency of the financial statements of each entity is described under Note 2.2 below.

(f) Significant estimates and judgments

In the process of applying the Group’s accounting policies, 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 and in any future periods affected.

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

- Note 22 purchase price allocation and goodwill calculation;
- Notes 2.2 (d): recognition and classification of programme assets;
- Notes 2.2 (c) and 5: recognition of customer premises equipment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3b: fair value of customer relationships acquired in a business combination;

- Note 6: key assumptions used in discounted cash flow projections in relation to goodwill impairment testing;
- Notes 7 and 23 iv): measurement of available for sale financial assets;
- Note 2.2 (c) and Note 5: useful lives of property, plant and equipment;
- Note 5: revaluation of buildings, network, equipment and devices and customer premises equipment;
- Note 23 i): impairment of trade receivables;
- Notes 23 iv): fair value of financial instruments;
- Note 26: contingencies;
- Note 14 and 23 iv): bonds embedded derivatives;
- Note 20: recognition and measurement of deferred tax assets.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Parent has prepared the consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances for all Group entities.

New pronouncements

The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2016:

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. Management has not made use of this amendment.

- **IAS 1: Disclosure Initiative (amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. Management has not made use of this amendment.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. Management has not made use of this amendment.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group had no transactions in scope of this amendment.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not have any plans that fall within the scope of this amendment.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The Group had no transactions in scope of this amendment.

- **The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.

  - IFRS 2 Share-based Payment: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

  - IFRS 3 Business combinations: This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

  - IFRS 8 Operating Segments: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

  - IFRS 13 Fair Value Measurement: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

  - IAS 16 Property Plant & Equipment: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

  - IAS 24 Related Party Disclosures: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

  - IAS 38 Intangible Assets: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

These amendments did not have a significant effect on the financial position or performance of the Group.

- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016.

    - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

    - IFRS 7 Financial Instruments: Disclosures: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

    - IAS 19 Employee Benefits: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

    - IAS 34 Interim Financial Reporting: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

These amendments did not have a significant effect on the financial position or performance of the Group.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of DIGI and its subsidiaries and the Group's interest in associates as at 31 December 2016. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using mostly consistent accounting policies. Upon consolidation adjustments are recorded in order to align the few inconsistent accounting policies.

Business combinations

The Group accounts for business combinations using the acquisition method. 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. 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 the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

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.

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Investments in associates

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

Investments in significant associates are accounted for using the equity method (equity-accounted investees).

Under the equity method, the investment in an associate is initially recognised at cost. The cost of the investment includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in insignificant associates are accounted for at cost less any accumulated impairment losses.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency—Transactions and balances

Transactions in foreign currencies have been recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been retranslated into the functional currency at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency 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 currency using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and

- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations—Translation to presentation currency

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

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

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

Currency	2016 Jan –1	2016 Average for the year	2016 Dec –31	2015 Jan –1	2015 Average for the year	2015 Dec –31
RON per 1EUR	4.5245	4.4908	4.5411	4.4821	4.4450	4.5245
HUF per 1EUR	313.12	311.47	311.02	314.89	309.89	313.12
CZK per 1EUR	N/A	N/A	N/A	27.73	27.58*	N/A
USD per 1EUR (ecb.eu)	1.0887	1.1070	1.0510	1.2141	1.1095	1.0887

* *The average rate for CZK is the average of period starting 1 January 2015, ending 30 April 2015.*

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: vehicles, furniture and office equipment; or

- using the revaluation model, at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land, buildings, network, equipment and devices and customer premises equipment (“CPE”).

Land is not depreciated.

Property, plant and equipment is measured at cost upon initial recognition.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use, and capitalised borrowing costs, when applicable.

The costs of internally developed networks 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.

Property, plant and equipment includes customer premises equipment, such as DTH, cable, Internet and mobile radio equipment in custody with customer, when the Group retains control over such assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of customer premises equipment in custody of customers with suspended services as at the reporting date is fully impaired.

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

Depreciation is calculated on a straight-line basis to write off recorded cost of the assets over their estimated useful lives.

As at 31 December 2016, management completed its review of the estimated useful lives of property, plant and equipment. As the Group continued to build and utilise the network and related assets, there is a more consistent ground for estimating the consumption pattern of those assets. Consequently, useful lives for several asset sub-categories were revised in order to match the current best estimate of the period over which these assets will generate future economic benefits.

The change of estimated useful lives was applied prospectively from 1 January 2016 onwards:

	Prior Useful life	**Revised Useful life**
Buildings	40-50 years	40-50 years
Fixed Network	15 years	up to 25 years
Mobile Radio Network (sites)	10 years	20 years
Equipment and devices	3-12 years	3-10 years
Customer premises equipment	5 years	5-10 years
Vehicles	5 years	5 years
Furniture and office equipment	3-9 years	3-9 years

The effects of the change of estimated useful lives is presented in Note 5.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or 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.

Revaluation

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 transferred to retained earnings as the assets are depreciated or upon disposal.

Items of property, plant and equipment with zero net book value are not revalued.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss.

Customer relationships

Customer relationships represent the cost incurred by the Group when acquiring 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 fair value at the date of the acquisition and are presented separately from any goodwill resulting in the acquisition.

Management determines the useful life used for the amortization of customer relationships based on management analysis and past experience. The useful life used for amortizing customer relationships is of 7 years (straight line method is used).

Subscriber acquisition costs

Subscriber acquisition costs (“SAC”) represent the costs for acquiring and connecting new subscribers of the Group companies, consisting of commissions paid to third parties for contracting a new subscriber at the point at which the contract is signed with the customer. The Company capitalises as intangible assets the subscriber acquisition costs as they meet the requirements of IAS 38 for capitalization.

SAC are amortized over the related contract period, being a one or two year period.

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 subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment.

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

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

Programme assets

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

- Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season. Sports rights are amortized over the broadcasting period on a straight line basis. Any rights not expected to be utilized are written off;

- Film and television broadcasting rights are recognised at their acquisition cost, when the programme is available for screening, and are amortised over their broadcasting period.

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

The Group classifies the cash outflows for the purchase of programme assets as cash flows used in investing activities in the Consolidated Statement of Cash Flows, based on the long-term nature of the contribution of these assets to the subscriber acquisition, subscriber retention and consequent revenue generation, based on the comprehensive strategy of the Group.

Other intangible assets

Other intangible assets that are acquired by the Group (the 2100 MHz, the 900 MHz, the 2600 MHz and the 3700 MH mobile telephony licenses in Romania, the 1800 MHz mobile telephony license in Hungary, software and other intangible assets) have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of the mobile telephony licences is charged on a straight line basis over the period of each license.

As at 31 December 2016, management completed its review of the estimated useful lives of mobile telephony licenses. For certain mobile telephony licenses there are options for extension, automatic upon the request of the Group. Consequently, useful lives were revised in order to match the current best estimate of the period over which these licenses will generate future economic benefits. Estimated useful lives for mobile telephony licenses are now between 15-25 years (prior: 15 years).

The change of estimated useful lives was applied prospectively from 1 January 2016 onwards. The effects of the change of estimated useful lives are presented in Note 6.

Software licenses (including software related to telecommunication equipment) are amortized on a straight line over their estimated useful life which is generally 3 to 8 years. Other contractual intangible assets are amortized over their underlying contract period.

e) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the date that the Group becomes a party to the contractual provisions of the instrument.

For regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned, the trade date is applied for recognition.

Classification

The Group classifies non-derivative financial assets into the following categories: loans and receivables, cash and cash equivalents and available-for-sale financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, on the date that they are originated. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets included in loans and receivables category include trade and other receivables and other long term receivables.

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.

Available-for-sale assets

Available for sale assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Recognition

The Group initially recognises financial liabilities on the date that the Group becomes a party to the contractual provisions of the instrument.

Classification

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Other financial liabilities

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, issued bonds and trade and other payables.

The Group established vendor financing and reverse factoring agreements with suppliers. In some cases, payment terms are extended in agreements between the supplier and the Group. Depending on the nature of the agreements' clauses, these transactions are classified as trade payables. If these agreements imply extended payment terms, trade payables are classified as long term. Corresponding cash flows are presented as Cash flow from operating activities.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) 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, net of any tax effects.

Transactions with the Company's shares between shareholders are considered completed at the date the transfer of ownership has been agreed upon by the parties in a written contract.

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. When treasury shares are cancelled the excess of cost above nominal value is debited to retained earnings.

Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share for continuing operations and discontinued operations:

- basic earnings per share are calculated by dividing net profit/(loss) for the year attributable to the equity holders of the Group, by the weighted average number of ordinary shares outstanding during the period;

- diluted earnings per share are calculated based on the net profit/(loss), adjusted by the impact on employee profit-sharing, net of the related tax effect. There are currently no instruments that have a dilutive effect on earnings.

Earnings per share are adjusted retrospectively for increases in the number of shares resulting from capitalisation, bonus issues or share splits, as well as for decreases resulting from reverse share splits, including when such changes occur subsequent to the reporting period but before the financial statements are authorized for issue.

(iv) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Derivatives held for trading

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Derivatives as hedging instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f) Impairment

i) Non-financial assets

Property, plant and equipment and intangible assets other than goodwill

The carrying amount of the Group's property, plant and equipment 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.

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 to sell 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

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

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

Goodwill

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

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

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

Impairment losses recognized for goodwill cannot be subsequently reversed.

ii) Financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. The main assumptions used by management in evaluating the level of the allowance include factors such as age of the balance, type of customers, existence of disputes, recent historical payment patterns and other available information concerning the creditworthiness of counterparties, as well as the Group's historical loss experiences for the relevant aged category. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI. Impairment losses for an impaired available-for-sale equity instrument are not reversed through profit or loss, but only through OCI.

Investments in associates

An impairment loss in respect of investments in associates is measured by comparing the recoverable amount of the investment with its carrying amount. The recoverable amount of the investment is the higher of its fair value less costs of disposal and its value in use. The Group determines the fair value less costs of disposal based on a discounted cash flow ("DCF") valuation model.

An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

g) Inventories

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

Cost is determined on a FIFO 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 equipment 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.

h) Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses as services are rendered.

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.

Share based payment transactions

Refer to paragraph q) below.

i) 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 discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as a finance cost.

j) Leases

The Group as a lessee

Service contracts that do not take the legal form of a lease but convey rights to the Group to use an asset or a group of assets in return for a payment or a series of fixed payments are accounted for as leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Contracts meeting these criteria are then evaluated to determine whether they are either an operating lease or finance lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalized leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term unless there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful lives.

Indefeasible Rights of Use (IRUs) represent the right to use a portion of the capacity of a terrestrial transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. Such assets are included in property, plant and equipment in the consolidated statement of financial position. They are depreciated over the shorter of the expected period of use and the life of the contract.

Leases, including IRU leases and lease of satellite transponders, where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

When a sale and lease back transaction results in a finance lease, any excess of the sales proceeds over the carrying amount is deferred and amortised over the lease term (no profit on disposal of the asset is recorded in profit or loss). No loss is recognized unless the asset is impaired. If no loss is recognised, the leased asset is recorded at the previous carrying amount and continues to be accounted as before the sale and leaseback transaction.

The Group as a lessor

The Group currently has no material arrangements as a lessor. The existing arrangements as a lessor, which are not material, are all operating leases.

k) Contingencies

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

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

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

l) Revenue and other income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenues from services

The Group's main sources of revenue from services are:

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

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The revenues from services are recognized as follows:

- ***Subscription fees and voice traffic services***

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

- ***Deferred revenue***

Any subscription revenue received in advance of the service being provided is recorded as deferred revenue and recognized over the period when the service is provided.

- ***Prepaid services***

Revenue from the sale of prepaid cards, net of discounts allowed, included in the Group's prepaid services packages, is recognised based on usage. Prepaid revenue is deferred until the customer uses the traffic or the card expires.

- ***Customer loyalty programme***

Starting with 2016, the Group operates a loyalty programme in Romania which allows customers to receive vouchers on signing new or renewed contracts. The vouchers' fair value (which is the same as their nominal value) is deducted from the future subscription values and recognized as revenue when utilised or at expiration.

Equipment sales

Revenue is recognized when the significant risks and rewards of ownership of the equipment have passed to the buyer, usually upon delivery.

Multiple element arrangements

Sales of certain packaged offers are considered as comprising identifiable and separate components to which general revenue recognition criteria can be applied separately. Once the separate components have been identified, the amount received or receivable from the customer is allocated, based on each component's fair value, first to the undelivered element and the remainder, if any, to the delivered element. For the delivered element the revenue is recognized only when the following criteria are met:

- the delivered item has a value to the consumer on a standalone basis, and
- there is objective and reliable evidence of the fair value of the undelivered item.

Where the promotional offer includes a period of free service, a portion of the revenue is recognized over the period of the free service.

Instalment sales

Revenue attributable to the sales price, exclusive of interest, is recognized when the risks and rewards of ownership have passed to the buyer, usually upon delivery. The revenue recognised on the sale is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognized as revenue as it is earned, using the effective interest method.

Rental income

Rental income arising from operating leases of assets is accounted for on a straight-line basis over the lease term of ongoing leases.

Advertising

Revenues obtained from publicity sales on our broadcasting channels (TV & radio) are recognized when the relating advertising is performed.

Supply of electricity

Realized results from trading of electricity are reported in the Profit and Loss account on a net basis as part of Operating expenses. Mark-to-market results (unrealised) from fair value assessment of energy trading contracts are reported as Other income/ (Other expense) in the Profit and Loss account.

Revenues from electricity production, including the related green certificates granted under Romania's renewable energy support scheme, are recognized when electricity is produced. 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.

m) Finance income and finance expense

Finance income comprises interest income on funds invested, dividend income, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on derivative financial instruments that are recognised in profit or loss and reclassifications of net gains in hedging instruments previously recognised in other comprehensive income.

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

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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.

n) 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 also include individuals that are principal owners, management and members of the Board of Directors and members of their families, or any company that is related party to Group's entities.

o) Income tax

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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.

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 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.

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.

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.

p) 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 of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity- settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. For determination of fair value of equity instruments, refer to Note 3(e).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, 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 date'). 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 charge or credit to profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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 vesting 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, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

In 2016 no share based payment plan applied (no grants were made and all previous awards vested).

r) Discontinued operations

A discontinued operation is a component of the Group's business, operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to re-sale

- Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

s) Subsequent events

Post period-end events that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes, when material.

t) Segment reporting

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

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of comprehensive income is disclosed in Note 28. 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.

2.3 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group does not plan to adopt these standards early.

- **IFRS 9 Financial Instruments**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed that this amendment will not have a significant impact on the consolidated financial position or performance of the Group.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

The Group has initiated the IFRS 15 impact analysis, which is still on-going. We have started the analysis of a sample of contracts and mix of services provided to subscribers in order to assess the impact of IFRS 15 implementation compared with our current accounting policies in accordance with IAS 18. Among others, we have analysed the mobile handsets component of a multiple element arrangements and the timing of the revenues recognized. Based on the sample analysed so far, we have identified the performance obligations and determined transaction price, as well as allocated the transaction price in accordance with IFRS 15. Based on the current status of the analysis, the impact of implementing IFRS 15 appears to be not very significant with respect to unbundling of revenues.

The analysis is scheduled to be continued during 2017 in order to finalize the estimation of the total impact. We have not yet analysed accounting for changes in contracts, accounting for subscriber acquisition costs and loyalty programs. The Group will implement IFRS 15 as at 1 January 2018. The transition policy to be adopted is still under review.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. Management is in the process of assessing the impact of adopting IFRS 15.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management is in process of assessing the impact of this new standard on the consolidated financial position or performance of the Group. For details of the Group's operating leases as lessee, please refer to Note 26.

- **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. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 12 Income taxes (Amendments): Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The objective of these amendments is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. For example, the amendments clarify the accounting for deferred tax assets when an entity is not allowed to deduct unrealised losses for tax purposes or when it has the ability and intention to hold the debt instruments until the unrealised loss reverses. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 7 Statement of Cash Flows (Amendments): Disclosure Initiative**

The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier application permitted. The objective of these amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendment will have impact on the disclosures from the consolidated financial statements of the Group.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Group does not currently operate a share based payment scheme.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group does not hold investment property.

- **IFRIC 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group has already applied the accounting treatment provided by this Interpretation before its issuance.

- The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that these improvements will not have an impact on the consolidated financial position or performance of the Group.

    - ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

    - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

3. DETERMINATION OF FAIR VALUES

- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

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

The fair value of property, plant and equipment recognised as a result of a business combination and of property, plant and equipment 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 of property, plant and equipment is based on the market approach and, where market approach cannot be used given the high degree of specialization of the asset being valued, cost 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). The cost approach relies on the determination of the depreciated replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Please refer to Note 5 for disclosures of the revaluation performed in 2016.

b) Intangible assets

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 are part of creating the related cash flows. Main assumptions used are the churn rate, EBITDA %, the discount rate.

c) Derivatives

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.

Please refer to Notes 23 and 25 for additional disclosures regarding fair values of derivatives.

d) Non-derivative financial assets and liabilities

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.

Please refer to Note 23 for additional disclosures regarding fair values of non-derivative financial instruments.

e) Equity-settled share-based payment transactions

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 value of shares at the grant date as the exercise price of the options is equal to the nominal value of shares which is close to zero (refer to Note 24). 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. The market value of the shares is determined based on a discounted cash flow method and comparable enterprise/equity values of other entities in the telecom industry. The main inputs used in the discounted cash flow calculation are Group revenues, EBITDA, WACC, terminal growth rate.

Please refer to Note 24 for additional disclosures regarding share-based payments.

f) Available for sale investments

The market value of the shares is determined based on a discounted cash flow method and comparable enterprise/ equity values of other entities in the telecom industry. The main inputs used in the discounted cash flow calculation are Group revenues, EBITDA, WACC, terminal growth rate.

Please refer to Note 23 for additional disclosures regarding the fair valuation of AFS investments.

4. SEGMENT REPORTING

31 December 2016	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	612,691	137,850	83,036	9,178	—	—	**842,755**
Inter-segment revenues	2,695	—	1,648	453	(4,796)	—	**—**
Segment operating expenses	(413,114)	(86,510)	(70,735)	(13,915)	4,796	—	**(579,478)**
EBITDA (Note 28)	**202,272**	**51,340**	**13,949**	**(4,284)**	**—**	**—**	**263,277**
Depreciation, amortization and impairment of tangible and intangible assets						(170,094)	**(170,094)**
Revaluation impact						(6,276)	**(6,276)**
Other expenses	(6,969)	—	—	—	—	—	**(6,969)**
Gain from sale of discontinued operations	—	—	—	(674)	—	—	**(674)**
Operating profit							**79,264**
Additions to tangible non-current assets	184,501	35,163	1,010	133	—	—	**220,807**
Additions to intangible non-current assets	31,897	1,606	2,814	987	—	—	**37,304**
Carrying amount of:							
Property, plant and equipment	708,992	115,426	1,450	121	—	—	**825,989**
Non-current intangible assets	171,408	30,747	3,434	1,223	—	—	**206,812**
Investments in associates and AFS	995	—	—	—			**995**

The types of products and services from which each segment derives its revenues are disclosed in Note 17.

31 December 2015	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	540,134	125,933	72,679	11,384	—	—	**750,130**
Inter-segment revenues	1,638	—	1,074	—	(2,712)	—	**—**
Segment operating expenses	(362,212)	(76,549)	(62,755)	(12,973)	2,712	—	**(511,777)**
EBITDA (Note 28)[(1)]	**179,560**	**49,384**	**10,998**	**(1,589)**	**—**	**—**	**238,353**
Depreciation, amortization and impairment of tangible and intangible assets	—	—	—	—	—	(187,905)	**(187,905)**
Other expenses[(1)]	(998)	—	—	—	—	—	**(998)**
Gain from sale of discontinued operations	—	—	—	20,882	—	—	**20,882**
Operating profit	**—**	**—**	**—**	**—**	**—**	**—**	**70,332**
Additions to tangible non-current assets	125,621	15,303	522	174	—	—	**141,620**
Additions to intangible non-current assets	27,600	1,017	2,962	670	—	—	**32,250**
Carrying amount of:							
Property, plant and equipment	575,008	98,711	954	70	—	—	**674,743**
Non-current intangible assets	169,529	31,208	3,510	881	—	—	**205,128**
Investments in associates and AFS	1,000	—	—	43,373	—	—	**44,373**

(1) *As of December 31, 2016 we present unrealised mark-to-market results from fair value assessment of energy trading contracts on a separate line: Other expenses. Comparative information as of December 31, 2015 was restated accordingly. Prior to the restatement, as of December 31, 2015 the unrealised mark-to-market loss of EUR 998 thousand was included in Operating expenses.*

The types of products and services from which each segment derives its revenues are disclosed in Note 17.

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 December 31, 2015	**12,043**	**62,190**	**476,482**	**83,397**	**142,637**	**226,347**	**30,140**	**18,473**	**1,051,709**
Additions	8,207	4,321	5,789	186,393	—	9,888	2,410	3,799	220,807
Transfer from construction in progress ("CIP")/reallocation	—	15,568	89,421	(185,197)	33,517	38,462	6,088	2,141	—
Transfers from inventories	—	—	—	9,973	—	—	—	—	9,973
Disposals	—	(269)	(2,201)	(311)	(178)	(143)	(142)	(15)	(3,259)
Disposals through deconsolidation of subsidiaries	—	—	(769)	—	—	—	—	(1)	(770)
Cancellation of accumulated depreciation against gross carrying amount of the revaluated asset	—	(3,694)	—	—	(115,722)	—	—	—	(119,416)
Revaluation surplus recognised in other comprehensive income	929	990	—	—	17,523	—	—	—	19,442
Revaluation deficit recognised in profit or loss	(3,264)	(647)	—	—	(2,365)	—	—	—	(6,276)
Effect of movements in exchange rates	(112)	(407)	(1,886)	(310)	(981)	(395)	(129)	(63)	(4,283)
At December 31, 2016	**17,803**	**78,052**	**566,836**	**93,945**	**74,431**	**274,159**	**38,367**	**24,334**	**1,167,927**
Depreciation and impairment									
At December 31, 2015	**—**	**7,402**	**114,068**	**—**	**102,074**	**117,797**	**23,283**	**12,342**	**376,966**
Depreciation charge	—	3,132	38,842	—	12,367	25,572	3,516	3,264	86,693
Impairment	—	—	—	128	1,702	—	—	—	1,830
Disposals	—	(26)	(2,201)	—	(171)	(98)	(72)	(15)	(2,583)
deconsolidation of subsidiaries	—	—	(493)	—	—	—	—	(1)	(494)
Cancellation of accumulated depreciation against gross carrying amount of the revaluated asset	—	(3,694)	—	—	(115,722)	—	—	—	(119,416)
Effect of movements in exchange rates	—	(52)	(434)	(1)	(250)	(174)	(101)	(46)	(1,058)
At December 31, 2016	**—**	**6,762**	**149,782**	**127**	**—**	**143,097**	**26,626**	**15,544**	**341,938**
Net book value									
At December 31, 2015	**12,043**	**54,788**	**362,414**	**83,397**	**40,563**	**108,550**	**6,857**	**6,131**	**674,743**
At December 31, 2016	**17,803**	**71,290**	**417,054**	**93,818**	**74,431**	**131,062**	**11,741**	**8,790**	**825,989**

	Land	Buildings	Network	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At December 31, 2014	**10,405**	**43,277**	**431,870**	**64,665**	**120,121**	**197,960**	**27,446**	**15,428**	**911,172**
Additions	1,894	3,234	5,038	119,749	442	7,918	1,171	1,880	141,326
Acquired through business combinations (note 22 b)	—	—	—	—	—	290	—	4	294
Transfer from construction in progress (“CIP”)/reallocation	—	16,400	44,292	(111,294)	25,103	21,743	2,280	1,476	—
Transfers from inventories	—	—	—	11,967	—	—	—	—	11,967
Discontinued operations (note 21)	—	—	—	—	(1,122)	(28)	(116)	(68)	(1,334)
Disposals	(126)	—	(609)	(773)	(506)	(267)	(625)	(87)	(2,993)
Effect of movements in exchange rates	(130)	(721)	(4,109)	(917)	(1,401)	(1,269)	(16)	(160)	(8,723)
At December 31, 2015	**12,043**	**62,190**	**476,482**	**83,397**	**142,637**	**226,347**	**30,140**	**18,473**	**1,051,709**
Depreciation and impairment									
At December 31, 2014	**—**	**5,506**	**72,582**	**—**	**74,758**	**83,258**	**21,747**	**10,242**	**268,093**
Depreciation charge	—	1,971	43,267	—	29,297	35,867	2,242	2,332	114,976
Impairment	—	—	—	—	337	—	—	—	337
Discontinued operations (note 21)	—	—	—	—	(713)	(12)	(64)	(49)	(838)
Disposals	—	—	(431)	—	(443)	(251)	(629)	(80)	(1,834)
Effect of movements in exchange rates	—	(75)	(1,350)	—	(1,162)	(1,065)	(13)	(103)	(3,768)
At December 31, 2015	**—**	**7,402**	**114,068**	**—**	**102,074**	**117,797**	**23,283**	**12,342**	**376,966**
Net book value									
At December 31, 2014	**10,405**	**37,771**	**359,288**	**64,665**	**45,363**	**114,702**	**5,699**	**5,186**	**643,079**
At December 31, 2015	**12,043**	**54,788**	**362,414**	**83,397**	**40,563**	**108,550**	**6,857**	**6,131**	**674,743**

Property, plant and equipment additions

Most of the additions in 2016 and 2015 relate to the triple play network, as the Group has continued to invest in expanding to new areas but also has continued the upgrade of the existing network. Other additions relate to continued investment in the mobile radio network coverage and equipment investments mainly in the Company's TV production facilities.

Property, plant and equipment in leasing

The carrying amount of property, plant and equipment includes an amount of EUR 12,915 as of 31 December 2016 (31 December 2015: 14,255) representing land and buildings as assets held under finance leases. The ownership title of these assets should be transferred to RCS&RDS at the end of the leasing agreements (refer to Note 14 (x)).

Revaluation of land and buildings

The Group engaged an accredited independent appraiser to determine the fair value of its land and buildings as of 31 December 2016. In terms of the buildings, only the owned buildings in Romania were subject to the fair value appraisal. Improvements to rented buildings from Romania and Hungary were excluded from the fair value appraisal. The revaluation registered a decrease in fair value of EUR 2,335 for land and an increase of EUR 343 for buildings. These values were recorded through profit and loss with a total negative impact of EUR 3,911 (as part of Operating expenses) and through other comprehensive income with a total positive impact of EUR 1,919.

The fair value was determined by reference to market-based evidence, using the market comparable method, the cost and income approach. The valuation techniques are selected by the independent appraiser, in accordance with International Valuation Standards. There were no changes in the valuation techniques compared to the previous revaluation.

The fair value is overall determined to be Level 3 in the fair value measurement hierarchy. The inputs used in the valuation were either:

- Level 2 inputs based on the IFRS 13 classification (e.g. current rents, prices per sqm, yields, occupancy rates, etc. publicly available on the market for similar assets and other market-corroborated inputs), or
- Level 3 (unobservable) inputs representing for example assumptions in respect to operational costs, replacement costs, depreciation adjustments—most of them derived based on publicly available technical studies (rather than direct inputs from the market), with orderly adjustments performed by the appraiser.

The valuation is sensitive to its main inputs, being the sales value per sqm (which was in the range of 224 EUR/sqm to 1,167 EUR/sqm for apartments located in different cities in Romania and 224 EUR/sqm to 637 EUR/sqm for market values estimated for the main land plots), the rental value per sqm (which was in the range of 12 EUR/sqm to 21.5 EUR/sqm for the main assets) and the yield (which was in the range of 7.5% to 10% for the main assets).

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

	31 December 2016	**31 December 2015**
Cost	**19,705**	**11,713**
Fair value	**17,803**	**12,043**

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

	31 December 2016	**31 December 2015**
Cost	81,470	62,253
Accumulated depreciation	(14,436)	(11,537)
Net carrying amount	**67,034**	**50,716**
Fair value	**71,290**	**54,788**

Revaluation of network, equipment and devices and customer premises equipment

Network, equipment and devices, and customer premises equipment were revalued as of 31 December 2012 on the basis of their depreciated replacement cost calculated by the Group's personnel (fair value is classified as

Level 3 in the fair value measurement hierarchy, since this valuation was performed using a non-observable input). Replacement cost was determined as follows:

- for materials and equipment, based on price quotations from suppliers and prices of the most recent acquisitions;
- for personnel costs, based on the historical salaries multiplied by the Group's salary growth rate;
- for subcontractor costs, based on historical fees multiplied by the consumer price indices for services.

As of 31 December 2016 management has assessed that the replacement cost of network, equipment and devices which are not fully amortized did not vary significantly from the 31 December 2012 revaluation and respectively their acquisition cost for additions during 2013-2016. Given the new technologies used by the Group no significant instances of technological obsolescence were identified. Please refer to "Estimated useful lives" below for the changes in estimated useful lives.

Customer premises equipment were revalued as of 31 December 2016 on the basis of their depreciated replacement cost calculated by the Group's personnel (fair value is classified as Level 3 in the fair value measurement hierarchy, since this valuation was performed using non-observable inputs). Replacement cost was determined based on price quotations from suppliers and prices of the most recent acquisitions. Additionally, a ceiling was applied in the revaluation process by reference to the original acquisition prices (in RON equivalent at the applicable exchange rates as of 31 December 2016) and applying a yearly discount for the typical price decreases in telecommunications' industry. Given the new technologies used by the Group no significant instances of technological obsolescence were identified. Please refer to "Estimated useful lives" below for the changes in estimated useful lives.

The revaluation generated a net increase in fair value of EUR 15,158, recorded through profit and loss for revaluation deficit of EUR 2,365 (as part of Operating expenses) and through other comprehensive income for revaluation surplus of EUR 17,523.

Network, equipment and devices, and customer premises equipment are part of cash generating units containing goodwill, which are tested annually for impairment (refer to Note 6).

If network, equipment and devices, and customer premises equipment were measured using the cost model, the carrying amounts would be as follows:

Network

	31 December 2016	31 December 2015
Cost	631,477	541,447
Accumulated depreciation	(251,244)	(216,408)
Net carrying amount	**380,233**	**325,039**
Fair value	**417,054**	**362,414**

Equipment and devices

	31 December 2016	31 December 2015
Cost	382,018	334,719
Accumulated depreciation	(256,516)	(232,416)
Net carrying amount	**125,502**	**102,303**
Fair value	**131,062**	**108,550**

Customer premises equipment

	31 December 2016	31 December 2015
Cost	517,672	484,842
Accumulated depreciation	(458,251)	(446,588)
Impairment	(6,585)	(4,883)
Net carrying amount	**52,836**	**33,371**
Fair value	**74,431**	**40,563**

Estimated useful lives

As at 31 December 2016, management reviewed the estimated useful lives of property, plant and equipment. As the Group continued to build and utilise the network and related assets, there is a more consistent ground for estimating the consumption pattern of those assets. Consequently, useful lives for several asset sub-categories were revised in order to match the current best estimate of the period over which these assets will generate future economic benefits.

The change of estimated useful lives was applied prospectively from 1 January 2016 onwards. For details, please see also Note 2.2 c) Basis of preparation and accounting policies.

The impact of revising the estimated useful lives of certain categories of property, plant and equipment on the value of depreciation charge recognized in profit or loss statement in year ended December 31, 2016 is presented below:

	Depreciation charge 2016		
	Prior estimated useful lives	**Revised estimated useful lives**	**Difference arising from change in estimated useful lives**
Buildings	3,132	3,132	—
Network	42,954	38,842	(4,112)
Customer premises equipment	23,791	12,367	(11,424)
Equipment and devices	33,209	25,572	(7,637)
Vehicles	3,516	3,516	—
Furniture and office equipment	3,264	3,264	—
Total	**109,866**	**86,693**	**(23,173)**

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

Impairment

An assessment of impairment indicators has been made for the CGUs, which do not include goodwill (such as the renewable energy production), as well as for specific assets (such as abandoned construction-in-progress).

6. INTANGIBLE ASSETS

a) Non-current intangible assets

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At December 31, 2015	**77,240**	**74,782**	**2,883**	**64,172**	**153,426**	**372,503**
Additions	—	645	—	14,587	22,072	37,304
Disposals	—	—	—	—	(12)	(12)
Effect of movement in exchange rates	(62)	(126)	—	55	(518)	(651)
At December 31, 2016	**77,178**	**75,301**	**2,883**	**78,814**	**174,968**	**409,144**
Depreciation						
At December 31, 2015	**—**	**56,560**	**577**	**57,809**	**52,429**	**167,375**
Amortization		10,309	733	7,126	16,835	35,003
Impairment	—	—	—	398	—	398
Effect of movement in exchange rates		(254)	(3)	21	(208)	(444)
At December 31, 2016	**—**	**66,615**	**1,307**	**65,354**	**69,056**	**202,332**
Net Book Value						
At December 31, 2015	**77,240**	**18,222**	**2,306**	**6,363**	**100,997**	**205,128**
At December 31, 2016	**77,178**	**8,686**	**1,576**	**13,460**	**105,912**	**206,812**

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At December 31, 2014	**80,994**	**69,255**	**235**	**58,298**	**133,839**	**342,621**
Additions	—	2,838	—	6,249	20,467	29,554
Reclassifications	(3,321)	3,321	—	—	—	—
Disposals	—	—	—	—	—	—
Additions from acquisition of subsidiaries (note 22 b)	—	—	2,695	—	1	2,696
Discontinued operations (note 21)	—	—	—	(256)	(4)	(260)
Effect of movement in exchange rates	(433)	(632)	(47)	(119)	(877)	(2,108)
At December 31, 2015	**77,240**	**74,782**	**2,883**	**64,172**	**153,426**	**372,503**
Depreciation						
At December 31, 2014	**—**	**47,080**	**146**	**54,011**	**41,643**	**142,880**
Amortization	—	9,876	438	4,180	11,100	25,594
Disposals	—	—	—	—	—	—
Discontinued operations (note 21)	—	—	—	(256)	(4)	(260)
Effect of movement in exchange rates	—	(396)	(7)	(126)	(310)	(839)
At December 31, 2015	**—**	**56,560**	**577**	**57,809**	**52,429**	**167,375**
Net Book Value						
At December 31, 2014	**80,994**	**22,175**	**89**	**4,287**	**92,196**	**199,741**
At December 31, 2015	**77,240**	**18,222**	**2,306**	**6,363**	**100,997**	**205,128**

(i) Customer relationships

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

(ii) Impairment testing for cash-generating units containing goodwill

The Group defines cash-generating units (CGUs) based on three criteria:

1. country;

2. infrastructure used in providing the services; and

3. bundling of services affecting independence of cash flows.

Since a significant percentage of customers buy bundled services of CBT (cable, broadband and telephony), in countries where the Group is providing both CBT and DTH services, the Group identified separate CGUs for CBT and DTH respectively. In countries where either CBT or DTH services are provided, only one CGU was identified for telecom activities. Mobile telephony and television production do not represent separate CGUs in Romania due RCS&RDS strategy, structure of subscribers and revenues generated.

In addition, solar electricity production companies are also considered distinct CGUs.

Goodwill acquired through business combinations has been allocated among cash generating units for the purposes of impairment testing as follows:

- CBT Romania;
- CBT Hungary;
- CBT Spain.

Goodwill	**31 December 2016**	**31 December 2015**
CBT	**76,868**	**76,908**
Romania	55,600	55,781
Hungary	21,040	20,899
Spain	228	228
DTH	**310**	**332**
Romania	310	332
Total	**77,178**	**77,240**

Recoverable amounts for the CGUs have been determined on the basis of fair value less costs to sell calculations using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in the calculations of the recoverable amounts

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

Discount rate

- for the Romanian territory 8.17% p.a. (2015: 8.48%);
- for the Hungarian territory 9.14% p.a. (2015: 9.40%).

The discount rate applied to the cash flows of each CGU is based in the Group's Weighted Average Cost of Capital (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use.

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

- for Romanian CBT CGU 1.7% p.a. (2015: 1.7%);
- for Hungarian CBT CGU 1.7% p.a. (2015: 1.7%).

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 Hungary, 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 Hungarian CBT CGU is based on past experience and growth expectation from tighter cost control and additional revenue from new subscribers connected to the fixed network.

The Company does not disclose information regarding prospective EBITDA margins and revenue growth rates for the budget period, given the strategic nature of this information.

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 fixed network) and other business drivers.

Management believes that as of 31 December 2016 no reasonable change in the main assumptions could result in an impairment charge (31 December 2015: same).

(iii) Subscriber acquisition costs ("SAC")

SAC represents third party costs for acquiring and connecting customers of the Group. In 2016 SAC was generated in relation with contracting customers in Romania (EUR 10,810), Spain (EUR 2,721), Hungary (EUR 326) and Italy (EUR 730). In 2015 SAC was generated in relation with contracting customers in Romania (EUR 2,567), in Spain (EUR 2,942), Hungary (EUR 328) and Italy (EUR 412).

(iv) Licences and software

Estimated useful lives

As at 31 December 2016, management reviewed the estimated useful lives of mobile telephony licenses. For certain mobile telephony licenses there are options for extension, automatic upon the request of the Group. Consequently, useful lives were revised in order to match the current best estimate of the period over which these licenses will generate future economic benefits. For details, please see also Note 2.2 d) Basis of preparation and accounting policies.

The impact of revising the estimated useful lives of certain mobile telephony licences on the value of amortization charge recognized in profit or loss statement in year ended December 31, 2016 is presented below:

	Amortization charge 2016		
	Prior estimated useful lives	**Revised estimated useful lives**	**Difference arising from change in estimated useful lives**
Licenses	17,557	16,835	(722)

2100 MHz license (Romania)

In January 2007 the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") granted to RCS&RDS a *2100 MHz* license for a period of 15 years which may be extended at the request of the Company for another 10 years, for a total consideration of EUR 27,056 (equivalent of USD 35,000), entirely paid as of 31 December 2014. The cost of the *2100 MHz* license was EUR 23,110 and was determined at inception date by discounting the future payments using effective interest method at the date the license was granted to RCS&RDS (interest rate used was 7.6% p.a., similar to interest rate on other long term borrowings contracted by RCS&RDS). The carrying amount of the *2100 MHz* license as of 31 December 2016 is EUR 6,550 (2015: EUR 7,011).

900 MHz license (Romania)

In September 2012 IGCTI granted to RCS&RDS 1 spectrum block in the 5 MHz broadband to be used starting with April 2014 for a period of 15 years, for a total consideration of EUR 40,000 out of which EUR 26,000 was paid in 2012. The remaining amount of EUR 14,000 was paid in June 2013. The carrying amount of the 900 MHz license as of 31 December 2016 is EUR 32,158 (2015: EUR 34,911).

The obligations assumed in relation to the 900 MHz license are: allow access to MVNOs (mobile virtual network operators), coverage of a number of small cities in Romania presently without coverage until 5 April 2016, coverage for voice services of 98% of the population until 5 April 2019, coverage for data services of 60% of population until 5 April 2021.

1800 MHz license (Hungary)

In September 2014 NMHH granted to Digi Hungary 1 spectrum block in the 5 MHz for a period of 15 years, for a total consideration of HUF 10 billion (EUR 32,600) which was fully paid in October 2014. The carrying amount of the 1800 MHz license as of 31 December 2016 is EUR 28,726 (2015: EUR 30,137). The license has no coverage obligations assumed.

2600 MHz license (Romania)

In August 2015 the purchase of a 2600 MHz license from 2K Telecom for a total consideration of EUR 6,600 was approved by the Romanian General Inspectorate for Communication and Information Technology ("IGCTI"). The carrying amount of the *2600 MHz* license as of 31 December 2016 is EUR 3,563 (2015: EUR 5,722).

3700 MHz license (Romania)

In October 2015 RCS&RDS has participated in an auction and acquired from the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") a 3700 MHz license for a total consideration of EUR 1,880. The license was granted and came into effect starting with December 2015 and its carrying amount as of 31 December 2016 is EUR 1,227 (2015: EUR 1,847).

FM Radio frequency licenses (Romania)

In 2015 RCS&RDS obtained the right of use of several audiovisual licences, through a transfer of licenses approved by the National Audiovisual Council of Romania. These licences are currently used to broadcast the Digi FM, Pro FM, Dance FM and Music FM radio stations.

Other

Included in "Licenses and software" category is also the software required for the operation and maintenance of communication equipment.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

b) Current intangible assets—programme assets

	31 December 2016	31 December2015
Balance at 1 January	**29,536**	**16,838**
Additions	47,058	60,074
Amortization (Note 18)	(46,170)	(46,999)
Effect of movement in exchange rates	(112)	(377)
Balance at 31 December	**30,312**	**29,536**

Included in "Additions" is an amount of EUR 34,376 representing broadcasting rights for sports competitions for 2016/2017 season (2015: EUR 42,956 for 2015/2016 season) and related advance payments for future seasons, the difference representing movies and documentaries rights. Contractual obligations related to future seasons are presented as commitments in Note 26.

7. AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)

	31 December 2016	31 December 2015
Balance at 1 January	**43,373**	**41,296**
Additions	1,653	850
Fair value adjustment—OCI	2,367	1,227
Non-cash distribution of dividends (Note 13)	(47,393)	—
Balance at 31 December	**—**	**43,373**

The above available for sale financial assets comprise shares in RCSM. As at 31 December 2016 the percentage of ownership of DIGI in RCSM is nil (31 December 2015: 9.17%). For additional disclosures on the fair values of the AFS refer to Note 23 (iv).

As of 31 December 2016 the AFS assets were derecognized and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss (as Finance income).

8. EARNINGS PER SHARE (EPS)

	2016 Continuing Operations	2016 Discontinued Operations	2016 Total	2015 Continuing Operations	2015 Discontinued Operations	2015 Total
Net profit/(loss) for the year	12,457	(674)	11,783	(17,501)	21,528	4,027
Non-controlling interests	977	26	1,003	834	(891)	(57)
Net profit/(loss) attributable to equity holders of the parent	**13,434**	**(648)**	**12,786**	**(16,667)**	**20,637**	**3,970**
Weighted average number of ordinary shares outstanding (number of shares)						
Weighted average number of ordinary shares outstanding—basic*			**46,459**			**46,459**
Weighted average number of shares outstanding—diluted*			**46,459**			**46,459**
Earnings/(loss) per share (EUR/share)	**289.2**	**(13.9)**	**275.2**	**(358.7)**	**444.2**	**85.5**
Weighted average number of ordinary shares outstanding (number of shares), retrospectively adjusted for the share split (1:10) and bonus issuance decided in February 2017 (see Note 27)						
Weighted average number of ordinary shares outstanding—basic			**99,958,650**			**99,958,650**
Weighted average number of shares outstanding—diluted			**99,958,650**			**99,958,650**
Earnings/(loss) per share (EUR/share)	**0.13**	**(0.01)**	**0.13**	**(0.17)**	**0.21**	**0.04**

* The number of outstanding shares excludes treasury shares

In February 2017, the general meeting of shareholders of the Company has unanimously resolved among others to amend the articles of association pursuant to which, inter alia, two classes of shares will be created being: class A shares with a nominal value of ten eurocent (EUR 0.10) each and in respect of which for each share A, ten (10) votes may be cast and class B shares with a nominal value of one eurocent (EUR 0,01) each and in respect of which for each share B one (1) vote may be cast.

The above-mentioned resolutions and the changes approved therein are set to take effect only following the lapse of a two-month mandatory wait period, occurred on 11 April 2017 (please see also Note 27).

For details about the share split and bonus issuance of shares, please see Note 27.

9. INVENTORIES

	31 December 2016	31 December 2015
Merchandise and equipment	6,255	7,603
Materials and consumables	12,297	5,602
Total inventories, net	**18,552**	**13,205**

Merchandise and equipment

This category includes terminal equipment sold to the customers. Such equipment includes mostly mobile phones.

Materials and consumables

This category includes mainly inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

10. TRADE AND OTHER RECEIVABLES

	31 December 2016	31 December 2015
Trade receivables	107,096	76,685
Receivable from related parties (refer to Note 14)	1,014	974
Other taxes receivable	380	180
Other receivables	475	4,706
Total trade and other receivables	**108,965**	**82,545**

For details regarding credit risk please refer to Note 23.

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

11. OTHER ASSETS

	31 December 2016	31 December 2015
Advances to suppliers	4,291	6,167
Prepayments	2,030	2,042
Total other assets	**6,321**	**8,209**

For details regarding credit risk please refer to Note 23.

12. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Bank accounts	14,340	49,423
Petty cash	285	239
Total cash and cash equivalents	**14,625**	**49,662**

Collateral

For details on the pledges placed on the Group assets refer to Note 14 (xiv).

13. EQUITY

As of 31 December 2016, DIGI has an authorised share capital of EUR 250 comprised of 250,000 units of ordinary shares with nominal value of EUR/share 1 each. At the date of the balance sheet 50,594 ordinary shares were issued and fully paid. There are no other issued shares.

	31 December 2016	31 December 2015
Ordinary Shares—Issued and Paid (No.)	50,594	50,594
Ordinary Shares—Unissued (No.)	199,406	199,406
Nominal Value	1 EUR per share	1 EUR per share
Share Capital Value (EUR thousand)	51	51

At 31 December 2016 and 2015, the shareholders of DIGI are as follows:

	31 December 2016		31 December 2015	
Shareholder name	**No. of shares**	**%**	**No. of shares**	**%**
RCSM	29,277	57.87%	29,277	57.87%
Teszari Zoltan	2,326	4.60%	2,326	4.60%
Carpathian Cable Investment Ltd	9,953	19.67%	9,953	19.67%
Celest Limited (Cyprus)	2,694	5.32%	2,694	5.32%
DIGI—treasury shares	4,135	8.17%	4,135	8.17%
Other	2,209	4.38%	2,209	4.38%
Total	**50,594**	**100.00%**	**50,594**	**100.00%**

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.

Dividends

As stated previously, these financial statements are not the statutory financial statements of DIGI. The profit available for distribution is the profit for the year and retained earnings recorded in the Dutch GAAP statutory financial statements, which differs from the result in these financial statements, prepared in accordance with IFRS.

In 2016 a gross dividend of EUR 57,545 (2015: EUR 3,500) was distributed from the DIGI statutory retained earnings of 2016 (2015).

On December 27, 2016 the general shareholders meeting of DIGI has approved the distribution of cash dividends in amount of 300 EUR/share for shareholders; RCSM has exercised the option to receive instead of the cash dividends all the RCSM shares that were held by DIGI at the date (20,400 shares).

The 2016 distributions consisted of EUR 10,154 cash and EUR 47,392 distribution in kind representing all the available-for-sale shares in RCSM. The related amount of dividend per share for 2016 was EUR/share 1,726.32 for RCSM and respectively EUR/share 407.62 for the other shareholders; the amount of dividend per share for 2015 was EUR/share 75.34.

Nature and purpose of reserves

Translation reserve

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

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Cash flow hedges

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

14. INTEREST BEARING LOANS AND BORROWINGS

Long term portion		**Nominal interest rate**	**31 December 2016**	**31 December 2015**
2013 Bonds	(i)	7.5% p.a.	—	439,176
2016 Bonds	(ii)	5% p.a.	349,638	—
2015 Senior Facilities Agreement	(iv)	3M ROBOR + 2.5%p.a.	—	179,005
2016 Senior Facilities Agreement	(v)	3M ROBOR + 2.65%p.a.	307,296	—
Obligations under finance leases	(xv)	Variable linked to LIBOR and EURIBOR+ respective margin	3,990	6,716
Other	(x)		4,616	
Total long term portion			**665,540**	**624,897**

Current portion		**Nominal interest rate**	**31 December 2016**	**31 December 2015**
2015 Senior Facilities Agreement	(iv)	3M ROBOR + 2.5%p.a.	—	48,287
2016 Senior Facilities Agreement	(v)	3M ROBOR + 2.65%p.a.	25,085	—
Overdrafts	(vi-vii)	Variable linked to EURIBOR/ ROBOR/LIBOR+ respective margin	7,217	4,757
Obligations under finance leases	(xv)	Variable linked to LIBOR and EURIBOR+ respective margin	1,782	2,046
Other	(x)-(xiii)		9,962	8,028
Total current portion			**44,047**	**63,118**

(i) 2013 Bonds

In November 2013, DIGI issued non-convertible bonds in amount of EUR 450,000 with a coupon yield of 7.5% and maturity in November 2020. The bonds were placed at face value and have a half year coupon period. The Bonds included several call options as well as one put option. (Please refer to Notes 23 and 25 for details regarding the separated embedded derivative). 2013 Bonds were fully redeemed and refinanced in October 2016 by a new bond issuance and Senior Facilities Agreement. Please see point ii).

Arrangement fees

The total cost of concluding the 2013 Bonds was amortised using the effective interest method over the life of the Bonds. Upon redemption in 2016 the unamortized balance of 2013 Bond issuance related fees was recognized as finance expense, in amount of EUR 8,802. As at 31 December 2016 the balance was nil. (2015: EUR 10,822).

Pledges

Details on pledges are presented further in section (xiv) of the Note 14.

Covenants

The Group had agreed to certain covenants with respect to the 2013 Bonds, including, among other things, limitations on its ability to: incur or guarantee additional indebtedness; 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 our restricted subsidiaries' ability to pay dividends; sell or issue capital stock of restricted subsidiaries; engage in any business other than a permitted business; and impair the security interests with respect to the Collateral. Each of these covenants was subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Bonds receive investment grade ratings from the relevant credit rating agencies.

In accordance with the terms of the Notes, the Group was required to compute the Consolidated Leverage Ratio if certain events take place. The Consolidated Leverage Ratio means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA (computed in accordance with the terms of the Notes) for the most recent four full consecutive fiscal quarters for which internal consolidated financial statements of the Company are available at the time of such determination. The Consolidated Leverage Ratio would not exceed 3.50 to 1.

The Group was in compliance with all the covenants under the 2013 Bonds as at 31 December 2015.

(ii) 2016 Bonds

On October 26, 2016 the Company issued Bonds with a value of EUR 350 million with a 5% coupon yield falling due in October 2023.

Arrangement fees

The total cost of concluding the 2016 Bonds is amortised using the effective interest method over the life of the Bonds. As of 31 December 2016 the unamortized balance of bond issuance related fees was EUR 8,637 (2015: nil).

Drawing

As of 31 December 2016, the nominal balance is EUR 350,000 (EUR 349,638 presented net of borrowing fees and including bifurcation of fair value of embedded derivative at inception).

Pledges

Details on pledges are presented further in section (xiv) of the Note 14.

Covenants

The Group has agreed to certain covenants with respect to the Bonds, including, among other things, limitations on its ability to: incur or guarantee additional indebtedness; 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 our restricted subsidiaries' ability to pay dividends; sell or issue capital stock of restricted subsidiaries; engage in any business other than a permitted business; and impair the security interests with respect to the Collateral. Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Bonds receive investment grade ratings from the relevant credit rating agencies.

In accordance with the terms of the Notes, the Group is required to compute the Consolidated Leverage Ratio if certain events take place. The Consolidated Leverage Ratio means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA (computed in accordance with the terms of the Notes) for the most recent four full consecutive fiscal quarters for which internal consolidated financial statements of the Company are available at the time of such determination. The Consolidated Leverage Ratio should not exceed 3.75 to 1.

The Group is in compliance with all the covenants under the 2016 Bonds as at 31 December 2016.

(iii) 2013 Senior Facilities Agreement

On October 21, 2013 RCS&RDS entered into a committed facility agreement, as borrower, with Citibank, N.A., London Branch and ING Bank N.V. Amsterdam, Bucharest Branch, as mandated lead arrangers, for the repayment of the existing facilities and for general corporate purposes (the "2013 Senior Facilities Agreement"). The 2013 Senior Facilities Agreement consisted of a term loan facility with a capacity of EUR 250 million and a revolving credit facility with a capacity of EUR 50 million. On June 19, 2014 RCS&RDS drew the remaining EUR 45 million under the term loan. On May 22, 2015 RCS&RDS repaid the facility using the proceeds of the 2015 Senior Facilities Agreement and own funds.

(iv) 2015 Senior Facilities Agreement

On April 30, 2015 RCS&RDS entered into a committed facility agreement, as borrower, with BRD-Groupe Societe Generale, Citibank, London branch, ING Bank, and Unicredit Tiriac Bank as mandated lead arrangers, for the repayment of the 2013 Senior Facilities Agreement (the "2015 Senior Facilities Agreement").

At signing the 2015 Senior Facilities Agreement consisted of a term loan facility with a capacity of RON 994.2 million and a revolving credit facility with a capacity of RON 39.8 million. The facility had an option to be increased by EUR 25 million (in RON at the exchange rate from the date of the notice) until the end of 2015. RCS&RDS exercised the option and drew EUR 23.3 million (RON 105.4 million) from the term loan and the revolver credit on 29 December 2015 (the "Accordion" agreement).

The interest rate under the 2015 Senior Facilities Agreement was floating at a margin of 2.5% per annum plus ROBOR. On May 22, 2015 RCS&RDS concluded an interest rate swap for the entire initial term loan facility through which interest is fixed at 5.75% until maturity date. The interest rate swap is secured by the Collateral pursuant to the terms of the Intercreditor Agreement (balance of the initial term loan as at 31 December 2015: EUR 197.8 million excluding borrowing costs; balance of the initial revolver loan as at 31 December 2015: EUR 8.8 million excluding borrowing costs).

The interest rate for the additional amount drawn in December 2015 (the "Accordion" agreement) is floating at a margin of 2.5% per annum plus ROBOR for the term loan facility portion (the interest rate was fixed at 5.50% until maturity date, through an interest rate swap concluded in January 2016) and floating ROBOR + 2.5% for the revolver credit portion (balance of the additional amount related to the term loan as at 31 December 2015: EUR 21 million; balance of the initial revolver loan as at 31 December 2015: EUR 2.3 million).

On October 26, 2016, RCS & RDS repaid all of the amounts outstanding under the 2015 Senior Facilities Agreement using the proceeds of the Senior Facilities Agreement.

Arrangement fees

The total cost of concluding the loan is amortised using the effective interest method over the life of the loan. As of 31 December 2015 the unamortized balance of borrowings related fees was EUR 2,568.

The Senior Facilities Agreement concluded on October 2016 was accounted for as a modification of the previous 2015 Senior Facilities Agreement since there were no substantially different terms compared to the previous agreement, therefore the unamortized borrowing costs of the 2015 Senior Facilities Agreement in amount of EUR 2,045 as at 31 December 2016 will continue to be amortised over the life of the 2016 Senior Facility Agreement using the effective interest method (please see also Note 19).

Drawing

On May 22, 2015 RCS&RDS drew the entire amount available from both the term loan facility and the revolving credit facility. On 29 December 2015 RCS&RDS drew an additional amount under the "Accordion" agreement. As of 31 December 2015, RCS&RDS drew in total EUR 229,860 (EUR 227,292—presented net of borrowing fees).

Maturities and repayment schedule

The term loan facility was repayable in 10 equal semi annual instalments starting with October 30, 2015 and the revolving credit facility was repayable in full on April 30, 2018. On October 30, 2015 RCS&RDS has repaid the first principal instalment in amount of EUR 22 million (equivalent of 99.4 million RON at exchange rate as at 31 December 2015). In October 2016 the facility was refinanced by the Senior Facilities Agreement.

Pledges

The 2015 Senior Facilities Agreement was unconditionally guaranteed by DIGI on a senior secured basis, and shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

Covenants

The Group had agreed under the 2015 Senior Facilities Agreement to comply with two financial ratio covenants regarding leverage (total net debt to EBITDA ratio) and interest cover and certain qualitative covenants, mainly related to authorisations, compliance with corporate legislation in force, preservation of assets, negative pledge, limitations on disposals, mergers, acquisitions, arm's length transaction, change in nature of business, limitation on subsidiary indebtedness, events of default and others.

The financial ratio covenants included in 2015 Senior Facilities Agreement included maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.75 until December 31, 2016 and afterwards a maximum consolidated total net indebtedness to EBITDA ratio of 3.25; and (ii) a minimum EBITDA to net total interest ratio of 3.75 until December 31, 2016 and afterwards a minimum EBITDA to net total interest ratio of 4.25.

The Group was in compliance with all the covenants under the 2015 Senior Facility Agreement as at 31 December 2015.

(v) Senior Facilities Agreement ("SFA")

On October 7, 2016, RCS & RDS, as borrower, entered into the Senior Facilities Agreement with, among others, BRD-Groupe Société Générale S.A., Citibank, N.A., London Branch, ING Bank, and Unicredit Bank, as lead arrangers. The Senior Facilities Agreement consists of (i) the SFA Facility A1; (ii) the SFA Facility A2; and (iii) the SFA Facility B. The SFA Facility A1 can be drawn for the purposes of funding the refinancing of the 2015 Senior Facilities Agreement and capital expenditure requirements of the Group. The SFA Facility A2 can be drawn for the purpose of funding the refinancing of the 2013 Bonds. The SFA Facility B can be drawn for the general corporate and working capital purposes of the Group. All facilities mature in October 2021.

Drawing

On October 26, 2016, the Company drew (a) RON 930.0 million (EUR 204.8 million equivalent as at 31 December 2016) under the SFA Facility A1 and repaid the 2015 Senior Facilities Agreement in full; and (b) RON 600.0 million (EUR 132.1 million equivalent as at 31 December 2016) under the SFA Facility A2. Facility B has a capacity of RON 157 million.

The interest rate under the Senior Facilities Agreement is floating at a margin of 2.65% per annum plus ROBOR. Interest is payable every three months. The interest rate swaps concluded for the 2015 Senior Facilities Agreement remained valid and the hedging relationship continues to apply

Maturities and repayment schedule

The repayment schedule for any principal amount drawn under the SFA Facility A1/A2 is as follows:

Repayment instalment Repayment date	**%***
28-Apr-17	3.75
30-Oct-17	3.75
30-Apr-18	6.25
30-Oct-18	6.25
30-Apr-19	8.75
30-Oct-19	8.75
30-Apr-20	8.75
30-Oct-20	8.75
30-Apr-21	8.75
Termination date for the SFA Facility A1/ A2	36.25
Total	**100**

* *(percentage of the SFA Facility A1/A2 loan outstanding as at the end of the availability period for the SFA Facility A1/A2);*

Arrangement fees

The total cost of concluding the loan is amortised using the effective interest method over the remaining term of the Senior Facilities Agreement. As of 31 December 2016 the unamortized balance of borrowings related fees incurred in 2016 was EUR 2,496.

The Senior Facilities Agreement concluded on October 2016 was accounted for as a modification of the previous 2015 Senior Facilities Agreement therefore the unamortized borrowing costs of the 2015 Senior Facilities Agreement in amount of EUR 2,045 as at 31 December 2016 will continue to be amortised over the life of the 2016 Senior Facility Agreement using the effective interest method (please see also Note 19).

Pledges

The Senior Facilities Agreement is unconditionally guaranteed by the Company on a senior secured basis, and shares in the Collateral, together with the Notes, the ING Facilities Agreement, the Citi Facilities Agreement and the BRD Letters of Guarantee Facility, pursuant to the terms of the Intercreditor Agreement.

Covenants

The Group has agreed under the Senior Facilities Agreement to comply with two financial ratio covenants regarding leverage ("total net debt to EBITDA ratio) and interest cover and certain qualitative covenants, mainly related to authorisations, compliance with corporate legislation in force, preservation of assets, negative pledge, limitations on disposals, mergers, acquisitions, arm's length transaction, change in nature of business, limitation on subsidiary indebtedness, events of default and others.

The financial ratio covenants included in Senior Facilities Agreement include maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.75 until December 31, 2016 and afterwards a maximum consolidated total net indebtedness to EBITDA ratio of 3.25; and (ii) a minimum EBITDA to net total interest ratio of 3.75 until December 31, 2016 and afterwards a minimum EBITDA to net total interest ratio of 4.25.

The Group is in compliance with all the covenants under the Senior Facility Agreement as at 31 December 2016.

(vi) 2013 ING Facilities Agreement

On November 1, 2013, RCS&RDS entered, into the ING Facilities Agreement with ING Bank N.V. in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The existing facilities with ING Bank N.V. were fully repaid and terminated on November 4, 2013 using the proceeds of the Bond and the New Senior Facilities Agreement. The ING Facilities Agreement entered into force thereafter. The ING Facilities Agreement is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of (i) an uncommitted overdraft facility of up to EUR 5.0 million and (ii) an uncommitted facility for letters of guarantee of up to EUR 5.0 million.

Drawings

As of 31 December 2016 EUR 4,163 (31 December 2015: EUR 4,757) were drawn under the overdraft facility. In addition EUR 1,973 and RON 13,122 Letters of Guarantee were issued under the letters of guarantee facility.

In addition to the ING Facilities Agreement, on April 28, 2016 RCS & RDS entered into an uncommitted letter of guarantee facility of up to EUR 5.0 million with ING Bank N.V., Bucharest Branch. The letter of guarantee issued under this facility has expired.

(vii) Citi Facilities Agreement

On October 25, 2013, RCS&RDS entered into the Citi Facilities Agreement with Citibank, to consolidate its existing uncommitted credit facilities with Citibank into a single uncommitted facility for working capital purposes.

On October 25, 2013, the RCS&RDS entered into a personal guarantee agreement with Citibank pursuant to which it provides Citibank with a personal guarantee for the due performance of the Citi Facilities Agreement by the Group. The Citi Facilities Agreement share the Collateral, pursuant to the terms of the Intercreditor Agreement.

On November 4, 2013 RCS&RDS repaid the Citi Facilities Agreement using the proceeds from the Bond and the New Senior Facilities Agreement.

The Citi Facilities Agreement consists of:

a) an uncommitted overdraft/bank guarantee facility in the amount of USD 5,545, as at 31 December 2016

b) an uncommitted bank guarantee facility in the amount of USD 4,650, as at 31 December 2016

c) an uncommitted bank guarantee facility in the amount of EUR 500, as at 31 December 2016.

As of 31 December 2016, the overdraft was utilised in amount of EUR 3,054 equivalent (31 December 2015: nil) and bank letters of guarantee were issued in amount of USD 750, EUR 1,031 and RON 16,264.

(viii) Unicredit cash collateral agreement

On October 5, 2010, RCS&RDS entered into a cash collateral agreement with UniCredit Tiriac Bank S.A., for EUR 59 for issuance of a letter of counter guarantee, which is valid until August 2017 (the "Unicredit Cash Collateral Agreement"). The agreement entered into force on October 8, 2012, and is secured with a moveable mortgage over a cash collateral account opened with UniCredit Tiriac Bank S.A.

On December 15, 2015, RCS & RDS entered into an agreement with UniCredit Bank S.A. for an uncommitted overdraft/bank guarantee facility in the amount of EUR 2.0 million. As at December 31, 2016 this facility remained undrawn.

(ix) BRD Letters of Guarantee Facility

As of 31 December 2016 the Group had letters of guarantee issued by BRD with a value of EUR 680 and RON 2,045.

(x) Libra Loan Agreement

On February 25, 2016, RCS & RDS entered into a loan agreement for the aggregate amount of RON 32.0 million repayable in 5 years with Libra Bank (the "Libra Loan Agreement"). RCS&RDS drew RON 31.6 million and used the funding to acquire certain real property in Bucharest, which has been mortgaged in favour of Libra Bank as security for the Libra Loan Agreement. As at 31 December 2016 RON 26,898 (EUR 5,923 equivalent using exchange rate as at 31 December 2016) was outstanding under the Libra Loan Agreement.

(xi) Santander Facility

On October 30, 2015, Digi Spain entered into a new EUR 1.5 million short-term facility agreement with Banco Santander (the "Santander Facility"). This facility was renewed from October 30, 2016 for one additional year, and at the same time the limit was increased to EUR 2.0 million, with maturity on October 21, 2017. As at December 31, 2016, the balance drawn under the Santander Facility was EUR 1,065 (31 December 2015: EUR 950).

(xii) Caixa Facility

On February 6, 2014, Digi Spain entered into a facility agreement with Caixabank, S.A. (the "Caixa Facility"), containing an overdraft and a reverse factoring option. On January 30, 2015, the agreement was renewed and on July 28, 2015 an amendment to lower interest rates was agreed. On January 17, 2017, the agreement has been renewed again. The term of the Caixa Facility is indefinite and the maximum amount which can be used is EUR 500,000. As at December 31, 2016, the balance drawn under the Caixa Facility overdraft was EUR 388 (31 December 2015: EUR 82).

On October 21, 2016, Digi Spain entered into a short-term loan with Caixabank, S.A for EUR 1.8 million with maturity on February 28, 2017 (the "Caixa Loan"), when the loan was repaid. As at December 31, 2016, the balance was EUR 1,200.

(xiii) OTP Bank Hungary Loan Agreement

In December 2016, Digi Hungary has entered into a short term loan of HUF 1,300 million (EUR 4.2 million equivalent using exchange rate as at 31 December 2016) with OTP bank in Hungary. Out of this loan, as at December 31, 2016 HUF 500 million (EUR 1.6 million equivalent using exchange rate as at December 31, 2016) was drawn and outstanding. The remaining amount was drawn in January 2017.

(xiv) Collateral for all facilities of RCS & RDS and DIGI

The obligations of the Group under the Bonds, as well as their obligations under the Senior Facilities Agreement, under the ING Facilities Agreement and the Citi Facilities Agreement 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 certain assets of RCS&RDS and DIGI, namely:

(a) Certain Capital Stock that DIGI holds in RCS&RDS (other than certain shares of Capital Stock of RCS&RDS that are subject to a call option in favor of the purchaser of our Serbian subsidiary), which as at 31 December 2016 accounted for 95.8% of the issued Capital Stock of RCS&RDS, as per Trade Register;

(b) All bank accounts of DIGI, including any new bank accounts;

(c) Receivables under the Proceeds Loan (The Proceeds Loan is the loan provided by DIGI to its subsidiary, RCS&RDS on 4 November 2013 amended and restated on 26 October 2016—currently EUR 350,000)

(d) Treasury shares of RCS&RDS held by itself, which on the Issue Date accounted for 8.55% of its issued Capital Stock (as of 31 December 2016: nil, since RCS&RDS cancelled treasury shares in December 2016);

(e) 100% of the issued Capital Stock of DIGI T.S. Kft Hungary;

(f) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(g) subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account monies, trade and other receivables, intragroup receivables, inventories, movable tangible property (including installations, 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.

(xv) Obligations under finance leases

The Group financed the acquisition of certain assets (buildings and land) through finance leases. As at 31 December 2016 there are four leasing contracts in place.

One leasing contract is with Raiffeisen Leasing (the initial contract was signed with ING Lease Romania, which sold its portfolio to Raiffeisen Leasing at the beginning of 2014) (in December 2015 this lease was refinanced in EUR) and another one is with Piraeus Leasing. The remaining length of these lease contracts is 42 months for Raiffeisen Leasing and 97 months for Piraeus Leasing.

In December 2015 the Group entered into two new lease agreements with Unicredit Leasing IFN for two buildings in Timisoara and Arad. The lease agreement for the Timisoara property was terminated on August 11, 2016. The remaining length of the building in Arad lease contract is 36 months.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31-Dec-16		31-Dec-15	
	Net	**Gross**	**Net**	**Gross**
Within one year	1,782	1,989	2,046	2,345
Later than one but less than five years	3,275	3,615	5,688	6,208
More than five years	715	755	1,027	1,118
Less: future finance charges (interest)		(587)		(909)
Total	**5,772**	**5,772**	**8,762**	**8,762**

15. TRADE AND OTHER PAYABLES, OTHER LONG TERM LIABILITIES

15.1 TRADE AND OTHER PAYABLES

	31 December 2016	31 December 2015
Trade payables and payables to fixed assets suppliers	253,539	188,431
Accruals	62,639	49,869
Value added tax ("VAT")	10,106	1,069
Other payables related to investments	5,011	3,062
Salary and related taxes	19,649	15,677
Amounts payable to related parties (Note 16)	1,285	631
Dividends payable (Note 16)	15,354	9,413
Other	6,386	2,966
Total trade and other payables	**373,969**	**271,118**

Included in payables to suppliers and accruals above is EUR 138,936 (31 December 2015: EUR 78,752) representing amounts due for property, plant and equipment and EUR 24,909 (31 December 2015: EUR 19,227) representing payment obligations for intangible assets.

Other payables related to investments refer mostly to scheduled payments for purchase of shares of newly acquired subsidiaries and non controlling interests, and payments for customer relationships.

15.2 OTHER LONG TERM LIABILITIES

	31 December 2016	31 December 2015
Other long term liabilities	46,076	7,598

Other long term liabilities include long term payables due to vendor financing agreements with our suppliers, according to which we have negotiated longer payment terms especially for network and equipment as well as customer premises equipment (CPE). The increase in Other long term liabilities as at 31 December 2016 is in line with the sustained roll-out of our mobile network during 2016.

16. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of DIGI and its subsidiaries (the main subsidiaries are included in Note 22(a)); RCSM is the Group's ultimate holding company.

The following tables provide the total amount of balances with related parties:

Receivables from related parties

		31 December 2016	31 December 2015
Party			
Ager Imobiliare S.R.L.	(ii)	698	673
Digi Serbia	(ii)	218	211
Music Channel S.R.L.	(ii)	52	51
RCSM	(i)	37	26
Other		9	13
Total		**1,014**	**974**

Payables to related parties

		31 December 2016	31 December 2015
Party			
Related parties—shares	(ii)	1,082	453
RCSM	(i)	5,711	5,628
Digi Serbia	(ii)	117	114
Mr. Zoltan Teszari	(iii)	648	700
Other		9,081	3,149
Total		**16,639**	**10,044**
Of which: dividends payable (Note 15.1)		15,354	9,413

(i) Shareholder of DIGI

(ii) Entities affiliated to a shareholder of the parent

(iii) Ultimate beneficial shareholder

Outstanding balances at the year-end are interest free. There have been no guarantees provided or received for any related party receivables or payables, other than the pledge on shares of RCS&RDS, provided by DIGI for loans and borrowings (refer to Note 14 (xiv)). For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2015: nil).

For dividends distributed, please refer to Note 13.

Compensation of key management personnel of the Group

	2016	**2015**
Short term employee benefits—salaries, including employer contribution to State pension plan	2,258	2,013
Share-based payments	—	2,054

In 2015 certain members of the management team (including key management personnel) benefitted from a share based payment plan at the level of RCS&RDS. In 2016 the share based payment plan was not applied (no grants were made and all previous awards vested). Total share options granted to key management personnel during the 2016 financial year amounted to nil shares (2015: 935,000 shares), in addition to the salaries shown above (refer to Note 24).

The transactions with related parties, except for the compensation of key management personnel presented above, were insignificant during the years 2016 and 2015.

17. REVENUES

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

	2016	2015
Revenues from continuing operations	**842,755**	**746,290**
Cable TV		
Romania	175,673	166,845
Hungary	40,993	36,586
	216,666	**203,431**
Internet and data*		
Romania	163,627	155,931
Hungary	37,954	33,398
Italy	—	—
Spain	—	—
	201,581	**189,329**
Telephony Revenues*		
Romania	147,107	109,955
Hungary	8,040	8,329
Spain	82,709	72,242
Italy	8,997	7,353
	246,853	**197,878**
DTH Revenue		
Romania	38,714	40,176
Hungary	31,378	30,479
	70,092	**70,655**
Other revenues		
Romania	87,568	67,227
Hungary	19,485	17,141
Spain	328	438
Italy	182	191
	107,563	**84,997**
Revenues from discontinued operations	**—**	**3,840**
DTH Revenue		
Czech Republic	—	3,816
	—	**3,816**
Other revenues		
Czech Republic	—	24
	—	**24**
Total revenues	**842,755**	**750,130**

* *Starting with 30 June 2016, we aggregate the mobile telephony and mobile data revenue and present them as revenues from mobile telecommunication services (voice and date) reported under Telephony revenue category. Revenue for the year ended 31 December 2015 was restated accordingly: the amount of EUR 38,021 coming from Internet and data revenues were partially reclassified to Telephony line (Romania, Hungary, Spain and Italy).*

Other revenues include mainly sales of CPE, but also contain services of filming sport events, advertising revenue, rental of CPE and penalties invoiced to subscribers. Sales of CPE include mainly mobile handsets and other equipment.

The significant increase in telephony revenues is entirely due to the increase in Mobile telephony revenues.

18. OPERATING EXPENSES

	2016	2015
Operating expenses from continuing operations	**755,848**	**696,567**
Depreciation of property, plant and equipment (Note 5)	86,693	114,838
Amortization of programme assets (Note 6)	46,170	46,998
Amortisation of non-current intangible assets (Note 6)	35,003	25,594
Revaluation impact (Note 5)	6,276	—
Impairment of property, plant and equipment (Note 5)	1,830	337
Impairment of non-current intangible assets (Note 6)	398	
Salaries and related taxes	119,049	113,618
Contribution to pension related fund	19,171	16,181
Programming expenses	73,915	67,445
Telephony expenses*	123,406	94,464
Cost of goods sold	57,996	48,006
Rentals	50,322	42,727
Invoicing and collection expenses	13,812	13,476
Taxes and penalties	12,676	12,025
Utilities	14,657	13,403
Copyrights	8,851	8,408
Internet connection and related services*	19,303	16,353
Impairment of receivables and other assets, net of reversals	9,677	10,068
Other expenses**	56,643	52,626
Operating expenses from discontinued operations	**—**	**3,115**
Total operating expenses	**755,848**	**699,682**

* *As of 31 December 2016 we have reclassified the mobile internet expenses for Spain and Italy from Telephony expenses line to Internet connection and related services line because of their increasing significance. The comparatives for year ended 31 December 2015 were reclassified accordingly for disclosure purposes.*

** *As of December 31, 2016 we present unrealised mark-to-market results from fair value assessment of energy trading contracts separately from Operating expenses, as Other expenses. Comparative disclosure as at December 31, 2015 was restated accordingly.*

Other expenses include mainly expenses related to own TV channels (Digi Sport, Digi 24 news channel, Digi World, Digi Life, Digi Animal World, Digi Film) and network maintenance expenses.

The significant increase in telephony expenses is mainly due to the increase in Mobile telephony expenses.

Salaries and related taxes capitalized for the development of network during the year ended 31 December 2016 amount to EUR 25,416 (2015: EUR 21,179).

19. NET FINANCE COSTS

	2016	2015
Finance income		
Interest from banks	49	64
AFS gain reclassified from OCI	33,722	—
Gain on derivative financial instruments and other financial revenue	11,541	9,805
	45,312	**9,869**
Finance expenses		
Interest expense	(45,173)	(49,342)
Loss on derivative financial instruments	(5,216)	(3,207)
Other financial expenses	(47,746)	(12,725)
Foreign exchange differences (net)	**(3,332)**	**(5,452)**
	(101,467)	**(70,726)**
Net Finance Costs from continuing operations	***(56,155)***	***(60,857)***
Net Finance Costs from discontinued operations	**—**	***(23)***
Net Finance Costs total	**(56,155)**	**(60,880)**

The 2013 Bonds were refinanced on 26 October 2016. Other financial expenses in 2016 include redemption interest and penalties in amount of EUR 17,627, the expensing of the unamortized transaction costs of the 2013 Bond, in amount of EUR 8,802, and the de-recognition of the embedded derivative asset of the 2013 Bond upon exercise of call option, in amount of EUR 14,211.

Other financial expenses in 2015 include expensing of the unamortised transaction costs of EUR 4.9 million relating to 2013 Senior Facilities Agreement repaid in 2015. Other financial expenses in 2016 and 2015 also include fees related to short-term vendor financing and reverse factoring agreements, commitment fees for undrawn facilities and other bank charges.

In 2016 finance income includes fair value gain from embedded derivative assets related to the 2016 Bonds in amount of EUR 5,474 and fair value gain from embedded derivative assets related to the 2013 Bonds in amount of EUR 4,956 (2015: EUR 9,255 from embedded derivative asset related to the 2013 bonds).

In October 2016 RCS & RDS concluded the Senior Facilities Agreement. The Senior Facilities Agreement was treated as a modification of the 2015 Senior Facilities Agreement. Therefore, the discounted present value of the cash flows under the Senior Facility Agreement was recalculated using the original effective interest rate of the 2015 Senior Facilities Agreement and compared with the amortised cost of the existing facility. The resulting adjustment to the amortised cost of the financial liability was recognised as finance income at the date of the modification, in amount of EUR 784.

20. INCOME TAX

The statutory tax rate applied in Netherlands during 2016 was 25% (2015: 25%)

Other entities

The statutory tax rate applied in the Romanian entities during 2016 was 16% (2015: 16%).

The statutory tax rate applied in Hungary during 2016 was 19% (2015: 19%).

The statutory tax rate applied in Czech Republic during 2015 was 19%.

The statutory tax rate applied in Spain during 2016 was 25% (2015: 28%).

The statutory tax rate applied in Italy during 2016 was 31.4% (2015: 31.4%).

Components of income tax expense for the periods ended 31 December 2016 and 2015 respectively were:

	2016	**2015**
Current income tax charge	5,505	6,605
Deferred income tax relating to origination and reversal of temporary differences	5,821	(1,236)
Income tax expense/ (credit) recognised in profit or loss for continuing operations	**11,326**	**5,369**
Income tax expense/ (credit) recognised in profit or loss for discontinuing operations	*—*	*56*

Reconciliation of income tax expense

Reconciliation of income tax expense at the statutory income tax rate (Netherlands) applicable to the net result before tax to the income tax expense at the Group's effective income tax rate for the financial years 2016 and 2015 is as follows:

	2016	**2015**
Net profit/(loss) before income tax for continuing operations	**23,110**	**(12,132)**
At statutory income tax rate of the Company	5,777	(3,033)
Effect of difference in tax rates applicable for foreign subsidiaries	613	2,346
Non-deductible expenses / (Non-taxable income)	5,031	5,632
Fiscal losses for which no deferred tax has been recognized	—	1,010
Fiscal credit	—	(586)
Changes in percentage rate	(95)	—
Effective tax expense / (credit) from continuing operations	**11,326**	**5,369**
Effective tax expense from discontinuing operations	*—*	*56*

Deferred taxes in the consolidated statement of financial position are**:**

	31 December 2016	**31 December 2015**
Deferred tax assets	3,126	3,951
Deferred tax liabilities	(34,812)	(26,981)
	(31,686)	**(23,030)**

Movement of deferred taxes:

	2016	**2015**
Deferred taxes recognized in the statement of financial position	**(31,686)**	**23,030**
Difference from prior year balance	8,656	(2,241)
Of which:		
Recognized in profit or loss	5,822	(1,327)
Deferred tax liability resulted from business combinations	—	—
Deferred tax liability disposed on sale of subsidiary	—	(184)
Deferred tax liability related to interest rate swaps and related to revaluation, recognised in other comprehensive income	2,930	(864)
Effect of movement in exchange rates	(96)	134

The deferred tax (asset)/ liability for the financial year 2016 comprises the tax effect of temporary differences related to:

	Balance 1 January 2016	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Disposed on sale of subsidiary**	**Effect of movement in exchange rates**	**Balance 31 December 2016**
Property, plant and equipment	33,207	9,768	2,804	—	(277)	**45,502**
Intangibles	3,205	83	—	—	1,684	**4,972**
Intangible acquired through business combination	1,540		—	—	(1,540)	**—**
Accounts receivable	2,408	(1,345)	—	—	47	**1,110**
Accounts payable	(1,015)	(330)	—	—	9	**(1,336)**
Long term borrowings	974	(103)	—	—	(3)	**868**
Inventory	—	—	—	—	—	**—**
Deferred tax liabilities	**40,319**	***8,072***	***2,804***	**—**	***(79)***	***51,116***
Intangibles	160	—	—	—	—	**160**
Accounts receivable	40	—	—	—	(40)	**—**
Accounts payable	—	—	—	—	—	**—**
Interest expense postponed for deduction	(9,509)	(3,076)	—	—	69	**(12,516)**
Inventory	(358)	(592)	—	—	(2)	**(952)**
Cash Flow hedge reserves	(864)	—	126	—	2	**(736)**
Fiscal losses	(6,758)	1,418	—	—	(46)	**(5,386)**
Deferred tax assets	**(17,289)**	***(2,250)***	***126***	**—**	***(17)***	***(19,430)***
Offsetting (refer to Note 2.2 o)	*(13,337)*	—	—	—	—	*(16,304)*
Recognition						
Deferred tax liabilities	**26,981**	—	—	—	—	**34,812**
Deferred tax assets	**(3,951)**	—	—	—	—	**(3,126)**
Net deferred tax liability	**23,030**	—	—	—	—	**31,686**
Deferred tax (benefit) / expense	**—**	**5,822**	**2,930**	**—**	**(96)**	**—**

The deferred tax (asset)/ liability for the financial year 2015 comprises the tax effect of temporary differences related to:

	Balance 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Disposed on sale of subsidiary	Effect of movement in exchange rates	Balance 31 December 2015
Property, plant and equipment	33,183	267	—	(184)	(59)	**33,208**
Intangibles	2,229	2,345		—	171	**4,745**
Accounts receivable	1,027	1,415	—	—	(34)	**2,408**
Accounts payable	(4,069)	3,068	—	—	(15)	**(1,015)**
Long term borrowings	7,080	(6,147)	—	—	42	**974**
Inventory	59	—	—	—	(59)	**—**
Deferred tax liabilities	**39,508**	**948**	**—**	***(184)***	**46**	**40,319**
Intangibles	160	—	—	—	—	**160**
Accounts receivable	(54)	95	—	—	(1)	**40**
Accounts payable	(110)	110	—	—	—	**—**
Interest expense postponed for deduction	(4,357)	(5,285)	—	—	133	**(9,508)**
Inventory	(550)	195	—	—	(3)	**(358)**
Cash Flow hedge reserves	—	—	(864)	—	—	**(864)**
Fiscal losses	(9,327)	2,608	—	—	(39)	**(6,758)**
Deferred tax assets	**(14,238)**	**(2,276)**	**(864)**	**—**	**89**	**(17,289)**
Offsetting (refer to Note 2.2 o)	*(11,304)*	—	—	—	—	*(13,337)*
Recognition						
Deferred tax liabilities	**28,204**	—	—	—	—	**26,981**
Deferred tax assets	**(2,933)**	—	—	—	—	**(3,951)**
Net deferred tax liability	**25,271**	—	—	—	—	**23,030**
Deferred tax (benefit) / expense	**—**	**(1,327)**	**(864)**	***(184)***	**134**	**—**

Deferred tax assets recognised for fiscal losses relate mainly to the Group's operations in Hungary. Such losses, in amount of EUR 11,569 at 31 December 2016 (31 December 2015: EUR 18,917), are not subject to preapproval by tax authorities and can be carried forward until 2025.

In addition, in 2016 and 2015 a deferred tax asset was recognized for interest expenses of RCS&RDS which are postponed for deduction until the gearing ratio falls again below 3. Such interest expenses can be carried forward indefinitely.

For statutory purposes, RCS&RDS has performed several revaluations of its property, plant and equipment. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders they would be taxed, i.e. they would generate a tax liability of EUR 5,781 (2015: EUR 6,826), for which a deferred tax liability is recognised.

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 26.

21. DISCONTINUED OPERATIONS

In April 2015 the Czech subsidiary, Digi Czech Republic sro was sold.

As of 31 December 2016 we have recorded an additional provision regarding the sale transaction of the Czech subsidiary in net amount of EUR 674.

22. BUSINESS COMBINATIONS

a) Subsidiaries

The consolidated financial statements incorporate the financial information of the following main subsidiaries in each of the countries:

DIGI owns shares 96.1% in RCS&RDS (2015: 87.6%), as per shares transactions. Below are the presented the main subsidiaries of RCS&RDS (excluding inactive subsidiaries):

Subsidiary	Country of Incorporation	Field of activity	Legal Ownership 2016	2015
Digi T.S. Kft	Hungary	CATV, Internet, DTH, Telephony	100.00%	100.00%
DIGI SPAIN TELECOM S.L.U.	Spain	Telephony	100.00%	100.00%
DIGI ITALY SL	Italy	Telephony	100.00%	100.00%
ITV.	Hungary	CATV	100.00%	100.00%
CFO Integrator	Romania	Duct Rent	100.00%	100.00%
S.C. ENERGIAFOTO SRL	Romania	Solar energy	100.00%	100.00%
S.C. NOVITAS Electro	Romania	Solar energy	100.00%	100.00%
S.C. DELALINA S.R.L.	Romania	Solar energy	100.00%	100.00%

b) Business acquisitions

	2016	2015
Total consideration payable in cash	**—**	**2,990**
Customer relationships		—
Other intangibles	—	2,696
Deferred tax liabilities	—	—
Property, plant and equipment	—	294
Payables	—	—
Cash and cash equivalents	—	—
Other	—	—
Total identifiable net assets	**—**	**2,990**
Goodwill	**—**	**—**

None of the goodwill recognized is expected to be deductible for tax purposes.

c) Changes in ownership interests while retaining control

In 2016 DIGI acquired 1,070,000 (2015: 1,924,100) shares in RCS&RDS, for a total amount of EUR 1,646 (2015: EUR 2,953).

During 2016 the Group acquired no other non-controlling interests (31 December 2015: EUR 738) from previous owners of the non-controlling interest.

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(i) Credit risk

Credit risk exposure

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

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

The maximum exposure to credit risk at the reporting date was:

	Note	31 December 2016	31 December 2015
Trade and other receivables	10	108,965	82,545
Other assets	11	6,321	8,209
Cash and cash equivalents	12	14,340	49,423
Derivative assets	25	17,049	9,937
Long term receivables*		3,927	2,926
Total		**150,602**	**153,041**

* *The long term receivables position does not include green certificates balance as at 31 December 2015.*

The carrying amount of the financial assets, net of the recorded impairment allowances, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. 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 maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

	31 December 2016	31 December 2015
Citibank	146	1,710
ING Bank	9,658	42,041
Banca Comerciala Romana	13	277
BRD Groupe Societe Generale	231	118
Unicredit Tiriac Bank	304	2,540
Other	3,988	2,737
Total	**14,340**	**49,423**

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

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

Impairment losses

The ageing of trade and other receivables, and other assets, at the reporting date was:

	Gross 31-Dec-16	Impairment 31-Dec-16	Net 31-Dec-16	Gross* 31-Dec-15	Impairment* 31-Dec-15	Net* 31-Dec-15
1. Neither past due nor impaired	92,131	—	92,131	57,778	—	57,778
2. Past due but not impaired*	23,155	—	23,155	32,967	—	32,976
3. Impaired	45,058	(45,058)	—	77,439	(77,439)	—
Total	**160,343**	**(45,058)**	**115,286**	**168,193**	**(77,439)**	**90,754**
*** Ageing past due but not impaired**						
Past Due less 30 days	14,917	—	—	28,152	—	—
Past Due 30-90 days	4,124	—	—	3,950	—	—
Past Due 90-180 days	4,114	—	—	875	—	—
Total	**23,155**	**—**	**—**	**32,976**	**—**	**—**

The majority of receivables classified as neither past due nor impaired refer to residential subscribers.
The allowances recorded are mainly determined as collective assessment, based principally on ageing of balances due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015*
Balance at 1 January	77,439	71,949
Impairment loss recognized (Note 18)	9,051	10,069
Impairment related to receivables of discontinued operations	—	(1,598)
Amounts written off	(41,381)	(2,302)
Effect of movement in exchange rates	(51)	(679)
Balance at 31 December	**45,058**	**77,439**

* *Information related to 2015 from above tables regarding ageing and movement of allowances was changed to include also "other assets" (Note 11).*

(ii) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2016:

	31 December 2016						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**703,814**	**846,859**	42,324	30,999	76,127	697,408	—
Finance lease liabilities	**5,772**	**6,359**	994	994	1,932	1,683	755
Trade and other payables and other liabilities	**409,939**	**416,340**	314,432	55,437	32,745	13,725	2
Derivative financial liabilities							
Interest rate swaps used for hedging	**5,318**	**8,021**	1,969	1,754	2,579	1,718	—
Energy trading acquisitions	**1,264**	**1,268**	934	317	18	—	—
Total	**1,126,106**	**1,278,847**	**360,654**	**89,502**	**113,400**	**714,534**	**757**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2015:

	31 December 2015						
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**679,254**	**889,422**	52,734	55,179	92,170	689,339	—
Finance lease liabilities	**8,761**	**9,701**	1,107	1,238	2,476	3,732	1,148
Trade and other payables and other liabilities	**277,646**	**278,206**	245,669	24,823	7,714	—	—
Derivative financial liabilities							
Interest rate swaps	**6,094**	**12,715**	2,330	2,335	3,737	4,313	
Foreign currency swaps	**493**	**493**	493	—	—	—	—
Energy trading acquisitions	**14,520**	**14,585**	8,671	5,914	—	—	—
Total	**986,768**	**1,205,122**	**311,004**	**89,488**	**106,097**	**697,384**	**1,148**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At 31 December 2016, the Group had net current liabilities of EUR 251,818 (31 December 2015: EUR 171,756). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

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

(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 USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currencies other than the functional currencies of the Company and each of its subsidiaries.

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

The Board of Directors actively manages the exposure to EUR and USD currency only for borrowings.

The Group's exposure to foreign currency risk was as follows (amounts expressed in thousands of the respective currencies):

	31 December 2016		**31 December 2015**	
	USD	**EUR**	**USD**	**EUR**
Trade and other receivables	3,973	4,690	3,938	3,637
Cash and cash equivalents	6	5,486	50	3,087
Interest bearing loans and borrowings, including bonds	—	(352,797)	—	(446,161)
Bank overdraft	1	—	—	(4,757)
Finance lease liabilities	—	(5,770)	—	(8,759)
Trade and other payables	(47,714)	(59,870)	(36,712)	(42,288)
Gross statement of financial position exposure	**(43,734)**	**(408,261)**	**(32,724)**	**(495,241)**
Derivative financial instruments*		**—**	**—**	**25,406**
Gross exposure	**(43,734)**	**(408,261)**	**(32,724)**	**(469,835)**

* *Represents amounts to be received as part of the cross currency interest rate swaps in place at the end of each period.*

The following significant exchange rates applied for the year ended 31 December 2016:

	2016	**2015**
Romania		
USD	4.3033	4.1477
EUR	4.5411	4.5245
Hungary		
USD	293.69	286.63
EUR	311.02	313.12
Czech Republic		
USD	n/a	24.82
EUR	n/a	27.02

Sensitivity analysis for currency risk

A 10 percent strengthening of the currencies listed below against the functional currencies of the Parent and of the subsidiaries at 31 December would have decreased profit / increased loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant, and does not take into account the currency swaps existing as of 31 December 2015.

	Effect on profit before tax 2016	**Effect on profit before tax 2015**
EUR	40,826	49,524
USD	4,144	3,000
Total	**44,970**	**52,524**

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 and 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).

The Group had in effect a currency swap as of 31 December 2015 in order to mitigate the currency exposure of the bond interest denomination in EUR, for an amount of EUR 450 million. This currency swap was in effect until September 2016.

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 14.

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 IRS.

At the reporting date the interest rate repricing profile of the variable rate interest-bearing financial instruments was:

	All reprice at 6 months or less	
	31 December 2016	**31 December 2015**
Interest bearing payables	77,319	18,127
Finance lease liabilities	2,129	2,369
Senior Facility Agreement	336,923	229,860
Interest rate swap	5,318	6,587
Other	13,140	4,757
Total	**434,828**	**261,700**

The 2015 Senior Facilities Agreement bears variable interest rate but the Group has entered into fixed for floating interest rate swaps, as follows:

- In May 2015 RCS&RDS concluded an interest rate swap for the entire initial term loan facility through which interest is fixed at 5.75%, and

- The interest rate for the "Accordion" agreement was fixed at 5.50% through an interest rate swap concluded in January 2016

Consequently the interest rate of the combined instrument (loan and swap) was fixed until maturity on 30 April 2020 – more details are included in Note 14 (ii).

The 2016 Senior Facilities Agreement bears variable interest rate. The interest rate swaps concluded by the Group in for the 2015 Senior Facilities Agreement are still valid under the same terms (amounts, maturities, interest rates etc).

Except for the ones presented in the table above there are no other major interest bearing financial instruments.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates, after taking into consideration the effect of the IRS, at the reporting date would have increased (decreased) profit or loss before tax by:

	Profit or loss	
31 December 2016	(1,924)	1,924
Variable rate instruments, after IRS effect		

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
31 December 2015		
Variable rate instruments, after IRS effect	(350)	350

The effect in equity is the effect in profit or loss before tax, net of tax (16%).

Exposure to electricity price risk

Through its electricity production and trading activities, the Group is exposed to electricity price risk, due to the volatility of prices on the electricity market and the potential mismatches between purchase prices and selling prices. In particular, due to the fixed prices we charge customers related to our electricity supply activities, increases in the cost of the electricity we acquire from third parties could adversely affect our financial condition.

iv) Fair values

The Group measures at fair value available for sale investments, embedded derivatives, interest rate swaps, cross currency swaps, electricity trading assets (term contracts) and electricity trading liabilities (term contracts).

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

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

The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements of financial instruments are categorised are as follows:

	Level 1	Level 2	Level 3	Total
31 December 2016				
Available for sale financial assets	—	—	—	**—**
Cross currency swaps	—	—	—	**—**
Interest rate swaps	—	—	(5,318)	**(5,318)**
Embedded derivatives	—		13,908	**13,908**
Electricity trading assets (term contracts)	—	—	3,141	**3,141**
Electricity trading liabilities (term contracts)	—	—	(11,038)	**(11,038)**
Total	**—**		**693**	**693**

	Level 1	Level 2	Level 3	Total
31 December 2015				
Available for sale financial assets	—	—	43,373	**43,373**
Cross currency swaps	—	—	(493)	**(493)**
Interest rate swaps			(6,094)	**(6,094)**
Embedded derivatives*	—		9,255	**9,255**
Electricity trading assets (term contracts)	—	—	682	**682**
Electricity trading liabilities (term contracts)	—	—	(1,666)	**(1,666)**
Total	**—**		**45,057**	**45,057**

* *Disclosure restated for 2015 from Level 2 to Level 3*

Available for sale financial assets

As at 31 December 2015, available for sale assets comprised shares in RCSM, not traded on active markets. The valuation model used to assess their fair value is based on the income approach. Cash flows were projected based on financial budgets approved by senior management covering a five-year period, after which a terminal annual revenue growth was used. This assessment is made in compliance with IFRS 13, which may be different from other valuation standards, including those set by ANEVAR.

The significant unobservable inputs used in the model include:

- Forecast terminal annual revenue growth rate (2016: n/a ; 2015: 1.7%).
- Risk-adjusted discount rate (2016: n/a ; 2015: 8.48%).

Note 6 a) (ii) includes details regarding other key assumptions used for the cash flow projections (revenues, EBITDA margins and Capital expenditure), which are relevant for this calculation as well. (the valuation model used is based on the Equity value of the Group, determined using DCF method).

The estimated fair value would increase (decrease) if:

- the terminal annual revenue growth rate were higher (lower);
- the risk-adjusted discount rate were lower (higher).

As at 31 December 2016 there are no longer available for sale financial assets.

Sensitivity analysis for available for sale financial assets

A change in growth rate and/ or WACC at the reporting date would have an impact as follows:

	WACC		Growth rate	
	100 basis points increase	**100 basis points decrease**	**50 basis points decrease**	**50 basis points increase**
31-Dec-16				
Available for sale financial assets	—	—	—	—
31-Dec-15				
Available for sale financial assets	(10,747)	14,484	(3,160)	8,054

Cross-currency and interest rate swaps

The fair value of derivatives acquired for risk management purposes was obtained from the counterparty financial institutions. The management has determined that such prices were developed in accordance with the requirements of IFRS 13. However the management has not performed a due diligence to understand in detail how the prices were developed, consequently the fair value was categorised in Level 3 of the fair value hierarchy.

Embedded derivatives

The fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds. The fair value was obtained from a third party financial institution. The management has determined that such prices were developed in accordance with the requirements of IFRS 13.

Electricity trading assets and liabilities

The Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on PZU market (OPCOM) around the valuation date. The spot price used for valuation as at 31 December 2016: RON/MWh 210.15 (31 December 2015 RON/ MWh 158) , and
- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date (2016: 1.20%; 2015: 1.14%).

A change in electricity spot price or in the discount rate at the reporting date would have an impact as follows:

	spot price		discount rate	
	Average 10% increase	Average 10% decrease	0.5 points increase	0.5 points decrease
31-Dec-16				
Electricity trading assets	441	(400)	2	(2)
Electricity trading liabilities	(3,643)	3,312	(65)	66

	spot price		discount rate	
	Average 10% Increase	Average 10% decrease	0.5 points increase	0.5 points decrease
31-Dec-15				
Electricity trading assets	277	(279)	3	(3)
Electricity trading liabilities	(1,339)	1,348	(8)	8

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2016 is as follows:

	Available for sale (Notes 7, 13)	Cross currency swaps	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2016	**43,373**	**(493)**	**9,255**	**(6,094)**	**682**	**(1,666)**
Gains or (losses) recognised in profit or loss for the year	—	—	5,433*	(4,958)	2,459	(9,372)
Gains or (losses) recognised in other comprehensive income	2,367	—	—	779	—	—
Purchases	1,653	—	8,474*	—	—	—
Sales	—	—	—	—	—	—
Settlements**	(47,393)	493	(9,255)	4,955	—	—
31 December 2016	**—**	**—**	**13,908**	**(5,318)**	**3,141**	**(11,038)**

* *Net effect of gain on 2013 Bond embedded derivative in 2016 of EUR 4,956, expense of EUR 14,211 upon exercising the call option on 2013 Bond and recognition of fair value gain on 2016 Bond embedded derivative of EUR 5,433 after taking into consideration fair value of the embedded derivative asset at inception of EUR 8,474.*

** *As of 31 December 2016 the AFS assets were derecognized and the entire fair value gain accumulated in fair value reserve, amounting to EUR 33,722, was reclassified to Profit or Loss and accordingly reclassified from OCI (EUR 33,722).*

	Available for sale	Cross currency swaps	Embedded derivatives	Interest rate swaps	Trading assets	Trading liabilities
1 January 2015	**41,296**	**(993)**	**—**	**—**	**—**	**—**
Gains or (losses) recognised in profit or loss for the year	—	500	9,255	(4,434)	682	(1,666)
Gains or (losses) recognised in other comprehensive income	1,227	—	—	(5,399)	—	—
Purchases	850	—	—	—	—	—
Sales		—	—	—	—	—
Settlements	—	—	—	3,739	—	—
31 December 2015	**43,373**	**(493)**	**9,255**	**(6,094)**	**682**	**(1,666)**

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 2016) and fair value measurement hierarchy are presented in the table below:

	31 December 2016		
	Carrying amount	**Fair Value**	**Hierarchy**
Loans (Note 14)	**687,911**	**729,167**	
Bonds*	349,638	372,164	Level 1
2016 Senior Facilities	332,382	350,835	Level 3
Other	5,892	6,168	

	31 December 2015		
	Carrying amount	**Fair Value**	**Hierarchy**
Loans (Note 14)	**666,468**	**709,202**	
Bonds*	439,176	477,852	Level 1
2015 Senior Facilities**	227,292	231,350	Level 3

* *Fair value of bonds is disclosed at mid-market price, which includes the embedded derivative asset*

** *Disclosure restated for 2015 from Level 2 to Level 3*

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.

vii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the Senior Facilities Agreement. Currently the ratio is 2.9 (2015: 2.8), level which, as mentioned, is constantly monitored.

24. SHARE-BASED PAYMENTS

In February 2007, the Group implemented a share based payment plan for certain members of the management team and key employees. The options vest if and when certain revenue, subscriber targets and other targets of the Group are met. In 2016 the share-based payments plan was not applied.

Share options were granted to eligible employees under the share based payment plan in 2016 nil (2015: 935,000). The related share option expense of EUR has been recorded as an expense in 2016 EUR nil (2015: EUR 2,054) in the Consolidated statement of profit or loss and other comprehensive income in the line item Operating expenses, within salaries and related taxes. (Note 18).

25. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2016 the Group had both derivative financial liabilities and derivative financial assets.

	31 December 2016		31 December 2015	
	Fair value	**Notional**	**Fair value**	**Notional**
Derivative financial asset (see also Note 23)	**17,049**		**9,937**	
Embedded derivatives	13,908	n/a	9,255	n/a
Electricity trading assets (term contracts)	3,141	95 GWh	682	92 GWh

	31 December 2016		31 December 2015	
	Fair value	**Notional**	**Fair value**	**Notional**
Derivative financial liability (see also Note 23)	**16,356**		**8,253**	
Interest rate swaps	5,318	197,651	6,094	197,769
Cross currency swaps	—	—	493	450,000
Electricity trading liabilities (term contracts)	11,038	787 GWh	1,666	733 GWh

As at 31 December 2016 the Group had derivative financial assets in amount of EUR 17,049 (31 December 2015: 9,937), which included:

- Embedded derivatives of EUR 13,908 related to the bond (31 December 2015: 9,255) (both the 2016 Bond and the 2013 Bond include several call options as well as one put option, for which the combined fair value of these embedded options was assessed through the Option Adjusted Spread model and recognized a separate embedded derivative asset). The fair value of the embedded derivatives was also assessed at inception date, in October 2016, in amount of EUR 8,474 and recognized as embedded derivative asset with a corresponding increase of the bond liability.

- Electricity trading assets (term contracts) of EUR 3,141 being mark to market gain from fair valuation of electricity trading contracts (31 December 2015: 682).

As at 31 December 2016 the Group had derivative financial liabilities in amount of EUR 16,356 (31 December 2015: EUR 8,253), which included:

- Cross currency swaps: In 2014 were concluded coupon swaps for the interest of the 2013 Proceeds Loan's value (EUR 450 million), all with a termination date of 23 September 2016. As of 31 December 2016 the cross currency swaps are no longer valid. As of 31 December 2016 the balance is nil (31 December 2015: EUR 493).

- Interest rate swaps liability in amount of EUR 5,318 (31 December 2015: EUR 6,094): On May 22, 2015 and in January 2016 RCS & RDS concluded interest rate swaps for the entire term loan facility and Accordion term loan facility under the 2015 SFA, through which RCS&RDS hedged against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). Under the interest rate swaps RCS&RDS pays fixed and receives variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness. The interest rate swaps remain valid until the maturity of the agreement in 2021.

- Electricity trading liabilities (term contracts) of EUR 11,038 being mark to market loss from fair valuation of electricity trading contracts (31 December 2015: 1,666).

26. CONTINGENCIES AND COMMITMENTS

Uncertainties associated with the fiscal and legal system

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

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

The Dutch, Romanian and other Eastern and Central Europe Fiscal legislation include detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related 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.

Legal proceedings

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

Intact Media Group Litigation

In March 2011, the Intact Media Group initiated a series of lawsuits against us. Although we consider the Intact Media Group litigation to be, at least in a large part, abusive and vexatious, if these court claims are successful, they will generate significant adverse effects on our finances, management and business model.

a) The must carry related litigations

In March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately EUR 100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to EUR 65 million for our alleged breach of the must carry rules. The initial court case was split into two proceedings as Antena Group assigned its monetary claims related to this lawsuit to First Quality Debt Recovery.

The claim regarding the EUR 65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On April 15, 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the EUR 65 million monetary damages. Please note that this decision is not final as it has been challenged by Antena Group. The next hearing in the appeal is scheduled for 11 April 2017.

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favour and dismissed Antena Group's claims. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and quashed the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. The Bucharest Tribunal annulled the monetary claims (EUR 65 million) filed in the case file (because Antena Group's failure to pay the stamp duties) and suspended the proceedings until a final settlement will be issued in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

Separately, Antena Group has also filed two lawsuits claiming (i) monetary damages of approximately EUR 35 million consisting of loss of revenue due to our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Approximately EUR 24 million out of these claims are related to our refusal to carry GSP TV, while the remaining EUR 11 million is related to our refusal to carry Antena 2. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the EUR 35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one. At our request, both the GSP TV and the Antena 2 claims for monetary damages were suspended until the final settlement of the lawsuit we initiated for challenging the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordering us to include the channel in our network in compliance with several technical requirements. However, we have been carrying the channel as of January 2012, and therefore the decision did not impact our network. The appeal filed by RCS & RDS against the first court decision was rejected in October 2014. The decision of the Bucharest Tribunal remained final.

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but only with regards to the judicial expenses. Initially, the appeal was rejected in October 2014, but following a retrial ordered by the High Court of Cassation and Justice, the court of appeals modified in part the first court's decision, by granting approx. EUR 2 (two) as judicial expenses to Antena Group. The decision is subject to higher appeal.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

We have also challenged, but failed to overturn in court a number of NAC (National Audiovisual Council of Romania) decisions on must carry rules and, particularly, a decision finding that we breached the obligation to provide certain must carry channels to our customers (including GSP TV).

This adverse decision could be used in the monetary claims of Antena Group against us in relation to the alleged breach of the must carry rules with respect to GSP TV (such claims being approximately EUR 24 million).

Antena Group has not yet provided any objective criteria for the determination of their claims in damages.

b) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS & RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The claimants also requested the court to order RCS & RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.A.

We requested the court to reject the claim as RCS&RDS's behaviour is neither abusively discriminatory nor an abusive refusal to deal. We are mainly arguing that: (i) the claimants didn't initiate good-faith negotiations, as their channels are still under must-carry regime and they didn't even issue an offer to begin with; (ii) the alleged refusal to negotiate would be justified by the abusive past conduct of the claimant; (iii) the negotiations requested by Intact Media Group are not comparable to the ones with Pro TV S.A., given the different market conditions at the moment of the negotiations and the different legal status of the TV channels of the two groups; and (iv) the conditions required by antitrust legislation are not met (e.g., the claimants are not risking exiting the market).

In March 2015, RCS & RDS requested the court to stay the proceedings until the final settlement of four other trials. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the EUR 65 million monetary damages. The decision on suspension of the trial was challenged by Antena Group on 14 December 2015. RCS&RDS opposed the appeal of Antena Group, but at the same time submitted its own appeal regarding the first court's solution with respect to the request for the suspension of the proceedings until the final settlement of three other trials. On 15 June 2016, the Bucharest Tribunal rejected Antena Group's higher appeal as ungrounded, while the challenge filed by RCS&RDS's was rejected for lack of interest.

c) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately EUR 40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have been carried by RCS&RDS, from June 2011 until June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

RCS&RDS requested the dismissal of the claim for being submitted by a person lacking standing on the matter, as the rights invoked by Antena Group (if any) are subject to mandatory collective management, and also for being unfounded, as the carriage was performed having either legal or contractual coverage.

On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016, the Bucharest Court of Appeals admitted Antena Group's appeal, annulled the first court's decision and sent the file back to the Bucharest Tribunal for a trial on the merits of the case. The full decision of the Court of Appeals has been communicated to us on 11 July 2016 and the deadline for a higher appeal expired on 11 August 2016.

We have decided not to challenge this decision because, although it granted Antena Group standing in the file, it contains favourable conclusions on the merits of the case. More specifically, the Court of Appeals stated that the relation between Antena Group and RCS&RDS regarding the retransmission of the must carry channels is not subject to an agreement between the parties.

After the annulment decision of the Bucharest Court of Appeal, the case file returned to the Bucharest Tribunal. In front of the Bucharest Tribunal, RCS&RDS requested the court to bring into this claim RCS&RDS' competitors on the retransmission market in Romania. This request was dismissed by the court. The next hearing of this case by the Bucharest Tribunal is scheduled for 11 May 2017.

d) Litigation regarding the outcome of the GSP investigation

On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.

On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS&RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to re-open the investigation and issue a decision taking into consideration all arguments raised by Antena Group. The main grounds of this court claim regard the Competition Council's alleged wrongful analysis of the RCS&RDS' refusal to negotiate the retransmission of GSP TV channel, as well as the authority's alleged lack of a proper analysis regarding RCS&RDS' (alleged) discriminatory behaviour.

Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS & RDS needs to be introduced in the trial as defendant. On 3 October 2016, the court decided to reject Antena Group's claim in its entirety. This decision may be appealed by Antena Group within 30 days after the court issues the written reasoning of the decision. Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS, which could ultimately lead to the application of antitrust fines amounting up to 10% of RCS&RDS' turnover.

e) Reciprocal contractual claims with the Intact Media Group

Compensation of damage to reputation

In November 2012, we initiated proceedings against Antena Group and other Intact Media Group entities for compensation in respect of the damage to our business reputation inflicted by a media campaign conducted via media assets of Intact Media Group that we consider defamatory. We requested: (i) a declaration that the adversary media campaign was being conducted in abuse of Intact Media Group's rights; (ii) an order obliging Intact Media Group to publish such declaration via its TV and newspaper network; and (iii) monetary compensation in the aggregate amount of approximately EUR 1.2 million for damage to our business reputation.

On March 7, 2016, the Bucharest Court of Appeal ruled in our favor on most counts and required Antena Group to pay us EUR 780,000 in moral damages. Antena Group filed a higher appeal to the Romanian Supreme Court against the decision of the appeal court. On November 24, 2016 the Romanian Supreme Court admitted the higher appeal and sent the case for retrial to the Bucharest Court of Appeal. The retrial has not been scheduled yet.

Violation of certain contracts

In 2011 and 2012, we initiated two proceedings against Antena Group claiming approximately EUR 2.6 million in damages resulting from their breaches of certain contractual arrangements. In 2012, Antena Group responded with counterclaims in both proceedings in the total aggregate amount of approximately EUR 3.3 million.

In the first proceedings we sought a refund of certain retransmission fees we had paid to Antena Group until 2010 in relation to two of its channels (Antena 3 and Antena 4). In turn, Antena Group sought further retransmission fees from us for 2010 and 2011. On November 2, 2015, the first instance court dismissed our claim and granted Antena Group's counterclaim in part, ordering us to pay approximately EUR 1.9 million to Antena Group in retransmission fees and legal expenses. Both parties have appealed that decision. On March 16, 2017 the Bucharest Court of Appeal partially admitted both appeals and consequently awarded approx. EUR 315,000 to us and approx. EUR 900,000 to Antena Group.

We have already filed a higher appeal against this decision, the first hearing before the Romanian Supreme Court being scheduled for May 17, 2017. We are currently unaware if Antena Group has also submitted a higher appeal.

In the second proceedings the court of the first instance fully dismissed both our claim and Antena Group's counterclaim. Both parties are currently appealing the court's decisions. The next hearing in the court of appeal is scheduled for April 24, 2017.

Pecuniary claim filed by the National Cinematography Centre

On 19 April 2016, the National Cinematography Centre in Romania (which is the Romanian public entity under the Romanian Ministry of Culture) filled against RCS&RDS a payment injunction amounting to at least EUR 1.6 million, including principal amount and penalties for late payment.

Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital retransmission of TV content. We have dully declared our income to the National Cinematography Centre and have paid the outstanding principal amounts up to date, while we refuse to pay for the accessories that are claimed by the National Cinematography Centre, as being abusive and illegal. The total amount of these accessories is of approximate EUR 1 million.

On 3 April 2017, the Court of Appeal rejected the claim against us. The decision of the court of first instance is final.

While the above mentioned case file involves an urgent (extraordinary) proceeding through which the National Cinematography Centre aimed at forcing RCS&RDS to pay the above mentioned amounts, given the rejection of the above claim by the court of first instance for lack of ground, on 4 November 2016, the National Cinematography Centre additionally filed before the Bucharest Tribunal the principal (ordinary) claim for payment, but with respect to a lower amount, in approximate value of EUR 1.2 million, including principal and accessories. In connection with this second case file, the first hearing is set for 24 April 2017.

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

Litigation with Electrica Distribuţie Transilvania Nord in relation to a concession agreement between the Company and the Oradea municipality

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

Based on our request, the trial was suspended pending final settlement of (i) our challenge regarding the failure by the claimant to pay required stamp duties and (ii) a separate lawsuit in which two Group companies are challenging the validity of the alleged exclusivity rights of incumbent electricity distributors. Should the final court decision be unfavourable to us, it may result in a partial loss of our investment in the underground cable trough.

Competition Council Investigations

RCS&RDS has been until the date of this report subject to two infringement investigations by the Competition Council. As per our knowledge, no other infringement investigation is pending against RCS&RDS.

Telecom market interconnection investigation

In February 2011, the RCC opened an investigation on the telecommunications market related to interconnection tariffs charged by all telecommunications operators. We believe this investigation was launched with the aim of reducing the relatively high interconnection tariffs charged on the Romanian market and thereby reducing the rates ultimately charged to consumers.

By decision no 33/2015 the RCC decided to close the investigation in exchange for all operators undertaking and complying with a general commitment not to discriminate between the level of the tariffs charged for the on-net and the off-net calls. We will need to implement this commitment for 2 years. During the term of the commitments, RCS&RDS is required to provide to the RCC, upon request, business information, and to commission periodic independent market studies on the evolution of the mobile telephony sector.

The RCC's decision accepting our commitment has closed the investigation without the application of any fines for the alleged anticompetitive conduct. The offering of commitments does not imply any admission of wrongdoing. A failure to comply with the terms of the commitment as accepted by the RCC may lead to penalties of up to 10 per cent of our aggregate turnover.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania and our former commercial partner, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011. We have fully cooperated during this investigation and we consider the demands of Antena TV Group S.A. to be abusive and groundless, we have started retransmitting GSP TV following an injunctive relief that Antena TV Group S.A. obtained against us on grounds that starting July 2011 GSP TV became a "must-carry" channel.

The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the "must-carry" regime.

The RCC also issued a formal recommendation us to produce general terms to be complied by third party broadcasters wishing to retransmit their content via our network. Our relations with "must-carry" and pay-tv channels are expressly excluded from the scope of that recommendation.

The RCC's decision is not final and is subject to judicial review. Antena TV Group S.A. challenged the decision and that trial is ongoing (the details of this case are explained in a dedicated section above: "Litigation regarding the outcome of the GSP investigation").

Material commitments

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 5% p.a., 3M EURIBOR + 5% p.a. or 3M ROBOR + 5% p.a.

Operating leases

The Group leases under operating leases several main types of assets:

- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring, and pillars/land for mobile network in Romania;
- pillars for network support in Romania in several urban areas for "fibre to the block networks";
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Czech Republic, Spain, Italy.

Minimum lease payments under operating lease agreements (both non-cancellable and cancellable but which are not expected to be cancelled) are as follows:

	2016	**2015**
Less than one year	27,339	21,948
Between one and five years	50,332	41,276
More than five years	14,941	6,562
	92,612	**69,786**

The leases for local offices and commercial spaces typically run for an initial period of one year, with an option to renew the lease after that date. The leases of pillars for network support typically run for an initial period of 17 years. The leases for fibre optical line capacities typically run for an initial period between 4 and 7 years. None of the leases include contingent rentals.

Besides these lease agreements, there are approximately over 400 contracts signed for a period of over 5 years, with an automatic renewal clause or signed for an indefinite term. The average annual rent for these contracts is of maximum EUR 1,396.

Capital expenditure

The capital expenditure the Group has assumed until 31 December 2016 is mostly made of commitments for the purchase of mobile and fixed network equipment amounting to approximately EUR 85,642 (31 December 2015: EUR 86,045).

Satellite capacity expenses

The Group has committed under the long term agreement with Intelsat, the satellite solution provider, to use until 30 November 2017 the contracted services and to pay monthly equal fees cumulating to EUR 7,373 (31 December 2015: EUR 17,528).

2100 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2100 MHz* radio spectrum license awarded until 31 December 2021 inclusively, amounting to a cumulated value of EUR 15,452 (31 December 2015: EUR 12,131). The increase of the commitment relates to the third frequency block in 2016.

900 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 900 MHz radio spectrum license awarded starting with April 2014 until April 2029 inclusively, amounting to a cumulated value of EUR 20,324 (31 December 2015: EUR 21,721).

1800 MHz spectrum fee

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the *1800 MHz* radio spectrum license awarded until 31 October 2029 inclusively, amounting to a cumulated value of EUR 5,843 (31 December 2015: EUR 6,033).

2600 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2600 MHz* radio spectrum license awarded until 31 April 2029 inclusively, amounting to a cumulated value of EUR 13,318 (31 December 2015: EUR 14,228).

3700 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *3700 MHz* radio spectrum license awarded until 31 November 2025 inclusively, amounting to a cumulated value of EUR 2,505 (31 December 2015: EUR 2,744).

Sports rights and TV films and documentaries

As of 31 December 2016, commitments for sports rights related to future seasons and TV films and documentaries amounted to EUR 49,167 (31 December 2015: EUR 71,448).

Letters of guarantee and letters of credit

As of 31 December 2016, there were bank letters of guarantee and letters of credit issued in amount of EUR 11,375 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2015: EUR 12,717).

27. SUBSEQUENT EVENTS

In February 2017, the general meeting of shareholders of the Company has unanimously resolved the following:

- to change the name of the Company from Cable Communications Systems N.V. to DIGI Communications N.V.;
- to amend the articles of association pursuant to which, inter alia, two classes of shares will be created being: class A shares with a nominal value of ten eurocent (EUR 0.10) each and in respect of which for each share A ten (10) votes may be cast and class B shares with a nominal value of one eurocent (EUR 0,01) each and in respect of which for each share B one (1) vote may be cast;

- a conversion and split of each currently issued ordinary share in the Company with a nominal value of EUR 1 into ten (10) class A shares with a nominal value of EUR 0.10 each;
- the cancellation of shares held by the Company in its own share capital; and
- the increase of the share capital by issuing up to 100 million class A shares pro-rata to the shareholdings, subject to availability of reserves.

The above-mentioned resolutions and the changes approved therein are set to take effect only following the lapse of a two-month mandatory wait period, expected on 11 April 2017.

In February 2017 RCS&RDS has contracted a short-term loan from ING Bank NV-Bucharest branch for financing working capital needs in amount of RON 7 million.

In February 2017 the Company converted dividend payables to 2 minority shareholders into short term loans in amount of EUR 8.1 million, with maturity until 30 June 2017 and interest expense of 5% p.a. (secured on pari passu basis, same as the terms of the Intercreditor Agreement, please refer to note xiv).

In March 2017 a share swap agreement was concluded between Mr Teszari and the Company through which Mr Teszari exchanges a number of 7,500,000 shares of RCS&RDS for 1,042 shares of the Company.

In March 2017 share swaps agreements were concluded between the Company and several minority shareholders, through which the minority shareholders of RCSM exchange 16,582 shares of RCSM for 17,367,832 shares in RCS&RDS, which became effective in April 2017 after the lapse of a two-month mandatory wait period.

On 7 April 2017, the General Meeting of the shareholders of DIGI decided the following:

- revocation of the resolution of the general meeting of shareholders of DIGI from February 2017 to cancel the shares held by the Company in its own share capital;
- approval of several operations with shares held by DIGI in its own share capital between DIGI and RCSM, as part of the pre-IPO restructuring process;
- the authorization for the Board of DIGI to issue a number of 99,494,060 class A shares at a total nominal value of EUR 9,949,406 through incorporation of share premium and reserves (bonus issuance, based on the shareholders resolutions from February 2017);
- resolutions on the intention to float class B shares on the regulated spot market of the Bucharest Stock Exchange, International Tier, and related offering and admission.

The Group acquires the electricity it then sells to its customers on the Romanian wholesale trading platforms, in line with applicable legal provisions which forbid "over the counter" agreements. Due to the fixed prices that the Group charges its customers for electricity supply, increases in the cost of the electricity acquired from third parties on the trading platforms have adverse effects on the financial condition and results of the Group. During the first quarter of 2017 the Group estimates that will record a realized loss before taxes of approximately EUR 7 million from electricity supply activities due to the unusual volatility in the cost of electricity.

In connection with the IPO, the company is proposing to become tax resident in Romania. This should not affect materially the corporate income tax incurred by the Company. Due to misalignment of Romanian and EU legislation, the Company's 350 million Euro 2023 Notes may be subject to Romanian withholding taxes on interest (approximately EUR 3.3 million per year which will be treated as interest expense). The Company believes that the imposition of any such withholding tax is incorrect. However, the Company expects as a prudential matter to pay to such withholding taxes. The Company intends to claim back any amounts so paid. The Company is prepared to litigate in pursuit of such reclaim. Any such litigation is likely to be relatively lengthy and complex.

In April 2017 we have drawn RON 15 million from SFA 2016 Facility B for general corporate and working capital purposes of the Group.

For developments in legal proceedings in which the Group was involved (both as a plaintiff and a defendant), subsequent to 31 December 2016, please refer to Note 26.

28. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is calculated by adding back to consolidated operating profit/(loss) the charges for depreciation, amortization and impairment of assets. Our Adjusted EBITDA is EBITDA adjusted for the effect of non-recurring and one-off items, as well as mark to market results (unrealized) from fair value assessment of energy trading contracts.

	2016	**2015**
Revenues	**842,755**	**750,130**
Operating profit	79,264	70,332
Depreciation, amortization and impairment	176,370	187,905
EBITDA	**255,634**	**258,237**
(Gain)/loss from sale of discontinued operations (Note 21)	674	(20,882)
Other expenses[(1)]	6,969	998
Adjusted EBITDA	**263,277**	**238,353**
Adjusted EBITDA (% of revenue)	*31.24%*	*31.77%*

(1) As of December 31, 2016 we present unrealised mark-to-market results from fair value assessment of energy trading contracts on a separate line: Other expenses. Comparative information as of December 31, 2015 was restated accordingly. Prior to the restatement, as of December 31, 2015 the unrealised mark-to-market loss of EUR 998 thousand was included in Operating expenses.

For breakdown of depreciation, amortization and impairment refer to Notes 5 and 6(a) and 6(b). Gain from sale of discontinued operations in 2015 represents the net gains from discontinued operations in Czech Republic and Slovakia.

Cable Communications Systems N.V.

Consolidated financial statements of the Group as at and for the year ended December 31, 2015

Cable Communications Systems N.V.
CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Cable Communications Systems NV

We have audited the accompanying consolidated financial statements of Cable Communications Systems NV and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

As disclosed in Note 2.1 (b) to the consolidated financial statements, these consolidated financial statements are not intended for statutory filing purposes in any jurisdiction.

29 September 2016

On behalf of
Ernst & Young Assurance Services SRL

Anamaria Cora
Partner

CABLE COMMUNICATIONS SYSTEMS
Consolidated Statement of financial position
as at 31 December 2015

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

	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	674,743	643,079
Intangible assets	6a	205,128	199,741
Available for sale financial assets (AFS)	7	43,373	41,296
Investment in associates		1,000	2,492
Long term receivables		5,852	6,748
Deferred tax assets	19	3,951	2,933
Total non-current assets		**934,047**	**896,289**
Current assets			
Inventories	8	13,205	22,828
Programme assets	6b	29,536	16,838
Trade and other receivables	9	82,545	109,862
Income tax receivable		202	1,466
Other assets	10	8,209	9,927
Derivative financial assets	24	9,937	—
Cash and cash equivalents	11	49,662	54,288
Total current assets		**193,296**	**215,209**
Total assets		**1,127,343**	**1,111,498**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	51	51
Share premium		8,247	8,247
Treasury shares		(16,703)	(16,703)
Reserves		31,597	45,287
Retained earnings		77,462	68,261
Equity attributable to equity holders of the parent		**100,654**	**105,143**
Non-controlling interest		2,160	2,197
Total equity		**102,814**	**107,340**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings, including bonds	13	624,897	652,732
Deferred tax liabilities	19	26,981	28,204
Other long term liabilities		7,598	10,595
Total non-current liabilities		**659,476**	**691,531**
Current liabilities			
Trade and other payables	14	271,118	217,171
Interest-bearing loans and borrowings	13	63,118	45,746
Income tax payable		1,746	293
Derivative financial liabilities	24	8,253	993
Deferred revenue		20,818	48,424
Total current liabilities		**365,053**	**312,627**
Total liabilities		**1,024,529**	**1,004,158**
Total equity and liabilities		**1,127,343**	**1,111,498**

The financial statements were approved by the Board of Directors on 26 September 2016 and were signed on its behalf by:

Zoltan Teszari, President of the Board of Directors

Marius Catalin Varzaru, Member of the Board of Directors

Monique Charlotte Rosenkotter-Donker, Member of the Board of Directors

Parveen Chantal Soebrati, Member of the Board of Directors

Serghei Bulgac, CFO

CABLE COMMUNICATIONS SYSTEMS
Consolidated Statement of profit or loss and other comprehensive income for the year ended as at 31 December 2015

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

	Notes	2015 Continuing Operations	2015 Discontinued Operations	2015 Total	2014 Continuing Operations	2014 Discontinued Operations	2014 Total
Revenues	16	746,290	3,840	750,130	647,831	13,776	661,607
Gain from sale of discontinued operations	20	—	20,882	20,882	—	9,604	9,604
Operating expenses	17	(697,565)	(3,115)	(700,680)	(612,404)	(10,451)	(622,855)
Operating profit		**48,725**	**21,607**	**70,332**	**35,427**	**12,929**	**48,356**
Finance income	18	9,869	—	9,869	752	56	808
Finance expenses	18	(70,726)	(23)	(70,749)	(61,142)	—	(61,142)
Net finance costs		**(60,857)**	**(23)**	**(60,880)**	**(60,390)**	**56**	**(60,334)**
Profit / (loss) before taxation		**(12,132)**	**21,584**	**9,452**	**(24,963)**	**12,985**	**(11,978)**
Income tax	19	(5,369)	(56)	(5,425)	4,709	421	5,130
Net profit / (loss)		**(17,501)**	**21,528**	**4,027**	**(20,254)**	**13,406**	**(6,848)**
Other comprehensive income							
Items that are or may be reclassified to profit or loss							
Foreign operations—foreign currency translation differences		(109)	—	(109)	(8,796)	—	(8,796)
Available for sale financial asset, change in fair value	7, 19	1,227	—	1,227	8,561	—	8,561
Cash Flow hedge reserves		(4,535)		(4,535)	—	—	—
Other comprehensive income for the year, net of tax		**(3,417)**	**—**	**(3,417)**	**(235)**	**—**	**(235)**
Total comprehensive income for the year		**(20,918)**	**21,528**	**610**	**(20,489)**	**13,406**	**(7,083)**
Profit / (Loss) attributable to:							
Equity holders of the parent		(16,667)	20,637	3,970	(19,281)	12,847	(6,434)
Non-controlling interest		(834)	891	57	(973)	559	(414)
Net profit / (loss) for the year		**(17,501)**	**21,528**	**4,027**	**(20,254)**	**13,406**	**(6,848)**
Total comprehensive income attributable to:							
Equity holders of the parent		(19,896)	20,637	741	(19,176)	12,847	(6,329)
Non-controlling interests		(1,022)	891	(131)	(1,313)	559	(754)
Total comprehensive income for the year		**(20,918)**	**21,528**	**610**	**(20,489)**	**13,406**	**(7,083)**

The financial statements were approved by the Board of Directors on 26 September 2016 and were signed on its behalf by:

Zoltan Teszari, President of the Board of Directors

Monique Charlotte Rosenkotter-Donker, Member of the Board of Directors

Marius Catalin Varzaru, Member of the Board of Directors

Parveen Chantal Soebrati, Member of the Board of Directors

Serghei Bulgac, CFO

CABLES COMMUNICATIONS SYSTEMS
Consolidated Statement of Cash Flows
for the year ended 31 December 2015

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

	Notes	2015	2014
Cash flows from operating activities			
Profit/(loss) before taxation		**9,452**	**(11,978)**
Adjustments for:			
Depreciation, amortization and impairment	5, 6	187,905	192,061
Interest expense, net	18	54,265	49,865
Impairment of trade and other receivables	22	10,069	7,999
Impairment of investments in associates		1,542	—
Losses/(gains) on derivative financial instruments	22	(5,523)	2,886
Equity settled share-based payments	23	2,054	2,418
Unrealised foreign exchange loss/(gain)		(837)	(1,343)
Other non cash items		(64)	(313)
Gain on sale of assets		(744)	—
Gain on disposal of subsidiary	20	(20,882)	(9,604)
Cash flows from operations before working capital changes		**237,237**	**231,991**
Changes in:			
Decrease/(increase) in trade receivables and other assets		15,144	(33,540)
Increase in inventories		(3,704)	(4,463)
Increase in trade payables and other current liabilities		21,191	28,525
(Decrease)/increase in deferred revenue		(28,388)	3,791
Cash flows from operations		**241,480**	**226,304**
Interest paid		(44,235)	(46,746)
Income tax paid		(5,062)	(4,618)
Net cash flows from operating activities		**192,183**	**174,940**
Cash flow used in investing activities			
Purchases of property, plant and equipment	5,14	(113,733)	(113,084)
Purchases of intangibles	6,14	(80,618)	(87,775)
Acquisition of subsidiaries, net of cash and NCI	21	(1,827)	(12,758)
Acquisition of AFS	21	(1,460)	(1,160)
Sale of subsidiaries, net of cash disposed	20	25,132	10,137
Proceeds from sale of property, plant and equipment		919	196
Net cash flows used in investing activities		**(171,587)**	**(204,444)**
Cash flows from financing activities			
Dividends paid to shareholders		(1,622)	(1,741)
Proceeds from borrowings		258,229	49,634
Repayment of borrowings		(272,905)	(4,459)
Financing costs paid		(4,082)	(6,780)
Settlement of derivatives		(3,739)	(2,210)
Payment of finance lease obligations		(1,618)	(856)
Net cash flows (used in)/from financing activities		**(25,737)**	**33,588**
Net increase/(decrease) in cash and cash equivalents		**(5,141)**	**4,084**
Cash and cash equivalents at the beginning of the year	11	**54,288**	**50,234**
Effect of exchange rate fluctuations of cash and cash equivalents held		515	(30)
Cash and cash equivalents at the end of the year	11	**49,662**	**54,288**

The amount presented as Interest expense in Cash Flow as at 31 December 2015, includes interest expense during the year (EUR 49,342) and unamortized borrowing costs recognized as expense (EUR 4,923) related to the 2013 New Senior Facility repaid in 2015. For details, please see Note 13 Borrowings.

CABLE COMMUNICATIONS SYSTEMS
Consolidated Statement of Changes in Equity
for the year ended 31 December 2015
(all amounts are in thousand Euro, unless specified otherwise)

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Cash Flow hedge reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2015	**51**	**8,247**	**(16,703)**	**(31,616)**	**46,775**	**30,128**	**—**	**68,261**	**105,143**	**2,197**	**107,340**
Comprehensive income for the period											
Profit for the year								3,970	**3,970**	57	**4,027**
Foreign currency translation differences				*(110)*					***(110)***	*2*	***(108)***
Fair Value for AFS						*1,227*			***1,227***	—	***1,227***
Cash Flow hedge reserves							*(4,346)*		***(4,346)***	*(189)*	***(4,535)***
Transfer of revaluation reserve (depreciation)					*(10,461)*		—	*10,461*	**—**	—	**—**
Total comprehensive income for the period	**—**	**—**	**—**	**(110)**	**(10,461)**	**1,227**	**(4,346)**	**14,431**	**741**	**(130)**	**611**
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Equity-settled share-based payment transactions *(Note 23)*								1,968	**1,968**	86	**2,054**
Dividends distributed (note 12)		—	—	—	—	—	—	(3,500)	**(3,500)**		**(3,500)**
Total contributions by and distributions to owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***(1,532)***	***(1,532)***	***86***	***(1,446)***
Changes in ownership interests in subsidiaries											
Payments while having full control (Note 21)								(707)	**(707)**	(31)	**(738)**
Movement in ownership interest while retaining control (Note 21)	—	—	—	—	—	—	—	(2,991)	**(2,991)**	38	**(2,953)**
Total changes in ownership interests in subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**—**	***(3,698)***	***(3,698)***	***7***	***(3,691)***
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(5,230)**	**(5,230)**	**93**	**(5,137)**
Balance at 31 December 2015	**51**	**8,247**	**(16,703)**	**(31,726)**	**36,314**	**31,355**	**(4,346)**	**77,462**	**100,654**	**2,160**	**102,814**

CABLE COMMUNICATIONS SYSTEMS
Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

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

	Share capital	Share premium	Treasury shares	Translation reserve	Revaluation reserve	Fair value Reserves	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at 1 January 2014	**51**	**8,247**	**(16,703)**	**(23,160)**	**55,688**	**21,567**	**71,397**	**117,087**	**3,396**	**120,483**
Comprehensive income for the period										
Profit for the year	—		—	—	—		(6,434)	(6,434)	(414)	(6,848)
Foreign currency translation differences	—	—	—	*(8,456)*	—	—	—	*(8,456)*	*(340)*	*(8,796)*
Fair Value for AFS	—	—	—	—	—	*8,561*	—	*8,561*	—	*8,561*
Transfer of revaluation reserve (depreciation)	—	—	—	—	*(8,913)*	—	*8,913*	—	—	—
Total comprehensive income for the period	**—**	**—**	**—**	***(8,456)***	**(8,913)**	**8,561**	**2,479**	**(6,329)**	**(754)**	**(7,083)**
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions *(Note 23)*	—	—	—	—	—	—	2,325	**2,325**	93	**2,418**
Dividends distributed (note 12)	—	—	—	—	—	—	(3,500)	(3,500)	—	(3,500)
Total contributions by and distributions to owners	—	—	—	—	—	—	***(1,175)***	***(1,175)***	***93***	***(1,082)***
Changes in ownership interests in subsidiaries										
Payments while having full control (Note 21)	—	—	—	—	—	—	(1,995)	(1,995)	(80)	(2,075)
Movement in ownership interest while retaining control (Note 21)	—	—	—	—	—	—	(2,445)	(2,445)	(458)	(2,903)
Total changes in ownership interests in subsidiaries	—	—	—	—	—	—	***(4,440)***	***(4,440)***	***(538)***	***(4,978)***
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**(5,615)**	**(5,615)**	***(445)***	**(6,060)**
Balance at 31 December 2014	**51**	**8,247**	**(16,703)**	**(31,616)**	**46,775**	**30,128**	**68,261**	**105,143**	**2,197**	**107,340**

1. CORPORATE INFORMATION

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

The parent company of the Group is Cable Communications Systems N.V. ("CCS" or "the Company" or "the Parent"), a company incorporated in Netherlands. The main operations are carried by RCS&RDS S.A (Romania) ("RCS&RDS"), Digi T.S kft (Hungary), Digi Spain Telecom SLU, and Digi Italy SL. CCS registered office is located in Amsterdam (1043 BW), Naritaweg 165, Telestone 8, The Netherlands.

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

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

In 1998 Romania Cable Systems S.A established a new subsidiary Romania Data Systems S.A. ("RDS") for the purposes of offering internet, data and fixed telephony services to the Romanian market.

In August 2005, Romania Cable Systems S.A. absorbed through merger its subsidiary Romania Data Systems S.A. and changed its name into RCS&RDS.

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

The Group provides telecommunication services of Cable TV (television), Fixed and Mobile Internet and Data, Fixed-line and Mobile Telephony ("CBT") and Direct to Home television ("DTH") services in Romania, Hungary, Spain and Italy. The largest operating company of the Group is RCS&RDS. At the end of 2015, CCS Group had a total of 12,453 employees (2014: 12,205 employees).

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

The consolidated financial statements were authorized for issue by the Board of Directors of CCS on 26 September 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Group has also prepared consolidated financial statements in accordance with IFRS for the year ended 31 December 2015, which were authorized for issue by the Board of Directors of CCS on 15 April 2016.

(b) Non–statutory consolidated financial statements

These Consolidated financial statements are not intended for statutory filing purposes in any jurisdiction. Consequently, they are not suitable for statutory filing in any jurisdiction. For statutory Dutch filing purposes the

Group has applied the exception 408 of the Dutch Civil Code Book 2 Title 9 and therefore, the parent company, RCSM has to file its consolidated financial statements for the year ended 31 December 2015, prepared in accordance with IFRS as adopted by EU, with the auditor's opinion and the annual report in English within six months after the balance sheet date or within one month after a lawfully made later publication at the office of the commercial register.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for buildings, cable plant, equipment and devices and customer premises equipment measured at revalued amount, and except for available for sale financial assets and derivative financial instruments measured at fair value as described in the accounting policies under Note 2.2 below.

(d) Going concern assumption

Management believes that the Group will continue as a going concern for the foreseeable future. In recent years the Group operated in an environment of exchange rate volatility whereby the functional currencies (RON, HUF, etc.) fluctuated against the USD and EUR. The unfavourable evolution of the exchange rates has impacted the financial result. However it did not affect the operations of the Group. Despite these circumstances, the Group was able to mitigate the effects of the financial crisis that started globally in the second half of 2008 by readjusting its tariffs, maintaining its investment program and paying higher attention to the working capital management.

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

(e) Functional and presentation currency

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

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

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

The translation into presentation currency of the financial statements of each entity is described under Note 2.2 below.

(f) Significant estimates and judgments

In the process of applying the Group's accounting policies, 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 and in any future periods affected.

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

- Note 21 purchase price allocation and goodwill calculation;
- Notes 2.2 (d): recognition and classification of programme assets;
- Notes 2.2 (c) and 5: recognition of customer premises equipment.

A significant judgment specific for the year 2014 was that, as at 31 December 2014 management considered that the IFRS 5 criteria for the recognition of the sale of Czech Subsidiary where not met, as at the year end there was no firm decision taken to sell Digi Czech Republic SRO. The subsidiary was eventually sold in April 2015.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3b: fair value of customer relationships acquired in a business combination;
- Note 6: key assumptions used in discounted cash flow projections in relation to goodwill impairment testing;
- Notes 7 and 22 iv): measurement of available for sale financial assets;
- Note 2.2 (c): useful lives of property, plant and equipment;
- Note 5: revaluation of buildings, cable plant, equipment and devices and customer premises equipment;
- Note 22 i): impairment of trade receivables;
- Notes 22 iv): fair value of financial instruments;
- Note 25: contingencies;
- Note 13 and 22 iv): bonds embedded derivatives;
- Note 19: recognition of deferred tax assets.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Parent has prepared the consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances for all Group entities.

New pronouncements

The accounting policies used are consistent with those of the previous financial year except for the following new and amended IFRSs which have been adopted by the Group as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015:
- IFRS 3 Business Combinations: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 Fair Value Measurement: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

- IAS 40 Investment Properties: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

These amendments did not have a significant effect on the financial position or performance of the Group.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of CCS and its subsidiaries and the Group's interest in associates as at 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using mostly consistent accounting policies. Upon consolidation adjustments are recorded in order to align the few inconsistent accounting policies.

Business combinations

The Group accounts for business combinations using the acquisition method. 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. 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 the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

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.

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Investments in associates

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

Investments in associates are accounted for using the equity method (equity-accounted investees)

Under the equity method, the investment in an associate is initially recognised at cost. The cost of the investment includes transaction costs. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency—Transactions and balances

Transactions in foreign currencies have been recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been retranslated into the functional currency at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency 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 currency using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and

- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations—Translation to presentation currency

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

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

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

	2015			2014		
Currency	**Jan – 1**	**Average for the year**	**Dec – 31**	**Jan – 1**	**Average for the year**	**Dec – 31**
RON per 1EUR	4.4821	4,4450	4.5245	4.4847	4.4446	4.4821
HUF per 1EUR	314.89	309.89	313.12	296.91	308.66	314.89
CZK per 1EUR	27.73	27.58*	N/A	27.43	27.53	27.73
USD per 1EUR (ecb.eu)	1.2141	1.1095	1.0887	1.3791	1.3285	1.2141

* The average rate for CZK is the average of period starting 1 January 2015, ending 30 April 2015.

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: vehicles, furniture and office equipment; or

- using the revaluation model, at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses: land, buildings, cable plant, equipment and devices and customer premises equipment (“CPE”).

Land is not depreciated.

Property, plant and equipment is measured at cost upon initial recognition.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to their present location and condition necessary for their intended use, and capitalised borrowing costs, when applicable.

The costs of internally developed networks include proportionate 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.

Property, plant and equipment includes customer premises equipment, such as DTH, cable, Internet and 3G equipment in custody with customer, when the Group retains control over such assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of customer premises equipment in custody of customers with suspended services as at the reporting date is fully impaired.

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

Depreciation is calculated on a straight-line basis to write off recorded cost of the assets over their estimated useful lives as follows:

Property, plant and equipment	**Useful life**
Buildings	40 years
Cable plant	15 years
Mobile Radio Network	10 years
Equipment and devices	3-12 years
Customer premises equipment	
—Indoor DTH and CBT equipment	5 years
—Outdoor DTH and CBFT equipment	5-9 years
—Mobile handsets and mobile Internet devices	3 years
Vehicles	5 years
Furniture and office equipment	3-9 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or 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.

Revaluation

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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 transferred to retained earnings as the assets are depreciated or upon disposal.

Items of property, plant and equipment with zero net book value are not revalued.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortized over the useful economic life on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss.

Customer relationships

Customer relationships represent the cost incurred by the Group when acquiring 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 fair value at the date of the acquisition and are presented separately from any goodwill resulting in the acquisition.

Management determines the useful life used for the amortization of customer relationships based on management analysis and past experience. The useful life used for amortizing customer relationships is of 7 years (straight line method is used).

Subscriber acquisition costs

Subscriber acquisition costs ("SAC") represent the costs for acquiring and connecting new subscribers of the Group companies, consisting of commissions paid to third parties for contracting a new subscriber at the point at which the contract is signed with the customer. The Company capitalises as intangible assets the subscriber acquisition costs as they meet the requirements of IAS 38 for capitalization.

SAC are amortized over the related contract period, being a one or two year period. SAC are fully written off for all customers with suspended services as at the reporting date.

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 subsequently measured at cost less accumulated impairment losses, being tested at least annually for impairment.

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

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

Programme assets

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

- Sports broadcasting rights for the current season are recognized at their acquisition cost, at the opening of the broadcasting period of the related sports season. Sports rights are amortized over the period they relate to on a straight line basis. Any rights not expected to be utilized are written off;

- Film and television broadcasting rights are recognised at their acquisition cost, when the programme is available for screening and are amortised over their broadcasting period.

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

The Group classifies the cash outflows for the purchase of programme assets as cash flows used in investing activities in the Consolidated Statement of Cash Flows, based on the long-term nature of the contribution of these assets to the subscriber acquisition, subscriber retention and consequent revenue generation, based on the comprehensive strategy of the Group.

Other intangible assets

Other intangible assets that are acquired by the Group (the 2100 MHz, the 900 MHz, the 2600 MHz and the 3600 MH mobile telephony licenses in Romania, the 1800 MHz mobile telephony license in Hungary, software and other intangible assets) have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of the mobile telephony licences is charged on a straight line basis over the period of each license (15 years). Software licenses (including software related to telecommunication equipment) are amortized on a straight line over their estimated useful life which is generally 3 to 8 years. Other contractual intangible assets are amortized over their underlying contract period.

e) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises financial assets on the date that the Group becomes a party to the contractual provisions of the instrument.

For regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned, the trade date is applied for recognition.

Classification

The Group classifies non-derivative financial assets into the following categories: loans and receivables, cash and cash equivalents and available-for-sale financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, on the date that they are originated. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets included in loans and receivables category include trade and other receivables and other long term receivables.

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.

Cash and cash equivalents

Cash and cash equivalents 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.

Available-for-sale assets

Available for sale assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

Recognition

The Group initially recognises financial liabilities on the date that the Group becomes a party to the contractual provisions of the instrument.

Classification

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Other financial liabilities

Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, issued bonds and trade and other payables.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) 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, net of any tax effects.

Transactions with the Company's shares between shareholders are considered completed at the date the transfer of ownership has been agreed upon by the parties in a written contract.

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.

(iv) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Derivatives held for trading

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Derivatives as hedging instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of a derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f) Impairment

i) Non-financial assets

Property, plant and equipment and intangible assets other than goodwill

The carrying amount of the Group’s property, plant and equipment 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.

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 to sell 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

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

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

Goodwill

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

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

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

Impairment losses recognized for goodwill cannot be subsequently reversed.

ii) Financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade and other receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI. Impairment losses for an impaired available-for-sale equity instrument are not reversed through profit or loss, but only through OCI.

Investments in associates

An impairment loss in respect of investments in associates is measured by comparing the recoverable amount of the investment with its carrying amount. The recoverable amount of the investment is the higher of its fair value less costs of disposal and its value in use. The Group determines the fair value less costs of disposal based on a DCF valuation model.

An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realizable value.
Cost is determined on a FIFO 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 equipment 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.

h) Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions. Short-term employee benefits are recognized as expenses as services are rendered.

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.

Share based payment transactions

Refer to paragraph q) below.

i) 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 discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognized as a finance cost.

j) Leases

The Group as a lessee

Service contracts that do not take the legal form of a lease but convey rights to the Group to use an asset or a group of assets in return for a payment or a series of fixed payments are accounted for as leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Contracts meeting these criteria are then evaluated to determine whether they are either an operating lease or finance lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalized leased assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term unless there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful lives.

Indefeasible Rights of Use (IRUs) represent the right to use a portion of the capacity of a terrestrial transmission cable granted for a fixed period. IRUs are recognized as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. Such assets are included in property, plant and equipment in the consolidated statement of financial position. They are depreciated over the shorter of the expected period of use and the life of the contract.

Leases, including IRU leases, where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

When a sale and lease back transaction results in a finance lease, any excess of the sales proceeds over the carrying amount is deferred and amortised over the lease term (no profit on disposal of the asset is recorded in profit or loss). No loss is recognized unless the asset is impaired. If no loss is recognised, the leased asset is recorded at the previous carrying amount and continues to be accounted as before the sale and leaseback transaction.

The Group as a lessor

The Group currently has no material arrangements as a lessor. The existing arrangements as a lessor, which are not material, are all operating leases.

k) Contingencies

Management applies its judgment to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable or not or remote. This judgment application is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability. Contingent liabilities are not recognized in the accompanying consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits if remote.

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

l) Revenue and other income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenues from services

The Group's main sources of revenue from services are:

- Revenue from the provision of video, cable TV ("CATV") and direct-to-home ("DTH") TV, subscription services;

- Revenue from the provision of internet and data communication subscription services (fixed and mobile);

- Revenue from the provision of fixed-line and mobile telephony subscription and fixed-line and mobile telephony voice traffic services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The above revenues are recognized as follows:

- *Subscription fees and voice traffic services*

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

- *Deferred revenue*

  Any subscription revenue received in advance of the service being provided is recorded as deferred revenue and recognized over the period when the service is provided.

- *Prepaid services*

  Revenue from the sale of prepaid cards, net of discounts allowed, included in the Group's prepaid services packages, is recognised based on usage. Prepaid revenue is deferred until the customer uses the traffic or the card expires.

Equipment sales

Revenue is recognized when the significant risks and rewards of ownership of the equipment have passed to the buyer, usually upon delivery.

Instalment sales

Revenue attributable to the sales price, exclusive of interest, is recognized when the risks and rewards of ownership have passed to the buyer, usually upon delivery. The revenue recognised on the sale is the present value of the consideration, determined by discounting the instalments receivable at the imputed rate of interest. The interest element is recognized as revenue as it is earned, using the effective interest method.

Rental income

Rental income arising from operating leases of assets is accounted for on a straight-line basis over the lease term of ongoing leases.

Multiple element arrangements

Sales of certain packaged offers are considered as comprising identifiable and separate components to which general revenue recognition criteria can be applied separately. Once the separate components have been identified, the amount received or receivable from the customer is allocated, based on each component's fair value, first to the undelivered element and the remainder, if any, to the delivered element. For the delivered element the revenue is recognized only when the following criteria are met:

- the delivered item has a value to the consumer on a standalone basis, and
- there is objective and reliable evidence of the fair value of the undelivered item.

Where the promotional offer includes a period of free service, a portion of the revenue is recognized over the period of the free service.

Other income

Other income includes the effect of reductions in estimates (accruals) of certain elements of other expenses, as well as gains on tade and other payables released during the period.

m) Finance income and finance expense

Finance income comprises interest income on funds invested, dividend income, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on derivative financial instruments that are recognised in profit or loss and reclassifications of net gains in hedging instruments previously recognised in other comprehensive income.

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

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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.

n) 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 also include individuals that are principal owners, management and members of the Board of Directors and members of their families, or any company that is related party to Group's entities.

o) Income tax

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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.

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 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.

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.

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.

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.

p) 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 of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. For determination of fair value of equity instruments, refer to Note 3(e).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, 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 date’). 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 charge or credit to profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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 vesting 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, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

r) Discontinued operations

A discontinued operation is a component of the Group's business, operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

s) Subsequent events

Post period-end events that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the consolidated financial statements. Post period events that are not adjusting events are disclosed in the notes, when material.

t) Segment reporting

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

The Group considers EBITDA, a non-IFRS measure, to be the key operating performance measure of its operating segments. The method used in calculating EBITDA and its reconciliation to the line items in the statement of comprehensive income is disclosed in Note 27. 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.

2.3 Standards issued but not yet effective and not early adopted

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group does not plan to adopt these standards early.

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IFRS 9 Financial Instruments: Classification and Measurement**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The amendment has not yet been endorsed by the EU. The management is in process of assessing the impact of this new standard on the consolidated financial position or performance of the Group.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The management is in process of assessing the impact of this new standard on the consolidated financial position or performance of the Group.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. The management is in process of assessing the impact of this new standard on the consolidated financial position or performance of the Group

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **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 amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments have not yet been endorsed by the EU. Management has assessed that these amendments will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The amendment will have impact on the disclosures from the consolidated financial statements of the Group.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. Management has assessed that these amendments will not have an impact on the consolidated financial position or performance of the Group.

    - ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

    - ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

- ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has assessed that these amendments will not have an impact on the consolidated financial position or performance of the Group.

  - ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - ***IFRS 7 Financial Instruments***: ***Disclosures***: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

  - ***IAS 19 Employee Benefits***: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - ***IAS 34 Interim Financial Reporting:*** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The management is in process of assessing the impact of this new standard on the consolidated financial position or performance of the Group.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)**

The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

- **IAS 7: Disclosure Initiative (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. The amendment will have impact on the disclosures from the consolidated financial statements of the Group.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that this amendment will not have an impact on the consolidated financial position or performance of the Group.

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

The fair value of property, plant and equipment recognised as a result of a business combination and of property, plant and equipment carried under the revaluation model is the estimated amount for which property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of property, plant and equipment is based on the market approach and, where market approach cannot be used given the high degree of specialization of the asset being valued, cost approach. Market approach relies on quoted market prices for similar items when available or on valuation models that use inputs observable on the market. The cost approach relies on the determination of the depreciated replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

b) Intangible assets

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 are part of creating the related cash flows. Main assumptions used are the churn rate, EBITDA %, the discount rate.

c) Derivatives

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

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

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 value of shares at the grant date as the exercise price of the options is equal to the nominal value of shares which is close to zero (refer to Note 23). 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. The market value of the shares is determined based on a discounted cash flow method and comparable enterprise/equity values of other entities in the telecom industry. The main inputs used in the discounted cash flow calculation are Group revenues, EBITDA, WACC, terminal growth rate.

f) Available for sale investments

The market value of the shares is determined based on a discounted cash flow method and comparable enterprise/equity values of other entities in the telecom industry. The main inputs used in the discounted cash flow calculation are Group revenues, EBITDA, WACC, terminal growth rate.

4. SEGMENT REPORTING

31 December 2015	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	540,134	125,933	72,679	11,384	—	—	**750,130**
Inter-segment revenues	1,638	—	1,074	—	(2,712)	—	
Segment operating expenses	(363,210)	(76,549)	(62,755)	(12,973)	2,712	—	**(512,775)**
EBITDA (Note 27)	**178,562**	**49,384**	**10,998**	**(1,589)**	**—**	**—**	**237,355**
Depreciation, amortization and impairment of tangible and intangible assets	—	—	—	—	—	(187,905)	**(187,905)**
Gain from sale of discontinued operations	—	—	—	20,882	—	—	**20,882**
Operating profit	**—**	**—**	**—**	**—**	**—**	**—**	**70,332**
Additions to tangible non-current assets	125,621	15,303	522	174	—	—	**141,620**
Additions to intangible non-current assets	27,600	1,017	2,962	670	—	—	**32,250**
Carrying amount of:							
Property, plant and equipment	575,008	98,711	954	70	—	—	**674,743**
Non-current intangible assets	169,529	31,208	3,510	881	—	—	**205,128**
Investments in associates and AFS	1,000	—	—	43,373	—	—	**44,373**

The types of products and services from which each segment derives its revenues are disclosed in Note 16.

31 December 2014	Romania	Hungary	Spain	Other	Eliminations	Reconciling item	Group
Segment revenue and other income	469,652	119,051	54,028	18,876	—	—	**661,607**
Inter-segment revenues	1,445	—	740	—	(2,185)	—	**—**
Segment operating expenses	(294,103)	(72,309)	(50,354)	(16,213)	2,185	—	**(430,794)**
EBITDA (Note 27)	**176,994**	**46,742**	**4,414**	**2,663**	**—**	**—**	**230,813**
Depreciation, amortization and impairment of tangible and intangible assets	—	—	—	—	—	(192,061)	**(192,061)**
Gain from sale of discontinued operations	—	—	—	9,604	—	—	**9,604**
Operating profit	**—**	**—**	**—**	**—**	**—**	**—**	**48,356**
Additions to tangible non-current assets	142,405	5,704	655	518	—	—	**149,282**
Additions to intangible non-current assets	16,644	32,818	2,668	847	—	—	**52,977**
Carrying amount of:							
Property, plant and equipment	539,782	102,017	747	533	—	—	**643,079**
Non-current intangible assets	142,016	53,385	3,730	610	—	—	**199,741**
Investments in associates and AFS	2,492	—	—	41,296	—	—	**43,788**

The types of products and services from which each segment derives its revenues are disclosed in Note 16.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Cable plant	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At December 31, 2014	**10,405**	**43,277**	**431,870**	**64,665**	**120,121**	**197,960**	**27,446**	**15,428**	**911,172**
Additions	1,894	3,234	5,038	119,749	442	7,918	1,171	1,880	141,326
Acquired through business combinations (note 21 b)	—	—	—	—	—	290	—	4	294
Transfer from construction in progress (“CIP”)/reallocation	—	16,400	44,292	(111,294)	25,103	21,743	2,280	1,476	—
Transfers from inventories	—	—	—	11,967	—	—	—	—	11,967
Discontinued operations (note 20)	—	—	—	—	(1,122)	(28)	(116)	(68)	(1,334)
Disposals	(126)	—	(609)	(773)	(506)	(267)	(625)	(87)	(2,993)
Effect of movements in exchange rates	(130)	(721)	(4,109)	(917)	(1,401)	(1,269)	(16)	(160)	(8,723)
At December 31, 2015	**12,043**	**62,190**	**476,482**	**83,397**	**142,637**	**226,347**	**30,140**	**18,473**	**1,051,709**
Depreciation and impairment									
At December 31, 2014	**—**	**5,506**	**72,582**	**—**	**74,758**	**83,258**	**21,747**	**10,242**	**268,093**
Depreciation charge	—	1,971	43,267	—	29,297	35,867	2,242	2,332	**114,976**
Impairment	—	—	—	—	337	—	—	—	**337**
Discontinued operations (note 20)	—	—	—	—	(713)	(12)	(64)	(49)	**(838)**
Disposals	—	—	(431)	—	(443)	(251)	(629)	(80)	**(1,834)**
Effect of movements in exchange rates	—	(75)	(1,350)	—	(1,162)	(1,065)	(13)	(103)	**(3,768)**
At December 31, 2015	**—**	**7,402**	**114,068**	**—**	**102,074**	**117,797**	**23,283**	**12,342**	**376,966**
Net book value									
At December 31, 2014	**10,405**	**37,771**	**359,288**	**64,665**	**45,363**	**114,702**	**5,699**	**5,186**	**643,079**
At December 31, 2015	**12,043**	**54,788**	**362,414**	**83,397**	**40,563**	**108,550**	**6,857**	**6,131**	**674,743**

	Land	Buildings	Cable plant	Construction in progress	Customer premises equipment	Equipment and devices	Vehicles	Furniture and office equipment	Total
Cost									
At December 31, 2013	**9,299**	**35,128**	**387,634**	**35,191**	**97,852**	**168,507**	**24,622**	**13,483**	**771,715**
Additions	882	1,705	1,548	126,644	1,670	5,803	955	478	139,685
Acquired through business combinations (note 21 b)	202	—	6,762	2,197	—	381	50	5	9,597
Transfer from construction in progress (“CIP”)/reallocation	26	6,607	40,785	(101,476)	21,951	27,843	2,588	1,676	—
Transfer from inventories	—	—	—	2,795	—	—	—	—	2,795
Disposals	—	—	(419)	(71)	(549)	(1,335)	(508)	(40)	(2,922)
Effect of movements in exchange rates	(4)	(163)	(4,440)	(615)	(803)	(3,239)	(261)	(174)	(9,699)
At December 31, 2014	**10,405**	**43,277**	**431,870**	**64,665**	**120,121**	**197,960**	**27,446**	**15,428**	**911,172**
Depreciation and impairment									
At December 31, 2013	**—**	**4,314**	**34,536**	**—**	**38,003**	**41,544**	**20,393**	**8,253**	**147,043**
Depreciation charge	—	1,239	38,978	—	34,392	43,327	1,967	2,147	**122,050**
Impairment	—	—	—	—	3,691	—	—	—	**3,691**
Disposals	—	—	(189)	—	(449)	(549)	(300)	(31)	**(1,518)**
Effect of movements in exchange rates	—	(47)	(743)	—	(879)	(1,064)	(313)	(127)	**(3,173)**
At December 31, 2014	**—**	**5,506**	**72,582**	**—**	**74,758**	**83,258**	**21,747**	**10,242**	**268,093**
Net book value									
At December 31, 2013	**9,299**	**30,813**	**353,098**	**35,191**	**59,850**	**126,963**	**4,228**	**5,230**	**624,672**
At December 31, 2014	**10,405**	**37,771**	**359,288**	**64,665**	**45,363**	**114,702**	**5,699**	**5,186**	**643,079**

Property, plant and equipment additions

Most of the additions in 2015 and 2014 relate to the triple play network, as the Group has continued to invest in expanding to new areas but also has continued the upgrade of the existing network. Other additions relate to continued investment in the 3G network coverage and equipment investments mainly in the Company's TV production facilities.

Property, plant and equipment in leasing

The carrying amount of property, plant and equipment includes an amount of EUR 14,255 as of 31 December 2015 (31 December 2014: 11,850) representing land and buildings as assets held under finance leases. The ownership title of these assets should be transferred to RCS&RDS at the end of the leasing agreements (refer to Note 13 (x)).

Revaluation of buildings

The Group engaged an accredited independent appraiser to determine the fair value of its buildings. The last revaluation was performed as of 31 December 2013, being registered a decrease in fair value of EUR 2,720. The fair value was determined by reference to market-based evidence, using the market comparison and income approach (**Level** 3 in the fair value measurement hierarchy)—with main unobservable inputs being sales value per sqm and rental value per sqm).

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

	31 December 2015	31 December 2014
Cost	62,253	43,278
Accumulated depreciation	(11,537)	(9,789)
Net carrying amount	**50,716**	**33,489**
Fair value	**54,788**	**37,771**

Revaluation of cable plant, equipment and devices and customer premises equipment

Cable plant, equipment and devices, and customer premises equipment were revalued as of 31 December 2012 on the basis of their depreciated replacement cost calculated by the Group's personnel (fair value is classified as Level 3 in the fair value measurement hierarchy). Replacement cost was determined as follows:

- for materials and equipment, based on price quotations from suppliers and prices of the most recent acquisitions;
- for personnel costs, based on the historical salaries multiplied by the Group's salary growth rate;
- for subcontractor costs, based on historical fees multiplied by the consumer price indices for services.

Cable plant, equipment and devices, and customer premises equipment are part of cash generating units containing goodwill, which are tested annually for impairment (refer to Note 6).

For details related to the fair value measurements refer to Note 3.

If cable plant, equipment and devices, and customer premises equipment were measured using the cost model, the carrying amounts would be as follows:

Cable plant

	31 December 2015	31 December 2014
Cost	541,447	496,568
Accumulated depreciation	(216,408)	(178,050)
Net carrying amount	**325,039**	**318,518**
Fair value	**362,414**	**359,288**

Equipment and devices

	31 December 2015	31 December 2014
Cost	334,719	306,596
Accumulated depreciation	(232,416)	(198,666)
Net carrying amount	**102,303**	**107,930**
Fair value	**108,550**	**114,702**

Customer premises equipment

	31 December 2015	31 December 2014
Cost	484,842	461,747
Accumulated depreciation	(446,588)	(418,945)
Impairment	(3,825)	(3,417)
Net carrying amount	**34,429**	**39,385**
Fair value	**40,563**	**45,363**

For details on the pledges placed on the Group assets refer to Note 13 (ix).

6. INTANGIBLE ASSETS

a) Non-current intangible assets

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At December 31, 2014	**80,994**	**69,255**	**235**	**58,298**	**133,839**	**342,621**
Additions	—	2,838	—	6,249	20,467	29,554
Reclassifications	(3,321)	3,321	—	—	—	—
Disposals	—	—	—	—	—	—
Additions from acquisition of subsidiaries (note 21b)	—	—	2,695	—	1	2,696
Discontinued operations (note 20)	—	—	—	(256)	(4)	(260)
Effect of movement in exchange rates	(433)	(632)	(47)	(119)	(877)	(2,108)
At December 31, 2015	**77,240**	**74,782**	**2,883**	**64,172**	**153,426**	**372,503**
Depreciation						
At December 31, 2014	**—**	**47,080**	**146**	**54,011**	**41,643**	**142,880**
Amortization	—	9,876	438	4,180	11,100	25,594
Disposals	—	—	—	—	—	—
Discontinued operations (note 20)	—	—	—	(256)	(4)	(260)
Effect of movement in exchange rates	—	(396)	(7)	(126)	(310)	(839)
At December 31, 2015	**—**	**56,560**	**577**	**57,809**	**52,429**	**167,375**
Net Book Value						
At December 31, 2014	**80,994**	**22,175**	**89**	**4,287**	**92,196**	**199,741**
At December 31, 2015	**77,240**	**18,222**	**2,306**	**6,363**	**100,997**	**205,128**

	Goodwill	Customer relationships	Trade marks	Subscriber acquisition costs ("SAC")	Licences and software	Total non-current intangible assets
Cost						
At December 31, 2013	**80,549**	**62,015**	**235**	**55,085**	**95,166**	**293,050**
Additions	—	5,822	—	4,590	39,232	49,644
Disposals	—	—	—	—	—	—
Additions from acquisition of subsidiaries (note 21 b)	1,705	1,628	—	—	—	3,333
Effect of movement in exchange rates	(1,260)	(210)	—	(1,377)	(559)	(3,406)
At December 31, 2014	**80,994**	**69,255**	**235**	**58,298**	**133,839**	**342,621**
Depreciation						
At December 31, 2013	**—**	**38,502**	**105**	**52,869**	**32,921**	**124,397**
Amortization	—	8,717	41	2,506	8,822	20,086
Disposals	—	—	—	—	—	—
Effect of movement in exchange rates	—	(139)	—	(1,364)	(100)	(1,603)
At December 31, 2014	**—**	**47,080**	**146**	**54,011**	**41,643**	**142,880**
Net Book Value						
At December 31, 2013	**80,549**	**23,513**	**130**	**2,216**	**62,245**	**168,653**
At December 31, 2014	**80,994**	**22,175**	**89**	**4,287**	**92,196**	**199,741**

(i) Customer relationships

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

(ii) Impairment testing for cash-generating units containing goodwill

The Group defines cash-generating units (CGUs) based on three criteria:

1. country;

2. infrastructure used in providing the services; and

3. bundling of services affecting independence of cash flows.

Since a significant percentage of customers buy bundled services of CBT (cable, broadband and television), in countries where the Group is providing both CBT and DTH services, the Group identified separate CGUs for CBT and DTH respectively. In countries where either CBT or DTH services are provided, only one CGU was identified for telecom activities. In addition, solar electricity production companies are also considered distinct CGUs.

Goodwill acquired through business combinations has been allocated among cash generating units for the purposes of impairment testing as follows:

- CBT Romania;

- CBT Hungary;

- CBT Spain.

Goodwill	31 December 2015	31 December 2014
CBT	**76,908**	**80,588**
Romania	55,781	59,579
Hungary	20,899	20,781
Spain	228	228
DTH	**332**	**406**
Romania	332	406
Total	**77,240**	**80,994**

Recoverable amounts for the CGUs have been determined on the basis of fair value less costs to sell calculations using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in the calculations of the recoverable amounts

Key assumptions used in the calculation of the recoverable amounts are revenues, EBITDA margins, discount rate, terminal value growth rate and capital expenditure.

Discount rate

- for the Romanian territory 8.48% p.a. (2014: 8.40%);
- for the Hungarian territory 9.4% p.a. (2014: 8.40%).

The discount rate applied to the cash flows of each CGU is based in the Group's Weighted Average Cost of Capital (WACC). WACC is the average cost of sources of financing (debt and equity), each of which is weighted by its respective use. 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

- for Romanian CBT CGU 1.7% p.a. (2014: 1.5%);
- for Hungarian CBT CGU 1.7% p.a. (2014: 1.5%).

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 Hungary, being also in line with publicly available market expectations.

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 Hungarian CBT CGU is based on past experience and growth expectation from tighter cost control and additional revenue from new subscribers connected to the fixed network.

Due to confidentiality reasons the Company does not disclose information regarding budgeted EBITDA margins and revenue growth rates for the budget period, given the strategic nature of this information.

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 fixed network) and other business drivers.

Management believes that as of 31 December 2015 no reasonable change in the main assumptions could result in an impairment charge (31 December 2014: same).

(iii) Subscriber acquisition costs ("SAC")

SAC represents third party costs for acquiring and connecting customers of the Group. In 2015 SAC was generated in relation with contracting customers in Romania (EUR 2,567), Spain (EUR 2,942), Hungary (EUR 328) and Italy (EUR 412). In 2014 SAC was generated in relation with contracting customers in Romania (EUR 1,487), in Spain (EUR 2,616), Hungary (EUR 190) and Italy (EUR 297).

(iv) Licences and software

2100 MHz license (Romania)

In January 2007 the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") granted to RCS&RDS a *2100 MHz* license for a total consideration of EUR 27,056 (equivalent of USD 35,000), entirely paid as of 31 December 2014. The cost of the *2100 MHz* license was EUR 23,110 and was determined at inception date by discounting the future payments using effective interest method at the date the license was granted to RCS&RDS (interest rate used was 7.6% p.a., similar to interest rate on other long term borrowings contracted by RCS&RDS). The carrying amount of the *2100 MHz* license as of 31 December 2015 is EUR 7,011 (2014: EUR 8,240).

900 MHz license (Romania)

In September 2012 IGCTI granted to RCS&RDS 1 spectrum block in the 5 MHz broadband to be used starting with April 2014 for a period of 15 years, for a total consideration of EUR 40,000 out of which EUR 26,000 was paid in 2012. The remaining amount of EUR 14,000 was paid in June 2013. The carrying amount of the 900 MHz license as of 31 December 2015 is EUR 34,911 (2014: EUR 37,901). The obligations assumed in relation to the 900 MHz license are: allow access to MVNOs (mobile virtual network operators), coverage of a number of small cities in Romania presently without coverage until 5 April 2016, coverage for voice services of 98% of the population until 5 April 2019, coverage for data services of 60% of population until 5 April 2021.

1800 MHz license (Hungary)

In September 2014 NMHH granted to Digi Hungary 1 spectrum block in the 5 MHz for a period of 15 years, for a total consideration of HUF 10 billion (EUR 32,600) which was fully paid in October 2014. The carrying amount of the 1800 MHz license as of 31 December 2015 is EUR 30,137 (2014: EUR 31,562). The license has no coverage obligations assumed.

2600 MHz license (Romania)

In August 2015 the purchase of a 2600 MHz license from 2K Telecom for a total consideration of EUR 6,600 was approved by the Romanian General Inspectorate for Communication and Information Technology ("IGCTI"). The carrying amount of the *2600 MHz* license as of 31 December 2015 is EUR 5,722.

3600 MHz license (Romania)

In October 2015 RCS&RDS has participated in an auction and acquired from the Romanian General Inspectorate for Communication and Information Technology ("IGCTI") a 3600 MHz license for a total consideration of EUR 1,880. The license was granted and came into effect starting with December 2015 and its carrying amount as of 31 December 2015 is EUR 1,847.

FM Radio frequency licenses (Romania)

In 2015 RCS&RDS obtained the right of use of several audiovisual licences, through a transfer of licenses approved by the National Audiovisual Council of Romania. These licences are currently used to broadcast the Digi FM, Pro FM, Dance FM and Music FM radio stations.

Other

Included in "Licenses and software" category is also the software required for the operation and maintenance of communication equipment.

Collateral

For details on the pledges placed on the Group assets refer to Note 13 (ix).

b) Current intangible assets—programme assets

	31 December 2015	31 December2014
Balance at 1 January	**16,838**	**29,387**
Additions	60,074	33,765
Amortization	(46,999)	(46,235)
Effect of movement in exchange rates	(377)	(79)
Balance at 31 December	**29,536**	**16,838**

Included in "Additions" is an amount of EUR 42,956 representing broadcasting rights for sports competitions for 2015/2016 season (2014: EUR 26,004 for 2014/2015 season) and related advance payments for future seasons, the difference representing movies and documentaries rights. Contractual obligations related to future seasons are presented as commitments in Note 25.

7. AVAILABLE FOR SALE FINANCIAL ASSETS (AFS)

	31 December 2015	31 December 2014
Balance at 1 January	**41,296**	**30,982**
Additions	850	1,753
Fair value adjustment	1,227	8,561
Balance at 31 December	**43,373**	**41,296**

The above available for sale financial assets comprise shares in RCSM. As at 31 December 2015 the percentage of ownership of CCS in RCSM is 9.17% (31 December 2014: 8.75%). For additional disclosures on the fair values of the AFS refer to Note 22 (iv).

8. INVENTORIES

	31 December 2015	31 December 2014
Merchandise and equipment (at cost)	7,603	7,990
Materials and consumables (at cost)	5,602	14,838
Total inventories, net	**13,205**	**22,828**

Merchandise and equipment

This category includes terminal equipment sold to the customers. Such equipment includes mobile phones, tablets, TV sets.

Materials and consumables

This category includes mainly inventory used in the development and maintenance of the telecommunications networks, such as fiber optic cables, nodes and amplifiers.

As at 31 December 2014 this line also included materials and consumables used for network construction amounting to EUR 12,274. Starting with 2015 materials and consumables used for network construction are included in non-current assets (under Construction in progress in Property, plant and equipment).

Collateral

For details on the pledges placed on the Group assets refer to Note 13 (iv).

9. TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
Trade receivables	76,685	100,248
Receivable from related parties (refer to Note 15)	974	1,185
Other taxes receivable	180	35
Other receivables	4,706	8,394
Total trade and other receivables	**82,545**	**109,862**

Collateral

For details on the pledges placed on the Group assets refer to Note 13 (iv).

10. OTHER ASSETS

	31 December 2015	31 December 2014
Advances to suppliers	6,167	8,794
Prepayments	2,042	1,133
Total other assets	**8,209**	**9,927**

11. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Bank accounts	49,423	53,729
Petty cash	239	559
Total cash and cash equivalents	**49,662**	**54,288**

For details on the pledges placed on the Group assets refer to Note 13 (vii).

12. EQUITY

As of 31 December 2015, CCS has an authorised share capital of EUR 250 comprised of 250,000 units of ordinary shares of EUR 1 each. At the date of the balance sheet 50,594 ordinary shares were issued and fully paid. These are no other issued shares.

	31 December 2015	31 December 2014
Ordinary Shares—Issued and Paid (No.)	50,594	50,594
Ordinary Shares—Unissued (No.)	199,406	199,406
Nominal Value	1 EUR per share	1 EUR per share
Share Capital Value (EUR thousand)	51	51

At 31 December 2015 and 2014, the shareholders of CCS are as follows:

	31 December 2015		31 December 2014	
Shareholder name	**No. of shares**	**%**	**No. of shares**	**%**
RCSM	29,277	57.87%	29,277	57.87%
Teszari Zoltan	2,326	4.60%	2,326	4.60%
Carpathian Cable Investment Ltd	9,953	19.67%	9,953	19.67%
Celest Limited (Cyprus)	2,694	5.32%	2,694	5.32%
CCS—treasury shares	4,135	8.17%	4,135	8.17%
Other	2,209	4.38%	2,209	4.38%
Total	**50,594**	**100.00%**	**50,594**	**100.00%**

The largest 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 CCS) and minority shareholder of CCS and RCS&RDS.

Dividends

As stated previously, these financial statements are not the statutory financial statements of CCS. The profit available for distribution is the profit for the year recorded in the Dutch GAAP statutory financial statements, which differs from the result in these financial statements, prepared in accordance with IFRS as adopted by EU.

In December 2015 a gross dividend of 3,500 EUR (2014: EUR 3,500) was distributed from the CCS statutory retained earnings of 2014 (2013). The related amount of dividend per share for 2015 was EUR 0.069 and for 2014 was EUR 0.069.

Nature and purpose of reserves

Translation reserve

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

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Cash flow hedges

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

13. INTEREST BEARING LOANS AND BORROWINGS

Long term portion		**Nominal interest rate**	**31 December 2015**	**31 December 2014**
Bonds	(i)	7.5% p.a.	439,176	436,410
2013 Senior Facilities Agreement		3M EURIBOR + 4.35%p.a.	—	210,270
2015 Senior Facilities Agreement	(ii)	3M ROBOR + 2.5%p.a.	179,005	—
Obligations under finance leases	(iii)	Variable linked to LIBOR and EURIBOR+ respective margin	6,716	6,052
Total long term portion			**624,897**	**652,732**

Current portion		**Nominal interest rate**	**31 December 2015**	**31 December 2014**
2013 Senior Facilities Agreement		3M EURIBOR + 4.35%p.a.	—	34,297
2015 Senior Facilities Agreement	(ii)	3M ROBOR + 2.5%p.a.	48,287	—
2013 ING Bank facility agreement	(iii)	Variable linked to EURIBOR/ ROBOR/LIBOR+ respective margin	4,757	3,960
Obligations under finance leases	(x)	Variable linked to LIBOR and EURIBOR+ respective margin	2,046	969
Other			8,028	6,520
Total current portion			**63,118**	**45,746**

(i) Bonds

In November 2013, CCS issued non-convertible bonds in amount of EUR 450,000 with a coupon yield of 7.5% and maturity in November 2020. The bonds were placed at face value and have a half year coupon period. The Bonds include several call options as well as one put option. Please see Note 24 for details.

Arrangement fees

The total cost of concluding the Bonds is amortised using the effective interest method over the life of the Bonds. As of 31 December 2015 the unamortized balance of bond issuance related fees was EUR 10,822 (2014: EUR 13,589).

Drawing

As of 31 December 2015, the nominal balance is EUR 450,000 (EUR 439,177—presented net of borrowing fees).

Pledges

Details on pledges are presented further in section (ix) of the Note 13.

Covenants

The Group has agreed to certain covenants with respect to the Bonds, including, among other things, limitations on its ability to: incur or guarantee additional indebtedness; 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 our restricted subsidiaries' ability to pay dividends; sell or issue capital stock of restricted subsidiaries; engage in any business other than a permitted business; and impair the security interests with respect to the Collateral. Each of these covenants is subject to certain exceptions and qualifications. Certain of these covenants may also be suspended in the event that the Bonds receive investment grade ratings from the relevant credit rating agencies.

In accordance with the terms of the Notes, the Group is required to compute the Consolidated Leverage Ratio if certain events take place. The Consolidated Leverage Ratio means the ratio of (i) the aggregate amount of Consolidated Total Indebtedness outstanding on such date to (ii) the aggregate amount of EBITDA (computed in accordance with the terms of the Notes) for the most recent four full consecutive fiscal quarters for which internal consolidated financial statements of the Company are available at the time of such determination. The Consolidated Leverage Ratio would not exceed 3.50 to 1.

The Group is in compliance with all the covenants under these Bonds as at 31 December 2015 and 31 December 2014.

(ii) 2013 Senior Facilities Agreement

On October 21, 2013 RCS&RDS entered into a committed facility agreement, as borrower, with Citibank, N.A., London Branch and ING Bank N.V. Amsterdam, Bucharest Branch, as mandated lead arrangers, for the repayment of the existing facilities and for general corporate purposes (the "2013 Senior Facilities Agreement"). The 2013 Senior Facilities Agreement consists of a term loan facility with a capacity of EUR 250 million and a revolving credit facility with a capacity of EUR 50 million. On June 19, 2014 RCS&RDS drew the remaining EUR 45 million under the term loan. On May 22, 2015 RCS&RDS repaid the facility using the proceeds of the 2015 Senior Facilities Agreement and own funds.

2015 Senior Facilities Agreement

On April 30, 2015 RCS&RDS entered into a committed facility agreement, as borrower, with BRD-Groupe Societe Generale, Citibank, London branch, ING Bank, and Unicredit Tiriac Bank as mandated lead arrangers, for the repayment of the 2013 Senior Facilities Agreement (the "2015 Senior Facilities Agreement").

At signing the 2015 Senior Facilities Agreement consisted of a term loan facility with a capacity of RON 994.2 million and a revolving credit facility with a capacity of RON 39.8 million. The facility had an option to be increased by EUR 25 million (in RON at the exchange rate from the date of the notice) until the end of 2015. RCS&RDS exercised the option and drew EUR 23.3 million (RON 105.4 million) from the term loan and the revolver credit on 29 December 2015 (the "Accordion" agreement).

The interest rate under the 2015 Senior Facilities Agreement is floating at a margin of 2.5% per annum plus ROBOR for the revolver credit portion. On May 22, 2015 RCS&RDS concluded an interest rate SWAP for the entire initial term loan facility through which interest is fixed at 5.75% until maturity date. The interest rate SWAP is secured by the Collateral pursuant to the terms of the Intercreditor Agreement (balance of the initial term loan as at 31 December 2015: EUR 197.8 million excluding borrowing costs; balance of the initial revolver loan as at 31 December 2015: EUR 8.8 million excluding borrowing costs).

The interest rate for the additional amount drawn in December 2015 (the "Accordion" agreement) is floating at a margin of 2.5% per annum plus ROBOR for the term loan facility portion (the interest rate was fixed at 5.50% through an interest rate SWAP concluded in January 2016) and floating ROBOR + 2.5% for the revolver credit portion (balance of the additional amount related to the term loan as at 31 December 2015: EUR 21 million; balance of the initial revolver loan as at 31 December 215: EUR 2.3 million).

Arrangement fees

The total cost of concluding the loan is amortised using the effective interest method over the life of the loan. As of 31 December 2015 the unamortized balance of borrowings related fees was EUR 2,568.

Drawing

On May 22, 2015 RCS&RDS drew the entire amount available from both the term loan facility and the revolving credit facility. On 29 December 2015 RCS&RDS drew an additional amount under the "Accordion" agreement.

As of 31 December 2015, RCS&RDS drew in total EUR 229,860 (EUR 227,292—presented net of borrowing fees).

Maturities and repayment schedule

The term loan facility is repayable in 10 equal semi annual installments starting with October 30, 2015 and the revolving credit facility is repayable in full on April 30, 2018. On October 30, 2015 RCS&RDS have repaid the first principal instalment in amount of €22 million (equivalent of 99.4 million RON at exchange rate as at 31 December 2015).

Pledges

The 2015 Senior Facilities Agreement is unconditionally guaranteed by CCS on a senior secured basis, and shares in the Collateral pursuant to the terms of the Intercreditor Agreement.

Covenants

The Group has agreed under the New Facility Agreement to comply with two financial ratio covenants regarding leverage ("total net debt to EBITDA ratio) and interest cover and certain qualitative covenants, mainly related to authorisations, compliance with corporate legislation in force, preservation of assets, negative pledge, limitations on disposals, mergers, acquisitions, arm's length transaction, change in nature of business, limitation on subsidiary indebtedness, events of default and others. The Group is in compliance with all the covenants under the Senior Facility Agreement as at 31 December 2015.

The financial ratio covenants included in 2015 Senior Facilities Agreement include maintaining: (i) at the end of each accounting quarter a maximum consolidated total net indebtedness to EBITDA ratio of 3.75 until December 31, 2016 and afterwards a maximum consolidated total net indebtedness to EBITDA ratio of 3.25; and (ii) a minimum EBITDA to net total interest ratio of 3.75 until December 31, 2016 and afterwards a minimum EBITDA to net total interest ratio of 4.25.

(iii) 2013 ING Facilities Agreement

On November 1, 2013, RCS&RDS entered, into the ING Facilities Agreement with ING Bank N.V. in order to consolidate the Group's existing credit facilities with ING Bank N.V. into a single facility for working capital purposes. The existing facilities with ING Bank N.V. were fully repaid and terminated on November 4, 2013 using the proceeds of the Bond and the New Senior Facilities Agreement. The ING Facilities Agreement entered into force thereafter. The ING Facilities Agreement is sharing in the Collateral, pursuant to the terms of the Intercreditor Agreement.

The ING Facilities Agreement consists of (i) an uncommitted overdraft facility of up to EUR 5.0 million and (ii) an uncommitted facility for letters of guarantee of up to EUR 5.0 million.

Drawings

As of December 31, 2015, EUR 4,757 were drawn under the overdraft facility. In addition EUR 2,007 and RON 13,574 Letters of Guarantee were issued under the letters of guarantee facility.

(iv) Citi Facilities Agreement

On October 25, 2013, RCS&RDS entered into the Citi Facilities Agreement with Citibank, to consolidate its existing uncommitted credit facilities with Citibank into a single uncommitted facility for working capital purposes.

On October 25, 2013, the RCS&RDS entered into a personal guarantee agreement with Citibank pursuant to which it provides Citibank with a personal guarantee for the due performance of the Citi Facilities Agreement by the Group. The Citi Facilities Agreement share the Collateral, pursuant to the terms of the Intercreditor Agreement.

On November 4, 2013 RCS&RDS repaid the Citi Facilities Agreement using the proceeds from the Bond and the New Senior Facilities Agreement.

The Citi Facilities Agreement consists of:

a) an uncommitted overdraft/bank guarantee facility in the amount of US$ 6,750, as at 31 December 2015 utilised as letters of guarantee in the amount of US$ 1,733

b) an uncommitted bank guarantee facility in the amount of US$ 8,100, as at 31 December 2015 utilised as letters of guarantee in the amount of US$ 4,994

c) an uncommitted bank guarantee facility in the amount of EUR 500, fully drawn as at 31 December 2015.

As of December 31, 2015, overdraft/bank guarantee facility utilised was (i) USD 1,733 thousand all of them being letters of guarantee, and (b)&(c) had letters of guarantee issued in the amount of USD 2,957 thousand, EUR 1,236 thousand and RON 12,187 thousand.

(v) Santander Facility

On November 4, 2014, Digi Spain (subsidiary of RCS&RDS) entered into a new short-term facility agreement with Banco Santander for EUR 1,500 which consolidates and replaces all the previous facilities. The maturity date for this new facility is October 30, 2016 and the amount provided decreased to EUR 1,000 starting with March 4, 2015. As of December 31, 2015, the balance drawn under the Santander Facility was EUR 950.

(vi) Caixa Facility

On February 6, 2014, Digi Spain (subsidiary of RCS&RDS) entered into an overdraft and a reverse factoring facility agreement with Caixabank, S.A. (the "Caixa Facility"). On January 30, 2015, Digi Spain renewed the Caixa Facility agreement. The term of the Caixa Facility is indefinite and the maximum amount which can be used is EUR 500. As of December 31, 2015, the balance drawn under the Caixa Facility overdraft was EUR 82.

(vii) Unicredit cash collateral agreement

On October 5, 2010, RCS&RDS entered into a cash collateral agreement with UniCredit Tiriac Bank S.A., for EUR 59 for issuance of a letter of counter guarantee, which is valid until January 31, 2017 (the "Unicredit Cash Collateral Agreement"). The agreement entered into force on October 8, 2012, and is secured with a moveable mortgage over a cash collateral account opened with UniCredit Tiriac Bank S.A.

(viii) BRD Letters of Guarantee Facility

As of December 31, 2015 the Group had letters of guarantee issued by BRD with a value of EUR 0.9 million.

(ix) Collateral for all facilities

The obligations of the Group under the Bonds, as well as their obligations under the 2015 Senior Facilities Agreement (including under the Accordion Increase of the Total Commitments, as defined under the Facilities

Agreement, as at 22 December 2015), under the ING Facilities Agreement and the Citi Facilities Agreement on a pari passu basis pursuant to the terms of the Intercreditor Agreement of 4 November 2013, are secured by a first-ranking security interest in certain assets of RCS&RDS and CCS, namely:

(a) Certain Capital Stock that CCS holds in RCS&RDS (other than certain shares of Capital Stock of RCS&RDS that are subject to a call option in favor of the purchaser of our Serbian subsidiary), which as at 31 December 2015 accounted for 87,392856% of the issued Capital Stock of RCS&RDS.

(b) All bank accounts of CCS, including any new bank accounts, except for an account used for short term facilities granted by RCS&RDS, amounting to EUR 8.9 million as at 31 December 2015.

(c) Receivables under the Proceeds Loan (The Proceeds Loan is the loan provided by CCS to its subsidiary, RCS&RDS on 4 November 2013—EUR 450,000,000)

(d) Treasury shares of RCS&RDS held by itself, which on the Issue Date accounted for 8.55% of its issued Capital Stock (as of 31 December 2015: EUR 36,122,540);

(e) 100% of the issued Capital Stock of DIGI T.S. Kft Hungary;

(f) 100% of the issued Capital Stock of DIGI Spain Telecom S.L.U.; and

(g) subject to certain exclusions, all present and future movable assets of RCS&RDS including bank account monies, trade and other receivables, intragroup receivables, inventories, movable tangible property (including installations, 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.

(x) Obligations under finance leases

The Group financed the acquisition of certain assets (buildings and land) through finance leases. As at 31 December 2015 there are four leasing contracts in place.

One leasing contract is with Raiffeisen Leasing (the initial contract was signed with ING Lease Romania, which sold its portfolio to Raiffeisen Leasing at the beginning of 2014) (in December 2015 this lease was refinanced in EUR) and another one is with Piraeus Lesing. The remaining length of these lease contracts is 42 months for Raiffeisen Leasing and 97 months for Piraeus Leasing.

In December 2015 the Group entered into two new lease agreements with Unicredit Leasing IFN for two buildings in Timisoara and Arad. The remaining length of these lease contract is 36 months.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	31-Dec-15		**31-Dec-14**	
	Net	**Gross**	**Net**	**Gross**
Within one year	2,046	2,345	969	1,348
Later than one but less than five years	5,688	6,208	5,023	5,582
More than five years	1,027	1,118	1,027	1,118
Less: future finance charges (interest)		(909)	—	(1,029)
Total	**8,762**	**8,762**	**7,019**	**7,019**

14. TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
Trade payables and payables to fixed assets suppliers	188,431	143,036
Accruals	49,869	33,550
Value added tax ("VAT")	1,069	12,688
Other payable related to investments	3,062	2,582
Salary and related taxes	15,677	13,526
Amounts payable to related parties (Note 15)	631	799
Dividends payable (Note 15)	9,413	7,611
Other	2,966	3,379
Total trade and other payables	**271,118**	**217,171**

Included in payables to suppliers and accruals above is EUR 78,752 (31 December 2014: EUR 52,349) representing amounts due for property, plant and equipment and EUR 19,227 (31 December 2014: EUR 11,213) representing payment obligations for intangible assets.

Other payables related to investments

Payables for investments are related mostly to scheduled payments for purchase of shares of newly acquired subsidiaries and non controlling interests, and payments for customer relationships.

15. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of CCS and its subsidiaries (the main subsidiaries are included in Note 21(a)); RCSM is the Group's ultimate holding company.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are interest free. There have been no guarantees provided or received for any related party receivables or payables, other than the pledge on shares of RCS&RDS, provided by CCS for loans and borrowings (refer to Note 13 (ix)). For the year ended 31 December 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2014: nil).

This assessment is made each year through examining the financial position of the related party and the market in which the related party operates.

The following tables provide the total amount of transactions and balances, which have been entered into with related parties for the relevant financial year.

Receivables from related parties

		31 December 2015	31 December 2014
Party			
Ager Imobiliare S.R.L.	(ii)	673	651
Digi Serbia	(ii)	211	189
Music Channel S.R.L.	(ii)	51	64
RCSM	(i)	26	1
Other		13	280
Total		**974**	**1,185**

Payables to related parties

		31 December 2015	31 December 2014
Party			
Related parties-share options	(ii)	453	610
RCSM	(i)	5,628	4,683
Digi Serbia	(ii)	114	85
Mr. Zoltan Teszari	(iii)	700	559
Other		3,149	2,473
Total		**10,044**	**8,410**

(i) Shareholder of CCS

(ii) Entities affiliated to a shareholder of the parent

(iii) Ultimate beneficial shareholder

Compensation of key management personnel of the Group

	2015	2014
Short term employee benefits—salaries	1,776	1,703
Share-based payments	2,054	2,418

Certain members of the management team (including key management personnel) benefit from a share based payment plan at the level of RCS&RDS. Total share options granted to key management personnel during the 2015 financial year amounted to 935,000 shares (2014: 1,305,500 shares), in addition to the salaries shown above (refer to Note 23).

16. REVENUES

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

	2015	2014
Revenues from continuing operations	**746,290**	**647,831**
Cable TV		
Romania	166,845	155,458
Hungary	36,586	34,483
	203,431	**189,941**
Internet and data		
Romania	174,445	163,215
Hungary	34,788	31,930
Italy	369	90
Spain	17,748	9,945
	227,350	**205,180**
Telephony Revenues		
Romania	91,441	54,464
Spain	54,494	43,440
Hungary	6,939	8,296
Italy	6,983	4,853
	159,857	**111,053**
DTH Revenue		
Romania	40,176	43,253
Hungary	30,479	30,832
	70,655	**74,085**
Other revenues*		
Romania	67,227	53,262*
Hungary	17,141	13,510
Spain	438	643
Italy	191	157
	84,997	**67,572**

	2015	2014
Revenues from discontinued operations	**3,840**	**13,776**
DTH Revenue		
Czech Republic	3,816	13,720
	3,816	**13,720**
Other revenues		
Czech Republic	24	56
	24	**56**
Total revenues	**750,130**	**661,607**

Other revenues refer to sales of other equipment, own content to other operators, advertising revenue and sundry penalties invoiced to subscribers. Sales of goods include mainly mobile handsets and other equipment.

The significant increase in telephony revenues is entirely due to the increase in Mobile telephony revenues.

*In 2015 a reallocation of service revenues between business lines was made in order to present more accurately the substance of each type of revenues. For the purpose of this presentation, the comparatives for 2014 were reclassified accordingly:

- Cable Tv: EUR 178 were reclassified to Other Revenue (Romania);
- Internet and data: EUR 768 were partially reclassified to Telephony and partially to Other Revenue (Romania);
- Telephony: EUR 198 and EUR 157 were reclassified to Other Revenue (Spain, Italy respectively) DTH: EUR 645 and EUR 600 were reclassified to Other Revenue (Romania, Hungary respectively).

17. OPERATING EXPENSES

	2015	2014
Operating expenses from continuing operations	**697,565**	**612,404**
Depreciation of property, plant and equipment	114,838	123,676
Amortization of programme assets	46,998	46,235
Amortisation of non-current intangible assets	25,594	20,086
Salaries and related taxes	113,618	102,195
Contribution to pension related fund	16,181	16,959
Programming expenses	67,445	58,202
Telephony expenses	106,305	62,806
Cost of goods sold	48,006	43,038
Rentals	42,727	36,824
Invoicing and collection expenses	13,476	11,801
Taxes and penalties	12,025	13,004
Utilities	13,403	12,586
Copyrights	8,408	8,118
Internet connection and related services	4,512	4,876
Impairment of receivables, net of reversals	10,068	7,884
Impairment of property, plant and equipment	337	1,508
Other expenses	53,624	42,606
Operating expenses from discontinued operations	3,115	10,451
Total operating expenses	**700,680**	**622,855**

Other expenses include mainly expenses related to own TV channels (Digi Sport, Digi 24 news channel, Digi World, Digi Life, Digi Animal World, Digi Film) and network maintenance expenses.

The significant increase in telephony expenses is entirely due to the increase in Mobile telephony expenses.

18. NET FINANCE COSTS

	2015	2014
Finance income		
Interest from banks	64	158
Gain on derivative financial instruments and other financial revenue	9,805	594
	9,869	**752**
Finance expenses		
Interest expense	(49,342)	(49,865)
Loss on derivative financial instruments	(3,207)	(2,893)
Other financial expenses	(12,725)	(5,775)
Foreign exchange differences (net)	(5,452)	(2,609)
	(70,726)	**(61,142)**
Net Finance Costs from continuing operations	***(60,857)***	***(60,390)***
Net Finance Costs from discontinued operations	***(23)***	***56***
Net Finance Costs total	**(60,880)**	**(60,334)**

Other financial expenses in 2015 and 2014 include fees related to short-term vendor financing, commitment fees for undrawn facilities and other bank charges. Also in 2015 they include unamortised transaction costs, of EUR 4.9 million relating to 2013 Senior Facilities Agreement repaid in 2015.

19. INCOME TAX

The statutory tax rate applied in Netherlands during 2015 was 25% (2014: 25%)

Other entities

The statutory tax rate applied in the Romanian entities during 2015 was 16% (2014: 16%).

The statutory tax rate applied in Hungary during 2015 was 19% (2014: 19%).

The statutory tax rate applied in Czech Republic during 2015 was 19% (2014: 19%)

The statutory tax rate applied in Spain during 2015 was 28% (2014: 30%).

The statutory tax rate applied in Italy during 2015 was 31.4% (2014: 31.4%).

Components of income tax expense for the periods ended 31 December 2015 and 2014 respectively were:

	2015	2014
Current income tax charge	6,605	2,178
Deferred income tax relating to origination and reversal of temporary differences	(1,236)	(6,887)
Income tax expense/ (credit) recognised in profit or loss for continuing operations	**5,369**	**(4,709)**
Income tax expense/ (credit) recognised in profit or loss for discontinuing operations	*56*	*(421)*

Reconciliation of income tax expense

Reconciliation of income tax expense at the statutory income tax rate (Netherlands) applicable to the net result before tax to the income tax expense at the Group's effective income tax rate for the financial years 2015 and 2014 is as follows:

	2015	2014
Net (loss) before income tax for continuing operations	**(12,132)**	**(24,963)**
At statutory income tax rate of the Company	(3,033)	(6,241)
Effect of difference in tax rates applicable for foreign subsidiaries	2,346	2,756
Non-deductible expenses / Non-taxable income	5,632	(2,267)
Fiscal losses for which no deferred tax has been recognized	1,010	1,043
Fiscal credit	(586)	—
Effective tax expense / (credit) from continuing operations	**5,369**	**(4,709)**
Effective tax expense from discontinuing operations	56	(421)

Deferred taxes in the consolidated statement of financial position are:

	31 December 2015	31 December 2014
Deferred tax assets	3,951	2,933
Deferred tax liabilities	(26,981)	(28,204)
	(23,030)	**(25,271)**

Movement of deferred taxes:

	2015	2014
Deferred taxes recognized in the statement of financial position	**23,030**	**25,271**
Difference from prior year balance	(2,241)	(7,547)
Of which:		
Recognized in profit or loss	(1,327)	(8,131)
Deferred tax liability resulted from business combinations	—	260
Deferred tax liability disposed on sale of subsidiary	(184)	—
Deferred tax liability related to interest rate swaps, recognised in other comprehensive income	(864)	—
Effect of movement in exchange rates	134	324

The deferred tax (asset)/ liability for the financial year 2015 comprises the tax effect of temporary differences related to:

	Balance 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Disposed on sale of subsidiary	Effect of movement in exchange rates	Balance 31 December 2015
Property, plant and equipment	33,183	267	—	(184)	(59)	33,208
Intangibles	2,229	2,345	—	—	171	4,745
Accounts receivable	1,027	1,415	—	—	(34)	2,408
Accounts payable	(4,069)	3,068	—	—	(15)	(1,015)
Long term borrowings	7,080	(6,147)	—	—	42	974
Inventory	59	—	—	—	(59)	—
Deferred tax liabilities	***39,508***	***948***	***—***	***(184)***	***46***	***40,319***
Intangibles	160	—	—	—	—	160
Accounts receivable	(54)	95	—	—	(1)	40
Accounts payable	(110)	110	—	—	—	—
Interest expense postponed for deduction	(4,357)	(5,285)	—	—	133	(9,508)
Inventory	(550)	195	—	—	(3)	(358)
Cash Flow hedge reserves	—	—	(864)	—	—	(864)
Fiscal losses	(9,327)	2,608	—	—	(39)	(6,758)
Deferred tax assets	***(14,238)***	***(2,276)***	***(864)***	***—***	***89***	***(17,289)***
Offsetting (refer to Note 2.2 o)	*(11,304)*	*—*	*—*	*—*	*—*	*(13,337)*
Recognition						
Deferred tax liabilities	**28,204**	**—**	**—**	**—**	**—**	**26,981**
Deferred tax assets	**(2,933)**	**—**	**—**	**—**	**—**	**(3,951)**
Net deferred tax liability	**25,271**	**—**	**—**	**—**	**—**	**23,030**
Deferred tax benefit	**—**	**(1,327)**	**(864)**	**(184)**	**134**	**—**

The deferred tax (asset)/ liability for the financial year 2014 comprises the tax effect of temporary differences related to:

	Balance 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Effect of movement in exchange rates	Balance 31 December 2014
Property, plant and equipment	34,447	(1,548)	—	—	283	33,183
Intangibles	1,871	117	—	260	(20)	2,228
Accounts receivable	1,997	(977)	—	—	8	1,027
Accounts payable	5,173	(9,307)	—	—	66	(4,069)
Long term borrowings	0	7,140	—	—	(60)	7,080
Inventory	60	—	—	—	(1)	59
Deferred tax liabilities	***43,547***	***(4,575)***	**—**	***260***	***274***	***39,508***
Intangibles	160	—	—	—	—	160
Accounts receivable	(1,325)	1,282	—	—	(11)	(54)
Accounts payable	(73)	(37)	—	—	1	(110)
Interest expense postponed for deduction	—	(4,394)	—	—	37	(4,357)
Inventory	(8)	(551)	—	—	9	(550)
Fiscal losses	(9,483)	146	—	—	11	(9,327)
Deferred tax assets	***(10,729)***	***(3,556)***	**—**	**—**	***47***	***(14,238)***
Offsetting (refer to Note 2.2 o)	*(5,721)*	*—*	*—*	*—*	*—*	*(11,304)*
Recognition						
Deferred tax liabilities	**37,826**	**—**	**—**	**—**	**—**	**28,204**
Deferred tax assets	**(5,008)**	**—**				**(2,933)**
Net deferred tax liability	**32,818**	**—**	**—**	**—**	**—**	**25,271**
Deferred tax benefit	**—**	**(8,131)**	**—**	**260**	**324**	**—**

Deferred tax assets recognised for fiscal losses relate mainly to the Group's operations in Hungary. Such losses, in amount of EUR 18,917 at 31 December 2015 (31 December 2014: EUR 27,758), are not subject to preapproval by tax authorities and can be carried forward indefinitely.

In addition, in 2015 and 2014 a deferred tax asset was recognized for interest expenses of RCS&RDS which are postponed for deduction until the gearing ratio falls again below 3. Such interest expenses can be carried forward indefinitely.

For statutory purposes, RCS&RDS has performed several revaluations of its property, plant and equipment. Should the statutory revaluation reserves of RCS&RDS be distributed to its shareholders they would be taxed, i.e. they would generate a tax liability of EUR 6,826 (2014: EUR 8,489).

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 25.

20. DISCONTINUED OPERATIONS

In 2014, the Group received EUR 10,344 representing the additional contingent consideration for the sale of the Slovak subsidiary Digi Slovakia s.r.o, that was sold in 2013, resulting from the fulfilling certain conditions in 2014, which were netted off by commissions paid of EUR 740. In 2015 an amount of EUR 1,000 was received as additional contingent consideration for the sale of the respective subsidiary, resulting from the fulfilling of the last conditions in 2015. Included under line "Gain from sale of discontinued operations" from Consolidated Statement of profit or loss and other comprehensive income and under line "Gain on disposal of subsidiary" from the Consolidated Statement of cash flows for the year ended 31 December 2015 there is an aggregate presentation of proceeds received from Slovak subsidiary disposal (EUR 1,000 in 2015 and EUR 10,344 in 2014) and Czech subsidiary disposal presented in the table below.

In 2014 the Group had discussions regarding the sale of its Czech subsidiary, Digi Czech republic s.r.o., however as of 31 December 2014 no commitment regarding the selling decision was made. An agreement was reached in April 2015 and the sale of the subsidiary was completed at the end of April 2015.

Details of income and expenses and other comprehensive income of the discontinued operations are presented in the consolidated statement of profit or loss and other comprehensive income.

Effect in 2015 of disposal on the financial position of the Group

	31 December 2015
Property, plant and equipment (note 5)	495
Inventories	316
Trade and other receivables	675
Cash and cash equivalents	733
Deferred tax asset, net position (note 19)	184
Trade, other payables and other liabilities	(1,111)
Net assets and liabilities	**1,294**
Income from sale of discontinued operations	**21,176**
Gain from sale of discontinued operations	**19,882**
Consideration received, satisfied in cash	24,865
Cash and cash equivalents disposed of	(733)
Net cash inflow	**24,132**

The sale agreement regarding the Czech subsidiary stipulates, besides the consideration already recognised in 2015 and settled by the buyer by 31 December 2015, an amount of EUR 750 that may be received after 13 months following the Group fulfilling certain obligations, and if so, will be recognised as income in the future. The income from sale of discontinued operations was reduced by accrued costs of EUR 4,285 that are expected to be incurred by the Group in relation with this disposal.

21. BUSINESS COMBINATIONS

a) Subsidiaries

The consolidated financial statements incorporate the financial information of the following main subsidiaries in each of the countries:

CCS owns shares 87.6% in RCS&RDS (2014: 87.1%). Below are the presented the main subsidiaries of RCS&RDS:

Subsidiary	**Country of Incorporation**	**Field of activity**	**Legal Ownership 2015**	**2014**
Digi T.S. Kft	Hungary	CATV, Internet, DTH, Telephony	100.00%	100.00%
DIGI SPAIN TELECOM S.L.U.	Spain	Telephony	100.00%	100.00%
DIGI CZECH REPUBLIC s.r.o.	Czech Republic	DTH	0.00%	100.00%
DIGI ITALY SL	Italy	Telephony	100.00%	100.00%
ITV.	Hungary	CATV	100.00%	100.00%
CFO Integrator	Romania	Duct Rent	100.00%	100.00%
S.C. ENERGIAFOTO SRL	Romania	Solar energy	100.00%	100.00%
S.C. NOVITAS Electro	Romania	Solar energy	100.00%	100.00%
S.C. DELALINA S.R.L.	Romania	Solar energy	100.00%	100.00%
S.C. DALVIG CORP S.R.L.	Romania	Internet	100.00%	100.00%
S.C. AIR BITES S.R.L.	Romania	CATV	100.00%	100.00%

b) Business acquisitions

	2015	2014
Total consideration payable in cash	**2,990**	**4,650**
Customer relationships	—	1,628
Other intangibles	2,696	—
Deferred tax liabilities	—	(260)
Property, plant and equipment	294	9,597
Payables	—	(10,447)
Cash and cash equivalents	—	261
Other	—	2,166
Total identifiable net assets	**2,990**	**2,945**
Goodwill	**—**	**1,705**

None of the goodwill recognized is expected to be deductible for tax purposes.

c) Changes in ownership interests while retaining control

In 2015 CCS acquired 1,924,100 (2014: 1,318,500) shares in RCS &RDS, for a total amount of EUR 2,953 (2014: EUR 2,903).

During 2015 the Group acquired non-controlling interest for an amount of EUR 738 (31 December 2014: EUR 2,075) from previous owners of the non-controlling interest.

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(i) Credit risk

Credit risk exposure

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.

The carrying amount of trade and other receivable, net of an impairment adjustment, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. 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 allowance already recorded.

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

The maximum exposure to credit risk at the reporting date was:

	Note	31 December 2015	31 December 2014
Trade and other receivables	9	82,545	109,862
Cash and cash equivalents	11	49,662	54,288
Derivative assets	24	9,937	—
Long term receivables*		2,926	4,625
Total		**145,071**	**168,775**

* The long term receivables position does not include green certificates balance as at 31 December 2015.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	31 December 2015	31 December 2014
Romania	63,270	89,363
Hungary	10,307	9,624
Spain	3,767	2,495
Czech Republic	—	637
Other countries	2,266	2,754
Total	**79,610**	**104,873**

The maximum exposure to credit risk for cash and cash equivalents at the reporting date by counterparty was:

	31 December 2015	31 December 2014
Citibank	1,710	22,082
ING Bank	42,041	28,360
Banca Comerciala Romana	277	664
BRD Groupe Societe Generale	118	134
Unicredit Tiriac Bank	2,540	201
Other	2,976	2,847
Total	**49,662**	**54,288**

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

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	Gross 31-Dec-15	Impairment 31-Dec-15	Net 31-Dec-15	Gross 31-Dec-14	Impairment 31-Dec-14	Net 31-Dec-14
Not Past Due	58,393	(618)	57,776	90,546	(778)	89,769
Past Due less 30 days	18,197	(1,348)	16,849	7,680	(474)	7,206
Past Due 30-90 days	6,689	(2,698)	3,990	4,043	(1,040)	3,003
Past Due 90-360 days	11,133	(8,427)	2,706	11,040	(4,545)	6,495
Past Due over 1 year	65,571	(64,347)	1,224	68,502	(65,112)	3,389
Total	**159,984**	**(77,439)**	**82,545**	**181,811**	**(71,949)**	**109,862**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015	2014
Balance at 1 January	71,949	67,021
Impairment loss recognized	10,069	7,999
Impairment related to receivables of discontinued operations	(1,598)	—
Utilised	—	(566)
Amounts written off	(2,302)	(1,802)
Effect of movement in exchange rates	(679)	(703)
Balance at 31 December	**77,439**	**71,949**

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2015:

	31 December 2015						
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**679,254**	**889,422**	52,734	55,179	92,170	689,339	—
Finance lease liabilities	**8,761**	**9,701**	1,107	1,238	2,476	3,732	1,148
Trade and other payables and other liabilities	**280,462**	**281,021**	248,485	24,823	7,714	—	—
Derivative financial liabilities							
Interest rate swaps	**6,094**	**12,715**	2,330	2,335	3,737	4,313	
Foreign currency swaps	**493**	**493**	493	—	—	—	—
Energy trading mark to market liability	**1,666**	**1,666**	1,234	424	8	—	—
Total	**976,730**	**1,195,019**	**306,383**	**83,998**	**106,106**	**697,384**	**1,148**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2014:

	31 December 2014						
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Non derivative financial liabilities							
Interest bearing loans and borrowings, including bonds	**691,458**	**933,502**	32,780	58,072	113,486	250,869	478,295
Finance lease liabilities	**7,019**	**8,048**	674	674	4,492	1,090	1,118
Trade and other payables and other liabilities	**228,059**	**231,025**	189,198	30,356	11,471	—	—
Derivative financial liabilities							
Interest rate swaps	**993**	**993**	993	—	—	—	—
Total	**927,529**	**1,173,568**	**223,645**	**89,102**	**129,449**	**251,959**	**479,413**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At 31 December 2015, the Group had net current liabilities of EUR 171,756 (31 December 2014: EUR 97,418). As a result of the volume and nature of the telecommunication business current liabilities exceed current assets. A large part of the current liabilities is generated by investment activities. Management considers that the Group will generate sufficient funds to cover the current liabilities from future revenues.

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates 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, primarily with respect to the USD and EUR. 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 Group's exposure to foreign currency risk was as follows (amounts expressed in thousands of the respective currencies):

	31 December 2015		31 December 2014	
	USD	**EUR**	**USD**	**EUR**
Trade and other receivables	3,938	3,637	952	2,221
Cash and cash equivalents	50	3,087	90	49,714
Interest bearing loans and borrowings	—	(446,161)	—	(686,603)
Bank overdraft	—	(4,757)	(33)	(3,967)
Finance lease liabilities	—	(8,759)	(5,373)	(2,597)
Trade and other payables	(36,712)	(42,288)	(28,201)	(47,148)
Gross statement of financial position exposure	**(32,724)**	**(495,241)**	**(32,565)**	**(688,380)**
Derivative financial instruments*	**—**	**25,406**	**—**	59,156
Gross exposure	**(32,724)**	**(469,835)**	**(32,565)**	**(629,224)**

*Represents amounts to be received as part of the cross currency interest rate swaps in place at the end of each period.

The following significant exchange rates applied for the year ended 31 December 2015:

	2015	**2014**
Romania		
USD	4,1477	3.6868
EUR	4.5245	4.4821
Hungary		
USD	286.63	259.13
EUR	313.12	314.89
Czech Republic		
USD	24.82	22.83
EUR	27.02	27.73

Sensitivity analysis for currency risk

A 10 percent strengthening of the currencies listed below against the functional currencies of the Parent and of the subsidiaries at 31 December would have decreased equity and decreased profit / increased loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equivalent in EUR 2015	Equivalent in EUR 2014
EUR	49,524	68,838
USD	3,000	2,679
Total	**52,524**	**71,517**

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 the equity and loss, on the basis that all other variables remain constant.

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 13.

At the reporting date the interest rate profile of the interest-bearing financial instruments was:

Variable rate instruments	Carrying amounts 31 December 2015	Carrying amounts 31 December 2014
Financial liabilities—loans and borrowings	234,616	254,831
Trade payables	13,758	20,479
Finance lease liabilities	8,761	7,019
Total	**257,135**	**282,330**

The 2015 Senior Facilities Agreement bears variable interest rate but the Group has entered into fixed for floating interest rate swaps for a significant portion of this facility, that match the characteristics of the respective loans. Consequently the interest rate of the combined instrument (i.e.: loan and swap) is fixed for the respective portion of this facility—relevant details are included in Note 13 (ii).

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates (applicable until the maturity date of the loan) 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 2015		
Variable rate instruments	(5,436)	5,436

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
31 December 2014		
Variable rate instruments	(5,848)	5,848

iv) Fair values

The Group measures at fair value available for sale investments, embedded derivatives, interest rate swaps, cross currency swaps, electricity trading assets (term contracts) and electricity trading liabilities (term contracts).

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

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

- Level 2: valuation techniques with all significant inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: valuation techniques using significant inputs that are not observable or based on observable market data (i.e. unobservable inputs).

The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted by the accounting standards in the statement of financial position as at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2015				
Available for sale financial assets	—	—	43,373	43,373
Cross currency swaps	—	—	(493)	(493)
Interest rate swaps			(6,094)	(6,094)
Embedded derivatives	—	9,255	—	9,255
Electricity trading assets (term contracts)	—	—	682	682
Electricity trading liabilities (term contracts)	—	—	(1,666)	(1,666)
Total	**—**	**9,255**	**35,802**	**45,057**
31 December 2014				
Available for sale financial assets	—	—	41,296	41,296
Cross currency swap	—	—	(993)	(993)
Foreign exchange forwards	—	—	—	—
Total	**—**	**—**	**40,303**	**40,303**

Available for sale financial assets

Available for sale assets comprise shares in RCSM, not traded on active markets. The valuation model used to assess their fair value is based on the income approach. Cash flows were projected based on financial budgets approved by senior management covering a five-year period, after which a terminal annual revenue growth was used.

The significant unobservable inputs used in the model include:

- Forecast terminal annual revenue growth rate (2015: 1.7%; 2014: 1.5%).

- Risk-adjusted discount rate (2015: 8.48%; 2014: 8.40%).

Note 6 a) (ii) includes details regarding other key assumptions used for the cash flow projections (revenues, EBITDA margins and Capital expenditure), which are relevant for this calculation as well. (the valuation model used is based on the Equity value of the Group, determined using DCF method).

The estimated fair value would increase (decrease) if:

- the terminal annual revenue growth rate were higher (lower);

- the risk-adjusted discount rate were lower (higher).

Sensitivity analysis for available for sale financial assets

A change in growth rate and/ or WACC at the reporting date would have an impact as follows:

	WACC		**Growth rate**	
	100 basis points increase	**100 basis points decrease**	**50 basis points decrease**	**50 basis points increase**
31-Dec-15				
Available for sale financial assets	(10,747)	14,484	(3,160)	8,054
31-Dec-14				
Available for sale financial assets	(10,480)	14,048	(4,683)	5,351

Cross-currency and interest rate swaps

The fair value of derivatives acquired for risk management purposes was obtained from the counterparty financial institutions. The management has determined that such prices were developed in accordance with the requirements of IFRS 13. However the management has not performed a due diligence to understand in detail how the prices were developed, consequently the fair value was categorised in Level 3 of the fair value hierarchy.

Embedded derivatives

The fair value of the options embedded in the issued bonds was estimated using the Option Adjusted Spread (OAS) model. The OAS model basically compares the yield on a "plain vanilla" bond (i.e.: a bond no optionality features) with the yield on a similar bond but with the embedded options. The difference between the two yields represents the price of the embedded options. Thus the model directly provides a separate price for the entire optionality of the bonds

Electricity trading assets and liabilities

The Company uses a discounted cash flow valuation technique to measure the fair value of the term electricity sale and acquisition contracts as these are not traded on active markets. The valuation model is based on the spot-forward parity formula and the significant inputs are represented by:

- the electricity spot price as estimated based on transaction on PZU market around the valuation date, and
- the discount rate approximated by the RON zero rate given the limited data available on term transactions with electricity around the valuation date.

A change in electricity spot price or in the discount rate at the reporting date would have an impact as follows:

	spot price		**discount rate**	
	Average 10% Increase	**Average 10% decrease**	**0.5 points increase**	**0.5 points decrease**
31-Dec-15				
Electricity trading assets	277	(279)	3	(3)
Electricity trading liabilities	(1,339)	1,348	8	(8)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2015 is as follows:

	Available for sale	Cross currency swaps	Interest rate swaps	Embedded derivatives	Trading assets	Trading liabilities
1 January 2015	**41,296**	**(993)**	**—**	**—**	**—**	**—**
Gains or (losses) recognised in profit or loss for the year	—	500	(4,434)	9,255	682	(1,666)
Gains or (losses) recognised in other comprehensive income	1,227	—	(5,399)	—	—	—
Purchases	850	—	—	—	—	—
Sales		—	—	—	—	—
Settlements	—	—	3,739	—	—	—
Transfers out of level 3	—	—	—	—	—	—
Transfers into level 3	—	—	—	—	—	—
31 December 2015	**43,373**	**(493)**	**(6,094)**	**9,255**	**682**	**(1,666)**

	Available for sale	Cross currency swaps	Interest rate swaps	Embedded derivatives	Trading assets	Trading liabilities
1 January 2014	**30,982**	**(317)**	**—**	**—**	**—**	**—**
Gains or (losses) recognised in profit or loss for the year	—	(676)	—	—	—	—
Gains or (losses) recognised in other comprehensive income	8,561	—	—	—	—	—
Purchases	1,753	—	—	—	—	—
Sales	—	—	—	—	—	—
Settlements	—	—	—	—	—	—
Transfers out of level 3	—	—	—	—	—	—
Transfers into level 3	—	—	—	—	—	—
31 December 2014	**41,296**	**(993)**	**—**	**—**	**—**	**—**

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 2015) and fair value measurement hierarchy are presented in the table below:

	31 December 2015		
	Carrying amount	Fair Value	Hierarchy
Loans (Note 13)	**666,468**	**709,202**	
Bonds	439,176	477,852	Level 1
2015 Senior Facilities	227,292	231,350	Level 2

	31 December 2014		
	Carrying amount	Fair Value	Hierarchy
Loans (Note 13)	**680,978**	**703,374**	
Bonds	436,411	456,615	Level 1
2013 Senior Facilities	244,567	246,759	Level 2

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 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, 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.

vii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital. Management monitors "total net debt to EBITDA" ratio which is computed in accordance with the New Senior facilities agreement. Currently the ratio is 2.8 (2014: 2.9), level which, as mentioned, is constantly monitored.

23. SHARE-BASED PAYMENTS

In February 2007, the Group implemented a share based payment plan for certain members of the management team and key employees. The options vest if and when certain revenue, subscriber targets and other targets of the Group are met.

According to the plan, in 2015, share options were granted to eligible employees under the share based payment plan 935,000 (2014: 1,305,500). The related share option expense of EUR has been recorded as an expense in 2015 EUR 2,054 (2014: EUR 2,418) in the Consolidated statement of profit or loss and other comprehensive income in the line item Operating expenses, within salaries and related taxes. (Note 17).

24. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2015 the Group had both derivative financial liabilities and derivative financial assets.

	31 December 2015	31 December 2014
Derivative financial asset	**9,937**	**—**
Embedded derivatives	9,255	—
Electricity trading assets (term contracts)	682	—

	31 December 2015	31 December 2014
Derivative financial liability	**8,253**	**993**
Interest rate swaps	6,094	—
Cross currency swaps	493	993
Electricity trading liabilities (term contracts)	1,666	—

As at 31 December 2015 the Group had had derivative financial assets in amount of EUR 9,937 (31 December 2014: nil), which included:

- Embedded derivatives of EUR 9,255 related to the bond (the Bonds include several call options as well as one put option, for which Management has assessed the combined fair value of these embedded options through the Option Adjusted Spread model and recognized a separate embedded derivative asset) (31 December 2014: nil).

- Electricity trading assets (term contracts) of EUR 682 being mark to market gain from fair valuation of electricity trading contracts (31 December 2014: nil).

As at 31 December 2015 the Group had derivative financial liabilities in amount of EUR 8,253 (31 December 2014: EUR 993), which included:

- Cross currency swaps with fair value of EUR 493 (31 December 2014: EUR 993). The Group does not use hedge accounting in accordance with IAS 39 because an effective hedging relationship as set out in IAS 39 does not exists. Therefore the changes in the fair values of these derivatives are recognized in profit or loss. In 2014 were concluded coupon swaps for the Proceeds Loan's interest value, all with a termination date of 23 September 2016.

- Interest rate swaps: On May 22, 2015 RCS & RDS concluded an interest rate SWAP for the entire term loan facility through which the company hedges against the volatility of cash flows on its floating rate borrowings due to modification of market interest rates (i.e.: ROBOR). For this purpose the company uses interest rate swaps, paying fixed and receiving variable cash flows on the same dates on which is settles the interest on its hedged borrowings. Hedged cash flows occur periodically, on the settlement of the interest on hedged loans, and impact profit or loss throughout the life of the loan, through accrual. Given that critical terms of the hedging instrument match the critical terms of the hedged cash flows, there is no significant ineffectiveness.

- Electricity trading liabilities (term contracts) of EUR 1,666 being mark to market loss from fair valuation of electricity trading contracts (31 December 2014: nil).

25. GENERAL COMMITMENTS AND CONTINGENCIES

Uncertainties associated with the fiscal and legal system

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

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

The Dutch, Romanian and other Eastern and Central Europe Fiscal legislation include detailed regulations regarding transfer pricing between related parties and includes specific methods for determining transfer prices between related 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.

Legal proceedings

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of 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. The legal proceedings detailed below also show developments subsequent to 31 December 2015.

Intact Media Group Litigation

In March 2011, the Intact Media Group initiated a series of lawsuits against us. Although we consider the Intact Media Group litigation to be, at least in a large part, abusive and vexatious, if these court claims are successful, they will generate significant adverse effects on our finances, management and business model.

a) The must carry related litigations

In March 2011, Antena Group (Intact Media Group) initiated three separate lawsuits in tort against us alleging that we illegally refused to carry its channels breaching, among other things, the Romanian must carry rules. They claim damages of approximately EUR 100 million and have requested that the court impose other non-monetary remedies, such as requiring that we provide the Intact Media Group channels to our subscribers free of charge and in compliance with the highest technical standards.

In the first proceeding, Antena Group claims that we are bound by the must carry rules to provide Antena 1, the Intact Media Group's lead channel, free of charge to our subscribers in a package that only contains must carry channels. Antena Group has requested injunctive relief which would require us to offer such a package to our subscribers (neither we nor any other Romanian distributor currently offers to its customers such a package) and has sought damages amounting to EUR 65 million for our alleged breach of the must carry rules. The initial court case was split into two proceedings as Antena Group assigned its monetary claims related to this lawsuit to First Quality Debt Recovery.

The claim regarding the EUR 65 million monetary damages was suspended until settlement of both the claim for injunctive relief and a lawsuit we initiated challenging the effects of an arrangement regarding the assignment of receivables from Antena Group to First Quality Debt Recovery. On April 15, 2015, the Bucharest Tribunal partially admitted RCS&RDS' claim and annulled the assignment of receivables from Antena Group to First Quality Debt Recovery. We expect this decision to have a significant positive impact on RCS&RDS' defence against Antena Group's claim regarding the EUR 65 million monetary damages. Please note that this decision is not final as it has been challenged by Antena Group. The next hearing in the appeal is scheduled for 15 November 2016.

In the case regarding the injunctive relief request, both the court of first instance and the court of appeal ruled in our favor and dismissed Antena Group's claims. However, in February 2014, the Romanian Supreme Court admitted the higher appeals filed by Antena Group and First Quality Debt Recovery and quashed the decisions issued by both the first instance and the appeal courts, ordering a retrial of the case by the first court. The decision of the Supreme Court does not confirm Antena Group's allegations on the merits of the case, as the retrial was ordered solely based on procedural reasons. The Bucharest Tribunal annulled the monetary claims (EUR 65 million) filed in the case file (because Antena Group's failure to pay the stamp duties) and suspended the proceedings until a final settlement will be issued in the lawsuit we initiated to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

Separately, Antena Group has also filed two lawsuits claiming (i) monetary damages of approximately EUR 35 million consisting of loss of revenue due to our temporary refusal to carry the tv channels GSP TV and Antena 2 which allegedly breached, among other things, the must carry rules; and (ii) injunctive relief that would require us to provide the disputed channels to our customers in compliance with the highest technical standards. Approximately EUR 24 million out of these claims are related to our refusal to carry GSP TV, while the remaining EUR 11 million is related to our refusal to carry Antena 2. Because Antena Group assigned to First Quality Debt Recovery the claims regarding the EUR 35 million monetary damages as well, First Quality Debt Recovery became involved in these proceedings. Consequently, the court split both the GSP TV and the Antena 2 lawsuits into two: in each case, the monetary claim formed one lawsuit and the claim for injunctive relief another one. At our request, both the GSP TV and the Antena 2 claims for monetary damages were suspended until the final settlement of the lawsuit we initiated for challenging the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

The case regarding the injunctive relief sought in relation to the GSP TV channel was settled by the Bucharest Tribunal in favour of Antena Group, the court ordering us to include the channel in our network in compliance with several technical requirements. However, we have been carrying the channel as of January 2012 and therefore the decision did not impact our network. The appeal filed by RCS & RDS against the first court decision was rejected in October 2014. The decision of the Bucharest Tribunal remained final.

The case regarding the injunctive relief sought in respect to Antena 2 was settled in March 2014 by the Bucharest Tribunal in our favour; Antena Group's claims were rejected in their entirety. Antena Group appealed the decision, but only with regards to the judicial expenses. Initially, the appeal was rejected in October 2014, but following a retrial ordered by the High Court of Cassation and Justice, the court of appeals modified in part the first court's decision, by granting approx. €2 (two) as judicial expenses to Antena Group. The decision is subject to higher appeal.

At the end of 2014, Antena Group initiated two new lawsuits requesting damages in relation to the carriage of GSP TV and Antena 2. The claims are almost identical to the ones regarding the same channels and assigned to First Quality Debt Recovery in 2012, except for the much lower amounts requested, specifically RON 500,000 in relation to GSP TV and RON 250,000 in relation to Antena 2. Both lawsuits have been suspended until the final settlement of the trial initiated by RCS&RDS to challenge the effects of the assignment of receivables from Antena Group to First Quality Debt Recovery.

We have also challenged, but failed to overturn in court a number of NAC (National Audiovisual Council of Romania) decisions on must carry rules and, particularly, a decision finding that we breached the obligation to provide certain must carry channels to our customers (including GSP TV). This adverse decision could be used in the monetary claims of Antena Group against us in relation to the alleged breach of the must carry rules with respect to GSP TV (such claims being approximately EUR 24 million).

Antena Group has not yet provided any objective criteria for the determination of their claims in damages. However, there is a risk that we could be found liable for substantial sums. Moreover, should Antena Group be successful in all or part of its non-monetary claims, we may be forced to change our business model of providing must carry channels to our customers as we would be forced to provide separate, free of charge packages containing only the must carry channels. This litigation is relevant only to our cable television distribution and would not affect our DTH distribution since DTH distribution is as per current regulations expressly exempt from the must carry rules.

b) Litigation on grounds of an alleged abuse of dominant position

In July 2014, two companies of the Intact Media Group (Antena Group and Antena 3) filed another claim against RCS&RDS requesting the court to ascertain that RCS & RDS abused its dominant position by its alleged refusal to negotiate and conclude an agreement for the remunerated carriage of Antena Group channels, should Antena Group eventually choose to waive the must carry regime currently applicable to all Intact Media Group's TV channels. The claimants also requested the court to order RCS & RDS to negotiate with Antena Group in view of concluding a pay-tv based agreement under terms similar to the ones agreed by us with Pro TV S.A.

We requested the court to reject the claim as RCS&RDS's behaviour is neither abusively discriminatory nor an abusive refusal to deal. We are mainly arguing that: (i) the claimants didn't initiate good-faith negotiations, as their channels are still under must-carry regime and they didn't even issue an offer to begin with; (ii) the alleged refusal to negotiate would be justified by the abusive past conduct of the claimant; (iii) the negotiations requested by Intact Media Group are not comparable to the ones with Pro TV S.A., given the different market conditions at the moment of the negotiations and the different legal status of the TV channels of the two groups; and (iv) the conditions required by antitrust legislation are not met (e.g., the claimants are not risking exiting the market).

In March 2015, RCS & RDS requested the court to stay the proceedings until the final settlement of four other trials. The court decided on April 14, 2015 in favour of RCS&RDS' request and suspended the trial until the final settlement of the lawsuit including the €65 million monetary damages. The decision on suspension of the trial was challenged by Antena Group on 14 December 2015. RCS&RDS opposed the appeal of Antena Group, but at the same time submitted its own appeal regarding the first court's solution with respect to the request for the suspension of the proceedings until the final settlement of three other trials. On 15 June 2016, the Bucharest Tribunal rejected Antena Group's higher appeal as ungrounded, while the challenge filed by RCS&RDS's was rejected for lack of interest.

If, in this litigation, the Court finally rules in favour of the plaintiffs, we risk to be forced to conclude the carriage agreement for Intact Media Group's channels on similar financial conditions to those agreed with Pro TV S.A. An unfavourable decision could also be used as argument by other broadcasters to claim similar conditions.

c) The copyright related litigation

In June 2014, Antena Group filed a new monetary claim against RCS&RDS, requesting approximately EUR 40 million on the grounds of an alleged breach of its copyright over the Antena 1, Antena Stars (former Antena 2), Euforia Lifestyle TV and ZU TV (former GSP TV) channels. The claimant argues that these TV programs have been carried by RCS&RDS, from June 2011 untill June 2014, without Antena Group's consent and in the absence of an agreement on the fees for the use of its copyright.

RCS&RDS requested the dismissal of the claim for being submitted by a person lacking standing on the matter, as the rights invoked by Antena Group (if any) are subject to mandatory collective management, and also for being unfounded, as the carriage was performed having either legal or contractual coverage.

On 30 October 2014, the Bucharest Tribunal rejected the claim on procedural grounds and stated that Antena Group does not have legal standing in this lawsuit. On 16 March 2016 the Bucharest Court of Appeals admitted Antena Group's appeal, annulled the first court's decision and sent the file back to the Bucharest Tribunal for a trial on the merits of the case. The full decision of the Court of Appeals has been communicated to us on 11 July 2016 and the deadline for a higher appeal expired on 11 August 2016. We have decided not to challenge this decision because, although it granted Antena Group standing in the file, it contains favourable conclusions on the merits of the case. More specifically, the Court of Appeals stated that the relation between Antena Group and RCS & RDS regarding the retransmission of the must carry channels is not subject to an agreement between the parties.

d) Litigation regarding the outcome of the GSP investigation

On 3 March 2015, the Romanian Competition Council dismissed Antena Group's complaint regarding an alleged abuse of dominant position of RCS&RDS in relation to the GSP TV channel.

On 10 April 2015, Antena Group challenged the Competition Council's decision and requested the courts of law to: (i) annul that decision, as the conduct of RCS & RDS with respect to the GSP channel fulfils the legal criteria to be considered an abuse of dominant position and (ii) order the Competition Council to reopen the investigation and issue a decision taking into consideration all arguments raised by Antena Group. The main grounds of this court claim regard the Competition Council's alleged wrongful analysis of the RCS&RDS' refusal to negotiate the retransmission of GSP TV channel, as well as the authority's alleged lack of a proper analysis regarding RCS&RDS' (alleged) discriminatory behaviour.

Antena Group initiated the proceedings only against the Competition Council, but the court decided that RCS & RDS needs to be introduced in the trial as defendant. The case was judged by the court on 12 September 2016. The Bucharest Court of Appeal will issue its decision not earlier than 3 October 2016.

Should the court decide in favour of Antena Group's claim, it might force the Competition Council to reopen the investigation against RCS&RDS, which could ultimately lead to the application of antitrust fines amounting up to 10% of RCS&RDS' turnover.

e) Reciprocal contractual claims with the Intact Media Group

We have filed two lawsuits against Antena Group requesting a total amount of approximately EUR 2.6 million resulting from the breach of several agreements. Antena Group filed counterclaims in both case files.

In these two proceedings, we are claiming that Antena Group must: (i) refund the fees we paid until December 2010 for retransmitting two channels of the Intact Media Group, based on the "most favoured client clause" agreed by Antena Group and (ii) pay for the telecommunication services we provided in 2010 and 2011. Antena Group has filed counterclaims alleging that we are liable for: (i) retransmission fees from 2010 and 2011 for two of Intact Media Group's channels; and (ii) the contractual price of the advertising services that we requested in 2010 and that Antena Group allegedly provided.

In the first lawsuit, on 2 November 2015, the Bucharest Tribunal fully rejected our claim for a refund of the retransmission fees paid until 2010 and partially admitted the counterclaim of Antena Group regarding the retransmission in 2010 and 2011. As a result, we were ordered to pay to Antena Group approx. EUR 1.9 million representing (i) retransmission fees and (ii) judiciary expenses. Both RCS&RDS and Antena Group filed an appeal against the decision of the first court. The next hearing in front of the Bucharest Court of Appeals is scheduled for 4 November 2016.

In the lawsuit regarding telecommunication and advertising services, the court of first instance fully rejected both our claim and the counterclaim of Antena Group. Both RCS&RDS and Antena Group appealed the decision of the first court, the case currently pending before the Bucharest Court of Appeals. The next hearing is scheduled for 14 November 2016.

Litigation between the Cluj Napoca Municipality and CFO Integrator S.R.L. (RCS&RDS's subsidiary)

In March 2015, the Cluj Napoca Municipality filed a claim against CFO Integrator S.R.L. (a company that has been taken over by RCS&RDS starting March 2014) asking for approx. RON 3.5 million as penalties for the late payment by CFO Integrator S.R.L. during 2010-2014 of the outstanding annual royalty due by CFO Integrator S.R.L. to the Cluj Napoca Municipality under the ongoing joint venture agreement on the development and management of the electronic communications infrastructure Ductcity in Cluj Napoca. The Cluj Napoca Municipality's abusive allegations for payment are grounded on several legal and local regulatory provisions that we consider not to be applicable to the joint venture agreement in place between the parties and ignores the fact that CFO Integrator S.R.L. paid in May 2014 all outstanding debts towards Cluj Napoca Municipality, including all applicable penalties for late payment as computed according to the terms of the joint venture agreement (total penalties amounting to approx. RON 220,000).

On 13 May 2016, the court rejected the Cluj Napoca Municipality's claim in its entirety. This decision has been appealed by the Cluj Napoca Municipality. The first hearing in the appeal has not yet been scheduled.

Pecuniary claim filed by the National Cinematography Centre

On 19 April 2016, the National Cinematography Centre in Romania (which is the Romanian public entity under the Romanian Ministry of Culture) filled against RCS&RDS a payment injunction amounting to at least EUR 1.6 million, including principal amount and penalties for late payment.

Under the law, the National Cinematography Centre is entitled, amongst others, to collecting 1% of the monthly aggregate income gained from the cable and satellite carriage of TV channels, as well as from the digital retransmission of TV content. We have dully declared our income to the National Cinematography Centre, but did perform only partial payments (i.e., until the present, we have only paid the outstanding amounts until, including, 2010).

We have carried out until December 2015 several discussions and correspondence with the National Cinematography Centre during which we admitted the fact that RCS&RDS is bound to pay the principal amounts, but we had several divergences on the amount of the applicable penalties, while the National Cinematography Centre has not indicated a correct bank account to allow us to perform due payments.

On 19 July 2016, the court of first instance rejected the claim against us. The decision of the court of first instance was appealed by the National Cinematography Centre. The first hearing in the appeal has not yet been scheduled.

Competition Council Investigations

RCS&RDS has been until the date of this report subject to two infringement investigations by the Competition Council. As per our knowledge, no other infringement investigation is pending against RCS&RDS.

Telecom market interconnection investigation

In February 2011, the RCC opened an investigation on the telecommunications market related to interconnection tariffs charged by all telecommunications operators. We believe this investigation was launched with the aim of reducing the relatively high interconnection tariffs charged on the Romanian market and thereby reducing the rates ultimately charged to consumers.

By decision no 33/2015 the RCC decided to close the investigation in exchange for all operators undertaking and complying with a general commitment not to discriminate between the level of the tariffs charged for the on-net and the off-net calls. We will need to implement this commitment for 2 years. The duration may be either reduced to 1 year or extended to 2 years in accordance with the RCC's assessment of the market after the entry into force of the commitments. During the term of the commitments, RCS&RDS is required to provide to the RCC, upon request, business information, and to commission periodic independent market studies on the evolution of the mobile telephony sector.

The RCC's decision accepting our commitment has closed the investigation without the application of any fines for the alleged anticompetitive conduct. The offering of commitments does not imply any admission of wrongdoing. A failure to comply with the terms of the commitment as accepted by the RCC may lead to penalties of up to 10 per cent. of our aggregate turnover.

GSP investigation

In May 2011, Antena TV Group S.A., a leading media group in Romania and our former commercial partner, made a complaint to the RCC based on our refusal to retransmit one of its channels, GSP TV. The RCC opened an investigation against us in relation to this matter in August 2011. We have fully cooperated during this investigation and we consider the demands of Antena TV Group S.A. to be abusive and groundless, we have started retransmitting GSP TV following an injunctive relief that Antena TV Group S.A. obtained against us on grounds that starting July 2011 GSP TV became a "must-carry" channel.

The RCC issued its decision on March 3, 2015 declaring our initial refusal to retransmit GSP TV channel not abusive and not in violation of any competition laws. The RCC additionally considered that such refusal was justified by the existence of multiple judicial disputes between the parties, including with respect to the application and meaning of the “must-carry” regime.

The RCC also issued a formal recommendation us to produce general terms to be complied by third party broadcasters wishing to retransmit their content via our network. Our relations with “must-carry” and pay-tv channels are expressly excluded from the scope of that recommendation.

The RCC’s decision is not final and is subject to judicial review. Antena TV Group S.A. challenged the decision and that trial is ongoing (the details of this case are explained in a dedicated section above: “Litigation regarding the outcome of the GSP investigation”).

Material commitments and contingencies

Commitments are presented on a discounted basis, using an interest rate of 3M LIBOR + 5% p.a., 3M EURIBOR + 5% p.a. or 3M ROBOR + 5% p.a.

Operating leases

The Group leases under operating leases several main types of assets:

- pillars for network support in Romania and Hungary in several rural areas for the Romanian and Hungarian fibre optics main ring;
- pillars for network support in Romania in several urban areas for “fibre to the block networks”;
- fibre optic line capacities in Hungary;
- commercial spaces for cash collection points in Romania and Hungary;
- office facilities in Romania, Hungary, Czech Republic, Spain, Italy.

Minimum lease payments under non-cancellable operating lease agreements are as follows:

	2015	**2014**
Less than one year	21,948	34,388
Between one and five years	41,276	36,971
More than five years	6,562	3,755
	69,786	**75,114**

The leases for local offices and commercial spaces typically run for an initial period of one year, with an option to renew the lease after that date. The leases of pillars for network support typically run for an initial period of 17 years. The leases for fibre optical line capacities typically run for an initial period between 4 and 7 years. None of the leases include contingent rentals.

Besides these lease agreements, there are approximately another 530 contracts signed for a period of over 5 years, with an automatic renewal clause or signed for an indefinite term. The average annual rent for these contracts is of maximum EUR 1,720.

Capital expenditure

The capital expenditure the Group has assumed until 31 December 2015 is mostly made of commitments for the purchase of 3G and fixed network equipment amounting to approximately EUR 86,045 (31 December 2014: EUR 19,443).

Satellite capacity expenses

The Group has committed under the long term agreement with Intelsat, the satellite solution provider, to use until 30 November 2017 the contracted services and to pay monthly equal fees cumulating to EUR 17,528 (31 December 2014: EUR 24,833).

2100 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2100 MHz* radio spectrum license awarded until 31 December 2021 inclusively, amounting to a cumulated value of EUR 12,131 (31 December 2014: EUR 13,848).

900 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the 900 MHz radio spectrum license awarded starting with April 2014 until April 2029 inclusively, amounting to a cumulated value of EUR 21,721 (31 December 2014: EUR 22,927).

1800 MHz spectrum fee

The Group has committed to pay an annual fee to the Hungarian Communication Authority for the *1800 MHz* radio spectrum license awarded until 31 October 2029 inclusively, amounting to a cumulated value of EUR 6,033 (31 December 2014: EUR 6,265).

2600 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *2600 MHz* radio spectrum license awarded until 31 April 2029 inclusively, amounting to a cumulated value of EUR 14,228.

3600 MHz spectrum fee

The Group has committed to pay an annual fee to the Romanian Communication Authority for the *3600 MHz* radio spectrum license awarded until 31 November 2025 inclusively, amounting to a cumulated value of EUR 2,744.

Sports rights and TV films and documentaries

As of 31 December 2015, commitments for sports rights related to future seasons and TV films and documentaries amounted to EUR 71,448 (31 December 2014: EUR 16,692).

Letters of guarantee and letters of credit

As of 31 December 2015, there were bank letters of guarantee and letters of credit issued in amount of EUR 12,717 mostly in favour of leasing, content and satellite suppliers and for participation to tenders (31 December 2014: EUR 10,401).

26. SUBSEQUENT EVENTS

In the first quarter of 2016 RCS&RDS renewed the national roaming Agreement with Vodafone for one more year.

In February 2016, the Group concluded a loan agreement of EUR 7,080 (in original currency thousand RON 32,000), which was used for the acquisition of a property in Bucharest.

In March 2016 the Group acquired the rights for Formula 1 for the 2016 – 2017 seasons.

On 29 April 2016 the Group repaid the second principal instalment from the 2015 Senior Facility, in amount of RON 110 million (EUR 24.6 million equivalent).

In August 2016 the Group have signed a new Back-stop facility for RON 135 million from a banking syndicate arranged by Citibank, London branch and BRD-Groupe Societe Generale. On 5 September 2016, the amount of RON 1 million was drawn.

For developments in legal proceedings in which the Group was involved (both as a plaintiff and a defendant), subsequent to 31 December 2015, please refer to Note 25.

27. EBITDA

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

For the purposes of disclosure in these notes, EBITDA is the consolidated operating profit/ (loss) of the Group before taking into account:

- any interest expenses and other financing charges,
- income tax or interest income and other financing revenues,
- add back charges for depreciation, amortization and impairment of assets
- non-recurring and one off items.

In years where there are non-recurring and one off items, EBITDA is referred to as "Adjusted EBITDA".

	2015	2014
Revenues and other income	**750,130**	**661,607**
EBITDA		
Operating profit	70,332	48,356
Depreciation, amortization and impairment	187,905	192,061
EBITDA	258,237	240,417
One off transactions (Note 20)	(20,882)	(9,604)
Adjusted EBITDA	**237,355**	**230,813**
Adjusted EBITDA (% of revenue and other income)	*31.64%*	*34.89%*

For breakdown of depreciation, amortization and impairment refer to Notes 5 and 6(a) and 6(b). One off transactions in 2015 and 2014 represents the net gains from discontinued operations in Czech Republic and Slovakia.

GLOSSARY OF TECHNICAL TERMS

2G	Second generation cellular telecom networks were commercially launched on the GSM standard in Finland in 1991. Three primary benefits of 2G networks over their predecessors were that phone conversations were digitally encrypted; 2G systems were significantly more efficient on the spectrum allowing for far greater mobile phone penetration levels; and 2G introduced data services for mobile, starting with SMS text messages.
3G	Third generation mobile telephony standard providing the ability to transfer simultaneously both voice data, such as telephone calls, and non-voice data, such as information downloads, exchanges of emails, instant messaging and video telephony.
4G	Fourth generation of mobile phone mobile communication technology standards as a successor of the third generation (3G) standards. A 4G system provides mobile ultra-broadband Internet access, for example to laptops with USB wireless modems, to smartphones, and to other mobile devices. Conceivable applications include amended mobile web access, IP telephony, gaming services, high-definition mobile TV, video conferencing, 3D television and Cloud Computing. Two 4G candidate systems are commercially deployed: the Mobile WiMAX standard, and the first-release Long Term Evolution ("**LTE**") standard.
5G	Fifth generation of mobile phone communication technology. Building on 4G productivity, a 5G systems targets high data rates, reduced latency, energy savings, cost reduction, higher system capacity, and massive device connectivity.
ADSL	Asymmetric Digital Subscriber Line is a type of digital subscriber line ("**DSL**") technology, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voice-band modem can provide. It does this by utilizing frequencies that are not used by a voice telephone call. A splitter, or DSL filter, allows a single telephone connection to be used for both ADSL service and voice calls at the same time. ADSL can generally only be distributed over short distances from the telephone exchange (the last mile), typically less than four kilometers, but has been known to exceed eight kilometers if the originally laid wire gauge allows for further distribution.
BRAS or **BNG**	A Broadband Remote Access Server routes traffic to and from broadband remote access devices on an Internet Service Provider's network. BRAS can also be referred to as Broadband Network Gateway ("**BNG**").
Broadband	A general term used to describe wide bandwidth equipment or systems which can carry a large proportion of the electromagnetic spectrum. Broadband communications systems can deliver multiple channels and other services.
Cable TV	A broadband network employing radio-frequency transmission over coaxial and/or fiber-optic cable to transmit multiple channels carrying images, sound and data between a central facility and individual customers' television sets.
CAM	Conditional access module. An encrypted, electronic device for digital televisions or set-top boxes that allows access to content deemed 'conditional access.'
CDMA	Code Division Multiple Access. Digital cellular spread-spectrum modulation technique that implements distributed voice and data networks.
CLIP	Calling line identification presentation is a telephone service, available in analog and digital phone systems and most VoIP applications, that transmits a caller's number to the called party's telephone equipment during the ringing signal, or when the call is being set up but before the call is answered.

CLIR	Calling line identification restriction is a telephone service, available in analog and digital phone systems and most VoIP applications, that blocks calling party address information from being presented to the called party's telephone equipment.
CPE	Customer premises equipment is any terminal or associated equipment located at a subscriber's premises and connected with a carrier's telecommunication channel(s) at the demarcation point. The demarcation point is a point established in a building or complex to separate customer equipment from the telecommunication company equipment. CPE includes satellite dishes, satellite receivers, decoders, cable modems, fixed-line phone terminals, GPON terminals, smartcards, 3G mobile telephony handsets and mobile data devices.
Digital	A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, more precise reproduction, lower interference, protection against eavesdropping and automatic error correction. Signals are encoded into digits for transmission.
DNS	Domain Name System is a hierarchical distributed naming system for computers, services or any resource connected to the internet or a private network, which associates various information with domain names assigned to each participant.
DOCSIS	Data Over Cable Service Interface Specification is an international telecommunications standard that permits the addition of high-speed data transfer to an existing cable TV system. It is employed by many cable television operators to provide internet access over their existing hybrid fiber coaxial infrastructure.
DOCSIS 3.0	DOCSIS 3.0 was released in August 2006. The specification was revised to significantly increase transmission speeds (both upstream and downstream) and introduce support for Internet Protocol version 6 (IPv6).
DSL	Digital subscriber lines. A technology enabling local loop copper pair to transport high-speed data between the central office and the customer's premises. It is based on the use of copper lines in traditional telephony networks that are attached to telephone exchanges that have been upgraded to digital technology. DSL technology is most commonly used for the provision of broadband internet services at speeds that are significantly faster than dial-up Internet access. DSL (or sometimes, "**xDSL**") is commonly used as a generic term for several variants of technology offering different specifications but based on the same principles.
DTH	Direct to home satellite television. The reception of satellite programs with a personal dish in an individual home.
DTT	Digital Terrestrial Television is an implementation of digital technology to provide a greater number of channels and/or better quality of picture and sound through a conventional antenna (or aerial) instead of a satellite dish or cable connection.
DWDM	Dense wavelength division multiplexing is an optical technology used to increase bandwidth over existing fiber-optic backbones, by putting data from different sources together on an optical fiber, with each signal carried at the same time on its own separate light wavelength.
E1	Digital transmission format used in telecommunications which allows network operators to provide time-division multiplexing circuit between customers. The E1 format has a capacity of 32 digital channels, each being allocated eight bits in turn, the resulting signal being transmitted at a 2.048 Mbps rate (upstream and downstream).

E3	Multiplexing frame structure based on the E1 format with a 34.368 Mbps rate (upstream and downstream).
EOC	Ethernet over coax (coaxial cable).
Fiber optic cable	Cable that uses optical glass fibers to transmit signals over long distances with minimal signal loss or distortion. Fiber optic cable has good broadband frequency characteristics and noise immunity and is capable of managing very high capacity, high speed transmissions. It is immune to electrical interference and environmental factors that affect copper wiring and satellite transmission.
FM	Frequency modulation. A form of radio broadcasting to provide high-fidelity sound.
FTTB	Fiber To The Building. Fiber optic cable, carrying network data, connected from a communications service provider to a customer's physical building.
FTTC	Fiber to the Curb/Closet/Cabinet is a telecommunication architecture based on fiber optic cables run to a cabinet serving a neighborhood. Customers typically connect to this cabinet using traditional coaxial cable or twisted pair wiring. The area served by the cabinet is usually less than 300 meters in radius and can contain several hundred customers.
FTTH	Fiber To The Home is a broadband telecommunications system based on fiber optic cables and associated optical electronics for delivery of multiple advanced services such as the triple-play of telephony, broadband internet and television.
GB	Gigabyte. A measure of data volume representing one million bytes. Each byte is equal to eight bits.
Gbps	Gigabytes per second; 1 Gbps = 1 thousand Mbps. Gbps stands for a billion bits per second. It is a measure of bandwidth (the total information flow over a given time) in a telecommunications medium.
GHz	The gigahertz is a unit of alternating current ("**AC**") or electromagnetic ("**EM**") wave frequency equal to one thousand million hertz (1,000,000,000 Hz). The GHz is used as an indicator of the frequency of ultra-high-frequency ("**UHF**") and microwave EM signals and also, in some computers, to express microprocessor clock speed.
GPON	Gigabit-capable Passive Optical Networks is a point-to-multipoint, fiber to the premises network architecture in which unpowered optical splitters are used to enable a single optical fiber to serve multiple premises and covers systems with nominal line rates of 2.488 Gbps in the downstream direction and 1.244 Gbps in the upstream direction.
GSM	Global system for mobile communication. A widely adopted technical standard for digital mobile telephony.
HD	High definition. An enhanced video resolution designator based on the number of lines in a vertical display, the type of scanning system, and/or the number of frames or fields per second.
Interconnection	The linking of telecommunications networks used by the same or different persons in order to allow the users of the services or networks of one person to communicate with the users of the services or networks of the same person or of another person, or to access services provided by another person.
IoT	Internet of Things. The ability to connect devices via networks in order for them to interact and exchange data. This typically refers to atypical computing or networked devices, such as consumer goods, household electronics, and other 'dumb' devices.
IP	Internet Protocol. Data oriented protocol used in the internet for communication among multiple networks in which data is sent in packets

and routed according to traffic density.

IP Backbone IP Backbone is a part of network infrastructure that interconnects various pieces of network, providing a path for the exchange of information between different Metropolitan Area Networks ("**MAN**") or sub-networks. A backbone can tie together diverse networks over wide areas. Normally, the backbone's capacity is greater than the networks connected to it.

IP Peering IP Peering is a voluntary interconnection of administratively separate Internet networks for the purpose of exchanging traffic between the customers of each network. The pure definition of peering is settlement-free or "sender keeps all," meaning that neither party pays the other for the exchanged traffic; instead, each derives revenue from its own customers.

IP Transit IP Transit is the service of allowing network traffic to cross a transit network, usually used to connect a smaller Internet Service Provider ("**ISP**") to the larger Internet.

IPTV Internet Protocol Television. A system where digital television service is delivered by using internet Protocol over a network infrastructure, which may include delivery by a broadband connection.

IPv4 Internet Protocol version 4 is the fourth version in the development of IP and the first version of the protocol to be widely deployed. It is one of the core protocols of standards-based internetworking methods of the Internet, and routes most of the traffic in the Internet.

IPv6 Internet Protocol version 6 is the latest revision of the IP, the communications protocol that provides an identification and location system for computers on networks and routes traffic across the Internet. IPv6 was developed by Internet Engineering Task Force ("**IETF**") to deal with long-anticipated problem of IPv4 address exhaustion.

ISP Internet Service Provider. A company providing access to internet and other computer-based information networks through its servers.

IT Information Technology. A broad reference to anything related to computing technology, such as networking, hardware, software, and the people related to it.

IXP Internet eXchange Point is a physical infrastructure through which Internet Service Providers ("**ISP**") exchange Internet traffic between their networks. IXPs reduce the portion of an ISP's traffic which must be delivered via their upstream transit providers, thereby reducing the average per-bit delivery cost of their service. Furthermore, the increased number of paths learned through the IXP improves routing efficiency and fault-tolerance.

Local loop Network element used to connect a subscriber to the nearest switch or concentrator. The local loop is commonly referred to as the "last mile" because it is the part of the network that is connected directly to the subscriber.

LT Long-Term Evolution, marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals. It is based on the GSM/EDGE and UMTS/HSPA network technologies, increasing the capacity and speed using a different radio interface together with core network improvements.

MB Megabyte. A measure of data volume representing one million bytes. Each byte is equal to eight bits.

Mbps Megabytes per second. A data transfer speed measured by the number of millions of bits per second. A bit is the smallest unit of data in a computer network.

MHz The megahertz is a unit of alternating current ("**AC**") or electromagnetic

("**EM**") wave frequency.

MMS Multimedia Messaging Service. A method of sending messages that include multimedia content to and/or from a mobile device.

MVNO Mobile virtual network operator is a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily own the entire infrastructure required to provide mobile telephone service.

MW Megawatts. A unit of power, usually used to measure the output of geographical areas or large structures.

NB-IoT Narrowband Internet-of-Things. A low-power wide area network (WAN) technology standard developed to enable a wide range of cellular devices and services.

NOC Network Operations Center

Node A network element that provides a point at which key telecommunications equipment or computers can access the network. In circuit networks, nodes are switching systems. In packet-switched networks, they are often computers.

OTT Over-The-Top Content describes broadband delivery of video and audio without a multiple system operator being involved in the control and distribution of the content itself. The provider may be aware of the contents of the IP packets but is not responsible for, nor able to control, the viewing abilities, copyrights, and/or other redistribution of the content.

Penetration rate The total number of subscribers for a service provider divided by the population that it serves, expressed as a percentage.

POTS Line Plain Old Telephone Service is the voice-grade telephone service that remains the basic form of residential and small business service connection to the telephone network in many parts of the world. POTS is generally restricted to about 52 Kbps.

PPPoE Point to Point Protocol over Ethernet is a network protocol for encapsulating PPP frames inside Ethernet frames.

PRI E1s Primary Rate Interface is a standardized telecommunications service level within the ISDN (Integrated Services Digital Network) specification for carrying multiple DS0 (Digital Signal 0) voice and data transmissions between a network and a user. PRI is the standard for providing telecommunication services to offices. It is based on the E-carrier (E1) line in Europe. The E1 line consists of 32 channels.

PVR Personal video recorder. An electronic device, such as a set-top box, that records video in a digital format to a drive or memory card.

Router An inter-network device that relays data packets to networks connected to the router based upon the destination address contained in those data packets being routed.

SAR Specific absorption rate is a measure of the rate at which energy is absorbed by the body when exposed to a radio frequency ("**RF**") electromagnetic field. It is defined as the power absorbed per mass of tissue and has units of watts per kilogram.

SD Standard definition. A video resolution designator that is not enhanced, and is based on the number of lines in a vertical display, the type of scanning system, and/or the number of frames or fields per second.

SDH Synchronous Digital Hierarchy; international high-speed baseband digital transport standard specifying incrementally increasing data stream rates for movement across digital optical links.

Signaling point code Signaling is the interchange of information among various nodes of the network for the purpose of establishing and controlling the connections, as well as providing network-wide services and management capabilities. A signaling point code is a code used to identify a signaling point and processed within the message transfer part of each signaling point and within users of the message transfer part.

SIM Subscriber identification module, usually referred to in reference to a "SIM card." This is an integrated circuit designed to securely store identity numbers and encryption keys, as well as other data.

SMS Short Message Service. Also commonly referred to as text messaging. SMS features enable a user to send a short message to another user using a simplified key-pad. SMS capabilities among the latest user devices are capable of sending music and video messages, in addition to alphanumeric messages. SMS is a service available on most digital mobile phones that permits the sending of short text messages between mobile phones, other handheld devices and even landline telephones.

Smartcard A smartcard is any pocket-sized card with embedded integrated circuits which can process data. This implies that it can receive input which is processed—by way of integrated circuit cards applications—and delivered as an output.

STM1 (Synchronous Transport Module) The basic rate of transmission of the SDH fiber optic network transmission standard. It has a bit rate of 155.52 Mbit/s.

Switch A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes.

TD Time Division Multiplexing. Time Division Multiplexing is a type of digital multiplexing in which two or more apparently simultaneous channels are derived from a given frequency spectrum (i.e., bit stream) by interleaving pulses representing bits from different channels.

Two-way services (capability, interactivity Services using a return path. For example, fixed-line telephony or broadband internet vs. TV, which only uses a downstream path.

UMTS The Universal Mobile Telecommunications System is a third generation mobile cellular system for networks based on the GSM standard. UMTS uses wideband code division multiple access (W-CDMA) radio access technology to offer greater spectral efficiency and bandwidth to mobile network operators. UMTS specifies a complete network system, which includes the radio access network, the core network and the authentication of users via SIM (subscriber identity module cards).

VDSL Very-high-bit-rate Digital Subscriber Line is a digital subscriber line (DSL) technology providing data transmission faster than ADSL over a single flat untwisted or twisted pair (up to 52 Mbps downstream and 16 Mbps upstream), and on coaxial cable (up to 85 Mbps down- and upstream), using frequency band from 25 kHz to 12 MHz. These rates mean that VDSL is capable of supporting applications such as high-definition television, as well as telephone services (voice over IP) and general Internet access, over a single connection. VDSL is deployed over existing wiring used for analog telephone service and lower-speed DSL connections. This standard was approved by ITU in November 2001.

VDSL2 Second-generation systems (VDSL2; ITU-T G.993.2 approved in February 2006) use frequencies of up to 30 MHz to provide data rates exceeding 100 Mbps simultaneously in both the upstream and downstream directions. The maximum available bit rate is achieved at a range of about 300 meters; performance degrades as the loop attenuation increases.

VoIP Voice over Internet Protocol. Protocol in which voice traffic is carried in IP packets (rather than a circuit switched network) that allows people to use the internet to make telephone calls.

VPN Virtual Private Network. A Virtual Private Network is a private communications network often used within a company, or by several companies or organizations, to communicate confidentially over a publicly accessible network.

Wi-Fi A term originally referencing the "Wireless Fidelity Alliance," it is now a common term for wireless networking between devices.

WiMAX Worldwide Interoperability for Microwave Access is a wireless communications standard designed to provide 30 to 40 Mbps data rates, with the 2011 update providing up to 1Gbps for fixed stations. The name "WiMAX" was created by the WiMAX Forum, which was formed in June 2001 to promote conformity and interoperability of the standard. The forum describes WiMAX as "a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL."

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