

## IMPORTANT NOTICE

THIS PRELIMINARY OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) UNDER RULE 144A OR (2) NON-U.S. PERSONS OUTSIDE OF THE U.S.

**IMPORTANT: You must read the following disclaimer before continuing.** The following applies to the preliminary offering memorandum (the “Preliminary Offering Memorandum”) following this notice, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from us as a result of such access.

The Preliminary Offering Memorandum has been prepared in connection with the proposed offer and sale of the notes described therein.

THE PRELIMINARY OFFERING MEMORANDUM 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 THIS PRELIMINARY OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (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 NOTES DESCRIBED HEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE 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 NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, “U.S. PERSONS” (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT (“REGULATION S”)), 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.

**Confirmation of your representation:** In order to be eligible to view this Preliminary Offering Memorandum or make an investment decision with respect to the notes described therein, you must (1) be a QIB (within the meaning of Rule 144A under the U.S. Securities Act (“Rule 144A”)) or (2) a non-U.S. person (within the meaning of Regulation S under the U.S. Securities Act) and be outside the United States. This Preliminary Offering Memorandum is being sent at your request. By accepting this electronic transmission and accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the Preliminary Offering Memorandum (collectively, the “Initial Purchasers”) that you consent to the delivery of such Preliminary Offering Memorandum by electronic transmission and either:

- (1) you and any customers you represent are QIBs; or
- (2) (i) you and any customers you represent are not U.S. persons; and  
(ii) the electronic mail address that you gave us and to which this Preliminary Offering Memorandum 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.

You are reminded that this Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Preliminary Offering Memorandum to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generated by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this email is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Under no circumstances shall this Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the notes, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering and sale of the notes be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering of the notes shall be deemed to be made by them or such affiliate on behalf of United Group B.V. in such jurisdiction.

This Preliminary Offering Memorandum 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, none of the Initial Purchasers of the notes, any person who controls any of the Initial Purchasers, any of their respective directors, officers, employees or agent of theirs, respectively, or any affiliate of any of the foregoing persons, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

**Restrictions:** The attached document is being furnished in connection with an offering exempt from registration under the U.S. Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to any U.S. person. Recipients of this Preliminary Offering Memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in this Preliminary Offering Memorandum.

Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Notwithstanding the foregoing, prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the U.S. Securities Act) commencing on the issue date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the U.S. Securities Act.

The attached Preliminary Offering Memorandum has not been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) by an authorized person under FSMA. In the United Kingdom, the attached Preliminary Offering Memorandum and any other material in relation to the notes described therein are being distributed only to, and are directed only at, persons who are “qualified investors” (as defined in the Prospectus Directive) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons”. The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. The attached Preliminary Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on the attached Preliminary Offering Memorandum or its contents. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Member State of the European Economic Area that has implemented the Prospectus Directive.

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 securities other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company (as defined herein).

SUBJECT TO COMPLETION, DATED JULY 10, 2017

PRELIMINARY OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION  
IN THE UNITED STATES  
STRICTLY CONFIDENTIAL



## UNITED GROUP B.V.

€1,350,000,000

€ % Senior Secured Notes due 2022  
€ % Senior Secured Notes due 2024  
€ Floating Rate Senior Secured Notes due 2023

United Group B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands (the "Issuer"), is offering € in aggregate principal amount of its % Senior Secured Notes due 2022 (the "2022 Fixed Rate Notes"), € in aggregate principal amount of its % Senior Secured Notes due 2024 (the "2024 Fixed Rate Notes") and, together with the 2022 Fixed Rate Notes, the "Fixed Rate Notes") and € in aggregate principal amount of its Floating Rate Senior Secured Notes due 2023 (the "Floating Rate Notes") and, together with the Fixed Rate Notes, the "Notes"). The proceeds from the Notes will be used to, among other things, repay the outstanding borrowings under our Existing Revolving Credit Facility (as defined herein), redeem in full our Existing Notes (as defined herein), repay the Existing PIK Facility (as defined herein) and finance the proposed Acquisition (as defined herein).

The Issuer will pay interest on the Fixed Rate Notes semi-annually in arrears on each and , commencing , 2018. The 2022 Fixed Rate Notes will mature on , 2022. Prior to , the Issuer will be entitled, at its option, to redeem all or a portion of the 2022 Fixed Rate Notes, by paying a "make-whole" premium, as described in this offering memorandum. The 2022 Fixed Rate Notes may be redeemed at any time on or after , at the redemption prices set forth in this offering memorandum. In addition, prior to , the Issuer may redeem at its option up to 40% of the 2022 Fixed Rate Notes with the net proceeds from certain equity offerings at a redemption price of % of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, and additional amounts, if any, to the applicable redemption date, provided that at least 50% of the original aggregate principal amount of the 2022 Fixed Rate Notes (not including any additional notes) remains outstanding after the redemption. Prior to , the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2022 Fixed Rate Notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the 2022 Fixed Rate Notes.

The 2024 Fixed Rate Notes will mature on , 2024. Prior to , the Issuer will be entitled, at its option, to redeem all or a portion of the 2024 Fixed Rate Notes, by paying a "make-whole" premium, as described in this offering memorandum. The 2024 Fixed Rate Notes may be redeemed at any time on or after , at the redemption prices set forth in this offering memorandum. In addition, prior to , the Issuer may redeem at its option up to 40% of the 2024 Fixed Rate Notes with the net proceeds from certain equity offerings at a redemption price of % of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, and additional amounts, if any, to the applicable redemption date, provided that at least 50% of the original aggregate principal amount of the 2024 Fixed Rate Notes (not including any additional notes) remains outstanding after the redemption. Prior to , the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2024 Fixed Rate Notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the 2024 Fixed Rate Notes.

The Issuer will pay interest on the Floating Rate Notes quarterly in arrears on each and , commencing , 2017. The Floating Rate Notes will mature on , 2023. Prior to , the Issuer will be entitled, at its option, to redeem all or a portion of the Floating Rate Notes, by paying a "make-whole" premium, as described in this offering memorandum. The Floating Rate Notes may be redeemed at the redemption prices set forth in this offering memorandum at any time on or after . In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Floating Rate Notes.

Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the repurchase. However, a change of control will not be deemed to have occurred if a specified consolidated leverage ratio is not exceeded in connection with such event.

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will deposit €200.0 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition. In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to May 31, 2018 (the "Longstop Date") or the Acquisition Agreement (as defined herein) terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its Fixed Rate Notes at a price equal to 100% of the aggregate issue price of such Fixed Rate Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (as defined herein) (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Notes will be senior secured obligations of the Issuer. Upon issuance, the Notes will be guaranteed on a senior basis by the Guarantors (as defined herein). Subject to agreed security principles, the Notes will, subject to certain exceptions, be secured by a first priority security interest in assets that also secure, on a super priority basis, the Revolving Credit Facility (each as more fully described elsewhere in this offering memorandum). The Revolving Credit Facility will be guaranteed by the Guarantors and will also be guaranteed by, and secured by certain assets of, certain of our subsidiaries located in Serbia. In the event of an enforcement of the Collateral (as defined herein), the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging obligations and other indebtedness that is permitted to be secured on a super priority basis have been repaid in full. The validity and enforceability of the Notes Guarantees and the security and the liability of each Guarantor will be subject to significant limitations, as described in "Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests."

This offering memorandum includes information on the terms of the Notes and the Notes Guarantees, including redemption and repurchase prices, security, covenants and transfer restrictions.

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for the listing of the Notes on the Official List of The International Stock Exchange (the "Exchange") and admission to trade on the Exchange. There can be no assurances that the Notes will be listed on the Official List of the Exchange.

### Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 36.

Issue Price of the 2022 Fixed Rate Notes: % plus accrued interest, if any, from the Issue Date.

Issue Price of the 2024 Fixed Rate Notes: % plus accrued interest, if any, from the Issue Date.

Issue Price of the Floating Rate Notes: % plus accrued interest, if any, from the Issue Date.

None of the Notes or the Notes Guarantees have been, or will be, registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended ("Securities Act"), and to persons outside the United States in reliance on Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. None of the Notes or the Notes Guarantees is transferable except in accordance with the restrictions described under "Transfer Restrictions."

The Notes will be in registered form and will initially be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof; provided that the Notes may only be transferred in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

The Notes will be represented on issue by one or more Global Notes, which we expect will be delivered through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), on or about , 2017.

Joint Bookrunners

Credit Suisse Banca IMI BNP PARIBAS BofA Merrill Lynch Citigroup  
ING J.P. Morgan Raiffeisen Bank International UniCredit Bank

Co-Manager

KKR

The date of this offering memorandum is , 2017.

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## IMPORTANT INFORMATION

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the €1,350,000,000 aggregate principal amount of the Notes described in this offering memorandum and should be used solely for the purposes for which it has been produced. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees to not make copies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely solely on the information contained in this offering memorandum and their own examination of the Company and its subsidiaries and businesses and the terms of the offering of the Notes, including the merits and risks involved. Neither we nor any of the Initial Purchasers has authorized any other person to provide different information to any investor or potential investor and we do not take responsibility for any information that others may give to you. In addition, neither we, nor any of the Initial Purchasers, nor the Trustee, nor any of their respective representatives, are making any representation to prospective investors regarding the legality of an investment in the Notes, and prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Prospective investors should consult their own advisers as to legal, tax, business, financial and related aspects of an investment in the Notes. Prospective investors must comply with all laws applicable in any jurisdiction in which they buy, offer or sell the Notes or possess or distribute this offering memorandum; neither we nor the Initial Purchasers, nor the Trustee, shall have any responsibility for any of the foregoing legal requirements. See “*Transfer Restrictions.*”

We are offering the Notes in reliance on an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under “*Transfer Restrictions.*”

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this offering memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

We reserve the right to withdraw this offering at any time. We are making this offering subject to the terms described in this offering memorandum and the purchase agreement relating to the Notes entered into between us and the Initial Purchasers. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their related entities may acquire, for their own accounts, a portion of the Notes.

Interests in the Notes will be available initially in book-entry form. We expect that the Notes sold will be issued in the form of one or more global notes. The global notes will be deposited and registered in the name of a common depositary for Euroclear and Clearstream. Transfers of interests in the global notes will be effected through records maintained by Euroclear and Clearstream, respectively, and their respective participants. The Notes will not be issued in definitive registered form except under the circumstances described in the section “*Book-Entry, Delivery and Form.*” The information set out in relation to sections of this offering memorandum describing clearing arrangements, including in the sections entitled “*Description of the Notes*” and “*Book-Entry, Delivery and Form,*” is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarizing such information, we accept no further responsibility in respect of such information.

Application will be made to list the Notes on the Authority for the listing of the Notes on the Official List of the Exchange, and we intend to submit this offering memorandum to the competent authorities in



connection with the listing application. There can be no assurances that the Notes will be listed on the Official List of the Exchange and we will submit this offering memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. We may also be required to update the information in this offering memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that our application for admission of the Notes on the Exchange will be approved and settlement of the Notes is not conditioned on obtaining this listing.

Neither the U.S. Securities and Exchange Commission (the “SEC”), any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined whether this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

### **STABILIZATION**

IN CONNECTION WITH THIS OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE “STABILIZING MANAGER”) OR ANY PERSONS ACTING FOR IT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION OF THE STABILIZING MANAGER OR ANY PERSONS ACTING FOR IT TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

### **NOTICE TO U.S. INVESTORS**

The offering of the Notes is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. Please see “*Transfer Restrictions*.”

This offering memorandum is being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be “qualified institutional buyers” under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) outside the United States in connection with offshore transactions complying with Regulation S. The Notes described in this offering memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC or any state securities commission in the United States or any such other securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

### **NOTICE TO CANADIAN INVESTORS**

#### *Resale Restrictions*

The distribution of Notes in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of the Notes in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

### *Representations of Canadian Purchasers*

By purchasing Notes in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the Notes without the benefit of a prospectus qualified under those securities laws as it is an “accredited investor” as defined under National Instrument 45-106—*Prospectus Exemptions* or Section 73.3(1) of the *Securities Act* (Ontario), as applicable,
- the purchaser is a “permitted client” as defined in National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations*,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

### *Conflicts of Interest*

Canadian purchasers are hereby notified that the Initial Purchasers are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105—*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

### *Statutory Rights of Action*

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the offering memorandum (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser of these securities in Canada should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

### *Enforcement of Legal Rights*

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

### *Taxation and Eligibility for Investment*

Canadian purchasers of Notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and about the eligibility of the Notes for investment by the purchaser under relevant Canadian legislation.

## **NOTICE TO U.K. INVESTORS**

In the United Kingdom, this offering memorandum and any other material in relation to the Notes described therein are being distributed only to, and are directed only at, persons who are “qualified investors” (as defined in the Prospectus Directive) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons.” The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this offering memorandum or its contents. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant

implementing measure in each Member State of the European Economic Area that has implemented the Prospectus Directive.

#### **NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State no offer of Notes which are the subject of the offering contemplated by this offering memorandum may be made to the public in that Relevant Member State other than:

- a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall result in a requirement for the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

#### **NOTICE TO INVESTORS IN FRANCE**

This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Memorandum nor any offering or marketing materials relating to the Notes may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France. The Notes will be made available or distributed in France only to permitted investors consisting of providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) other than individuals, in each case, acting for their own account, as all defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D. 744-1, D. 754-1 and D. 764-1 of the *Code Monétaire et Financier*. Neither this Offering Memorandum nor any other offering material relating to the Notes may be distributed to the public in France.

#### **NOTICE TO INVESTORS IN GERMANY**

The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the “Securities Prospectus Act,” *Wertpapierprospektgesetz*, WpPG), as amended, and any other applicable German law. No application has been made under German law to publicly market the Notes in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, this offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 para. 2 of the Securities Prospectus Act. Any resale of the Notes in the Federal Republic of Germany may be made only in accordance with the Securities Prospectus Act and other applicable laws.



## NOTICE TO INVESTORS IN LUXEMBOURG

This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) (the “CSSF”) for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in the Grand Duchy of Luxembourg, directly or indirectly, and neither this offering memorandum nor any other offering circular, prospectus, form of application, advertisement or other material related to such offer, including the Indenture, may be distributed, or otherwise be made available in or from, or published in, the Grand Duchy of Luxembourg except if a prospectus has been duly approved by the CSSF in accordance with the law of 10 July 2005, on prospectuses for securities, as amended (the “Prospectus Law”) or the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Prospectus Law.

## NOTICE TO INVESTORS IN ITALY

The Offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy (“Italy”), except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”), as implemented by Article 26, first paragraph, letter d) of Commissione Nazionale per le Società e la Borsa (“CONSOB”) Regulation No. 16190 of October 29, 2007, as amended (“Regulation No. 16190”), pursuant to Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and its implementing CONSOB regulations, including Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended (the “Banking Act”), the Financial Services Act, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offering of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

## NOTICE TO INVESTORS IN SWITZERLAND

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering of the Notes contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd. or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. The Notes are being offered in Switzerland by way of a private placement (i.e., to a small number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither

directly or indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

### **NOTICE TO INVESTORS IN THE NETHERLANDS**

The Notes (including the rights representing an interest in the Notes in global form) which are the subject of this offering memorandum, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to persons which are qualified investors (within the meaning of the Prospectus Directive).

For the purposes of the abovementioned paragraph, the expression an "offer of Notes" in relation to any Notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

No approved prospectus within the meaning of the Prospectus Directive is required to be made generally available in connection with the offer.

### **FORWARD-LOOKING STATEMENTS**

This offering memorandum includes forward-looking statements, which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this offering memorandum including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. Words such as "believe," "expect," "anticipate," "may," "assume," "plan," "intend," "will," "should," "estimate," "risk," and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements.

In addition any forward-looking statements are made only as of the date of this offering memorandum and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this offering memorandum.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this offering memorandum. Factors that could cause such differences in actual results include:

- the high level of competition in the markets in which we operate;
- the impact of volatile economic conditions on demand for our services and our subscriber base;
- our ability to successfully complete acquisitions and the risks associated with our proposed acquisition of the Acquired Stations;
- our dependence on relationships with content owners;
- our ability to keep pace with technological changes and evolving industry standards;
- the level of governmental regulation applicable to our business operations;
- the impact of currency exchange rate fluctuations and the Eurozone debt crisis on our business;
- legal, political and economic uncertainty surrounding the expected exit of the United Kingdom from the European Union;
- the influence of the political, judicial, economic or security environment on our business;
- our lack of valid use permits for parts of our cable network;
- the lack of operational history as a combined entity;

- our ability to recognize any or all of the adjustments to Last Two Quarter Pro Forma Adjusted EBITDA;
- our ability to increase our subscriber base or subscription fees;
- the impact of customer churn;
- our ability to market our products and services;
- failures in our technology or telecommunications systems;
- the risks associated with operating a capital-intensive business;
- our relationships with third-party providers of hardware, software, satellite services and customer support;
- our ability to maintain our reputation and the value associated with our brands;
- the possible health risks of antenna sites and the use of mobile telephones;
- our ability to attract and retain key personnel;
- our ability to maintain positive business relationships with our competitors;
- our ability to renew regulatory licenses and permits;
- current or future levels of EU regulation of the level of mobile roaming charges;
- the continued implementation of political and economic reforms in our countries of operation;
- our ability to cope with more extensive regulation;
- the impact of changes in labor laws on our business;
- our ability to comply with applicable data protection laws and policies;
- the impact of legal proceedings on our business;
- the extent to which our business operations are protected by intellectual property rights;
- our compliance with third-party intellectual property rights;
- our ability to cope with increased inflation;
- the impact of changes to tax legislation on our business; and
- other risks associated with our indebtedness, the offering of the Notes and our structure as discussed under “*Risk Factors*.”

We disclose important factors that could cause our actual results to differ materially from our expectations in “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.” Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

## **INDUSTRY AND MARKET DATA**

This offering memorandum includes market share and industry information, which was obtained by us from industry publications and surveys. These include information published by the Agency for Communication Networks and Services of the Republic of Slovenia (“AKOS”), the Serbian Regulatory Agency for Electronic Communications and Postal Services (“RATEL”), the Bosnian communications regulatory agency, the Montenegrin communications regulatory agency and other third-party sources. As we do not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. In addition, various economic and other factors may cause actual results to differ from these estimations.

Information that has been obtained from AKOS, RATEL, the Bosnian communications regulatory agency and the Montenegrin communications regulatory agency has been obtained for the most recent period for which such information has been made available by the relevant regulatory agency. Accordingly, this information has been presented as of different dates for different jurisdictions. Specifically, information obtained from AKOS is current as of March 31, 2017; information obtained from RATEL is current as of December 31, 2016; some information obtained from the Bosnian communications regulatory agency is current as of December 31, 2016 although some information is only available as of December 31, 2015; and information obtained from the Montenegrin communications regulatory agency is current as of April 30, 2017.

Certain information in this offering memorandum represents our best estimate based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which we compete, information published by our competitors as well as our senior management's business experience and experience in the industry and the local markets in which we operate. In particular, we prepared data (i) in respect of our market position based on information obtained from regulatory agencies and other contacts within the industry in which we compete, and (ii) in respect of industry trends based on information obtained from regulatory agencies and other contacts within the industry in which we compete as well as our senior management's business experience and experience in the industry and the local markets in which we operate. Our estimates derived from this information may be incorrect and actual facts may differ from our estimates. The information that we have included regarding our market share is calculated as a percentage of subscribers.

## **PRESENTATION OF FINANCIAL DATA**

### **Financial Data Included in this Offering Memorandum**

The Company, which is the parent company of the Issuer and also the ultimate parent company of our restricted group, was formed on October 10, 2013 in connection with the acquisition of Slovenia Broadband S.à r.l. ("Slovenia Broadband") by the Issuer that was completed on March 6, 2014. We started to consolidate our results of operations at the level of the Company for the periods following March 1, 2014. Prior to this, results of operations were consolidated at the level of the predecessor entity, Slovenia Broadband, which, before its acquisition in March 2014, was the parent company of the group of companies that now comprises our operating companies. Telemach d.o.o. ("Telemach Slovenia"), Serbia Broadband—Srpske Kablovske Mreže d.o.o. Beograd (Novi Beograd) ("SBB Serbia") and Telemach d.o.o. Sarajevo ("Telemach BH") form the core operating companies of our group and were combined into a single reporting structure under Slovenia Broadband in December 2012.

In this offering memorandum, for the two-month period prior to the acquisition of Slovenia Broadband in March 2014, or the "predecessor period," we present financial data of Slovenia Broadband and its subsidiaries, and for the periods following this acquisition, or the "successor periods," we present financial data of the Company and its subsidiaries. For the financial year 2014, during the first two months of which period we consolidated results at the level of Slovenia Broadband and during the remaining ten months of which period we consolidated results at the level of the Company, we have additionally presented the combined financial data of these two companies representing the arithmetical addition of their financial data for the two months and the twelve months, respectively. We believe that such a presentation that includes a combination of historical and combined financial data will provide investors a meaningful basis for comparing periods of differing lengths and comprising different members of our group.

Due to the accounting impact of the acquisition of Slovenia Broadband in March 2014, such as the increased interest expense resulting from such acquisition and the impact of fair value adjustments, our results for the two-month period prior to this acquisition are not directly comparable to the periods following this acquisition.

We have set forth below a description of the historical (audited and unaudited) financial data included in this offering memorandum.

### ***Audited Consolidated Historical Financial Data***

We have included in this offering memorandum audited consolidated financial data for the Company as of and for the years ended December 31, 2016, 2015 and 2014, derived from its audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014, respectively, which

were prepared in accordance with IFRS (as defined herein) and are included elsewhere in this offering memorandum.

#### ***Unaudited Consolidated Historical Financial Statements***

We have also included in this offering memorandum:

- (i) unaudited consolidated financial data for the Company as of and for the three months ended March 31, 2017 and 2016, derived from its unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2017, which were prepared in accordance with International Accounting Standards No. 34—Interim Financial Reporting (“IAS 34”); and
- (ii) unaudited condensed consolidated interim financial data for Slovenia Broadband for the two months ended February 28, 2014, derived from its unaudited condensed consolidated interim financial statements for the two months ended February 28, 2014, which were prepared in accordance with IAS 34.

#### ***Unaudited Combined Financial Data***

In addition, we have included in this offering memorandum combined financial data for the Company and its subsidiaries and Slovenia Broadband and its subsidiaries for the year ended December 31, 2014, which represents the arithmetical addition of the financial data of the Company for the year ended December 31, 2014 and the financial data of Slovenia Broadband for the two months ended February 28, 2014.

The unaudited combined financial data for the Company and Slovenia Broadband is presented for informational purposes only. In addition, the unaudited combined financial data presented in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X under the Exchange Act or IFRS.

#### ***Last Two Quarters Data***

In this offering memorandum, we present summary unaudited financial data for the last two quarters ended March 31, 2017, which has been derived mathematically by adding (i) the financial data for the three months ended December 31, 2016 (as derived by subtracting the financial data for the nine months ended September 30, 2016 from the financial data for the year ended December 31, 2016) and (ii) the financial data for the three months ended March 31, 2017.

#### ***Last Twelve Months Data***

In this offering memorandum, we present summary unaudited financial data for the twelve months ended March 31, 2017, which has been derived mathematically by adding the financial data for the three months ended March 31, 2017 to the financial data for the year ended December 31, 2016 and subtracting the financial data for the three months ended March 31, 2016.

We also present unaudited revenue and Adjusted EBITDA for the twelve months ended June 30, 2016, which have been derived mathematically by subtracting the applicable financial data for the six months ended June 30, 2015 from the applicable financial data for the year ended December 31, 2015 and adding the applicable financial data for the six months ended June 30, 2016.

We also present unaudited revenue and Adjusted EBITDA for the twelve months ended June 30, 2017, which have been derived mathematically by subtracting the applicable financial data for the six months ended June 30, 2016 from the applicable financial data for the year ended December 31, 2016 and adding the applicable financial data for the three months ended March 31, 2017 and the three months ended June 30, 2017. Revenue and Adjusted EBITDA for the three months ended June 30, 2017 are estimates based, in each case, on our management accounts, which have not been audited or reviewed by our independent auditors.

#### ***Acquired Stations Financial Data***

Financial data related to net revenues (including the components of net revenues) and EBITDA (defined as OIBDA by Central European Media Enterprises Ltd. (“CME”)) for the Acquired Stations (as defined herein) included in this offering memorandum has been derived from the Slovenia and Croatia segment data included in the public disclosures of CME which have been filed with the SEC. The financial



information of CME filed with the SEC is prepared under U.S. GAAP (as defined herein). Since our financial statements are prepared under IFRS, these financial statements are not directly comparable to our own. We have not performed a reconciliation of the U.S. GAAP information to IFRS to identify all adjustments that may be needed to be comparable to our financial statements. Further, CME presents financial information in U.S. dollars. We have converted the applicable U.S. dollar amounts to euros at the average rate of exchange for the applicable period used by the Company for purposes of its own financial statements.

### *Our segment reporting*

We are a pan-regional distribution platform of cable and satellite pay-TV, broadband internet and telephony services in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro and other countries of the former Yugoslav region. Our business has grown substantially in terms of scale, geographic reach and service offering during the period under review through both organic growth and acquisitions. In addition, the corporate organization of our business has changed during this period as our business has grown and been integrated, and due to the acquisition of Slovenia Broadband by the Issuer in March 2014. As a consequence of these changes, our Group-level financial reporting has evolved during the last three years.

In order to provide a meaningful analysis of our results of operations during the period under review, in addition to a discussion of our Group-level consolidated results of operations based on IFRS measures, we also present a discussion of revenues, EBITDA, Adjusted EBITDA and capital expenditures of our business segments for the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014.

Under IFRS 8 “Operating Segments,” we present our segment data in (i) the notes to the consolidated financial statements of the Company for the three months ended March 31, 2017 (with a comparison to data from the corresponding prior period) and the years ended December 31, 2016, 2015 and 2014 and (ii) the notes to the consolidated financial statements of Slovenia Broadband for the two months ended February 28, 2014.

In note 6 to the Company’s audited consolidated financial statements for the year ended December 31, 2016, we present segment results for six business segments:

- *Telemach Slovenia.* This segment includes the results of our cable, mobile and DTH business in Slovenia;
- *SBB Serbia.* This segment includes the results of our cable business in Serbia and our DTH business in Serbia, Croatia and Macedonia;
- *Telemach BH.* This segment includes the results of our cable and DTH business in Bosnia and Herzegovina;
- *Telemach MNE.* This segment includes the results of our cable and DTH business in Montenegro;
- *United Media Group.* This segment includes the results of our media and content business in the former Yugoslav region including the results of *NI*, *Sport Klub*, *Grand Production*, *Orlando Kids* and *Bambino*; and
- *Other Businesses.* This segment includes our other operating businesses, such as *NetTV*.

Effective January 1, 2016, we changed the composition of our business segments, following a change in our organizational structure at the end of 2015, and for the year ended December 31, 2016 and the three months ended March 31, 2017 we have, and going forward we will, primarily report the results of our DTH business within the geographical segment in which those results were generated. Accordingly, from January 1, 2016, our SBB Serbia segment no longer includes the results of our DTH business in Slovenia, Bosnia and Herzegovina and Montenegro, and our DTH business in Croatia and Macedonia accounts for a minor part of our overall SBB Serbia segment. Consequently, our Telemach Slovenia segment now includes the results of our DTH business in Slovenia, our Telemach BH segment now includes the results of our DTH business in Bosnia and Herzegovina and our Telemach MNE segment now includes the results of our DTH business in Montenegro following the creation of the Telemach MNE segment in July 2016 as described below. From January 1, 2016 until the creation of the separate Telemach MNE segment in July 2016, our DTH business in Montenegro was included in our Other Businesses segment. For periods ending prior to January 1, 2016, we have included the results of our DTH business in Slovenia, Bosnia and

Herzegovina and Montenegro under our SBB Serbia segment, and the results of our DTH business in Montenegro in our Other Businesses segment.

Additionally, we introduced a new business segment, Telemach MNE, following the acquisition of M-kabl in July 2016. Prior to this acquisition, we did not have any cable business in Montenegro. For the year ended December 31, 2016 and the three months ended March 31, 2017 we have reported, and going forward we will continue to report, the results of our cable and DTH business in Montenegro under the Telemach MNE segment. In order to provide a meaningful basis for comparison, in our consolidated financial statements for the three months ended March 31, 2017 and for the year ended December 31, 2016, we have restated the results of our segments in the comparative periods for the three months ended March 31, 2016 and the year ended December 31, 2015 to give effect to the introduction of the Telemach MNE segment as if such introduction had taken place on January 1, 2015, when comparing these periods to the three months ended March 31, 2017 and the year ended December 31, 2016, respectively. For this reason, our segment results for periods ending prior to January 1, 2015 may not be entirely comparable to the segment results presented in sections other than the comparisons noted above or to periods ending after that date.

### *Capital expenditure*

Capital expenditures represents purchases of tangible and intangible assets, consisting primarily of set-top box purchases and other customer capital expenditure, installations (including capitalized labor costs), cable and mobile network build out, upgrades, maintenance and other investments, computer hardware and software and content rights.

In this offering memorandum, for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015, we have derived total capital expenditure for the Company and for each of the Company's business segments from the Company's consolidated financial statements, prepared in accordance with IAS 34 and IFRS, respectively. For the year ended December 31, 2014, we have derived total capital expenditure for the Company from the Company's consolidated financial statements, prepared in accordance with IFRS. In addition, for informational purposes only, we present a breakdown of our anticipated capital expenditure for the twelve months from April 1, 2017 based on management estimates, which may vary from our actual group-level capital expenditure data when it is prepared in accordance with IFRS.

Capital expenditure for the Group's segments derived from the notes to the Group's financial statements, as well as our future capital expenditure estimates, are prepared based on management accounts rather than IFRS. One example of a difference in methodology used in preparing the management account financial data (as compared to IFRS financial data) is that when determining capital expenditures relating to set top boxes purchased by our group companies, the expenditure is treated as inventory until such set top box is activated by the end user, at which time it is treated as a fixed asset. Under IFRS, however, this expenditure is required to be accounted for as a fixed asset from the moment such set top box is purchased. As a result, when presenting our segment-level capital expenditure and our anticipated capital expenditure for the twelve months from April 1, 2017 in this offering memorandum, we classify our expenditures relating to set-top boxes as inventory until such set-top boxes are activated by the end user.

### *Foreign Exchange Rates*

SBB Serbia and Telemach BH historically report their results in Serbian dinar and Bosnian marks, respectively. Where we have presented financial data for each of SBB Serbia and Telemach BH in this offering memorandum, it is presented in euro rather than Serbian dinar or Bosnian marks.

The exchange rates used for the financial data of SBB Serbia and Telemach BH presented in this offering memorandum are the following average exchange rates for the relevant period:

- Serbian dinar to euro: RSD 117.2478 per €1.00 for the year ended December 31, 2014, which was the average rate during that period; RSD 120.7447 per €1.00 for the year ended December 31, 2015, which was the average rate during that period; RSD 123.1015 per €1.00 for the year ended December 31, 2016, which was the average rate during that period; RSD 122.8697 per €1.00 for the three months ended March 31, 2016, which was the average rate during that period; RSD 123.8690 per €1.00 for the three months ended March 31, 2017, which was the average rate

during that period; and RSD 123.3590 per €1.00 for the twelve months ended March 31, 2017, which was the average rate during that period.

- Bosnian mark to euro: BAM 1.9558 per €1.00, which is the rate at which the Bosnian mark is pegged to the euro.

Please see “*Exchange Rate Information.*”

### **Non-IFRS Financial and Operating Data**

Certain financial measures and ratios related thereto in this offering memorandum, including EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA minus capital expenditure, Last Two Quarter EBITDA, Last Two Quarter Adjusted EBITDA, Last Two Quarter Annualized Adjusted EBITDA, Last Two Quarter Pro Forma Adjusted EBITDA, Last Two Quarter Annualized Pro Forma Adjusted EBITDA, capital expenditure, net debt, RGUs and ARPU (collectively, the “Non-IFRS Measures”) are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this offering memorandum because we believe that they and similar measures are widely used in our industry as a means of evaluating a company’s operating performance and financing structure. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to net income (loss), operating income or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies. Our management believes this data, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring the operating performance in the periods presented. These measures are used in the internal management of our business, along with the most directly comparable IFRS financial measures, in evaluating the operating performance.

The Non-IFRS Measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the interest expense or cash requirements necessary to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they are not adjusted for all non-cash income or expense items that are reflected in our consolidated profit and loss statement;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- assets are depreciated or amortized over differing estimated useful lives and often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations the Non-IFRS Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our IFRS results and using these Non-IFRS Measures only supplementally to evaluate our performance. Please see “*Summary—Summary Historical and Pro Forma Financial Data,*” “*Selected Historical Financial Data,*” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

For a description of how our the Non-IFRS Measures are calculated from our consolidated result from operations and a reconciliation of the Non-IFRS Measures to our results for the period presented in this offering memorandum, please see “*Summary—Summary Historical and Pro Forma Financial Data.*”

## CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this offering memorandum references to:

“2015 Additional Notes” refers to the €150 million 7½% Senior Secured Notes due 2020 issued on April 28, 2015 pursuant to the Existing Indenture;

“2016 Additional Notes” refers to the €150 million 7½% Senior Secured Notes due 2020 issued on July 25, 2016 pursuant to the Existing Indenture;

“2022 Fixed Rate Notes” refers to the €            aggregate principal amount of            % Senior Secured Notes due 2022 offered hereby;

“2024 Fixed Rate Notes” refers to the €            aggregate principal amount of            % Senior Secured Notes due 2024 offered hereby;

“Adria Luxco” refers to Adria Luxco S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), registered with the Luxembourg Register of Commerce and Companies under number B180743, with its registered office at 61 rue Rollingergrund, L 2440, Luxembourg;

“Agreed Security Principles” has the meaning ascribed to it under “Description of the Notes”;

“BAM” refers to the Bosnian Mark, the lawful currency of Bosnia and Herzegovina;

“Bosnian Acquisitions” refers to the acquisition by the Group of (i) 100% of the issued and outstanding share capital of M&H Company d.o.o. Sarajevo, (ii) 64% of the issued and outstanding share capital of HKB-net d.o.o. Sarajevo, (iii) 57% of the issued and outstanding share capital of KATV HS d.o.o. Sarajevo, (iv) 100% of the issued and outstanding share capital of Velnet d.o.o. Mostar, (v) 100% of the issued and outstanding share capital of VKT-net d.o.o. Bugojno and (vi) 100% of the issued and outstanding share capital of BHB Cable TV d.o.o. Lukavac, collectively, in July 2015, for an aggregate purchase price of €30.2 million.

“Calculation Agent” refers to Elavon Financial Services DAC, UK Branch;

“Clearstream” refers to Clearstream Banking, *société anonyme*;

“CME” refers to Central European Media Enterprises Ltd.

“CME BV” refers to CME Media Enterprises B.V., a media and entertainment company operating businesses in Central and Eastern European markets and a wholly owned indirect subsidiary of CME, which agreed in July 2017 to sell certain of CME BV’s assets located in Slovenia and Croatia to us, as described in more detail in “Summary—Recent Developments—The Acquisition of the Acquired Stations”;

“Collateral” has the meaning ascribed to it under “Summary—Summary Offering Terms—Security”;

“Company” refers to Adria Midco B.V., the direct parent company of the Issuer;

“DSL” refers to digital subscriber line technology, which is a data communications technology, which can come in the form of DSL, asymmetric digital subscriber line (“ASDL”) and very-high-bit-rate digital subscriber line (“VDSL”).

“DTH” refers to “direct to home” satellite services.

“EU” refers the European Union;

“euro” or “€” refers to the lawful currency of the European Monetary Union;

“Euroclear” refers to Euroclear Bank SA/NV;

“EuroDOCSIS” refers to the European implementation of an international telecommunications standard that permits the addition of high-speed data transfer to an existing cable television system;

“Exchange Act” refers to the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

“Existing Indenture” refers to the indenture dated November 15, 2013 governing the Existing Notes;

“Existing Intercreditor Agreement” refers to the intercreditor agreement dated November 15, 2013, as amended from time to time, by and among, *inter alios*, the Issuer, the Security Agent and certain lenders under the Existing Revolving Credit Facility;

“*Existing Notes*” refers to the Original Notes, the 2015 Additional Notes and the 2016 Additional Notes, collectively, and such Existing Notes will be redeemed in full as part of the Transactions, as described in more detail in “*Use of Proceeds*”;

“*Existing PIK Facility*” refers to the €175 million PIK credit facility established under the Existing PIK Facility Agreement, and such Existing PIK Facility will be repaid in full as part of the Refinancing Transactions, as described in more detail in “*Use of Proceeds*”;

“*Existing PIK Facility Agreement*” refers to the PIK facility agreement dated July 3, 2014, as amended from time to time, by and among, *inter alios*, Adria Topco B.V., Credit Suisse AG, London Branch and KKR Capital Markets Limited as arrangers, the original lenders named therein and Credit Suisse AG, London Branch as facility agent and security agent;

“*Existing Revolving Credit Facility*” refers to the €135 million senior secured revolving credit facility established under the Existing Revolving Credit Facility Agreement, and such Existing Revolving Credit Facility will be repaid in full as part of the Refinancing Transactions, as described in more detail in “*Use of Proceeds*”;

“*Existing Revolving Credit Facility Agreement*” refers to the Senior Facilities Agreement dated November 5, 2013, as amended from time to time, by and among, *inter alios*, the Company, UniCredit Bank AG, London Branch as facility agent, UniCredit Bank AG, London Branch as English security agent, UniCredit Bank Serbia JSC Belgrade as Serbian security agent, UniCredit Bank Serbia JSC Belgrade as Payment Agent and Banca IMI S.p.A., London Branch, BNP Paribas Fortis S.A./N.V., Citigroup Global Markets Limited, Credit Suisse AG, London Branch, Findomestic Banka AD Beograd, ING Bank NV, Raiffeisen Bank International AG, UniCredit Bank Austria AG and UniCredit Bank Serbia JSC Belgrade as arrangers;

“*Fight Channel*” refers to Fight Channel d.o.o., a Croatian specialized martial arts channel, which we acquired in April 2017;

“*Fixed Rate Notes*” refers to, collectively, the 2022 Fixed Rate Notes and the 2024 Fixed Rate Notes;

“*Floating Rate Notes*” refers to the €            aggregate principal amount of Floating Rate Senior Secured Notes due 2023 offered hereby;

“*Group*,” “*United Group*,” “*us*,” “*our*,” and “*we*” refers to the Company and its consolidated subsidiaries;

“*Guarantors*” refers to the Company, Adria Serbia Holdco B.V., Bosnia Broadband S.à r.l., Slovenia Broadband, Adria Cable B.V., Adria Media B.V., Telemach BH, Telemach Slovenia, Telemach Rotovž d.d. and Telemach Tabor d.d.;

“*HFC*” refers to “hybrid fiber coaxial” and is a telecommunications industry term for a broadband network that combines optical fiber and coaxial cable;

“*IFRS*” refers to International Financial Reporting Standard as adopted by the European Union;

“*Ikom*” refers to Interaktivne Kablovske Objedinjene Mreže I.kom D.o.o. Beograd, a Serbian cable operator, which we acquired in April 2017;

“*Indenture*” refers to the indenture to be dated on or about the Issue Date by and among, *inter alios*, the Issuer, the Guarantors and the Trustee governing the Notes offered hereby;

“*Initial Purchasers*” refers to, collectively, Credit Suisse Securities (Europe) Limited, Banca IMI S.p.A., BNP Paribas, Citigroup Global Markets Limited, ING Bank N.V., London Branch, J.P. Morgan Securities plc, KKR Capital Markets Limited, Merrill Lynch International, Raiffeisen Bank International AG and UniCredit Bank AG;

“*Intercreditor Agreement*” refers to the intercreditor agreement to be dated on or about the Issue Date by and among, *inter alios*, the Issuer, the Security Agent and certain lenders under the Revolving Credit Facility, which is described in more detail in “*Description of Certain Indebtedness—Intercreditor Agreement*”;

“*Issue Date*” refers to           , 2017, the date of the issuance of the Notes;

“*Issuer*” refers to United Group B.V.;

“*KKR*” refers to certain investment funds advised by Kohlberg Kravis Roberts & Co. LP or its affiliates;



“*Longstop Date*” means May 31, 2018;

“*Law 1915*” refers to the Luxembourg law of August 10, 1915 on commercial companies, as amended;

“*LTE*” or “*4G*” refer to the upgraded standard for wireless communication of high-speed data for mobile phones;

“*Member State*” means a member state of the European Economic Area;

“*M-kabl*” refers to M-kabl d.o.o. Podgorica, a Montenegrin cable operator, which we acquired in July 2016;

“*MMDS*” refers to Multichannel Multipoint Distribution Service, which is a wireless telecommunications technology used for broadband networking or as an alternative method of cable television programming reception and which is gradually being replaced by DTH and cable;

“*MNO*” refers to mobile network operator;

“*MTR*” refers to mobile termination rate;

“*MVNO*” refers to mobile virtual network operator;

“*Notes*” refers to, collectively, the Fixed Rate Notes and Floating Rate Notes offered hereby;

“*Notes Guarantees*” has the meaning ascribed to it in “*Summary—Summary Offering Terms—Guarantees*”;

“*Original Notes*” refers to the €475 million 7 $\frac{7}{8}$ % Senior Secured Notes due 2020 issued on November 15, 2013 pursuant to the Existing Indenture;

“*Permitted Collateral Liens*” has the meaning ascribed to it under “*Description of the Notes*”;

“*Refinancing Transactions*” are to:

- the issuance by the Issuer of €1,350,000,000 aggregate principal amount of Notes offered hereby;
- the redemption in full of the outstanding Existing Notes, including payment of associated redemption premiums and accrued and unpaid interest;
- the entry into the Revolving Credit Facility;
- the repayment in full of the indebtedness outstanding, including payment of associated breakage costs and accrued and unpaid interest, under the Existing Revolving Credit Facility, the cancellation of commitments under the Existing Revolving Credit Facility and the termination of the Existing Revolving Credit Facility Agreement;
- the repayment in full of the indebtedness outstanding, including payment of associated accrued and unpaid interest, under the Existing PIK Facility, the cancellation of commitments under the Existing PIK Facility and the termination of the Existing PIK Facility Agreement;
- the payment of fees and expenses in connection with the foregoing transactions;

“*Regulation S*” refers to Regulation S under the Securities Act;

“*Revolving Credit Facility*” refers to the senior secured revolving credit facility established under the Revolving Credit Facility Agreement, which is described in more detail in “*Description of Certain Indebtedness—Revolving Credit Facility Agreement*”;

“*Revolving Credit Facility Agreement*” has the meaning ascribed to it under “*Description of Certain Indebtedness*”;

“*RGUs*” refers to revenue generating units;

“*RSD*” refers to Serbian Dinar, the lawful currency of the Republic of Serbia;

“*SBB Serbia*” refers to Serbia Broadband—Srpske Kablovske Mreže d.o.o. Beograd (Novi Beograd);

“*Serbian Intercompany Loan*” has the meaning ascribed to it under “*Description of the Notes*”;

“*Securities Act*” refers to the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

“*Security Agents*” refers to UniCredit Bank AG, London Branch, as English security agent and UniCredit Bank Serbia JSC Belgrade, as Serbian security agent;

“*Security Documents*” has the meaning ascribed to it under “*Description of the Notes*”;

“*Slovenia Broadband*” refers to Slovenia Broadband S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), registered with the Luxembourg Register of Commerce and Companies under number B145.882, having its registered office at 61 rue Rollingergrund, L-2440, Luxembourg;

“*Special Mandatory Redemption Date*” has the meaning ascribed to it under “*Description of the Notes*”;

“*Telemach BH*” refers to Telemach d.o.o. Sarajevo;

“*Telemach Slovenia*” refers to Telemach d.o.o.;

“*Trustee*” refers to U.S. Bank Trustees Limited, as trustee under the Indenture;

“*Tušmobil*” refers to Tušmobil d.o.o.;

“*U.S.*” and “*United States*” refers to the United States of America;

“*U.S. dollars*” or “*\$*” refers to the lawful currency of the United States; and

“*U.S. GAAP*” refers to accounting principles generally accepted in the United States.

## EXCHANGE RATE INFORMATION

The table below sets forth the period end, average, high and low Bloomberg (New York) Composite Rate, expressed as Serbian dinar per €1.00, Serbian dinar per \$1.00 and U.S. dollar per €1.00, for the periods and dates indicated. The Bosnian mark is pegged to the euro at a rate equal to BAM 1.9558 per €1.00. The below rates may differ from the actual rates used in the preparation of our consolidated financial statements and the other financial data appearing in this offering memorandum. The figure in the “Average” column for the annual presentation represents the average noon buying rate on the last business day of each month during the relevant period. The figure in the “Average” column of the monthly presentation represents the average daily noon buying rate for each business day during the relevant period. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts would have converted at a particular rate, if at all.

The Bloomberg (New York) Composite Rate of the Serbian dinar on July 6, 2017 was RSD 120.3282 per €1.00.

	<u>Period end</u>	<u>Serbian dinar per euro</u>		
		<u>Average</u>	<u>High</u>	<u>Low</u>
Year				
2012	112.6405	113.1094	119.1692	103.8081
2013	114.5750	113.0967	115.1410	110.6105
2014	121.3495	117.2375	122.6599	113.5972
2015	121.5835	120.7451	123.4976	119.6953
2016	123.4600	123.1378	123.9055	121.5836
2017 (through July 6, 2017)	120.3282	123.2429	124.2278	120.3282

	<u>Period end</u>	<u>Serbian dinar per euro</u>		
		<u>Average</u>	<u>High</u>	<u>Low</u>
Month				
February 2017	123.8567	123.9149	124.2278	123.7167
March 2017	123.9715	123.8465	124.0632	123.4550
April 2017	123.0942	123.5995	124.0185	123.0942
May 2017	122.4002	122.9870	123.2949	122.4002
June 2017	120.5421	121.9160	122.6023	120.5421
July 2017 (through July 6, 2017)	120.3282	120.4509	120.6100	120.3285

The Bloomberg (New York) Composite Rate of the Serbian dinar on July 6, 2017 was RSD 105.3353 per \$1.00.

	<u>Period end</u>	<u>Serbian dinar per U.S. dollar</u>		
		<u>Average</u>	<u>High</u>	<u>Low</u>
Year				
2012	85.1840	88.0064	97.8482	80.0157
2013	83.3910	85.1505	89.1396	81.4291
2014	100.3059	88.4538	100.3059	82.6074
2015	111.9142	108.8164	114.7520	100.2644
2016	116.9300	111.2705	119.0000	106.3650
2017 (through July 6, 2017)	105.3353	113.6428	118.3950	105.3353

	<u>Period end</u>	<u>Serbian dinar per U.S. dollar</u>		
		<u>Average</u>	<u>High</u>	<u>Low</u>
Month				
February 2017	117.0400	116.4474	117.5128	115.0971
March 2017	116.3598	115.9135	117.6100	114.1400
April 2017	113.0700	115.3602	116.9689	112.9339
May 2017	109.0700	111.2556	113.3819	109.0700
June 2017	105.4889	108.4811	109.5300	105.4889
July 2017 (through July 6, 2017)	105.3353	105.9113	106.2600	105.3353

The Bloomberg (New York) Composite Rate of the euro on July 6, 2017 was \$1.1423 per €1.00.

	Period end	U.S. dollar per euro		
		Average	High	Low
Year				
2012 .....	1.3192	1.2860	1.3458	1.2061
2013 .....	1.3743	1.3284	1.3804	1.2780
2014 .....	1.2098	1.3285	1.3932	1.2098
2015 .....	1.0856	1.1102	1.2103	1.0497
2016 .....	1.0520	1.1069	1.1532	1.0389
2017 (through July 6, 2017) .....	1.1423	1.0850	1.1440	1.0406

	Period end	U.S. dollar per euro		
		Average	High	Low
Month				
February 2017 .....	1.0576	1.0641	1.0786	1.0537
March 2017 .....	1.0653	1.0687	1.0865	1.0507
April 2017 .....	1.0897	1.0717	1.0925	1.0590
May 2017 .....	1.1244	1.1057	1.1244	1.0861
June 2017 .....	1.1426	1.1238	1.1440	1.1134
July 2017 (through July 6, 2017) .....	1.1423	1.1372	1.1423	1.1346

For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, please see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

## SUMMARY

The following summary highlights selected information from this offering memorandum. The following summary does not contain all of the information you should consider before you invest in the Notes and should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. See the sections entitled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for additional factors that you should consider before investing in the Notes.

### Our Business

We are the leading distributor of pay-TV in our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro, where we also provide broadband internet and fixed line telephony services via our cable infrastructure. We are also the leading distributor of satellite (or DTH) pay-TV across the former Yugoslavia region, with offerings in each of Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro, where we use our *TotalTV* platform to serve approximately 498 thousand subscribers outside of our cable footprint, delivering content across the entire region, including in rural areas. In addition to our cable-based and satellite-based services, we offer mobile telephony services in Slovenia, where we have acted as a mobile network operator, or MNO, since our acquisition of Tušmobil in April 2015. Following our acquisition of Tušmobil, we have been successful at increasing our share of the mobile telephony market in Slovenia to 17.2% as of March 31, 2017, from 13.9% as of June 30, 2015.

We complement our pay-TV offering with United Media, our in-house content business, through which we produce distinctive and attractive pay-TV content for distribution to our pay-TV customers and sale to third-party networks and distribution platforms. Moreover, we use our two over the top (“OTT”) content platforms, *D3i* and *NetTV*, to further expand our reach. *D3i* is designed to deliver our pay-TV services to our competitors’ broadband internet customers in metropolitan areas outside of our cable footprint, and *NetTV* is designed to deliver ethnic content to the Yugoslav expatriate community around the world.

Our advanced fiber and cable network covers approximately 1.6 million homes passed across regions in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. As of March 31, 2017, we provided cable-based services to approximately 2.1 million RGUs and analog and digital cable pay-TV services to approximately 973 thousand unique subscribers. Overall, as of March 31, 2017, we served 1.6 million pay-TV subscribers through complementary cable, DTH and OTT technologies. Additionally, we are a leading provider of high speed cable broadband internet. We also offer subscribers fixed line telephony services in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. In July 2016, we completed the acquisition of M-kabl, a cable operator in Montenegro with 20 thousand unique cable subscribers, expanding our offer of broadband internet and fixed-line telephony services in Montenegro in addition to enhancing our delivery of pay-TV services, which previously we only offered through DTH and MMDS technologies in Montenegro. In addition, in April 2017, we completed the acquisition of Ikom, a Serbian cable operator with more than 93 thousand unique cable subscribers.

Despite economic differences, the countries of the former Yugoslavia share a joint history and form a single media market in which local differences are compensated by the influence of similarities in cultural preferences and language across the region. The former Yugoslav region represents the second largest Central and Eastern European (“CEE”) market after Poland, with a population of approximately 20 million people, and is characterized by growing pay-TV and broadband markets that are currently underpenetrated relative to some other CEE and Western European markets. We are the leading multi-play provider in our primary markets, where we combine our services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider, and provide us with significant opportunities to cross-sell our products.

We believe that we have been able to establish our business as one of the leading distribution platforms in our region due to (i) our attractive content portfolio, which we have established through ownership of certain key pay-TV channels as well as long-term partnerships with third-party channel owners, (ii) our well-invested network that provides, among other things, one of the highest internet download speeds in our markets, and (iii) our high-quality customer service, which has led to low churn rates that we believe evidence a satisfied customer base. Through our in-house content business, we produce distinctive and attractive pay-TV channels across multiple key genres that have historically driven pay-TV subscription. These include the region’s most popular family of branded pay-TV sports channels, as



well as popular movie channels, children's channels, a 24/7 news channel, music channels, and other specialized channels. We believe that our leading content portfolio differentiates us from our competitors, has enabled strong growth in our business and provides us with predictable third-party carriage fees.

We continue to build our content portfolio, both organically and through acquisitions. In October 2014, we launched *N1*, an independent 24/7 regional news channel affiliated with *CNN*, with studios in Belgrade, Zagreb and Sarajevo, and which is now available to our subscribers in all of our geographic markets; in addition, we have sold distribution rights for this channel to all major third-party distribution platforms in the region. Additionally, since the beginning of 2015, we have utilized our majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched the *Grand 2* channel, expanding our music channels portfolio with new content offered to our subscribers. We have also extended the production of some of the most popular entertainment shows for the national TV stations in Serbia, Bosnia and Herzegovina, and Macedonia, with each such show continuing to be, or becoming, one of the most watched shows in its respective market. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on Ultimate Fighting Championship ("UFC"), and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content.













We have also been successful in broadening the distribution reach of our pay-TV channels. For example, during 2015, we sold distribution rights to *N1* and to certain *Grand Production* channels to other major cable operators in the region. Further, we have extended the distribution scope for *Orlando Kids* and *Bambino*, popular channels geared towards children, to include Bosnia and Herzegovina and Macedonia, as well as Croatia and Slovenia, where those offerings were already present. We have also increased revenues from our *Sport Klub* channels by successfully extending our existing contracts with third-party pay-TV distributors while maintaining access to premium content. In addition, we have significantly increased advertising revenues from most of our channels.

In July 2017, we entered into an agreement to acquire certain assets of CME BV in Slovenia and Croatia, including several popular television channels. We believe this acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform by giving us strong production capabilities, promote our specialized pay-TV channel portfolio and create a strong platform for additional bolt-on, accretive media acquisitions in the region. See "*Recent Developments—The Acquisition of the Acquired Stations*" for further information.

In addition to our own content, as a result of our pan-regional presence and well-established distribution network, we are a distribution partner of choice for premium regional and international content owners, such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox* and *Universal* channels, and sports rights owners, such as the English Premier League, National Basketball Association ("NBA"), the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP, which we believe allows us to consistently obtain high quality content and attractive payment terms. We believe these providers partner with us because of our well-known brands, large network and our focus on the entire former Yugoslav region.

We provide our analog and digital pay-TV, broadband internet and telephony services through our well-recognized *Telemach* brand in Slovenia, Bosnia and Herzegovina, and Montenegro, and through our *SBB* brand in Serbia. We market our premium digital pay-TV offering in all our core markets under the brand name *D3*. We provide DTH pay-TV through our *TotalTV* brand across all six countries in the region. We address the entire former Yugoslav region, which has a large population with similar languages, cultures and entertainment preferences, with an integrated product and services portfolio while tailoring our branding strategies so that we can access each of the markets in the region as an ethnically neutral provider. Our focus on the entire former Yugoslav region allows us to enter some of the smaller markets, such as Montenegro and Macedonia, where local competitors are less able to provide first-rate content and technology on an economically efficient basis.

The table below shows operating and financial data of the Group as of and for the twelve months ended March 31, 2017. The market positioning data presented below is as of March 31, 2017 for Slovenia and as of December 31, 2016 for Serbia. For Bosnia and Herzegovina, some market positioning data presented below is as of December 31, 2015 and some as of December 31, 2016, as indicated below.

Country	Slovenia <sup>(1)</sup>	Serbia <sup>(2)</sup>	Bosnia <sup>(3)</sup>	Montenegro <sup>(4)</sup>	Croatia	Macedonia	Worldwide	United Media Group
EU membership / Currency	Member €	Candidate RSD	N/A BAM	Candidate €	Member HRK	Candidate MKD	NR €/ Hard currencies	NR €
Contribution to LTM Q1-2017 revenue <sup>(5)</sup>	 41%	 32%	 12%	 3%				
Entities / brands								
Positioning (by market share)	Pay-TV	No. 1	No. 1	No. 1	--	--	--	--
	Broadband (within footprint)	No. 1 <sup>(6)</sup>	No. 1 <sup>(6)</sup>	No. 1 <sup>(6)</sup>	--	--	--	--
	Fixed telephony	No. 2	No. 2	No. 2	--	--	--	--
RGUs (Mar 17)	Cable <sup>(7)</sup>	484k	1,114k	421k	43k	--	--	--
	Cable RGU/sub	2.6x	2.0x	2.0x	1.6x	--	--	--
	DTH	37k <sup>(8)</sup>	268k	129k	64k	--	--	--
	OTT	1k	14k	--	--	--	104k	--
	Mobile	414k	--	--	--	--	--	--

- (1) Market positioning data in Slovenia is based on management estimates, which have been based on data from the telecommunications regulator in Slovenia as of March 31, 2017.
- (2) Market positioning data in Serbia is based on management estimates, which have been based on data from the telecommunications regulator in Serbia as of December 31, 2016.
- (3) Market positioning data for pay-TV in Bosnia and Herzegovina is based on management estimates, which have been based on data from the telecommunications regulator in Bosnia and Herzegovina as of December 31, 2016. Market positioning for broadband and fixed telephony in Bosnia and Herzegovina is based on management estimates, which have been based on data from the telecommunications regulator in Bosnia and Herzegovina as of December 31, 2015, which is the most recent available data.
- (4) Market positioning data in Montenegro is based on management estimates, which have been based on management's familiarity with the market and analysis of data from the Montenegrin communications regulatory agency as of April 30, 2017.
- (5) The revenue breakdown presented in the table excludes intercompany revenues. DTH revenues for Slovenia, Bosnia and Herzegovina and Montenegro are included in the country in which they were generated, in line with our current segment reporting. For more information, see "Reconciliation of Certain Financial Data Presented Herein."
- (6) We are the leading high-speed cable broadband internet provider in each of Serbia, Slovenia and Bosnia and Herzegovina, and have the second largest broadband market share in each of these countries, behind the respective incumbents with national footprints.
- (7) Cable RGUs in our markets consist of pay-TV, broadband internet and fixed-line telephony RGUs.
- (8) DTH RGUs in Slovenia include RGUs for *Pink International*, which is in charge of distributing *PINK* channels in Western Europe.

We believe that our business is well-positioned to maintain its market leadership in the pay-TV and cable broadband internet markets in Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro and further increase its market share in the fixed-line telephony market, as we differentiate our product offering through our access to desirable content, a well-invested network and high-quality service. In addition, we believe that relatively low overall service penetration rates in Serbia, Bosnia and Herzegovina, and Montenegro, as well as our attractive product offering, provide us with the opportunity to add additional customers and cross- and up-sell our products to existing customers. Further, our acquisition of Tušmobil in April 2015 has provided us with a platform for further market penetration through our expanded ability to offer quad-play bundles in Slovenia.

## **Our Strengths**

We believe a number of key factors give us a competitive advantage, including:

### ***We are the leading multi-play service provider with a pan-regional platform across the former Yugoslav region***

We are the leading distributor of cable pay-TV in our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro. In these markets we also provide broadband internet and fixed-line telephony services via our cable infrastructure. We are also the leading distributor of satellite pay-TV across the six countries of the former Yugoslavia, including Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro. In addition to our cable-based and satellite-based services, we offer mobile telephony services in Slovenia as a mobile network operator, or MNO.

We are the pan-regional leader for pay-TV services with approximately 1.6 million pay-TV subscribers as of March 31, 2017, and we have leveraged our complementary cable and DTH platforms to gain a pay-TV market share of approximately 48% in Serbia as of March 31, 2017 and 35% in Slovenia as of December 31, 2016, in each case based on the number of subscribers, as well as a leading market share in pay-TV services in Bosnia and Herzegovina, with a subscriber market share of 46% as of December 31, 2015. Additionally, we are the largest pay-TV provider in Montenegro, with a subscriber market share of 48% as of March 31, 2017, and among the main competitors who provide DTH pay-TV in Macedonia and Croatia. We enjoy strong brand recognition across the entire former Yugoslav region. Our pan-regional presence and well-established distribution network has helped to make us a partner of choice for regional and international content owners that seek to partner with the top provider in the region, such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox* and *Universal* channels, which we believe allows us to maintain consistently high quality content and achieve attractive payment terms. We are the leading high-speed cable broadband internet provider in each of Slovenia, Serbia and Bosnia and Herzegovina, and have the second largest broadband market share in each of these countries, behind the respective incumbents with national footprints. We have leveraged our pay-TV and cable broadband internet capabilities to become the second largest fixed-line telephony provider in Slovenia, Serbia and Bosnia and Herzegovina. Following the liberalization of the telephony markets in Bosnia and Herzegovina and Serbia, which introduced fixed number portability (allowing customers to retain their existing number when switching to our network) in 2014, we substantially grew our fixed-line telephony subscriber numbers.

Further, our acquisition of Tušmobil in April 2015 provided us with an opportunity to create a fully convergent cable, internet, fixed-line and mobile telephony operator in Slovenia, which allows our customers to benefit from a convenient bundled product offering consisting of cable pay-TV, internet, fixed-line and mobile telephony services from a single provider. Subsequent to the integration of Tušmobil, our Telemach Slovenia segment is our largest segment by revenue. As of March 31, 2017, we had approximately 414 thousand mobile telephony subscribers in Slovenia, and we have increased our number of quad-play subscribers in Slovenia from 1% of our subscribers prior to our acquisition of Tušmobil to 30% of our subscribers as of March 2017. We have also been successful at reducing the annual churn rate for our mobile post-paid subscribers to 6.5% in May 2017, from 8.9% in May 2016 and 17.8% in January 2016. Additionally, since June 30, 2015, we have been successful at increasing our share of the mobile market in Slovenia, which stood approximately at 17.2% as of March 31, 2017, and which we estimate has increased to 17.7% as of May 31, 2017, representing an estimated increase of 3.8 percentage points since June 30, 2015, when our market share stood at 13.9%. We believe that this market share growth demonstrates our ability to attract mobile subscribers who are either migrating from existing operators or who are entering the mobile market for the first time through our attractive bundled offerings and our well-recognized *Telemach* brand, and we have been able to obtain approximately 40% of such gross additions in the period between January 2016 and May 2017.

Our widespread presence across the region allows us to cross-sell our services and expand the number of multi-play packages we provide.

### ***Track-record of delivering revenue and Adjusted EBITDA growth and realizing cost synergies related to our acquisitions, while generating strong Adjusted EBITDA margins***

Our large customer base and relatively low churn rates provide us with good visibility of future revenue, which has historically proven to be resilient even during periods of challenging economic conditions. Since 2014, we have delivered an increase in RGUs from 2.1 million as of December 31, 2014 to 3.2 million as of March 31, 2017, and have delivered strong organic growth in revenue and EBITDA during the period, which has significantly outperformed GDP growth in the countries in which we operate.

Furthermore, in addition to organic growth, our business has benefitted from targeted and value-accretive investments and acquisitions of attractive cable and mobile assets, and we have been successful at realizing synergies related to a number of these acquisitions. For example, we realized substantial cost synergies resulting from our acquisition of Tušmobil, in excess of our initial stated estimates, while simultaneously improving the quality and coverage of the network, our market share and brand perception, and our pre-paid/post-paid subscriber mix. Our acquisition of Tušmobil has also allowed us to develop an attractive suite of fixed-mobile convergence services in Slovenia, further driving revenue growth. Our revenue increased to €459.7 million from €377.3 million for the year ended December 31, 2016 compared to 2015, our net loss decreased to €16.4 million from €27.0 million for the year ended December 31, 2016 compared to 2015 and our Adjusted EBITDA increased to €190.4 million from €161.0 million for the year ended December 31, 2016 compared to 2015. We also have a proven ability to generate strong Adjusted EBITDA margins. The average of our Adjusted EBITDA margins for the three years ending December 31, 2014, 2015 and 2016, respectively, was 43.1%.

***Our business benefits from a fully invested, advanced cable network with a broad reach across the region and from a national mobile network in Slovenia***

We strive to be the most advanced media and telecommunications company in the former Yugoslav region. We operate an advanced proprietary hybrid fiber coaxial (“HFC”) network which is fully bi-directional and EuroDOCSIS 3.0 enabled, covering all of our homes passed in Serbia, Bosnia and Herzegovina and Montenegro and approximately 92% of our homes passed in our HFC network in Slovenia as of March 31, 2017 were fully bi-directional. We operate the largest fiber network in the region, which extends more than 7,700 km across metropolitan regions in Slovenia (approximately 1,750 km), in Serbia (approximately 3,900 km), in Bosnia and Herzegovina (approximately 1,800 km) and in Montenegro (approximately 250 km) and covers approximately 1.6 million homes passed as of March 31, 2017. Our network has an average homes passed per fiber optics node ratio in the range of approximately 140–410 across Slovenia, Serbia, Bosnia and Herzegovina and Montenegro, which we believe is unrivalled in the former Yugoslav region and compares favorably to other European cable benchmarks.

We believe that our cable-TV infrastructure allows us to provide digital TV, high speed broadband and fixed-line telephony with a higher quality than DSL providers or other cable operators in our markets. Our EuroDOCSIS 3.0 network allows us to compete effectively in Slovenia, where fiber to the home (“FttH”) had approximately 28.9% of the broadband market share as of March 31, 2017. We can match FttH speeds in overlapping markets and we have a service speed advantage in non-FttH areas. In Serbia, our broadband internet speed gives us an advantage over our broadband internet competitors, such as Telekom Srbija, which primarily utilizes DSL and has only begun to modernize its networks, with expected broadband speeds of 50-100 Mbps by 2020 for a majority of its subscribers. By contrast, we currently provide internet download speeds of 40 to 150 Mbps and upload speeds of 2 to 8 Mbps to our new broadband RGUs in Serbia which we believe compares favorably to the national average. Additionally, our maximum downstream bandwidth stream as of March 31, 2017, was 150 Mbps for downloads and 8 Mbps for uploads, compared to 100 Mbps and 2 Mbps, respectively, offered by Telekom Srbija, our primary competitor in Serbia. Furthermore, this speed can be offered by Telekom Srbija only in certain geographic areas. In Bosnia and Herzegovina, we are well-positioned to compete with incumbents who primarily use DSL, as well as with smaller regional cable operators. In Montenegro, we have developed FttH Gigabit-capable Passive Optical Networks (“GPON”) with 8,046 homes passed and 1,437 homes connected to this network.

Additionally, we believe that our cable network is fully invested and benefits from low maintenance capital expenditure requirements. We believe that this will allow us to manage our capital expenditures in the near- to medium-term, with expenditures largely being success- and capacity-based as our business expands, while making targeted improvements to our network.

Our national mobile network in Slovenia is the third largest (and fastest growing) MNO, with reach that significantly exceeds that of our fixed-line telephony network. Our extensive mobile network provides coverage to the majority of Slovenia’s population through extensive 2G and 3G networks, as well as our newer 4G network, which currently covers approximately 90% of the population in Slovenia.



***We are a recognized content leader benefitting from content ownership and strategic partnerships with international and regional broadcasters***

We believe we are the pan-regional content leader and that our desirable cross-genre content helps us attract and retain pay-TV subscribers. Our content business is an increasingly important contributor to our financial performance due to the increasing number of third party distribution platforms acquiring content from us. Through focused and consistent investment over the last few years, including a combination of developing our owned pay-TV content, entering into strategic partnerships with regional and international third-party content owners and acquiring content owners, we have built a comprehensive content offering, covering genres that we believe are core drivers of pay-TV subscription, such as sports, movies, news, music, special interest and children's content. Through our in-house content business, we own a number of attractive pay-TV channels. Our content seeks to address the entire former Yugoslav region, which has a large population with similar languages, cultures and entertainment preferences and which forms a single media market composed of six individually subscale countries. Our focus on the entire former Yugoslav region allows us to enter some of the smaller markets where providers with a smaller scale in comparison to us are less able to provide first-rate localized content and technology on an economically efficient basis.

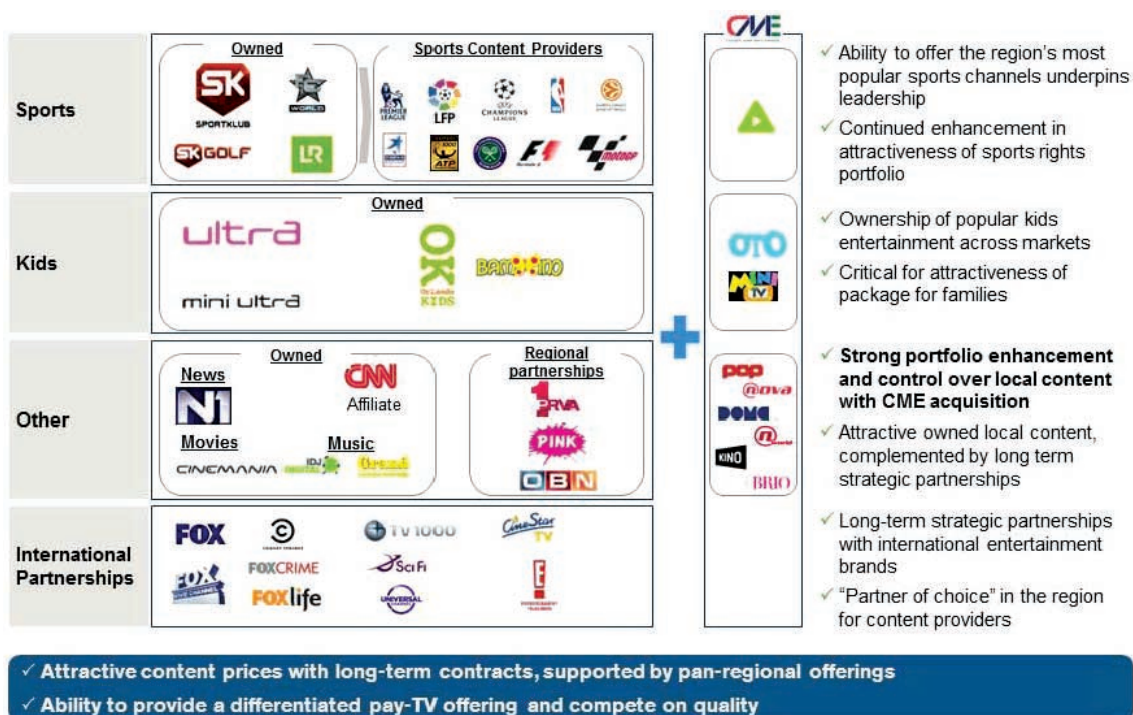
We continue to enhance our content offering through both organic development and the acquisition of new channels. In terms of organic development, for instance, in collaboration with notable studios in the United States, we have improved *Cinemania's* movie content, helping establish *Cinemania* as a leading movie channel in the region. We have also continued to improve the content we offer through our leading *Sport Klub* channel by continuing to add popular sporting events to its content portfolio, which already included some of the most popular sports offerings in the region, including the English Premier League, the NBA, the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP. We also own a 75% stake in the *Ultra* family of pay-TV channels, which includes *Ultra*, a popular Serbian pay-TV channel which addresses children of school age, and *Mini Ultra*, which addresses children of pre-school age. Further, in October 2014, we launched *N1*, an independent 24/7 regional news channel affiliated with *CNN*, with studios in Belgrade, Zagreb and Sarajevo, and which is now available to our subscribers in all of our geographic markets. In addition, we have sold distribution rights for this channel to all major third party distribution platforms in the region, who pay us a recurring carriage fee. In terms of growth through acquisitions, in November 2014 we acquired *Orlando Kids* and *Bambino*, popular channels geared towards children with extensive distribution reach throughout Croatia and Slovenia that complement our *Ultra* family of pay-TV channels in our other markets. Since our acquisition of these channels, we have extended their distribution scope to include Bosnia and Herzegovina and Macedonia. In December 2014 we acquired a majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia and utilized it to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched the *Grand 2* channel, expanding our music channels portfolio with new content offered to our subscribers. Since our acquisition of *Grand Production*, we have been successful in selling distribution rights to its channels to other major cable operators in the region. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on UFC, and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content.

In July 2017, we entered into an agreement to acquire certain assets of CME BV in Slovenia and Croatia, including several popular television channels. We believe this acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform, promote our pay-TV channel portfolio, drive continued growth and create a strong platform for additional bolt-on, accretive acquisitions. See “—Recent Developments—The Acquisition of the Acquired Stations” for further information.

In addition to our owned pay-TV channels, we believe our pan-regional presence, advanced network, complementary regional cable and DTH platforms and leading market positions make us a natural partner for regional and international third-party content owners who seek to provide their content to the Yugoslav region, and as a result we have been able to enter into long-term contractual relationships with top regional and international content owners such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox*, *Universal* channels, *A&E Television Networks* channels and *Cinestar*, and sports rights owners such as the



English Premier League, the NBA, the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP. The following table provides an overview of our key pay-TV content:



Source: Company data

In some instances, we offer the sole platform on which certain content can be viewed in our markets, which creates an important point of differentiation between our pay-TV platform and competing platforms. Additionally, we pay for certain third party content on a flat-rate basis, which benefits our profit margins as our number of subscribers increases. As a result of our strategic alliances and our content ownership, we were among the first pay-TV providers in the region to offer localized international content. We believe that our attractive content portfolio differentiates us from our competitors and that our role as a provider of key content in our markets has enabled strong growth in our business and provides us with stable revenue streams due to relatively low customer churn rates.

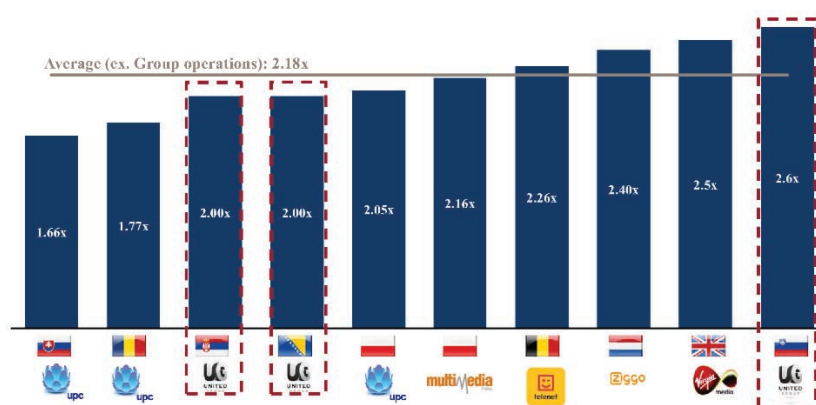
***Our core cable pay-TV business benefits from our ability to increase prices for our increasingly attractive product offering while maintaining low churn rates***

Increasing demand for attractive content and higher broadband speeds allows us to increase the prices at which we provide these services while maintaining relatively low churn rates. For example, we have raised the cost of our basic cable pay-TV subscription by 14% per month in Serbia, by 20% per month for original Telemach BH subscribers in Bosnia and Herzegovina and 29% per month for subscribers of acquired companies in Bosnia and Herzegovina, in each case between April 1, 2014 and March 31, 2017, and we have raised the monthly cost of our bundles by 15% in Slovenia during that same period. Our annual cable pay-TV subscriber churn rates for the twelve months ended March 31, 2017 were 7.6% for the Telemach Slovenia segment, 6.5% for the SBB Serbia segment, 7.5% for the Telemach BH segment and 6.6% for the Telemach Montenegro segment, which we believe compares favorably to other similarly-sized telecommunications and media companies in Western Europe. We believe our low churn rates provide us with recurring cash flows and visibility with respect to future revenues. We believe that the primary drivers of our churn are existing customers moving outside of our current geographical area of service as well as termination of services contracts by us due to existing customers' inability to pay, with only a limited amount of churn being driven by competition. We believe that launching telephony in our markets, further driving digitization, providing our subscribers with multi-play packages (including quad-play in Slovenia), expanding our cable footprint to broaden our geographic reach and benefiting from increasing disposable incomes in the region, which reduces the likelihood of customers' bad debt, will help us to keep cable pay-TV churn rates low.

***Low service penetration rates across the markets in which we operate provide significant cross- and up-selling and growth opportunities***

We operate our business across the former Yugoslav region which has a population of approximately 20 million people and represents the second largest CEE market after Poland. The Yugoslav market (except Slovenia) is currently characterized by underpenetrated pay-TV and broadband internet markets compared to certain other CEE and Western European markets. In Serbia, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 66% and 50%, respectively; in Bosnia and Herzegovina, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 64% and 57%, respectively; and in Montenegro, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 97% and 59%, respectively. Additionally, due to historically strong regulatory constraints on bundling pay-TV, broadband internet and telephony services, RGUs per cable subscriber in our key markets in Serbia and Bosnia and Herzegovina as of March 31, 2017, lagged behind CEE and Western European cable markets, as well as our own operations in Slovenia. The following table shows RGUs per cable subscriber in certain key CEE and Western European markets:

**RGU per cable subscriber**



Source: Derived from public reports as of March 31, 2017. Companies shown might report RGUs differently from us.

Our markets have had significant growth in communications spending during the last ten years compared to Western European markets, due to higher gross domestic product (“GDP”) growth and increased consumer spending resulting from increased macroeconomic stability, a higher private sector participation in the economy and government reforms. At the same time, pay-TV penetration in all of our markets has been growing, driven by increasingly attractive content and bundled offers. Service penetration in our markets has increased as multi-play packages have expanded, but is still below the levels of some Western European cable markets (except in Slovenia). Since the liberalization of the fixed-line telephony markets in Bosnia and Herzegovina and Serbia, we launched telephony services in Bosnia and Herzegovina in the third quarter of 2011 and in Serbia in the second half of 2012. In April 2014, the Serbian fixed-line telephony market was fully liberalized with the introduction of fixed number portability, which allows customers to use their existing number when switching to our product. This liberalization has resulted in rapid growth in the number of our fixed-line telephony RGUs in Serbia, which increased from 76 thousand as of December 31, 2014, to 217 thousand as of March 31, 2017. Leveraging on our extensive cable infrastructure, we strive to use our high-quality pay-TV content as a basis to cross- and up-sell our broadband internet and telephony products to our existing cable pay-TV customers and offer multi-play packages to new customers, which we expect will allow us to continue to improve penetration rates as customers increasingly focus on receiving their multimedia and communications services in a bundled offer from one provider. While penetration rates in Slovenia are more comparable to those of Western European operators, as of March 31, 2017, approximately 24% of our subscribers in Slovenia subscribed to a single service, which we believe offers us significant cross-selling opportunities. The number of quad-play (cable pay-TV, broadband internet, and fixed-line and mobile telephony services) subscribers in Slovenia has grown since we began offering mobile services in late 2012 as an MVNO; since our acquisition of Tušmobil in April 2015 we have increased the number of our quad-play subscribers in Slovenia to 35 thousand as of March 31, 2017. We estimate that our mobile offering in Slovenia has grown to hold a 17.7% market share as of May 31, 2017, capturing approximately 40% of gross mobile subscriber additions in the market between January 2016 and May 2017, including a net gain of 46,000 subscribers who ported

between networks in the year ended December 31, 2016, and we believe that there is still significant potential for growth, given that we estimate that currently only 30% of the households within our cable footprint in Slovenia subscribe to our mobile services.

We also believe that opportunities emanating from the global proliferation of the internet make our *NetTV* business one of the most viable platforms to access ethnic content. This is another business area that we believe is underpenetrated, where we expect to see growth in the future.

***Our business benefits from well-diversified revenue streams within our markets***

Due to our position as a pan-regional services provider, our business benefits from geographically diversified revenue streams. For the twelve months ended March 31, 2017, we generated 41% of our total revenue in Slovenia, 32% of our total revenue in Serbia, 12% of our total revenue in Bosnia and Herzegovina, 3% of our total revenue in Montenegro and the remainder of our revenues were generated in our other jurisdictions.

Additionally, due to our leadership position across the former Yugoslav cable and DTH pay-TV, broadband internet and telephony markets, our revenues are generated by a well-diversified product portfolio. For the twelve months ended March 31, 2017, we generated €120.5 million, or 26% of our total revenue, through our cable pay-TV business, €79.4 million, or 17% of our total revenue, through our cable broadband internet business, €25.0 million, or 5% of our total revenue through our fixed-line telephony business, €53.0 million, or 11% of our total revenue, through our DTH business and €85.0 million, or 18% of our total revenue, through our mobile telephony business. We believe our current customer structure and product offering provide us with significant cross-selling opportunities which will help us to further diversify our revenue streams and use our scale to capitalize on new technologies and delivery platforms. For more information, see “*Reconciliation of Certain Financial Data Presented Herein.*”

***Our business benefits from an experienced management team with a proven track-record***

Many of our key management members have been with our business since its inception, including our Executive Chairman and founder, Dragan Šolak, our Group Vice President—Sales and Marketing, Victoriya Boklag and our Group Vice President—Operations, Violeta Vasiljević. Our senior management team also includes Janez Živko, our Group Vice President—Finance, who joined us in March 2015 and had most recently served as the CFO of the Petrol Group, one of the largest companies in Slovenia, Vladislav Ratajac, our Group Vice President—Corporate Development, who joined our management in 2011, having previously held positions at Mid Europa Partners and Deutsche Bank, and Dragica Pilipović Chaffey, our Group Vice President—Corporate Affairs, who joined the management team in 2009 and had previously held a number of senior posts in the European Bank for Reconstruction and Development. Other members of our senior management team also have substantial experience in the telecommunications, media and technology industry, as well as in banking, private equity and corporate finance firms.

Many members of our senior management team, including our founder, have each held different positions within our business and have shaped the direction of its development and growth within the region. As our operations became more mature, our senior management team was positioned to leverage its significant industry experience and corporate background and to successfully expand our business through bolt-on acquisitions and integration of cable assets and content companies. Furthermore, certain members of management hold equity stakes in our business. Additionally, drawing on the significant international experience of most members of our senior management team who either attended university or worked abroad for a prolonged period of time, we successfully grew our business from being a single-country pay-TV operator to being the telecommunications and media services leader in the former Yugoslav region.

## **Our Strategy**

Our objective is to strengthen our leadership role as a multi-play communication service provider in the former Yugoslav region, and our aim is to achieve profitable and cash-generative growth through the following strategies:

### ***Continued focus on our competitive market position by leveraging our advanced network, differentiated content offerings and loyal customer base***

We intend to continue to use our advanced cable network, national mobile network in Slovenia, complementary distribution platforms, including DTH and OTT, and differentiated content offering to support, and improve, our market position. Our strategy is to continue offering the most attractive products in the region with better content choice, speed, functionality and service quality than those of our competitors, at prices that provide a compelling value. By leveraging our network and content advantages, we will continue to focus on subscriber growth opportunities in relatively under-penetrated markets while seeking to maintain low churn rates for existing customers. Additionally, we intend to further capitalize on our pan-regional fiber network to strengthen and develop our business relationships and strategic partnerships with international carriers.

### ***Increase service penetration across the region by cross-selling products and services and up-selling value-adding products to existing customers***

We intend to increase service penetration in our existing market by seeking to cross- and up-sell our products and services to new and existing customers. In particular, we intend to encourage our customers to subscribe for additional services by offering bundled double-, triple- and quad-play services. We have steadily grown our mobile business in Slovenia, and our acquisition of Tušmobil in April of 2015 has allowed us to continue to take advantage of Slovenia's dynamic mobile telephony market and provided us with an increased base of potential quad-play subscribers. Furthermore, in 2014 Serbia's regulator allowed fixed telephone numbers to be retained as subscribers switch to other providers which has been, and we believe will continue to be, beneficial for our telephony and multi-play offerings. Additionally, we plan to sell improved or more advanced products and services to our existing customers in order to improve or maintain the revenues we derive from those customers. In addition, the increasing demand for higher broadband speeds allows us to increase the prices at which we provide those services. We are continuing to invest in increasing the capacity of our network to support increasing demand for our multi-play services and for higher broadband speeds.

### ***Further expand our addressable market by utilizing our OTT platform and attractive content***

Leveraging on our strong brands and our attractive content, we intend to continue to develop our two OTT content platforms, *D3i* and *NetTV*, to further expand our addressable market. While our DTH pay-TV platform aims to deliver our content to subscribers in rural areas in our markets without cable infrastructure, our *D3i* platform is designed to deliver our pay-TV services to customers in metropolitan areas outside of our cable footprint who have subscribed to broadband internet services of our competitors but wish to access our attractive portfolio of pay-TV channels. Additionally, *NetTV*, our OTT content provider that delivers extensive local and regional content, allows us to provide over 200 local-language channels showing ethnic content to the entire Yugoslav expatriate community around the world. By expanding our geographic reach outside of our region to customers in countries in Western Europe and North America, we believe that we are in a position to charge prices that are higher than the prices we are able to charge for our pay-TV services in our core markets, thus further increasing our earnings potential.

### ***Continued focus on content and services innovation***

We seek to continue innovating our product offering to further strengthen our leading position in the former Yugoslav region by leveraging our existing network infrastructure and content. We intend to continue to grow our content offering by further developing our portfolio of owned content, entering into strategic partnerships with third-party content owners and acquiring content owners. We will continue to focus on leading the introduction of next generation television and broadband internet services by delivering to our subscribers services such as interactive TV, VoD and CatchUp TV services. We also plan to use our well-known group brands and our pan-regional structure to stimulate growth in our B2B offerings, including fiber optical connection, virtual private network, WiFi hot-spots internet and managed services.



***Grow customer base and operations through value accretive acquisitions in our highly fragmented markets across the region***

We believe we have a successful track record of acquisitions on attractive terms. Between 2011 and March 31, 2017 we have acquired and integrated (or are integrating) over twenty-five cable TV operators, content platforms, mobile service providers, B2B service providers and ISPs in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro that typically had annual EBITDA up to €30 million. Our acquisition strategy consists of enhancing our content offering, expanding our fixed-line and mobile telephony operations and leveraging our experience and successful acquisition history to continue to make small, bolt-on acquisitions that allow us to generate additional value for our operations through increasing scale and product offerings. Historically, our acquisitions have resulted in substantial synergies as well as improved margins for the target. For example, after acquiring Tušmobil in April 2015, we increased our share of the mobile telephony market in Slovenia to 17.7% as of May 31, 2017, from 13.9% as of June 30, 2015, captured approximately 40% of gross mobile subscriber additions in the market between January 2016 and May 2017, improved our pre-paid/post-paid subscriber mix and grew our quad-play subscriber base to 35 thousand as of March 31, 2017, all while realizing annualized cost synergies of approximately €3.8 million as of December 31, 2016, which has been in excess of our initial estimates. Further, we have recently acquired a number of cable operators, including M-kabl, a cable operator in Montenegro with approximately 20 thousand subscribers, which has allowed us to expand our cable network in Montenegro, and Ikom, a Serbian cable operator with more than 93 thousand unique cable subscribers, which has allowed us to grow our customer base in Serbia.

In recent years, we have also made a number of acquisitions with a focus to grow our content business, such as our acquisitions of a majority stake in *Grand Production* and the *NetTV* OTT content platform, as well as our acquisitions of *Orlando Kids* and *Bambino*, popular channels geared towards children with extensive distribution reach throughout the former Yugoslav region. Furthermore, in April 2017 we acquired *Fight Channel*, a Croatian channel with premium content focused on UFC, and IDJ Digital Holding Limited, a digital distributor of music and online video content. We plan to continue to make small value accretive bolt-on acquisitions at attractive multiples within our existing markets to integrate smaller regional service providers, cable assets and fixed-line and mobile telephony operators into our business. We intend to continue taking a disciplined approach to acquisitions within our footprint and we plan to assess individual opportunities on the basis of merit, ability to integrate assets into our existing business plans and potential for value creation.

**Our Sponsor**

KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 and led by Henry Kravis and George Roberts, KKR had \$138 billion in assets under management as of March 31, 2017. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR has in-depth experience in the telecommunications and media sector through its current and former investments including TDC, Versatel, Nielsen, ProSiebenSat 1, GfK and UFC.

**Recent Developments**

***Financial performance***

Based on preliminary results from our unaudited management accounts for April and May 2017 and other information currently available, we estimate that our revenue will be between €125 million to €130 million for the three months ended June 30, 2017 compared to €110.9 million for the three months ended June 30, 2016. During the three months ended June 30, 2017, our revenue increased due to price increases, organic growth in the number of subscribers, cross selling and closed acquisitions, most notably Ikom, which is included in our results from May 1, 2017. We estimate that Adjusted EBITDA for the three months ended June 30, 2017 will be between €54 million to €56 million compared to €46.1 million for the three months ended June 30, 2016. In addition, we estimate that revenue for the twelve months ended June 30, 2017 will be between €484 million and €489 million, compared to €425.1 million for the twelve months ended June 30, 2016, and that Adjusted EBITDA for the twelve months ended June 30, 2017 will be between €204 million and €208 million, compared to €179.9 million for the twelve months ended

June 30, 2016. As of June 30, 2017, cash on our balance sheet was €22.7 million. For more information, see “*Reconciliation of Certain Financial Data Presented Herein.*”

As of June 30, 2017, we had approximately 3,430 thousand RGUs compared to 2,950 thousand RGUs as of June 30, 2016. The RGUs added over this period were a result of organic growth and the acquisition of Ikom with approximately 160 thousand RGUs. We estimate that our blended cable average revenue per user (“ARPU”) for the three months ended June 30, 2017 will be between €20.0 to €20.5 compared to €19.4 for the three months ended June 30, 2016, primarily driven by increases in prices and sales of multiplay services to our subscribers. The growth would have been higher without the acquisitions of Mkabl and Ikom, which had lower blended cable ARPU than United Group.

This financial data is based on preliminary management accounts and has not been audited, reviewed or verified by our independent auditors, and you should not place undue reliance on it. During the course of our financial statement completion and review process for the three months ended June 30, 2017, we could identify items that would require adjustments to be made and which could affect the final results of operations for the periods presented above.

### *The Acquisition of the Acquired Stations*

On July 9, 2017, Slovenia Broadband, a subsidiary of the Issuer, entered into a framework agreement (the “Acquisition Agreement”) with CME BV providing for the acquisition (the “Acquisition”) of all of the issued and outstanding share capital and capital stock of NOVA TV d.d. (“Nova Croatia”) and Produkcija Plus storitveno podjetje d.o.o. (“POP Slovenia”, which includes its subsidiaries POP TV d.o.o. and Kanal A d.o.o.; POP Slovenia together with Nova Croatia, being the “Acquired Stations”) for a total consideration of €230 million, subject to customary completion accounts adjustments. Depending on the timing of the satisfaction of the conditions precedent to closing (particularly the regulatory approval process), we expect to complete the transaction in the fourth quarter of this year. We will finance a portion of the consideration for the Acquisition with a portion of the proceeds from the issuance of the Notes. See “*Use of Proceeds.*”

### *Rationale and Benefits*

We believe that our acquisition of POP Slovenia and Nova Croatia will enhance our pay-TV channel portfolio by adding strong local content channels, including the flagship Pop TV channel in Slovenia, and a range of thematic channels in Slovenia and Croatia. The Acquisition will complement the Group’s production capabilities as well as facilitate creative ideas for new local productions that can be leveraged across United Group’s distribution platform. We expect that enhanced access to pay-TV channels as well as increased local productions will drive growth and further differentiate our distribution platform, while further strengthening our media platform, with further opportunities for add-on acquisitions which we believe will become imminently available in our other markets. We will acquire the leading television channels in Slovenia and Croatia, which have relatively stable macroeconomic fundamentals and favorable advertising growth performance and where television remains the most prominent advertising media. The Pop TV and Nova TV flagship channels are the most watched channels in Slovenia and Croatia, respectively, and we believe that Pop TV under its new business model (whereby it is no longer available free-to-air and has become a pay-TV channel) will have significant prospects for carriage fee growth.

Additionally, we are operating in a rapidly evolving environment where authority over content and direct control of production capabilities is key if we are to maintain our market position, and the Acquisition represents a continuation of our strategy of investment in content as a key long-term differentiator. The addition of wide-appeal, general entertainment channels in Slovenia and Croatia combined with local content production capabilities will enhance access for our subscribers to content that is popular and relevant for the region. We expect the complementary businesses to provide cross-promotion opportunities as well as cost synergies.

### *The POP Slovenia and Nova Croatia Businesses*

Pop TV in Slovenia and Nova TV in Croatia are full format, general entertainment flagship stations geared towards mainstream audiences. Pop TV and Nova TV each hold a strong audience market share. Their popularity leads advertisers to pay attractive pricing for advertising inventory on these channels, leading to an advertising revenue share even higher than audience share. The POP Slovenia portfolio includes five channels in Slovenia, as well as numerous internet portals and a video on demand offering. POP Slovenia’s portfolio includes a general entertainment channel (Pop TV, the flagship channel which



had historically been transmitted free-to-air), as well as specialized pay-TV channels comprising a male/sports channel, a general cinema channel, a comedy/romance channel and a kids channel. The Nova Croatia portfolio includes four channels, as well as numerous internet portals and video on demand systems. Nova Croatia's portfolio includes a general entertainment channel (Nova TV, the flagship channel), a thematic/series channel, a kids channel and an international channel. POP Slovenia and Nova Croatia possess strong in-house local production capabilities, including Dnevnik Nove TV, which is considered to be Croatia's primary news program. Furthermore, the Acquired Stations have digital/OTT capabilities with their subscription video on demand services, currently branded Voyo in Slovenia and Oyo in Croatia, and we believe Voyo is the largest subscription video on demand service in Slovenia.

In January 2017, POP Slovenia ceased broadcasting Pop TV over its free-to-air digital terrestrial television ("DTT") signal, offering its flagship channel only through pay-TV platforms alongside its existing lineup of thematic pay-TV channels. As a result, the financial profile of the business changed significantly, with pay-TV platform operators paying, for the first time, recurring carriage fees for the right to transmit the main Pop TV channel on their systems, in addition to the carriage fees they historically paid for the right to distribute of POP Slovenia's thematic pay-TV channels. The Slovenian market currently has approximately 75% penetration in terms of pay-TV, and we believe that when second homes are excluded, the penetration is substantially higher. Pop TV is focused on capitalizing on the switch from free-to-air DTT to pay-TV by attracting a greater portion of the households making the switch and thereby sustaining its audience market leadership compared to its competitors. This provides significant carriage revenues upside based on signed long-term carriage contracts with agreed pricing step-ups.

Revenues of the Acquired Stations for the twelve months ended March 31, 2017 were €102.4 million, of which €52.3 million is attributable to Slovenia and €50.1 million is attributable to Croatia. This was comprised of television advertising revenues of €88.4 million (of which €44.2 million is attributable to Slovenia and €44.2 million is attributable to Croatia), carriage fees and subscription revenues of €7.3 million (of which €4.8 million is attributable to Slovenia and €2.5 million is attributable to Croatia) and other revenues of €6.8 million (of which €3.4 million is attributable to Slovenia and €3.4 million is attributable to Croatia). For more information, see "*Summary Historical and Pro Forma Financial Data.*"

This offering memorandum contains certain forecasts and estimates, among others, relating to cost reductions and other benefits expected to result from the acquisition of the Acquired Stations as well as information with respect to costs to implement such acquisition. The estimates presented in this offering memorandum are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those presented in this offering memorandum.

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will deposit €200.0 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition. In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its

Fixed Rate Notes at a price equal to 100% of the aggregate issue price of such Fixed Rate Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory 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).

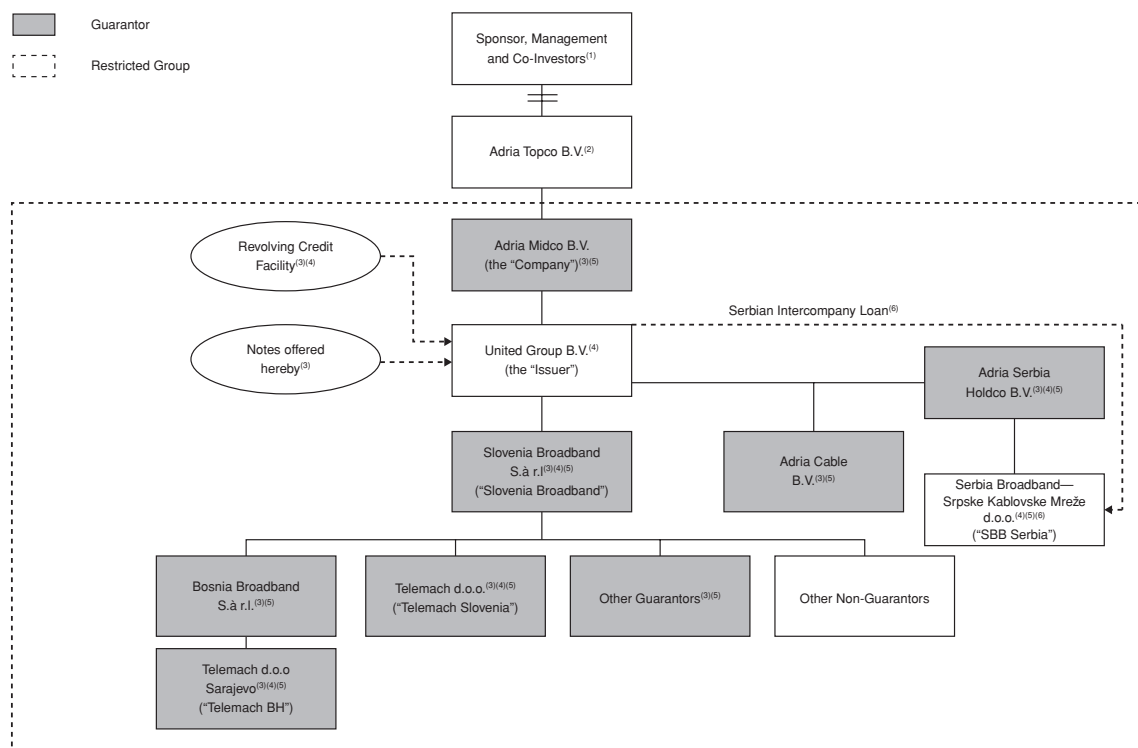
#### ***Other acquisitions***

We have agreed to acquire a cable operator ("Cable Target") in one of our core markets with approximately 14,000 subscribers for a purchase price of €10 million. The purchase price for this acquisition is subject to adjustment based on the terms of the acquisition agreement, including adjustments based on Cable Target's net debt at completion. The completion of the acquisition is subject to customary conditions, such as approval by the requisite regulatory agency.

We continually monitor acquisition opportunities that we believe would be value-accretive and would offer attractive synergies with our existing operations.

## SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes certain aspects of our corporate and financing structure, on an as adjusted basis after giving effect to the Refinancing Transactions and the use of proceeds therefrom. The chart does not include all entities of the Group, nor all of the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “*Capitalization*,” “*Description of the Notes*” and “*Description of Certain Indebtedness*.”



(1) See “*Principal Shareholders*.”

(2) Adria Topco B.V., the parent entity of the Company that will not be subject to the covenants governing the Notes, entered into a €175.0 million PIK Facility on July 3, 2014. See “*Description of Certain Indebtedness*.” As part of the Refinancing Transactions, the outstanding indebtedness under the Existing PIK Facility will be repaid in full, including accrued and unpaid interest, on or about the Issue Date, with a portion of the proceeds of the offering. As of March 31, 2017, the outstanding amount of indebtedness under the Existing PIK Facility was €222 million.

(3) The Notes will be senior secured obligations of the Issuer. Upon issuance, the Notes will be guaranteed on a senior basis by the Guarantors. Subject to agreed security principles, the Notes will, subject to certain exceptions, be secured by a first priority security interest in assets that also secure, on a super priority basis, the Revolving Credit Facility. The Revolving Credit Facility will be guaranteed by the Guarantors and will also be guaranteed by, and secured by certain assets of, certain of our subsidiaries located in Serbia. In the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Revolving Credit Facility, counterparties to certain hedging obligations and other indebtedness that is permitted to be secured on a super priority basis have been repaid in full. The validity and enforceability of the Notes Guarantees and the security and the liability of each Guarantor will be subject to significant limitations, as described in “*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests*.”

(4) On or around the Issue Date, the Issuer will enter into the Revolving Credit Facility, which will provide for borrowings of up to €100 million. See “*Description of Certain Indebtedness—Revolving Credit Facility Agreement*.”

(5) For the twelve months ended March 31, 2017, the Issuer and the Guarantors generated 46.2% of the Company’s revenue and 42.9% of the Company’s EBITDA. For the twelve months ended March 31, 2017, the Issuer and the Guarantors had a net loss of €14,225 thousand, compared to a net loss of €9,383 thousand for the Company. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries of the Company generated 53.8% of the Company’s revenue and 57.1% of the Company’s EBITDA. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries had a net profit of €4,842 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, the Issuer and the Guarantors represented 54.0% of the Company’s total assets (excluding goodwill) and the non-Guarantor subsidiaries of the Company represented 46.0% of the Company’s total assets (excluding goodwill). Our subsidiaries organized in Serbia, Macedonia, Croatia and Montenegro will not guarantee the obligations under the Notes. Telemach Tabor d.d. is 80% indirectly owned by Telemach Slovenia, while Telemach Rotovž d.d. is 93% directly owned by Telemach Slovenia. For more information, see “*Reconciliation of Certain Financial Data Presented Herein*.”

- (6) The Issuer is party to the Serbian Intercompany Loan, which was made with a portion of the proceeds from the issuance of the Original Notes and will continue to remain in place after the offering of the Notes and the use of proceeds therefrom. The Serbian Intercompany Loan will be subordinated in right of payment to the Notes and the Notes Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a first-priority security interest in respect of the receivable under the Serbian Intercompany Loan to secure the Notes and the Revolving Credit Facility Agreement. See “*Description of the Notes—Security.*” Under the Indenture, the Company will procure that SBB Serbia will not repay any of the principal amount under the Serbian Intercompany Loan, except to the extent that a corresponding reduction is made in the principal amount of the Notes, whether by redemption, repurchase, repayment, defeasance or otherwise. For the twelve months ended March 31, 2017, SBB Serbia generated 37.1% of the Company’s revenue and 48.8% of the Company’s EBITDA. For the twelve months ended March 31, 2017, SBB Serbia had a net profit of €5,230 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, SBB Serbia represented 33.1% of the Company’s total assets (excluding goodwill). See “*Reconciliation of Certain Financial Data Presented Herein*” and “*Description of the Notes—The Proceeds Loan.*”

## SUMMARY OFFERING TERMS

*The following summary of the offering of the Notes contains basic information about the Notes, the Notes Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. It may therefore not contain all the information that is important to you. For a more complete understanding of the Notes, the Notes Guarantees and the Collateral, including certain definitions of terms used in this summary, please refer to the sections of this offering memorandum entitled “Description of the Notes” and “Description of Certain Indebtedness.”*

<b>Issuer</b>	United Group B.V.
<b>Notes Offered</b>	€1,350 million aggregate principal amount of Senior Secured Notes, consisting of:  €           million aggregate principal amount of         % Senior Secured Notes due 2022 (the “2022 Fixed Rate Notes”);  €           million aggregate principal amount of         % Senior Secured Notes due 2024 (the “2024 Fixed Rate Notes” and, together with the 2022 Fixed Rate Notes, the “Fixed Rate Notes”); and  €           million aggregate principal amount of Floating Rate Senior Secured Notes due 2023 (the “Floating Rate Notes” and, together with the Fixed Rate Notes, the “Notes”).
<b>Maturity Date</b>	2022 Fixed Rate Notes:                      , 2022.  2024 Fixed Rate Notes:                      , 2024.  Floating Rate Notes:                          , 2023.
<b>Issue Date</b>	, 2017 (the “Issue Date”).
<b>Issue Price</b>	2022 Fixed Rate Notes:         %, plus accrued and unpaid interest from the Issue Date, if any.  2024 Fixed Rate Notes:         %, plus accrued and unpaid interest from the Issue Date, if any.  Floating Rate Notes:         %, plus accrued and unpaid interest from the Issue Date, if any.
<b>Interest Rate</b>	2022 Fixed Rate Notes:         % per annum.  2024 Fixed Rate Notes:         % per annum.  Floating Rate Notes: Three-month EURIBOR plus         %, as determined by the Calculation Agent.
<b>Interest Payment Dates</b>	Fixed Rate Notes: Semi-annually in arrears on                      and                      of each year, commencing                      , 2018.  Floating Rate Notes: Quarterly in arrears on                      ,                      ,                      and                      , commencing                      , 2017.
<b>Form and Denomination</b>	Global notes in denominations of €100,000 and integral multiples of €1,000 in excess of €100,000. Notes in denominations less than €100,000 will not be available.

**Ranking of the Notes** . . . . . The Notes will:

- be senior obligations of the Issuer, secured by the Collateral described below under “—*Security*” on a first priority basis (subject to certain exceptions) along with obligations under the Revolving Credit Facility Agreement (although any liabilities in respect of obligations under the Revolving Credit Facility Agreement will, and certain future hedging agreements and other indebtedness that is secured by the Collateral may, receive priority over the Notes with respect to any proceeds received upon any enforcement action over the Collateral);
- be senior in right of payment to any indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be unconditionally guaranteed on a senior secured basis by the Guarantors, subject to the guarantee limitations described herein;
- be effectively subordinated to any existing or future indebtedness of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the subsidiaries of the Issuer that are not Guarantors.

**Guarantees** . . . . . Upon issuance, the Notes will be guaranteed on a senior basis by the Guarantors (the “Notes Guarantees”). The validity and enforceability of the Notes Guarantees will be subject to significant limitations, as described in “*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests.*” The Guarantors will also guarantee the obligations under the Revolving Credit Facility; provided, however, that the Revolving Credit Facility will also benefit from guarantees from Serbian entities and from security interests over assets located in Serbia.

For the twelve months ended March 31, 2017, the Issuer and the Guarantors generated 46.2% of the Company’s revenue and 42.9% of the Company’s EBITDA. For the twelve months ended March 31, 2017, the Issuer and the Guarantors had a net loss of €14,225 thousand, compared to a net loss of €9,383 thousand for the Company. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries of the Company generated 53.8% of the Company’s revenue and 57.1% of the Company’s EBITDA. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries had a net profit of €4,842 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, the Issuer and the Guarantors represented 54.0% of the Company’s total assets (excluding goodwill) and the non-Guarantor subsidiaries of the Company represented 46.0% of the Company’s total assets (excluding goodwill). Our subsidiaries organized in Serbia, Macedonia, Croatia and Montenegro will not guarantee the obligations under the Notes.



**Ranking of the Guarantees . . . . .** Each of the Notes Guarantees will be a senior obligation of the respective Guarantor. Accordingly, each of the Notes Guarantees will:

- be the senior obligations of the relevant Guarantor, which will be secured by the Collateral described below under “—*Security*” on a first priority basis (subject to certain exceptions) along with obligations under the Revolving Credit Facility Agreement (although any liabilities in respect of obligations under the Revolving Credit Facility Agreement will, and certain future hedging agreements and other indebtedness that is secured by the Collateral may, receive priority over the Guarantees with respect to any proceeds received upon any enforcement action over the Collateral);
- be senior in right of payment to any indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to the Notes Guarantee;
- be effectively senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be effectively subordinated to any existing or future indebtedness of the relevant Guarantor that is secured by property and assets that do not secure the Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and
- be subject to limitations described herein.

The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to significant limitations, as described in “*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests.*” The Notes Guarantees will be subject to release under certain circumstances. See “*Description of the Notes—Guarantees.*”

**Security . . . . .** Pursuant to the Security Documents, the Issuer and the Guarantors have granted or will grant in favor of the Security Agents liens and security interests, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, over certain of their assets, as listed below:

On or about the Issue Date, the Issuer and certain of the Guarantors, as applicable, will grant security over:

- shares of the Issuer, Adria Serbia Holdco B.V., Adria Cable B.V., Adria Media B.V., Slovenia Broadband and Bosnia Broadband S.à r.l.;
- certain bank accounts of the Issuer, the Company, Adria Serbia Holdco B.V., Adria Cable B.V., Adria Media B.V., Slovenia Broadband and Bosnia Broadband S.à r.l.; and
- certain receivables owing to Adria Cable B.V., Slovenia Broadband and Bosnia Broadband S.à r.l. in respect of intercompany loans.

In addition, pursuant to Security Documents to be entered into within 120 days following the Issue Date, the Notes and the Guarantees are expected to be secured by the following assets, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens:

- shares of Telemach Slovenia, Telemach Rotovž d.d., Telemach Tabor d.d. and Telemach BH;
- shares of SBB Serbia owned by Adria Serbia Holdco B.V.;
- certain bank accounts of Telemach BH;
- bills of exchange and bills of exchange authorizations issued by Telemach Slovenia, Telemach Rotovž d.d. and Telemach Tabor d.d.;
- certain receivables owing to Telemach Slovenia in respect of intercompany loans; and
- certain receivables owing to the Issuer under the Serbian Intercompany Loan to SBB Serbia

(together, the “Collateral”).

Notwithstanding the foregoing, certain assets will not be pledged (or the liens not perfected), in accordance with the Agreed Security Principles as described under “*Description of the Notes—Security—The Collateral.*”

**Additional Amounts . . . . .**

All payments the Issuer makes with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by applicable law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes, subject to certain exceptions, the Issuer will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See “*Description of the Notes—Withholding Taxes.*”

**Optional Redemption of the 2022**

**Fixed Rate Notes . . . . .**

Prior to \_\_\_\_\_, the Issuer will be entitled at its option to redeem all or a portion of the 2022 Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the 2022 Fixed Rate Notes plus the applicable “make-whole” premium described in this offering memorandum and accrued and unpaid interest to the redemption date.

At any time prior to \_\_\_\_\_, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the 2022 Fixed Rate Notes, using the net proceeds from certain equity offerings at a redemption price equal to \_\_\_\_\_ % of the principal amount of the 2022 Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 50% of the original aggregate principal amount of the 2022 Fixed Rate Notes (not including any additional notes) remains outstanding after the redemption. See “*Description of the Notes—Optional Redemption.*”

In addition, prior to \_\_\_\_\_, the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2022 Fixed Rate Notes (calculated after giving effect to the issuance of any additional notes) at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest.

The Issuer may redeem all or part of the 2022 Fixed Rate Notes at any time on or after \_\_\_\_\_ at the redemption prices described under “*Description of the Notes—Optional Redemption*,” plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

#### **Optional Redemption of the 2024**

##### **Fixed Rate Notes . . . . .**

Prior to \_\_\_\_\_, the Issuer will be entitled at its option to redeem all or a portion of the 2024 Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the 2024 Fixed Rate Notes plus the applicable “make-whole” premium described in this offering memorandum and accrued and unpaid interest to the redemption date.

At any time prior to \_\_\_\_\_, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the 2024 Fixed Rate Notes, using the net proceeds from certain equity offerings at a redemption price equal to \_\_\_\_\_% of the principal amount of the 2024 Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 50% of the original aggregate principal amount of the 2024 Fixed Rate Notes (not including any additional notes) remains outstanding after the redemption. See “*Description of the Notes—Optional Redemption*.”

In addition, prior to \_\_\_\_\_, the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2024 Fixed Rate Notes (calculated after giving effect to the issuance of any additional notes) at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest.

The Issuer may redeem all or part of the 2024 Fixed Rate Notes at any time on or after \_\_\_\_\_ at the redemption prices described under “*Description of the Notes—Optional Redemption*,” plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

#### **Optional Redemption of the**

##### **Floating Rate Notes . . . . .**

Prior to \_\_\_\_\_, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Notes at a redemption price equal to 100% of the principal amount of the Floating Rate Notes plus the applicable “make-whole” premium described in this offering memorandum and accrued and unpaid interest to the redemption date.

The Issuer may redeem all or part of the Floating Rate Notes at any time on or after \_\_\_\_\_ at the redemption price described under “*Description of the Notes—Optional Redemption*” plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

## **Optional Redemption for Tax**

**Reasons** . . . . . In the event of certain developments affecting taxation, the Issuer may redeem the affected series of Notes, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See “*Description of the Notes—Redemption for Taxation Reasons.*”

**Special Mandatory Redemption** . . . Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will deposit €200.0 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition. In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million aggregate principal amount of its Fixed Rate Notes at a price equal to 100% of the aggregate issue price of such Fixed Rate Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory 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). See “*Description of the Notes—Acquisition Proceeds; Special Mandatory Redemption*” and “*Risk Factors—Risks Related to the Notes and the Notes Guarantors—In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its Fixed Rate Notes, which means that you may not obtain the return you expect on such Fixed Rate Notes.*”

**Change of Control** . . . . . If the Issuer experiences a change of control, the holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if a specified consolidated leverage ratio is not exceeded in connection with such event. See “*Description of the Notes—Change of Control.*”

**Certain Covenants** . . . . . The Indenture, among other things, will restrict the ability of the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preference stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the restricted subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

	Each of these covenants is subject to significant exceptions and qualifications. See “ <i>Description of the Notes—Certain Covenants.</i> ”
<b>Listing</b> . . . . .	Application will be made to the Authority for the listing of the Notes on the Official List of the Exchange. There can be no assurances that the Notes will be listed on the Official List of the Exchange.
<b>Transfer Restrictions</b> . . . . .	The Notes and the Notes Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See “ <i>Transfer Restrictions.</i> ” We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
<b>Absence of a Public Market for the Notes</b> . . . . .	The Notes will be new securities for which there will be no established trading market. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the Securities Act.
<b>Governing Law</b> . . . . .	The Indenture, the Notes and the Notes Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement will be governed by English law. The security documents will be (subject to certain exceptions) governed by the applicable law of the jurisdiction under which the security interests are granted.
<b>Trustee</b> . . . . .	U.S. Bank Trustees Limited.
<b>Principal Paying Agent and Transfer Agent</b> . . . . .	Elavon Financial Services DAC, UK Branch.
<b>Registrar</b> . . . . .	Elavon Financial Services DAC.
<b>Listing Sponsor</b> . . . . .	Carey Olsen Corporate Finance Limited.
<b>Security Agents</b> . . . . .	UniCredit Bank AG, London Branch, as English security agent and UniCredit Bank Serbia JSC Belgrade, as Serbian security agent.
<b>Calculation Agent for the Floating Rate Notes</b> . . . . .	Elavon Financial Services DAC, UK Branch.
<b>Risk Factors</b> . . . . .	Investing in the Notes involves substantial risks. Please see the “ <i>Risk Factors</i> ” section for a description of certain of the risks you should carefully consider before investing in the Notes.



## SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The Company, which is the direct parent company of the Issuer, was formed on October 10, 2013, and the Issuer acquired the business of Slovenia Broadband and its subsidiaries on March 6, 2014. For the two-month period prior to the acquisition of Slovenia Broadband in March 2014, or the predecessor period, we present financial data of Slovenia Broadband and its subsidiaries, and for the periods following this acquisition, or the successor periods, we present financial data of the Company and its subsidiaries. For the year ended December 31, 2014, during the first two months of which period we consolidated results at the level of Slovenia Broadband and during the remaining ten months of which period we consolidated results at the level of the Company, we have additionally presented the combined financial data of these two companies representing the arithmetical addition of their respective financial data for the two months ended February 28, 2014 and the twelve months ended December 31, 2014 (representing ten months of operating data), respectively. We believe that such a presentation that includes a combination of historical and combined income statement data will provide investors a meaningful basis for comparing periods of differing lengths and comprising different members of our group.

We also present below summary unaudited consolidated financial data for the Company and its subsidiaries as of and for the three months ended March 31, 2016 and 2017, which has been derived from the Company's unaudited condensed consolidated interim financial statements prepared in accordance with IAS 34 and are included elsewhere in this offering memorandum. We also present below summary audited consolidated financial data for the Company and its subsidiaries as of and for the years ended December 31, 2014, 2015 and 2016, which has been derived from the Company's audited consolidated financial statements prepared in accordance with IFRS and are included elsewhere in this offering memorandum. We also present below summary unaudited condensed consolidated interim financial data for Slovenia Broadband for the two months ended February 28, 2014, derived from its unaudited condensed consolidated interim financial statements for the two months ended February 28, 2014, prepared in accordance with IAS 34 and included elsewhere in this offering memorandum.

In addition, we present below summary unaudited combined financial data for the Company and its subsidiaries and Slovenia Broadband and its subsidiaries for the year ended December 31, 2014, which represents the arithmetical addition of the financial data of the Company for the year ended December 31, 2014 (which includes the financial results of Slovenia Broadband and its subsidiaries from March 1, 2014) and the financial data of Slovenia Broadband for the two months ended February 28, 2014. Combined financial data is not intended to present a complete set of financial statements as prepared under IFRS or any other generally accepted accounting standard.

We also present below summary unaudited financial data for the twelve months ended March 31, 2017, which has been derived mathematically by adding the financial data for the three months ended March 31, 2017 to the financial data for the year ended December 31, 2016 and subtracting the financial data for the three months ended March 31, 2016.

We also present certain summary financial data for our Telemach Slovenia, SBB Serbia, Telemach BH and Telemach MNE segments for the three months ended March 31, 2016 and 2017 and the years ended December 31, 2016, 2015 and 2014 (except that, with respect to Telemach MNE, we present no financial data for the year ended December 31, 2014), which has been derived from the Company's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2017 and 2016 prepared in accordance with IAS 34, the Company's audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014, in each case prepared in accordance with IFRS and as included elsewhere in this offering memorandum.

We also present summary unaudited financial data for the last two quarters ended March 31, 2017, which has been derived mathematically by adding (i) the financial data for the three months ended December 31, 2016 (as derived by subtracting the financial data for the nine months ended September 30, 2016 from the financial data for the year ended December 31, 2016) and (ii) the financial data for the three months ended March 31, 2017.

We also present summary unaudited financial data for the twelve months ended March 31, 2017, which has been derived mathematically by adding the financial data for the three months ended March 31, 2017 to the financial data for the year ended December 31, 2016 and subtracting the financial data for the three months ended March 31, 2016.

We also present certain non-IFRS measures below that we use to evaluate our operating and financial performance, including, among others, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted

EBITDA minus capital expenditure, Last Two Quarter EBITDA, Last Two Quarter Adjusted EBITDA, Last Two Quarter Annualized Adjusted EBITDA, Last Two Quarter Pro Forma Adjusted EBITDA, Last Two Quarter Annualized Pro Forma Adjusted EBITDA, capital expenditure, net debt, RGUs and ARPU. These measures are presented in this offering memorandum because we believe that they and similar measures are widely used in our industry as a means of evaluating a company's operating performance and financing structure. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to net income (loss), operating income or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies. Our management believes this data, along with comparable IFRS measures, is useful to investors because it provides a basis for measuring the operating performance in the periods presented. These measures are used in the internal management of our business, along with the most directly comparable IFRS financial measures, in evaluating the operating performance. Non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS as set forth in our financial statements. See "*Presentation of Financial Data*."

The unaudited Last Two Quarter Pro Forma Adjusted EBITDA and Last Two Quarter Annualized Pro Forma Adjusted EBITDA represents the Company's Last Two Quarter Adjusted EBITDA after giving pro forma effect to the acquisitions of (i) Fight Channel, (ii) the Acquired Stations, (iii) Ikom and (iv) Cable Target.

The unaudited as adjusted net debt and as adjusted cash interest expense presented below provides data on an "as adjusted" basis to give effect to the Refinancing Transactions and the application of the proceeds therefrom as described in "*Use of Proceeds*." The unaudited as adjusted financial data has been prepared for informational purposes only and does not purport to represent what our actual financial position or cash interest expense would have been had the Refinancing Transactions occurred on March 31, 2017, for the purposes of the calculation of net debt and October 1, 2016, for the purposes of the calculation of cash interest expense for the last two quarters ended March 31, 2017, nor does it purport to represent our cash interest expense or net debt at any future date.

Prospective investors should read the summary data presented below in conjunction with "Presentation of Financial Data," "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

## Income Statement Data

	Slovenia Broadband	The Company						
	Two months ended February 28, 2014	Year ended December 31, 2014 <sup>(1)</sup>	Combined 2014	Year ended December 31, 2015	2016	Three months ended March 31, 2016	2017	Twelve months ended March 31, 2017
	(in € thousands)			(in € thousands)				
<b>Revenue</b> . . . . .	<b>43,109</b>	<b>240,587</b>	<b>283,696</b>	<b>377,325</b>	<b>459,669</b>	<b>109,308</b>	<b>121,376</b>	<b>471,737</b>
Other income . . . . .	1,260	4,995	6,255	5,979	3,509	557	767	3,719
Content cost . . . . .	(8,534)	(48,320)	(56,854)	(60,017)	(65,567)	(15,493)	(18,645)	(68,719)
Satellite capacity cost . . . .	(1,219)	(6,090)	(7,309)	(7,561)	(7,118)	(2,055)	(1,576)	(6,639)
Link and interconnection cost . . . . .	(993)	(10,807)	(11,800)	(28,834)	(36,066)	(8,217)	(9,329)	(37,178)
Materials cost . . . . .	(1,191)	(5,601)	(6,792)	(10,416)	(44,693)	(9,619)	(8,136)	(43,210)
Staff cost . . . . .	(4,167)	(24,444)	(28,611)	(42,780)	(48,337)	(11,664)	(12,399)	(49,072)
Depreciation . . . . .	(8,987)	(41,677)	(50,664)	(65,792)	(77,061)	(17,626)	(20,572)	(80,007)
Amortization of intangible assets . . . . .	(3,831)	(23,669)	(27,500)	(41,272)	(49,648)	(11,460)	(13,457)	(51,645)
Other operating expenses . .	(7,842)	(83,345)	(91,187)	(92,317)	(94,507)	(19,207)	(22,203)	(97,503)
<b>Operating profit</b> . . . . .	<b>7,605</b>	<b>1,629</b>	<b>9,234</b>	<b>34,315</b>	<b>40,181</b>	<b>14,524</b>	<b>15,826</b>	<b>41,483</b>
Finance income . . . . .	902	5,790	6,692	147	8,547	383	433	8,597
Finance costs . . . . .	(6,199)	(78,144)	(84,343)	(59,864)	(66,718)	(23,673)	(18,768)	(61,813)
<b>Net finance costs</b> . . . . .	<b>(5,297)</b>	<b>(72,354)</b>	<b>(77,651)<sup>(2)</sup></b>	<b>(59,717)</b>	<b>(58,171)</b>	<b>(23,290)</b>	<b>(18,335)</b>	<b>(53,216)</b>
<b>Profit/(loss) before tax</b> . . .	<b>2,308</b>	<b>(70,725)</b>	<b>(68,417)</b>	<b>(25,402)</b>	<b>(17,990)</b>	<b>(8,766)</b>	<b>(2,509)</b>	<b>(11,733)</b>
Income tax credit/ (expense) . . . . .	(145)	388	243	(1,575)	1,546	(1,702)	(898)	2,350
<b>Profit/(loss) for the period</b>	<b>2,163</b>	<b>(70,337)</b>	<b>(68,174)</b>	<b>(26,977)</b>	<b>(16,444)</b>	<b>(10,468)</b>	<b>(3,407)</b>	<b>(9,383)</b>

(1) Includes the financial results of Slovenia Broadband and its subsidiaries from March 1, 2014.

(2) Includes payments of double interest in January and February 2014 in relation to our then-existing indebtedness as well as the Original Notes, as both were simultaneously outstanding pending completion of the Issuer's acquisition of Slovenia Broadband in March 2014. Our interest costs for the two months ended February 28, 2014 were €3,221 thousand.

## Historical Balance Sheet Data

	The Company		
	As of December 31, 2015	2016	As of March 31, 2017
	(in € thousands)		
Cash and cash equivalents . . . . .	15,126	13,941	65,925
Current assets . . . . .	126,058	131,491	189,030
Non-current assets . . . . .	1,243,569	1,297,439	1,301,701
<b>Total assets</b> . . . . .	<b>1,369,627</b>	<b>1,428,930</b>	<b>1,490,731</b>
Current liabilities . . . . .	145,969	132,136	153,237
Non-current liabilities . . . . .	739,130	859,968	905,842
<b>Total liabilities</b> . . . . .	<b>885,099</b>	<b>992,104</b>	<b>1,059,079</b>
Total equity . . . . .	484,528	436,826	431,652
<b>Total equity and liabilities</b> . . . . .	<b>1,369,627</b>	<b>1,428,930</b>	<b>1,490,731</b>

## Historical Cash Flow Data

	Slovenia Broadband	The Company				
	Two months ended February 28, 2014	Year ended December 31,			Three months ended March 31,	
		2014 <sup>(1)</sup>	2015	2016	2016	2017
	(in € thousands)	(in € thousands)				
Net cash flows from operating activities . . . . .	19,834	242 <sup>(2)</sup>	88,122	90,626	33,013	47,421
Net cash flows from (used in) investing activities . . . . .	(12,831)	(623,072) <sup>(3)</sup>	(220,069)	(190,145)	(30,492)	(38,305)
Net cash flows from (used in) financing activities . . . . .	(144)	168,762 <sup>(3)</sup>	130,891	98,347	1,047	42,871
Net increase (decrease) in cash and cash equivalents . . . . .	6,861	(454,068)	(1,056)	(1,172)	3,568	51,987

(1) Includes cash flow information of Adria Midco B.V. and its subsidiaries from March 1, 2014.

(2) Cash flows from operating activities for the year ended December 31, 2014 for the Company are not comparable to prior periods as they include the effects of one-off cash payments for costs and expenses of the Company of, among others, (i) €34 million incurred in connection with the acquisition of Slovenia Broadband and its subsidiaries by the Issuer on March 6, 2014, (ii) €8 million (net of refunds) in one-off tax payments and (iii) €3 million in interest payments in January and February 2014 in relation to then-existing indebtedness as well as the Original Notes, as both were simultaneously outstanding pending completion of the Issuer's acquisition of Slovenia Broadband in March 2014. In addition, we incurred certain other one-off cash costs in 2014 related to our refinancing and group restructuring.

(3) For the movements in cash flows provided by (used in) investing activities and cash flows provided by (used in) financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flow" and the cash flow statement for the Company for the year ended December 31, 2014, which is included elsewhere in this offering memorandum.

## Key Operating Measures

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2014	2015	2016	2016	2017
(in thousands, except as otherwise stated)					
<b>Key Operating Measures</b>					
<b>Homes passed<sup>(1)</sup></b> . . . . .	<b>1,436</b>	<b>1,495</b>	<b>1,571</b>	<b>1,499</b>	<b>1,582</b>
<b>Unique cable subscribers<sup>(2)</sup></b> . . . . .	<b>815</b>	<b>920</b>	<b>967</b>	<b>922</b>	<b>973</b>
<b>RGUs</b> . . . . .	<b>2,125</b>	<b>2,850</b>	<b>3,154</b>	<b>2,893</b>	<b>3,210</b>
Cable pay-TV <sup>(3)</sup> . . . . .	815	920	967	922	973
DTH pay-TV . . . . .	432	474	497	475	498
OTT <sup>(4)</sup> . . . . .	87	107	115	110	119
Broadband internet <sup>(5)</sup> . . . . .	468	558	626	566	637
Fixed-line telephony <sup>(6)</sup> . . . . .	250	343	431	364	453
Mobile <sup>(7)</sup> . . . . .	14	331	399	343	414
Other services <sup>(8)</sup> . . . . .	60	116	117	112	117
<b>RGU Penetration<sup>(9)</sup></b>					
Cable pay-TV . . . . .	56.8%	61.5%	61.8%	61.5%	61.5%
Broadband internet . . . . .	32.6%	37.3%	40.0%	37.7%	40.3%
Fixed-line telephony . . . . .	17.4%	23.0%	27.5%	24.3%	28.6%
<b>Blended Cable ARPU (in €)<sup>(10)</sup></b> . . . . .	<b>17.9</b>	<b>18.3</b>	<b>19.4</b>	<b>19.0</b>	<b>20.0</b>

(1) Homes passed represents all homes connected to our network directly and through third-party networks. We provide our services to subscribers directly over our network and over certain cable networks owned by third parties with whom we have entered into exclusive or non-exclusive agreements to provide our services over their networks.

(2) Unique cable subscribers represent the number of persons who subscribe for one or more of our services without regard to how many services the end user is subscribed.

- (3) Cable pay-TV RGUs includes (i) the sum of our analog and digital cable pay-TV RGUs in Slovenia and (ii) our total analog cable pay-TV RGUs (without separately counting analog cable RGUs that have purchased digital top-ups) in Serbia, Bosnia and Herzegovina and Montenegro.
- (4) OTT consists of our *NetTV* and *D3i* subscribers.
- (5) Broadband internet RGUs represents residential broadband internet provided via coaxial cable.
- (6) Fixed-line telephony RGUs represents residential fixed-line telephony provided via coaxial cable.
- (7) Mobile RGUs represents mobile telephony services provided to customers in Slovenia, where we have operated as an MNO since our acquisition of Tušmobil in April 2015. Prior to April 2015, we provided mobile services to our customers as an MVNO.
- (8) Other services include multichannel multipoint distribution service-based services, ADSL internet services and B2B.
- (9) RGU Penetration represents the number of RGUs at the end of the relevant period as a percentage of the number of homes passed by our network.
- (10) Blended Cable ARPU is calculated by adding together, for each month in a given period, the total cable pay-TV, broadband internet and fixed-line telephony revenues (including fixed-line telephony usage revenues and excluding minor installation fees) for that particular month divided by the average number of cable pay-TV RGUs for that month and then dividing that sum by the total number of months in the period. Blended Cable ARPU does not include mobile ARPU, which was €13.3 for the period from April 1, 2015 (when we acquired Tušmobil) to December 31, 2015, €12.0 for the year ended December 31, 2016, €13.5 for the three months ended March 31, 2016 and €10.8 for the three months ended March 31, 2017. We calculate mobile ARPU by adding together, for each month in a given period, the total mobile telephony revenues (excluding revenues generated by customers of other networks roaming on our network and excluding wholesale revenues) for that particular month divided by the average number of mobile RGUs for that month and then dividing that sum by the total number of months in the period.

#### Acquired Stations Financial and Other Data

	Slovenia				Croatia				Combined for Slovenia and Croatia
	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017	Twelve months ended March 31, 2017	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017	Twelve months ended March 31, 2017	Twelve months ended March 31, 2017
	(in € thousands)				(in € thousands)				
Television advertising <sup>(1)(2)</sup>	43,744	8,885	9,297	44,156	44,366	9,128	8,966	44,204	88,360
Carriage fees and subscriptions <sup>(1)(2)</sup> . . . . .	4,260	1,073	1,570	4,757	2,314	566	773	2,521	7,278
Other <sup>(1)(2)</sup> . . . . .	3,425	603	598	3,420	3,570	860	647	3,357	6,777
<b>Net revenues<sup>(1)(2)</sup> . . . . .</b>	<b>51,429</b>	<b>10,561</b>	<b>11,465</b>	<b>52,333</b>	<b>50,250</b>	<b>10,554</b>	<b>10,386</b>	<b>50,082</b>	<b>102,415</b>

(1) The information in this table has been derived from the Slovenia and Croatia segment data included in the public disclosures of CME which have been filed with the SEC. Such amounts are presented in U.S. GAAP. We have not performed a reconciliation of U.S. GAAP to IFRS to identify any adjustments necessary to make sure the information is comparable to our own financial statements.

(2) Amounts shown in euro have been converted from U.S. dollars at a rate of €1.1066 per \$1.00 for the year ended December 31, 2016, €1.1034 per \$1.00 for the three months ended March 31, 2016, €1.0656 per \$1.00 for the three months ended March 31, 2017 and €1.0974 per \$1.00 for the twelve months ended March 31, 2017, which were the average rates of exchange during such periods used by the Company for purposes of its own financial statements.



## Other Financial Data

	Slovenia Broadband	The Company					
	Two months ended February 28, 2014	Year ended December 31, 2014	Combined 2014	Year ended December 31, 2015	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017
	(in € thousands)			(in € thousands)			
Capital expenditure <sup>(1)</sup> . . . . .	15,000	72,159	87,159	149,894	142,751	29,165	35,445
							149,031

	Slovenia Broadband	The Company					
	Two months ended February 28, 2014	Year ended December 31, 2014	Combined 2014	Year ended December 31, 2015	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017
	(in € thousands)			(in € thousands)			
EBITDA <sup>(2)</sup> . . . . .	20,423	66,975	87,398	141,379	166,890	43,610	49,855
Adjusted EBITDA <sup>(3)</sup> . .	21,618	109,553	131,171 <sup>(i)</sup>	161,026	190,445	46,501	53,336
Adjusted EBITDA Margin <sup>(4)</sup> . . . . .	50.1%	45.5%	46.2%	42.7%	41.4%	42.5%	43.9%
Adjusted EBITDA minus capital expenditure <sup>(5)</sup> . . . . .	6,618	37,394	44,012	11,132	47,694	17,336	17,891
							48,249

(i) Combined 2014 Adjusted EBITDA as further adjusted for *N1* startup costs of €2,333 thousand is equal to €133,504 thousand.

## Certain Segment Financial Data

	Telemach Slovenia segment					
	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
	(in € thousands) <sup>(7)</sup>					
Revenue <sup>(6)</sup> . . . . .	82,436	144,265	189,778	46,078	45,756	189,456
Capital expenditure <sup>(1)</sup> . . . . .	22,166	51,882	44,595	7,897	10,224	46,922
EBITDA . . . . .	42,927	50,161	55,914	14,606	14,349	55,657
Adjusted EBITDA . . . . .	44,508	56,275	63,129	15,644	15,043	62,528
Adjusted EBITDA Margin <sup>(4)</sup> . . . . .	54.0%	39.0%	33.3%	34.0%	32.9%	33.0%

	SBB Serbia segment					
	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
	(in € thousands) <sup>(7)</sup>					
Revenue <sup>(6)</sup> . . . . .	141,421	140,697	158,725	37,306	43,021	164,440
Capital expenditure <sup>(1)</sup> . . . . .	38,620	58,300	51,329	9,786	16,272	57,815
EBITDA . . . . .	56,191	60,319	75,354	18,433	21,728	78,649
Adjusted EBITDA . . . . .	57,861	65,649	76,000	18,435	22,019	79,584
Adjusted EBITDA Margin <sup>(4)</sup> . . . . .	40.9%	46.7%	47.9%	49.4%	51.2%	48.4%

Telemach BH segment						
	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015	2016	2016	2017	2017
	(in € thousands) <sup>(7)</sup>					
Revenue <sup>(6)</sup>	22,416	41,596	54,481	12,555	14,766	56,692
Capital expenditure <sup>(1)</sup>	7,635	15,374	20,896	4,597	3,675	19,974
EBITDA	10,552	15,087	16,385	3,793	5,370	17,962
Adjusted EBITDA	11,511	17,320	19,055	4,265	5,694	20,484
Adjusted EBITDA Margin <sup>(4)</sup>	51.4%	41.6%	35.0%	34.0%	38.6%	36.1%

Telemach MNE segment						
	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2014	2015 <sup>(i)</sup>	2016	2016 <sup>(i)</sup>	2017	2017
	(in € thousands) <sup>(7)</sup>					
Revenue <sup>(6)</sup>	N/A	9,779	11,551	2,449	3,390	12,492
Capital expenditure <sup>(1)</sup>	N/A	4,416	3,418	993	533	2,958
EBITDA	N/A	1,638	2,717	583	903	3,037
Adjusted EBITDA	N/A	2,665	2,799	674	926	3,051
Adjusted EBITDA Margin <sup>(4)</sup>	N/A	27.3%	24.2%	27.5%	27.3%	24.4%

(i) The Telemach MNE segment data for the year ended December 31, 2015 and for the three months ended March 31, 2016 is provided in this table for comparison purposes with respect to the Telemach MNE segment only.

#### Certain EBITDA Metrics and As Adjusted Financial Data

The Company					
	Year ended December 31, 2016	Nine months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017	Last two quarters ended March 31, 2017
	(in € thousands)				
EBITDA <sup>(2)</sup>	166,890	132,323	34,567	49,855	84,422
Adjusted EBITDA <sup>(8)</sup>	190,445	140,914	49,531	53,336	102,867
Pro Forma Adjusted EBITDA <sup>(9)</sup>					128,697
As adjusted net debt <sup>(10)</sup>					1,344.5
As adjusted cash interest expense <sup>(11)</sup>					

		The Company
		As of and for the annualized last two quarters ended March 31, 2017
		(in € thousands, except ratios)
Last Two Quarter Annualized Adjusted EBITDA <sup>(12)</sup>		205,734
Last Two Quarter Annualized Pro Forma Adjusted EBITDA <sup>(13)</sup>		257,394
Ratio of as adjusted net debt to Last Two Quarter Annualized Pro Forma Adjusted EBITDA <sup>(10)(13)</sup>		5.2x
Ratio of Last Two Quarter Annualized Pro Forma Adjusted EBITDA to as adjusted cash interest expense <sup>(11)(13)</sup>		x

- (1) Capital expenditure represents additions to tangible and intangible assets, consisting primarily of set-top box purchases and other customer capital expenditure, installations (including capitalized labor costs), cable and mobile network build out, upgrades, maintenance and other investments, computer hardware and software and content rights.
- (2) EBITDA is a supplemental measure of financial performance that is not required by, or presented in accordance with IFRS. We define "EBITDA" as Profit/(Loss) for the period *plus* income tax (benefit)/expense, depreciation, amortization of intangible assets and net finance (income)/costs.

The following table provides a reconciliation of Profit/(Loss) to EBITDA for the periods presented:

	The Company				
	Year ended December 31, 2016	Nine months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017	Last two quarters ended March 31, 2017
	(in € thousands)				
Profit/(Loss) for the period . . . . .	(16,444)	(13,598)	(2,846)	(3,407)	(6,253)
Income tax (credit)/expense . . . . .	(1,546)	6,862	(8,408)	898	(7,510)
Depreciation . . . . .	77,061	54,296	22,765	20,572	43,337
Amortization of intangible assets . .	49,648	35,387	14,261	13,457	27,718
Net finance (income)/costs . . . . .	58,171	49,376	8,795	18,335	27,130
<b>EBITDA . . . . .</b>	<b>166,890</b>	<b>132,323</b>	<b>34,567</b>	<b>49,855</b>	<b>84,422</b>

The following table provides a reconciliation of Profit/(Loss) to EBITDA for the two months ended February 28, 2014 for Slovenia Broadband and for the year ended December 31, 2014, combined 2014, the years ended December 31, 2015 and 2016, the three months ended March 31, 2016 and 2017 and the twelve months ended March 31, 2017 for the Company.

	Slovenia Broadband	The Company						
	Two months ended February 28, 2014	Year ended December 31, 2014	Combined 2014	Year ended December 31, 2015	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017	Twelve months ended March 31, 2017
	(in € thousands)	(in € thousands)						
Profit/(Loss) for the period . . . . .	2,163	(70,337)	(68,174)	(26,977)	(16,444)	(10,468)	(3,407)	(9,383)
Income tax (benefit)/expense . . . . .	145	(388)	(243)	1,575	(1,546)	1,702	898	(2,350)
Depreciation . . . . .	8,987	41,677	50,664	65,792	77,061	17,626	20,572	80,007
Amortization of intangible assets . .	3,831	23,669	27,500	41,272	49,648	11,460	13,457	51,645
Net finance (income)/costs . . . . .	5,297	72,354	77,651	59,717	58,171	23,290	18,335	53,216
<b>EBITDA . . . . .</b>	<b>20,423</b>	<b>66,975</b>	<b>87,398</b>	<b>141,379</b>	<b>166,890</b>	<b>43,610</b>	<b>49,855</b>	<b>173,135</b>

EBITDA is not a measurement of performance or liquidity under IFRS and you should not consider EBITDA as an alternative to (a) net income (as determined in accordance with IFRS as a measure of our operating performance, (b) cash flow for the period as a measure of our ability to meet our cash needs, or (c) any other measure of performance or liquidity under IFRS. We present EBITDA and the ratios derived therefrom, because we believe that they are measures commonly used by investors and they are measures that we use in managing our business. EBITDA, as presented in this offering memorandum, however, may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. See “Presentation of Financial Data—Non-IFRS Financial and Operating Data.”

- (3) Adjusted EBITDA represents EBITDA, adjusted for shareholder-related costs, M&A-related costs, impairment charges, management-related costs, certain penalties and non-core operating expenses that we believe are not reflective of our ongoing operations. Management believes that excluding these components provides useful information to investors and others in evaluating the Company’s operating performance, financing structure and understanding the performance of our core business described below for each of the periods presented.

The following table provides a reconciliation of EBITDA to Adjusted EBITDA for the periods presented:

	The Company			
	Year ended December 31, 2016	Three months ended March 31,		Twelve months ended March 31, 2017
		2016	2017	
		(in € thousands)		
<b>EBITDA</b>	<b>166,890</b>	<b>43,610</b>	<b>49,855</b>	<b>173,135</b>
Shareholder-related costs	6,478	868	1,678	7,288 <sup>(a)</sup>
M&A-related costs	5,667	659	696	5,704 <sup>(b)</sup>
Post-acquisition impairments	853	(91)	974	1,918 <sup>(c)</sup>
Impairment losses on property, plant and equipment	166	12	106	260 <sup>(d)</sup>
Management-related costs	1,577	155	85	1,507 <sup>(e)</sup>
Penalties	1,834	124	94	1,804 <sup>(f)</sup>
Other	6,980	1,164	(152)	5,664 <sup>(g)</sup>
<b>Adjusted EBITDA</b>	<b>190,445</b>	<b>46,501</b>	<b>53,336</b>	<b>197,280</b>

- (a) Represents costs and expenses incurred in connection with the Advisory Services Agreement (as defined herein) and other items. For more information regarding the Advisory Services Agreement, see “*Related Party Transactions—Transaction Fee Agreement and Advisory Services Agreement.*”
- (b) Represents legal and financial due diligence expenses with respect to our acquisitions of M-Kabl, Maxtel, Ikom, Fight Channel and IDJ Digital Holding Limited and our acquisitions of other target companies during the periods presented.
- (c) Represents post-acquisition impairment of receivables from acquired companies not included in the acquisition purchase price adjustments.
- (d) Represents non-cash impairment of obsolete equipment.
- (e) Represents one-off performance bonus payments to members of management for completion of strategic group projects such as M&A, restructuring and IT implementation.
- (f) The amount represents a penalty paid by Telekom Slovenia resulting from the early termination of a contract.
- (g) The amount represents the impairment of assets related to a change in technology for the provision of mobile services in Slovenia (€956 thousand), an accounting adjustment reflecting the sale of subscriptions in relation to mobile phones in 2015 following the implementation of an accounting policy in 2016 which requires upfront recognition of revenue in such instances (which we previously recorded as a cost) (€906 thousand) and expenses related to 2015 recorded in 2016 (€1,932 thousand). The remainder of the amount represents non-cash charges due to the sale of fixed assets and inventories below book value and donation expenses.

The following table provides a reconciliation of EBITDA to Adjusted EBITDA for the year ended December 31, 2015:

	The Company
	Year ended December 31, 2015
	(in € thousands)
<b>EBITDA</b>	<b>141,379</b>
Shareholder-related costs <sup>(a)</sup>	1,806
Impairment charges <sup>(b)</sup>	5,132
M&A-related costs <sup>(c)</sup>	4,914
Management-related costs <sup>(d)</sup>	3,982
Group restructuring costs <sup>(e)</sup>	135
Professional fees <sup>(f)</sup>	1,098
Regulatory costs <sup>(g)</sup>	210
Other <sup>(h)</sup>	2,370
<b>Adjusted EBITDA</b>	<b>161,026</b>

- (a) Represents costs and expenses incurred in connection with the Advisory Services Agreement (as defined herein). See “*Related Party Transactions—Transaction Fee Agreement and Advisory Services Agreement.*”
- (b) Represents non-cash inventory and fixed asset impairment charges related to SBB Serbia’s, Telemach Slovenia’s and Telemach BH’s replacement of digital set top boxes as part of our upgrade of technological equipment and customer premise equipment. This add back also represents non-cash inventory and fixed asset impairment charges related to companies acquired during the periods presented for which we replaced digital set top boxes and other equipment as part of an upgrade to our technological equipment and customer premise equipment.
- (c) Represents legal and financial due diligence expenses with respect to our acquisition of Tušmobil, the Bosnian Acquisitions and our acquisitions of other target companies during 2015.

- (d) Represents one-off performance bonus payments to members of our management and severance expenses related to *NI* and the acquisition of *Tušmobil*.
- (e) Represents legal expenses incurred in connection with the corporate restructuring of the Group to integrate newly acquired subsidiaries during the year ended December 31, 2015, including expenses related to the employment of certain professional consultants for the restructuring.
- (f) Represents non core operating expenses net of a refund that we received from the Serbian tax authorities as an adjustment for an overpayment of taxes in 2014.
- (g) Represents delayed expenses related to reassessment of fees payable to the Serbian music authors' organization for collective protection of music copyright and related rights (SOKOJ) and non core regulatory expenses.
- (h) For 2015, represents our provision for the claims brought against SBB Serbia by SOKOJ relating to the alleged infringement by SBB Serbia of certain intellectual property rights of SOKOJ.

The following table provides a reconciliation of EBITDA to Adjusted EBITDA for combined 2014:

	<b>The Company Combined 2014 (in € thousands)</b>
<b>EBITDA</b> . . . . .	<b>87,398</b>
March 2014 acquisition-related costs <sup>(a)</sup> . . . . .	33,297
Impairment charges <sup>(b)</sup> . . . . .	3,043
Other acquisition related costs <sup>(c)</sup> . . . . .	1,568
Group restructuring costs <sup>(d)</sup> . . . . .	866
Advisory fees <sup>(e)</sup> . . . . .	1,606
Other <sup>(f)</sup> . . . . .	3,393
N1 start-up costs <sup>(g)</sup> . . . . .	2,333
<b>Adjusted EBITDA</b> . . . . .	<b>133,504</b>

- (a) Represents costs and expenses incurred in connection with Slovenia Broadband's acquisition in March 2014, including transaction, financing and advisory costs and capitalized arrangement fees relating to a refinancing of Slovenia Broadband completed in December 2012, and which were subsequently expensed at the time of our acquisition in March 2014.
- (b) Represents non-cash inventory and fixed asset impairment charges related to SBB Serbia's, Telemach Slovenia's and Telemach BH's replacement of digital set-top boxes as part of our upgrade of technological equipment and customer premise equipment.
- (c) Represents one-off expenses related to legal and financial due diligence fees with respect to our acquisitions of *Orlando Kids*, *Grand Production* and Broadband Montenegro.
- (d) Represents legal costs incurred in connection with the corporate restructuring of the Group to integrate newly acquired subsidiaries, including the merger of certain subsidiaries into SBB Serbia, and costs related to the employment of certain professional consultants for the restructuring.
- (e) Represents costs and expenses incurred in connection with the Advisory Services Agreement (as defined herein). See "Related Party Transactions—Transaction Fee Agreement and Advisory Services Agreement."
- (f) Represents non-core operating costs such as voluntary donations to certain organizations in Serbia and Bosnia and Herzegovina, as well as the refund that we received from the Serbian tax authorities as an adjustment for an overpayment of certain taxes that we paid in arrears in 2014, which we recorded under "other income" in our income statement for the year ended December 31, 2014.
- (g) Represents costs associated with the start-up of *N1*, a 24/7 regional news channel, for the period prior to its launch in October 2014 and operating expenses following its launch for the remainder of the year ended December 31, 2014.

The EBITDA adjustments presented herein are for informational purposes only and do not purport to present what our results of operations and financial condition would have been, nor do they purport to project the results of operations for any future period or financial condition at any future date.

- (4) Adjusted EBITDA Margin represents Adjusted EBITDA *divided by* revenue.
- (5) Represents our Adjusted EBITDA less capital expenditure for the periods presented.
- (6) Segment revenue excludes intercompany revenues. For the years ended December 31, 2015 and 2014, we report our DTH business within the SBB Serbia segment. Effective January 1, 2016, we reclassified our DTH business and now report those results primarily within the geographical segment in which they are generated. Accordingly, for the year ended December 31, 2016 and for the three months ended March 31, 2017 and 2016, our DTH business in Slovenia is reported within the Telemach Slovenia segment and our DTH business in Bosnia and Herzegovina is reported within the Telemach BH segment. Our DTH business in Montenegro is reported within the Telemach MNE segment following the creation of the Telemach MNE segment in 2016, but the Telemach MNE segment data for the year ended December 31, 2015 and for the three months ended March 31, 2016 is provided in this section of the offering memorandum for comparison purposes with respect to the Telemach MNE



segment only. We continue to present the results of our other DTH business in Croatia and Macedonia within the SBB Serbia segment.

- (7) Amounts shown in euro have been converted from Serbian dinar at a rate of RSD 117.2478 per €1.00 for the year ended December 31, 2014, which was the average rate during that period, converted from Serbian dinar at a rate of RSD 120.7447 per €1.00 for the year ended December 31, 2015, which was the average rate during that period, converted from Serbian dinar at a rate of RSD 123.1015 per €1.00 for the year ended December 31, 2016, which was the average rate during that period, converted from Serbian dinar at a rate of RSD 122.8697 per €1.00 for the three months ended March 31, 2016, which was the average rate during that period, converted from Serbian dinar at a rate of RSD 123.8690 per €1.00 for the three months ended March 31, 2017, which was the average rate during that period and converted from Serbian dinar at a rate of RSD 123.3590 per €1.00 for the twelve months ended March 31, 2017, which was the average rate during that period. Amounts shown in euro have been converted from Bosnian mark at a rate equal to BAM 1.9558 per €1.00. The Bosnian mark is pegged to the euro.
- (8) Adjusted EBITDA represents EBITDA for the periods presented, as adjusted for certain additional items identified in the table below:

	The Company				
	Year ended December 31, 2016	Nine months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017	Last two quarters ended March 31, 2017
	(in € thousands)				
<b>EBITDA</b> . . . . .	<b>166,890</b>	<b>132,323</b>	<b>34,567</b>	<b>49,855</b>	<b>84,422</b>
Shareholder-related costs . . . . .	6,478	3,229	3,249	1,678	4,927 <sup>(a)</sup>
M&A-related costs . . . . .	5,667	2,852	2,815	696	3,511 <sup>(b)</sup>
Post-acquisition impairments . . . . .	853	315	538	974	1,512 <sup>(c)</sup>
Impairment losses on property, plant and equipment . . . . .	166	144	22	106	128 <sup>(d)</sup>
Management-related costs . . . . .	1,577	1,608	(31)	85	54 <sup>(e)</sup>
Penalties . . . . .	1,834	1,416	418	94	512 <sup>(f)</sup>
Satellite income . . . . .	—	(1,250)	1,250	—	1,250 <sup>(g)</sup>
Programming cost . . . . .	—	(1,050)	1,050	—	1,050 <sup>(h)</sup>
Other . . . . .	6,980	1,327	5,653	(152)	5,501 <sup>(i)</sup>
<b>Adjusted EBITDA</b> . . . . .	<b>190,445</b>	<b>140,914</b>	<b>49,531</b>	<b>53,336</b>	<b>102,867</b>

- (a) Represents costs and expenses incurred in connection with the Advisory Services Agreement (as defined herein) and other items. For more information regarding the Advisory Services Agreement, see “*Related Party Transactions—Transaction Fee Agreement and Advisory Services Agreement*.”
- (b) Represents legal and financial due diligence expenses with respect to our acquisitions of M-Kabl, Maxtel, Ikom, Fight Channel and IDJ Digital Holding Limited and our acquisitions of other target companies during the last two quarters.
- (c) Represents post-acquisition impairment of receivables from acquired companies not included in the acquisition purchase price adjustments.
- (d) Represents non-cash impairment of obsolete equipment.
- (e) Represents one-off performance bonus payments to members of management for completion of strategic group projects, for M&A, restructuring and IT implementation.
- (f) Represents penalty paid by Telekom Slovenia resulting from the early termination of a contract.
- (g) Represents an adjustment to income from leased satellite capacity, which capacity was received during the third quarter of 2016 but which was partly recognized on our income statement in the fourth quarter of 2016.
- (h) Represents an adjustment to direct expense programming rights which commenced in the third quarter of 2016 but which expense was not recognized until the contract was signed with the relevant sports league in the fourth quarter of 2016.
- (i) Represents the impairment of assets related to a change in technology for the provision of mobile services in Slovenia (€956 thousand), an accounting adjustment reflecting the sale of subscriptions in relation to mobile phones in 2015 following the implementation of an accounting policy in 2016 which requires upfront recognition of revenue in such instances (which we previously recorded as a cost) (€906 thousand) and expenses related to 2015 recorded in 2016 (€1,932 thousand). The remainder of the amount represents non-cash charges due to the sale of fixed assets and inventories below book value and donation expenses.

The EBITDA adjustments presented herein are for informational purposes only and do not purport to present what our results of operations and financial condition would have been, nor do they purport to project the results of operations for any future period or financial condition at any future date.

- (9) Last Two Quarter Pro Forma Adjusted EBITDA represents our Last Two Quarter Adjusted EBITDA after giving pro forma effect to the acquisitions of (i) Fight Channel, (ii) the Acquired Stations, (iii) Ikom and (iv) Cable Target as if these acquisitions had occurred on October 1, 2016, in order to reflect the estimated impact of the operations of Fight Channel, the Acquired Stations, Ikom and Cable Target for the last two quarters ended March 31, 2017.

The pro forma EBITDA adjustments presented herein are for informational purposes only and do not purport to present what our results of operations and financial condition would have been, nor do they purport to project the results of operations for any future period or financial condition at any future date. The assumptions underlying the EBITDA adjustments are based on our current estimates, and they involve risks, uncertainties and other factors that may cause actual results, performance or achievement to be materially different from any anticipated future results, performance or achievements expressed or implied by such pro forma adjusted financial data. See “Risk Factors—Risks Relating to Our Business and Industry—We may not realize any or all of the adjustments to Last Two Quarter Pro Forma Adjusted EBITDA included in this offering memorandum.”

The following table provides a reconciliation of our Last Two Quarter Adjusted EBITDA to Last Two Quarter Pro Forma Adjusted EBITDA:

	Last two quarters ended March 31, 2017 (in € thousands)
<b>Last Two Quarter Adjusted EBITDA</b> . . . . .	<b>102,867</b>
Fight Channel estimated last two quarter EBITDA <sup>(a)</sup> . . . . .	601
Acquired Stations estimated last two quarter EBITDA <sup>(b)</sup> . . . . .	8,271
Acquired Stations estimated synergies and other adjustments . . . . .	12,517
of which, accounting adjustments <sup>(c)</sup> . . . . .	4,250
of which, impact of additional carriage fees <sup>(d)</sup> . . . . .	7,092
of which, estimated cost synergies on a pro forma basis <sup>(e)</sup> . . . . .	1,175
Ikom estimated last two quarter EBITDA <sup>(f)</sup> . . . . .	3,039
Ikom acquisition estimated synergies on a pro forma basis <sup>(g)</sup> . . . . .	440
Cable Target estimated last two quarter EBITDA <sup>(h)</sup> . . . . .	659
Cable Target acquisition estimated synergies on a pro forma basis <sup>(i)</sup> . . . . .	303
<b>Last Two Quarter Pro Forma Adjusted EBITDA</b> . . . . .	<b>128,697</b>

- (a) Represents the estimated EBITDA of Fight Channel for the last two quarters ended March 31, 2017, which we have calculated based on Fight Channel’s actual EBITDA for the three months ended March 31, 2017 and an amount calculated for the three months ended December 31, 2016 based on dividing the full year 2016 amount by four, in each case derived from its management accounts for those periods. Fight Channel’s management accounts have not been audited, reviewed or verified by our or their independent auditors. For a description of our recent acquisitions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Acquisition History.”
- (b) Represents the estimated EBITDA of the Acquired Stations for the last two quarters ended March 31, 2017, which we have calculated based on the actual EBITDA (defined as OIBDA by CME) of CME’s Slovenia and Croatia operating segments for the last two quarters ended March 31, 2017 derived from CME’s public disclosures which have been filed with the SEC. We have converted the applicable U.S. dollar amounts to euros at the average rate of exchange for the applicable period used by the Company for purposes of its own financial statements. CME’s public disclosures have not been audited, reviewed or verified by our independent auditors. For a description of our recent acquisitions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Acquisition History.”
- (c) Represents two quarters of the annualized aggregate costs of local fiction television programs that we would expect to capitalize in accordance with our accounting policies following the acquisition of the Acquired Stations, which have historically been expensed by CME for purposes of their financial reporting based on U.S. GAAP.
- (d) Represents an estimate of the increase in carriage fees we would expect the Acquired Stations to earn based on our business plan once such fees have been fully phased in by 2019, less the increase in carriage fees we expect our group companies to pay to the Acquired Stations once such fees have been fully phased in.
- (e) Represents two quarters of the annualized aggregate synergies savings that we expect to realize within twelve months from April 1, 2017, resulting from our acquisition of the Acquired Stations, which primarily consist of cost savings related to news production in Croatia, savings in overhead costs and multiplex costs that are no longer needed following Pop TV’s switch off of its free-to-air signal once it became available only through pay-TV platforms and other expected cost savings.
- (f) Represents the estimated EBITDA of Ikom for the last two quarters ended March 31, 2017, which we have calculated based on Ikom’s actual EBITDA for the year ended December 31, 2016 derived from its financial statements for that period, as adjusted for (i) differences in accounting treatment of certain items, such as capitalization of certain fixed assets that were treated as operating expenses by Ikom and capitalization of salaries of certain technical staff, (ii) headcount reductions and associated costs, (iii) increased prices for basic services and packages offered to Ikom subscribers which became effective January 1, 2017, and (iv) termination of a contract with a key partner of Ikom whose services are no longer required, with such as-adjusted amount divided by two. For a description of our recent acquisitions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Acquisition History.”
- (g) Represents two quarters of the annualized aggregate synergies savings that we expect to realize within twelve months from April 1, 2017, resulting from our acquisition of Ikom, which primarily consist of certain cost synergies, including salary reductions, cancellation of rents, reduced advertising costs and reduced costs for programming contracts, but does

not include annualization of planned future price increases, including the run rate effect of planned future increased prices for basic services and packages to bring prices in line with SBB Serbia's prices.

- (h) Represents the estimated EBITDA of Cable Target for the last two quarters ended March 31, 2017, which we have calculated based on Cable Target's actual EBITDA for the year ended December 31, 2016 derived from its audited financial statements for that period, as adjusted for differences in accounting treatment of certain items in line with our accounting policies, with such as-adjusted amount divided by two. For a description of our recent acquisitions, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Acquisition History.*"
  - (i) Represents two quarters of the annualized aggregate synergies savings that we expect to realize within twelve months from completion of the acquisition (which is expected to take place in October 2017), resulting from our acquisition of Cable Target, which primarily consist of certain headcount reductions, termination of legal and consulting services that will not be required following the acquisition, redirection of Cable Target's fixed-telephony service (which is currently provided by other operators) to our fixed-telephony network, reduced advertising costs and other reductions in operating expenses.
- (10) As adjusted net debt comprises, as of March 31, 2017, the sum of the aggregate principal amount of the Notes offered hereby, finance leases and certain other indebtedness *less* €25.9 million estimated amount of cash and cash equivalents that would have been available for general corporate purposes on March 31, 2017 had the Refinancing Transactions been completed on that date.
  - (11) As adjusted cash interest expense represents interest expense to account for the Refinancing Transactions *plus* commitment fees on the undrawn portion of the Revolving Credit Facility *plus* interest expense on certain other of our indebtedness.
  - (12) Last Two Quarter Annualized Adjusted EBITDA is calculated by multiplying the Last Two Quarter Adjusted EBITDA by two.
  - (13) Last Two Quarter Annualized Pro Forma Adjusted EBITDA is calculated by multiplying the Last Two Quarter Pro Forma Adjusted EBITDA by two.

## RISK FACTORS

You should carefully consider the risks described below as well as the other information contained in this offering memorandum before making an investment decision. Any of the following risks may have a material adverse effect on our business, results of operations, financial condition and cash flows, and as a result you may lose all or part of your original investment. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, results of operations, financial condition and cash flows.

### Risks Relating to Our Business and Industry

*The cable television, broadband internet, DTH and telephony markets in the regions in which we operate are highly competitive.*

We face significant competition in each of our product and service segments and may face competition from new entrants in the future. The nature and level of the competition we face varies for each of the products and services we offer and by region, but we generally compete on the basis of quality of content, network quality, marketing, product and service portfolio specifications, customer care, sales and marketing services as well as price. Our competitors include, but are not limited to, television providers, including providers using alternative and emerging digital technologies such as Internet Protocol Television (“IPTV”) and OTT content owners, DTH-TV providers, broadband internet and telephony services providers using DSL, PSTN or fiber connections, and, in Slovenia, other MNOs, including those using LTE technology. In addition, continued consolidation within the media industry may allow more competitors to offer bundles of digital television, fixed-line telephony, mobile telephony and broadband services, and consolidation by competitors could allow them to benefit from economies of scale that we do not benefit from. As a result, we may compete against companies with easier access to financing, more comprehensive product offerings, greater personnel resources, greater brand name recognition and experience or longer-established relationships with regulatory authorities and customers, resulting in fewer regulatory burdens with which they are required to comply.

Communications technologies and consumer electronics, as well as the way information, communication and entertainment is offered, are constantly changing, and the impact of such changes can be difficult to predict. Current and future competitors may expand their product and service offering more rapidly or adapt to new or emerging technologies more quickly than us (for example Telecom Serbia in Serbia and MTEL in Montenegro have quickly upgraded their GPON platforms), or may offer their products and services at a lower price than ours, for example where our services are priced at the high end of the market, which could cause us to lose subscribers, force us to lower our prices or otherwise adversely affect the margin of profit we are able to achieve from our services. In particular, we face the following risks in relation to each of our product offerings:

#### *Television*

While competition between cable pay-TV providers in Serbia and Bosnia and Herzegovina is currently low due to minimal cable overbuild, we face competition in the Serbian television market from other methods of television services distribution, such as DTH and IPTV over DSL. Our main pay-TV competitors in Serbia, other than the incumbent, Telekom Srbija, a DSL broadband internet provider, are DigiSat, a Romanian DTH platform that entered the Serbian pay-TV market in 2006, and Polaris Media, a Serbian DTH platform. Our main pay-TV competitor in Bosnia and Herzegovina is the incumbent in the ethnic region in which we operate, BH Telecom. Competition in the pay-TV market in Slovenia is strong, and there is extensive competition for the provision of Fiber-to-the-Home (“FttH”) services between Telekom Slovenije and T2, especially in metropolitan areas. Our main competitors in the Slovenian pay-TV market are Telekom Slovenije, T2 and A1 (formerly Si.Mobil) after it acquired Amis (the fourth triple-play provider). Competition in Montenegro is strong, and the primary competitors are Crnogorski Telekom (IPTV and Fiber-to-the-x (“FTTx”)) and M:TEL (FTTx and HFC). Both operators have a very large market share and a large number of users.

Additionally, we may be facing increased competition from non-traditional television services based on new internet technologies, including OTT television services, in the future. OTT television services deliver pay-TV content “on top” of an existing broadband internet connection directly to a television, PC, laptop, tablet or mobile devices. OTT service providers leverage existing infrastructures and are often not required to implement capital-intensive models associated with traditional data providers like us. While

internet television services, including OTT services, have historically not presented serious competition due to limited available content as well as the lack of sufficiently fast internet connections, we cannot rule out that increased availability of OTT content as well as advances in broadband internet connection speeds will lead to increased competition from internet service providers in the future.

### *Broadband Internet*

Although there is currently a small amount of overlap with other cable internet providers or with FttH operators, in both Serbia (mainly in the Belgrade region) and Bosnia and Herzegovina, we face strong competition in these markets from other broadband internet services, such as ADSL and VDSL broadband connections. Our main competitors for broadband internet services are Telekom Srbija in Serbia and BH Telecom and Telecom RS in Bosnia and Herzegovina. Continued upgrades to the quality of DSL-based broadband internet service to VDSL and potentially even faster DSL-based variants and the possibility of widespread FttH installations would have a negative impact on our competitive position in the broadband internet market.

Due to extensive overbuild and high levels of broadband internet penetration in Slovenia, we face significant competition in the broadband internet market segment from fiber broadband internet providers such as Telekom Slovenije, T2 and A1. Additionally, we compete against Telekom Slovenije's xDSL and VDSL services. Additionally, Telekom Slovenije offered DSL internet services to nearly all homes in our cable footprint. Moreover, mobile operators are increasingly able to utilize a combination of powerful handsets and high bandwidth technologies such as LTE and UMTS technologies. Additional competition may come from satellite technologies and operators that use WiMax technologies. In the Montenegrin broadband internet market, Crnogorski Telekom utilizes FTTx, ADSL and VDSL broadband, and M:TEL currently utilizes HFC, which will soon replace the FTTx on its network.

### *Fixed-Line Telephony*

In the liberalized Serbian and Bosnian telephony markets, we compete with the respective state-owned former monopolies, Telekom Srbija in Serbia and BH Telecom and Telecom RS in Bosnia, who dominate the fixed-line PSTN telephone market. We believe that the Slovenian telephony market is relatively mature and market share changes are mainly driven by the combination of the price and quality of the services provided by bundled offerings. Our main competitors in Slovenia are Telekom Slovenije, T2, and A1, and our main competitor in Montenegro is the incumbent operator Crnogorski Telekom.

Further, we operate in an industry that is affected by fixed-line to mobile telephony substitution, and as a result there may be decreased demand for our fixed-line telephony services. We may be affected in each of the markets in which we operate by providers of free VoIP services such as Skype or Google talk which have considerably improved their speech quality over the last few years and can be accessed from any device connected to the internet, including smartphones.

### *Mobile Telephony*

Following our acquisition of Tušmobil in April 2015, we began providing mobile telephony services in Slovenia as an MNO. Accordingly, we face strong competition for subscribers from established competitors, including Telekom Slovenije and A1, in particular, as well as other mobile telecommunications that may enter the Slovenian mobile market (such as Hofer Telekom, which recently entered the Slovenian mobile market). To the extent we were to lose market share to any competitors, our revenues may decline. If we fail to increase our market share in line with our expectations, we will be less profitable, which will adversely affect our business, financial condition and results of operations. Additionally, our competitors may improve their ability to attract new subscribers, or provide their offerings or services at lower prices to increase their respective market shares, which would make it more difficult for us to retain our current subscribers or expand our subscriber base without us lowering our prices or increasing our subscriber retention cost. In order to compete, we may have to lower prices, which may cause our margins to reduce and/or increase our marketing and promotional expenses, each of which may cause our revenues and/or operating profit to decline significantly.

### *Bundled Offerings*

Customers of video and telecommunications services are increasingly expecting service providers to offer high-quality bundles of television, broadband internet and telephony services. Many of our competitors, including Telekom Slovenije in Slovenia, Telekom Srbija in Serbia, Telecom RS, HT Eronet



and BH Telecom in Bosnia and Herzegovina and Crnogorski Telekom and M:TEL in Montenegro, offer bundled packages of services. Several of these bundles include mobile phone services, which we only offer in Slovenia. If our bundled products are not able to compete effectively in the markets in which we operate, our business, financial condition and results of operations could be materially adversely affected.

Increased competition, or our inability to provide cable and DTH pay-TV, broadband internet and telephony services at competitive prices, may have a material adverse effect on our business, results of operations, and financial condition.

***Difficult economic conditions may reduce subscriber spending for our pay television, broadband internet, and fixed-line and mobile telephony services and reduce our rate of growth of subscriber additions.***

Our ability to grow or maintain our business may be adversely affected by weakening global or domestic economic conditions, wavering consumer confidence and unemployment as well as the impact of state-implemented austerity measures. For example, in 2014, the Serbian government implemented austerity measures, including increased rates of taxation and a reduction in public sector wages, which could have an impact on our customers' disposable income. As customers may view spending for most of our services, such as pay-TV, as discretionary, the risks associated with certain segments of our business become more acute in periods of a slowing economy or recession as consumers may delay purchasing decisions or reduce or reallocate their discretionary funds. Current customers may elect to downgrade their packages or move to other less costly providers, and new customers may opt to take out our lower-end broadband and pay-TV packages rather than more expensive ones or may opt to become customers of less costly competitors, or not to subscribe to pay-TV services at all.

We are also exposed to risks associated with the potential financial instability of our customers, many of whom may be adversely affected by a general economic downturn. This may lead to a higher number of non-paying subscribers. Suppliers and distributors may also be more cautious in supplying goods to us and may request additional credit enhancements or more restrictive payment terms. While the impact of an economic slowdown on our business is difficult to predict, it could have a material adverse effect on our revenues and our cash flow.

***The acquisition of the Acquired Stations from CME BV is subject to uncertainties and risks.***

On July 9, 2017, Slovenia Broadband, a subsidiary of the Issuer, entered into the Acquisition Agreement with CME BV providing for the acquisition of all of the issued and outstanding share capital and capital stock of Nova Croatia and POP Slovenia. The closing of this acquisition is subject to certain conditions and risks, including the following:

- The acquisition is subject to the approval of merger control authorities in Slovenia, Croatia, Serbia, Montenegro, Macedonia, Austria and Cyprus. These merger control authorities may prohibit the acquisition or require remedies that may make the acquisition less attractive or impossible to implement.
- The acquisition has required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business.
- The Acquired Stations are subject to ongoing litigation and investigations, which if decided against them may have an adverse effect on their business. Specifically, the Slovenian competition authority has opened an investigation of POP Slovenia in connection with its alleged abuse of its market dominant position when concluding carriage agreements in connection with its decision to cease free-to-air DTT transmissions of its channels and switch to exclusive pay-TV distribution of all of its channels. There has been no determination by the Slovenian competition authority that a breach of competition law has occurred. In the event there is such a determination, potential remedies may include the requirement to offer each of POP Slovenia's channels to distributors on an *à la carte* basis, a requirement to offer its channels to different distributors on economically equal terms, as well as fines. The imposition of one or more of these remedies on POP Slovenia could have a material adverse effect on its business and results of operations. Our Acquisition Agreement with CME BV does not permit us to terminate the acquisition or adjust the price, or otherwise provide us an indemnity, should this risk materialize.
- Prior to the consummation of the acquisition, none of the companies to be acquired will be subject to the covenants described in "Description of the Notes." As such, we cannot assure you

that, prior to such consummation, the companies to be acquired will not take an action that would have been prohibited by these covenants had they been applicable.

- In connection with the acquisition, CME BV has given certain customary representations and warranties related to the Acquired Stations. There can be no assurance that we will be able to enforce any claims relating to breaches of such representations and warranties, and CME BV's liability with respect to breaches of their representations and warranties is limited.
- Certain contracts of the businesses being acquired contain "change of control" provisions that require CME and the Acquired Stations to notify the counterparty of a potential change of control, or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract. Although CME BV is required under the Acquisition Agreement to use its commercially reasonable endeavors to obtain consents or waivers relating to such "change of control" provisions prior to closing the Acquisition, such consents and waivers are not a condition to closing the Acquisition. If a substantial number of these contracts were terminated as a result of the acquisition, we may be forced to enter into new contracts on less favorable terms, or we may be unable to secure replacements.

In the event the closing conditions are not satisfied by December 31, 2017 (which deadline may be extended by a calendar month up to three times by Slovenia Broadband, provided that at the time of any extension, it is still using best endeavors to obtain merger control clearances), either party has the option to terminate the Acquisition Agreement, and if the merger control approvals are not obtained by the deadline (as may be extended), Slovenia Broadband will be required to pay €7,000,000 to CME BV unless as at the deadline (as may be extended) (i) such approvals are not obtained because Slovenia Broadband or its affiliates are required to make divestments (including specified divestments with respect to the Acquired Stations) as a condition to obtaining merger control approvals and Slovenia Broadband has not offered to make such divestments; or (ii) Slovenia Broadband has submitted the initial notifications to the merger control authorities, however one or more of those authorities have not declared the notifications complete.

***We have made and may make acquisitions or enter into transactions that may present unforeseen risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.***

As part of our business strategy, we pursue strategic and opportunistic acquisitions of service providers, content providers and cable assets. Despite our successful track-record, we cannot guarantee that we will be able to continue making such acquisitions and our ability to acquire new businesses may be limited by many factors, including availability of financing, debt covenants, complex ownership structures among potential targets and government regulation and competition from other potential acquirers. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations.

Even if we are successful in acquiring new businesses, the integration of such businesses may prove to be more difficult than we initially anticipated and could create unforeseen operating difficulties and expenditures. Acquisitions pose certain risks, for example, difficulties or delays in consolidating operations and achieving anticipated synergies, diversion of managerial resources away from our business operations and the assumption of unexpected liabilities and undisclosed risks. While we strive to mitigate unexpected liabilities and risks through contractual protections in our acquisition documentation, we cannot ensure that such protections will be effective. For instance, although the share sale and purchase agreement pursuant to which we acquired Tušmobil contains warranties related to, among other things, compliance with laws, licenses and consents and financial crime, and provides, subject to certain qualifications and limitations, for indemnification from the seller in the event of breach of warranties, we cannot guarantee that we will be successful in any claims that we bring for breach of warranties based on the share sale and purchase agreement or that any recovery made under this agreement would cover the potential losses arising out of any such breach.

Furthermore, acquisitions of additional companies may require the approval of governmental authorities (at both national and European levels), which can block, impose conditions on, or delay the process which could result in a failure on our part to proceed with announced transactions on a timely basis or at all. Past acquisitions by the Group, including recent acquisitions, may become subject to review by the competition authorities within relevant jurisdictions. Such competition authorities may take the position that merger control filings were required, and should we fail to meet such requests or requirements in a timely manner, the relevant governmental authority may impose fines and, if in

connection with a merger transaction, may require restorative measures, such as mandatory disposition of assets or divestiture of operations.

In particular, our acquisition of Ikom was cleared by the Serbian Commission for Protection of Competition (“CPC”) on March 13, 2017 under certain conditions (“Clearance Decision”). Following a Phase II investigation, the CPC concluded that the concentration had the potential of distorting competition on the retail market for the distribution of media content on the territory of Belgrade by way of further strengthening SBB Serbia’s already dominant position. The Clearance Decision set out the following conditions, subject to which the clearance was granted: (i) a duty to divest parallel secondary cable infrastructure in locations where an overlap between SBB Serbia and Ikom exists, (ii) a two-year duty to inform the CPC on all the changes of the retail prices of media content distribution services, and (iii) a duty to make an offer to Ikom’s customers to conclude one of the contracts that are otherwise available in SBB Serbia’s offering. In line with the timeline set out in the Clearance Decision, SBB Serbia has been in communication with the CPC concerning the manner in which the divestment of the parallel secondary cable infrastructure would be carried out and is in the process of delivering to the CPC a preliminary list of locations where parallel secondary infrastructure exists.

***We do not have guaranteed access to all of our television content and are dependent on our agreements, relationships and cooperation with content owners, including broadcasters and collective rights associations.***

The success of our business depends on, among other things, the quality and variety of the television content delivered to our customers. We depend on our agreements, relationships and cooperation with third parties for the majority of our content. We receive content for our cable and DTH pay-TV services pursuant to licenses with content owners, including high-quality regional and international television networks such as *FOX*, *ViaSat* and *Universal* channels. Additionally, we produce our own content through our in-house content company.

While we intend to negotiate additional access to continue to expand our pay-TV product range, rights to premium or HD content may in the future be obtained by our competitors on an exclusive basis and therefore not be available to us. Additionally, we may be unable to secure content on an exclusive basis and may have to share broadcasting rights with our competitors, which could lead to a dilution of our brand name. Furthermore, our competitors may be able to secure content which is more popular than ours, and changes in our subscribers’ content preferences could result in a decrease of the popularity of our content and an increase in the popularity of our competitors. While we have successfully developed our video-on-demand (“VoD”) and other interactive services as well as our own television content in the past, our ability to source content will be increasingly important and will depend on our ability to maintain relationships and cooperation with content owners and broadcasters for both standard and HD content as well as our ability to accurately predict our customers’ content preferences. Furthermore, our *NetTV* OTT content platform, which distributes local ethnic content to former Yugoslav expats around the world, relies on the availability of a number of local free-to-air channels and no-fee contracts for the distribution of such content. In the past, we have faced difficulties obtaining such local content free of charge or negotiating contracts with local TV channel providers on satisfactory terms, which difficulties have in the past led to the removal of some of these channels. Additionally, from time to time, we face disputes over the rights to certain OTT content that we show. If we fail to produce, obtain or retain on satisfactory terms sufficient popular and quality programming for our digital cable and DTH services, or local content for our OTT content platform; if the content we provide is only popular for a short period of time; if our competitors secure content that is more popular than ours; or if the popularity of our content declines, our ability to attract customers from competitors to our services, retain current customers, compete effectively with free TV channel providers or recoup our content production costs may be limited, which could have a material adverse effect on our business, financial condition and results of operations.

Additionally, as we depend upon such content owners for the provision of content to attract and retain customers, content owners may have considerable power to renegotiate the license fees we pay them. Most license agreements are renewed on a regular basis, typically every three years. We may be unable to renew such contracts on terms that are similar to those of the current agreements, which could result in an increase in our content costs or, if we are unable to agree on the terms of service, the cancellation of such license contracts. The loss of certain content could, in turn, affect our customer base. Difficulties encountered with content suppliers may result in disruptions in our operations, loss of profitability and damage to our reputation, financial condition or results of operations.

***Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, have a material adverse effect on our business.***

The broadband internet, television and fixed-line and mobile telephony services sectors are characterized by rapid and significant changes in technology. We will need to anticipate and react to these changes and develop successful new and enhanced products and services quickly enough to adapt to the changing market. This could result in the need to make substantial investments in new or enhanced technologies, products or services, and we may not be able to adopt such technology due to insufficient capital or for other reasons, such as incompatibilities with our systems. In addition, new technologies, such as LTE and VoIP (over fixed-line and mobile technology), 3D TV or IPTV, may become dominant in the future, rendering our current technologies and systems obsolete.

In particular, we expect certain communications technologies that have recently been developed or are currently under development, namely 4G LTE which allows for faster data transmission and lower unit cost per gigabyte transferred traffic, to become increasingly important in our market. We currently hold a 4G license in Slovenia. However, if we are unable to effectively compete in the 4G market or keep pace with technological developments (particularly the roll out of our 4G network at a pace comparable to that of our competitors) we could lose subscribers or fail to attract new subscribers, which would impact subscriber churn, or incur substantial costs and investments in order to maintain our subscriber base or service the growing traffic, all of which could have a material adverse effect on our business, financial condition and results of operations.

The availability of any new features developed for use in our industry can have a significant impact on a subscriber's initial decision to choose our or a competitor's products. We may not be able to develop or partner with third-party suppliers to gain access to technical advances before our competitors, match technological innovations by our competitors or design systems that meet subscribers' requirements. Our ability to effectively anticipate and adapt successfully to changes in technology in our industry and provide new or enhanced services in a timely and cost-effective manner, or successfully anticipate the demands of our subscribers, will determine whether we will be able to increase or maintain our subscriber and revenue base. As a result, new or enhanced technologies, services or offerings we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. For example, we do not expect that previously installed internet modems or set-top boxes will be able to support all of the enhancements we may introduce to our broadband internet and television services over time. If we fail to respond adequately to technological changes, we could lose subscribers and experience a decrease in revenues and, as a result, our business, financial condition and results of operations would be materially and adversely affected.

Additionally, the cost of implementing emerging and new technologies could be significant and we may fail to obtain the necessary financing. If we are unable to obtain such financing at attractive terms or at all, we might not be able to make the necessary technological changes or upgrades and our business, financial condition and results of operations could be materially and adversely affected.

***We are subject to significant government regulation and supervision, as a result of which we may be affected by unforeseen changes in regulation and government policy which may increase our costs and otherwise adversely affect our business.***

We are subject to significant governmental regulation and supervision. See "Business—Regulatory Framework."

Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business, our ability to offer certain products and services and our ability to introduce new products and services. For example, regulatory changes relating to our activities and those of our competitors, such as changes relating to third-party access to cable networks, the costs of interconnection with other networks or the prices of competing products and services, or any change in policy allowing more favorable conditions for other operators, could adversely affect our ability to set prices, enter new markets or control our costs.

Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or services. In addition, our business and the industry in which we operate are subject to investigation by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Any such action could harm our reputation and result in increased costs to the business.



***We are exposed to currency exchange fluctuation and currency instability risks in Europe that could have an adverse impact on our liquidity, financial condition and cash flows.***

The reporting currency of our business is the euro. While Slovenia and Montenegro use the euro as official currency, and while the value of the Bosnian mark (“BAM”) is pegged to the euro, we collect subscriber fees in Serbia, Bosnia and Herzegovina, Croatia and Macedonia in the respective local currency. For the year ended December 31, 2016, we generated 38% of our revenues in Serbian dinar. At the same time, the vast majority of our costs to operate our business as well as our capital expenditures are paid in euro. The Serbian dinar has fluctuated in the past, and may fluctuate in the future, resulting in significant and unpredictable foreign exchange losses and gains which have impacted our result of operations in the past. If the euro appreciated in value against the Serbian dinar or other local currencies, if we were unable to pass-through increased costs to our customers, or if we were unable to exchange the various local currencies into euro at all, our revenue would decrease which would make it more difficult to generate the cash necessary to continue our operations without disruptions, cover our costs and meet our capital expenditure requirements.

Additionally, economic events in recent years affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries, especially in Slovenia, could have a negative impact on our business. Concerns also remain regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. The departure or risk of departure from the euro by one or more Eurozone countries or the abandonment of the euro as a currency, or the reintroduction of an individual currency in Slovenia, as well as the de-pegging of the BAM from the euro, could have major negative effects on our existing contractual relations with our customers, and could adversely affect the economy in Slovenia and Bosnia and Herzegovina. In particular, the departure of Slovenia from the euro would increase our exposure to changes in currency rates. Any of these developments could affect our ability to refinance our liabilities and have a significant negative impact on our business, financial condition and results of operations.

***Legal, political and economic uncertainty surrounding the expected exit of the United Kingdom from the European Union may adversely impact current trading arrangements, be a source of instability in international markets and create significant currency fluctuations, which could have a material adverse effect on our business, results of operations and financial condition.***

The United Kingdom (“UK”) held a referendum on June 23, 2016, to determine whether the UK should leave the EU or remain as a member state, and the outcome of that referendum was in favor of leaving the EU. Under Article 50 of the 2009 Lisbon Treaty (“Article 50”), the UK will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the UK) unanimously decides to extend this period. On March 29, 2017, the UK formally notified the European Council of its intention to leave the EU. It is unclear how long it will take to negotiate a withdrawal agreement. Regardless of the form of any withdrawal agreement, there are likely to be changes in the legal rights and obligations of commercial parties across all industries following an exit of the UK from the EU. Until the UK officially exits the EU, EU laws and regulations will continue to apply, and changes to the application of these laws and regulations are unlikely to occur during negotiations.

However, due to the size and importance of the UK economy, the uncertainty and unpredictability concerning the UK’s legal, political and economic relationship with Europe after the UK exits the EU may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of the UK’s withdrawal from the EU. It is also possible that the expected exit of the UK from the EU will lead other EU member states to consider leaving the EU, which could be an additional source of instability in the international markets. Further, other EU member states within the eurozone could decide to discontinue their use of the euro as their functional currency. The expected exit of the UK (or the possible exit of any other country) from the EU, the potential withdrawal of Scotland, Wales or Northern Ireland from the UK, or prolonged periods of uncertainty relating to any of these possibilities, could result in significant macroeconomic deterioration, including, but not limited to, further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies), and decreased GDP in the EU or other markets in which we operate. In addition, there are increasing concerns that these events could push the UK,



eurozone and/or United States into an economic recession, any of which, were they to occur, would further destabilize the global financial markets.

As we generate revenue in a number of different currencies, including euro, Serbian dinar and Bosnian mark, increased currency fluctuation due to the uncertainty created by the expected exit of the UK from the EU could have a material adverse impact on our results of operations. See “—*We are exposed to currency exchange fluctuation and currency instability risks in Europe that could have an adverse impact on our liquidity, financial condition and cash flows.*”

For these reasons, the UK’s decision to leave the EU could have a material adverse effect on our business, results of operations and financial condition.

***Our operations in some markets are constrained by political factors and our business might be affected by changes in the political, judicial, economic or security environment in the countries in which we operate.***

We currently operate in six countries across the former Yugoslav region and the governments of these countries differ with respect to structure, stability and level of regulation. As some of our operations, such as price increases for our Serbian analog pay-TV products, network expansions and construction or acquisition of cable assets, depend on governmental approval and regulatory decisions, we may make decisions influenced by political considerations rather than fully exploiting our contractual or legal rights, in order to avoid negatively affecting our relationship with national, regional or local authorities, including regulators. Additionally, the respective governments in our core markets currently own a majority stake in our biggest competitors in those markets: Telekom Slovenije in Slovenia, Telekom Srbija in Serbia and BH Telecom and HT Eronet in Bosnia and Herzegovina. As a result of this, our competitors might have special privileges with regulatory authorities or receive other forms of governmental support. Accordingly, our operations may be constrained by the relevant political environment and may be adversely affected by such constraints.

Each of the countries in which we operate has a short legislative, judicial and administrative history and it is not possible to predict with certainty the effect of current and future legislation on our business. Company, commercial, contract, customs, currency, property, banking, bankruptcy, competition, securities, labor, tax and other laws and regulations in the countries in which we operate (including those concerning privatization and the compensation of former owners) are still developing and continue to be substantially revised. There is little precedent for how these laws and regulations will be interpreted or implemented either by the courts or government agencies. Existing and future laws and regulations may be applied inconsistently. We may experience difficulties or delays in obtaining permits or other governmental authorizations. Additionally, the judicial systems of certain of the countries in which we operate may not be fully independent of social, economic and political forces, and many courts in these countries experience a high volume of case backlogs. This often results in inconsistent judicial interpretation of laws and regulations and excessive delays in court proceedings. As a result of the foregoing, we may not be able to efficiently or successfully enforce our legal rights, including title to our intellectual property, under the laws of the countries in which we operate.

Additionally, in certain countries in which we operate, political, security and economic changes may result in political and regulatory uncertainty and civil unrest. Furthermore, the majority of countries in which we operate are emerging economies and as such are more susceptible to adverse global economic trends and higher inflationary pressure, which could have a negative effect on the growth of our business or operations, increase our operating costs or decrease consumer demand and spending power. Each of these factors could, individually or in the aggregate, have a material adverse effect on our business, reputation, financial conditions or result of operations.

***We do not hold valid use permits for parts of our cable network.***

We currently do not hold use permits for a portion of our lines in Serbia. Due to the fact that a cadastre of lines is not yet functional in Serbia, the legal status of our cable infrastructure can only be established by reviewing the documents pertaining to the construction of our network, including the construction and use permit. As a result, we might face difficulties establishing conclusive ownership of a portion of our cable network in the future. While current market practice allows us the continued use of our entire cable network despite not holding adequate use permits, we cannot guarantee that this practice will continue to remain in effect. In addition, certain construction and use permits in Bosnia and Herzegovina, and Montenegro, may be incomplete or deficient. Should existing requirements to hold such

permits be more strictly enforced in the future, and should we be unable to obtain such permits, our business, financial condition, results of operations and cash flow might be negatively affected.

***The financial data included in this offering memorandum may not be representative of our consolidated or combined results at the level of the Company or otherwise comparable to our current or historical operating results.***

We present unaudited combined financial data for the Company and its subsidiaries and Slovenia Broadband and its subsidiaries for the year ended December 31, 2014. Our operations have not always been managed on a combined basis. Therefore, the historical financial statements presented in this offering memorandum do not necessarily reflect what our results of operations, financial position and cash flows would have been had we always operated on a combined basis and may not be indicative of what our results of operations, financial position and cash flows will be in the future. Additionally, due to the accounting impact of the acquisition of Slovenia Broadband in March 2014, such as the increased interest expense resulting from such acquisition and the impact of fair value adjustments, our results for the periods prior to this acquisition are not directly comparable to the periods following this acquisition. The combined financial data included in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X of the SEC or the Prospectus Directive.

Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies.

***We may not realize any or all of the adjustments to Last Two Quarter Pro Forma Adjusted EBITDA included in this offering memorandum.***

This offering memorandum presents pro forma adjusted financial data which includes various assumptions, including those related to the acquisitions of (i) Fight Channel, (ii) the Acquired Stations, (iii) Ikom and (iv) Cable Target. See “Summary—Summary Historical and Pro Forma Financial Data” for additional details regarding these pro forma adjustments to EBITDA and their underlying assumptions. These assumptions are based on our current estimates, and they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such pro forma adjusted financial data. This offering memorandum presents estimated EBITDA for Fight Channel, which is derived from its management accounts and certain assumptions and adjustments that we have made, and estimated EBITDA for the Acquired Stations, Ikom and Cable Target, which is derived from their financial statements (CME’s financial statements, in the case of the Acquired Stations) and certain assumptions and adjustments that we have made. The pro forma adjustments to EBITDA include adjustments for annualized cost savings related to overhead costs, production costs and multiplex costs, accounting adjustments due to differences between our accounting policies and the accounting policies of the acquired companies, and adjustments for the annualized effect of price increases. The pro forma adjustments to EBITDA also include the full run-rate effect of the carriage fees that are charged by the Acquired Stations to pay-TV platform customers in light of the switch-off of Pop TV’s free-to-air signal with effect from January 1, 2017. Some of the factors that could cause our future financial performance to differ materially from that expressed or implied by such pro forma adjusted financial data include: not achieving the level of EBITDA and/or the level of cost-savings that we expect from the integration of Fight Channel, the Acquired Stations, Ikom and Cable Target with our existing business; failing to achieve our anticipated level of subscriber growth; changes in the accounting principles or policies that are applied; lower than anticipated prices for our services; or, if the acquisition of the Acquired Stations from CME BV is delayed or not completed in whole or in part. If any of these factors or others cause our actual financial performance to differ significantly from that implied by the pro forma financial data presented, they could have a material adverse effect on our business, results of operations, financial condition or prospects.

***We may face difficulties in increasing our subscriber base or our subscription fees or up-selling new products to current subscribers.***

Our revenue growth primarily results from the growth of our subscriber base and increase in our subscription fees. We may not be able to sustain the level of subscriber growth, and further increases in subscription fees may meet customer resistance and lead to increases in churn rates. If we are unable to execute our business strategy, the pay-TV, broadband internet and fixed-line and mobile telephony markets in the regions in which we operate do not continue to grow as we expect, or we encounter other unforeseen

difficulties in acquiring new subscribers or selling additional products and services to existing subscribers, we may experience a material adverse effect on our business, financial condition and results of operations.

Additionally, a number of free television channels are available across the markets in which we operate. Historically, the migration of subscribers from unmanaged free terrestrial television has been slow. While we believe that our product offering is of a higher quality than the television channels available free of charge, there can be no assurance that the speed with which customers migrate from free television services to pay-TV services will increase, and consequently, we cannot guarantee that pay-TV penetration rates across the former Yugoslav region will converge on the higher penetration rates characteristic of other major Western European markets which may, in turn, adversely affect our business.

***Customer churn may adversely affect our financial performance.***

Customer churn refers to those subscribers who cease subscribing for one or more of our products and services. In the ordinary course of our business, we experience a loss of customers due to their choice to obtain services from a competitor (including to competing types of service, such of OTT TV services in lieu of cable pay-TV, or mobile telephony in lieu of fixed line service), relocation of our customers to areas not covered by our network and cancellation of services for customers who, after several reminders, do not pay our invoices. Our annual cable subscriber churn rates for the year ended December 31, 2016 were 6.2% for Telemach Slovenia segment, 6.3% for SBB Serbia segment, 8.0% for Telemach BH segment and 5.5% for Telemach MNE. Our postpaid mobile churn in Slovenia was 11.2% for the year ended December 31, 2016.

Factors impacting churn in our consumer subscriber base include existing customers moving outside of our current geographical area of service as well as termination of services contracts by us due to existing customer's inability to pay, as well as competition. For example, any interruption of our services, the removal or unavailability of programming or any other customer service problems, whether or not attributable to us, could contribute to increased subscriber churn or cause us to fail in our goal of reducing the level of churn of our pay-TV, broadband internet and fixed-line and mobile telephony services.

Subscriber churn reduces our subscription base and causes us to incur additional costs to replace the cancelled subscribers, such as advertising and marketing costs. A significant increase in our churn rates may require us to incur additional costs to replace subscribers lost to cancellation. Additionally, even with increased marketing efforts, we cannot guarantee that we will be able to replace the subscribers who left us as all. Therefore, if a significant number of our subscribers cancel or do not renew their contracts with us, our business, financial condition and results of operations could be materially affected. Additionally, we incur upfront cash expenses for the installation of our cable-TV and internet equipment and handset subsidies with new customers which we recoup over the duration of the services contract. As a result, should an increased number of subscribers cancel our services before we can recoup these initial cash expenses, this would have a negative effect on our business.

***Our marketing and advertising expenses may increase in the future.***

Historically, we have had low marketing and advertising budgets and have competed on the quality of our content and services instead. Should we be unable to compete on the quality of our content and services in the future, for example as a result of loss of content to our competitors, we might need to increase our marketing and advertising efforts, which would lead to an increase in marketing expenses. If we are unable to offset such increases in marketing and advertising expenses with increased prices for our products and services, our profitability, results of operations and financial condition might be negatively affected.

***Failure in our technology or telecommunications systems could significantly disrupt our operations.***

Our success depends on the continued and uninterrupted performance of our information technology, HFC network systems, mobile network and customer service centers. If any part of our HFC network, mobile network or IT infrastructure is compromised or damaged by flood, fire or other natural disaster, terrorism, illegal piracy, power loss, system failure, denial-of-service attack, cyber-attack or other catastrophe, our operations could be materially adversely affected. Disaster recovery, security and service continuity protection measures that we currently have or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses.

In addition, our business is dependent on sophisticated critical systems, such as our customer service systems and billing systems. Despite the presence of back-up systems, we can provide no assurances that our network and technical systems will not be damaged by physical or electronic breakdowns, cyber-attacks, computer viruses or similar disruptions. In addition, unforeseen problems may create disruptions in our information technology systems. There can be no assurance that our existing security system, security policy, back-up systems, physical access security and access protection, user administration and emergency plans will be sufficient to prevent data loss or minimize network downtime. Sustained or repeated disruptions or damage to our network and technical systems that prevent, interrupt, delay or make it more difficult for us to provide products and services to our customers in accordance with the agreements we have with our customers may trigger claims for payment of damages or contractual remedies and would cause considerable damage to our reputation, lead to the loss of customers and require repairs or replacement of part of our network, all of which could have an adverse effect on our business, financial condition and results of operations.

Additionally, we rely on hardware, software, technical services and customer support provided by third parties. We do not control the proper functioning of such third-party equipment, and to the extent hardware, software, technical services and customer support provided by third parties fails, our business operations may be adversely affected. For example, in 2015 our mobile operations in Slovenia were disrupted for a four-hour period due to technical problems with our mobile network.

Further, any security breaches, such as misappropriation, misuse, penetration by viruses, worms or other destructive or disruptive software, leakage, falsification or accidental release or loss of information maintained in our information technology systems (or those of our business partners) and networks, including customer, personnel and vendor data, could damage our reputation, result in legal and/or regulatory action against us, and require us to expend significant capital and other resources to remedy any such security breach. The occurrence of any such network or information system-related events or security breaches could have a material adverse effect on our business and results of operations.

***We operate in a capital-intensive business that may result in depreciation or impairment costs, or prevent us from generating positive returns.***

The pay-TV, broadband internet and fixed-line and mobile telephony markets in which we operate are capital intensive and significant capital investments are required to add customers to our network, including for equipment and labor costs. In addition, an increase in our customers' internet usage or demand for higher bandwidth may require us to further invest in the capacity of our network. As a result, we expect that technological innovation as well as ongoing customer growth will lead to additional capital expenditures. In addition, any new or enhanced products or services we introduce, including internet and telephony products, may require an upgrade of local and in-house networks, in which case we may be required to cover a portion, or all, of the costs of such upgrade. Our current assumptions regarding the costs associated with the maintenance and further development of our cable and mobile networks, including the implementation of new standards, may prove to be inaccurate. No assurance can be given that our future investments and network upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. In addition, rapidly changing technology requires careful review of life cycles for our assets and may result in additional depreciation or impairment costs. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our network or making our other planned or unplanned capital expenditures, or if we experience unexpected material depreciation or impairment costs, or do not manage our project portfolio effectively to ensure the proper allocation of resources between projects, our growth could be limited and our competitive position could be harmed.

***We depend on third-party providers of hardware, software, satellite services, network access and customer support.***

We rely on third-party vendors to supply us with a significant amount of customer equipment such as receiver boxes, hardware, including mobile handsets, software, satellite services, and operational or technical support necessary to operate our network and systems and provide our services.

In many cases, our services depend on the technical specifications of equipment or software of a particular provider such as the method of content encryption, making it difficult for us to quickly change supply, maintenance or other essential relationships in the event that our provider refuses to offer us favorable prices, fails to provide the support that we require, or ceases to produce equipment or provide satisfactory customer service. Additionally, if our suppliers were to discontinue certain products or



services, were unable to provide equipment to meet our specifications or interrupt the provision of equipment or services to us, or seek to charge us prices that are not competitive or withdraw discounts that have been previously agreed, we may have to find alternative suppliers. Switching to alternative suppliers could cause us to experience difficulties or delays, or to incur significant costs, or if we were unable to replace such services or products in a timely and cost-efficient manner, our business and profitability could be materially adversely affected.

We are a party to a number of roaming agreements, under which we will be provided with network services allowing us to offer mobile telephony services to our subscribers in areas where we do not have our own network coverage. The loss of any of these agreements could have a material adverse effect on our business, financial condition and results of operations.

In addition, an increase in the number and volume of calls by our subscribers served on the networks of the other MNOs could require future negotiations for lower national roaming/network sharing prices in order to maintain or decrease the cost of national roaming/network sharing, which may not be achievable. If any of the events described above were to occur, our national roaming/network sharing or interconnection costs could increase. In the event that this disrupts our network access or coverage in a manner which we cannot resolve through our other agreements, we may have to increase our capital expenditures in order to extend our radio network or enter into agreements with other network access providers on terms that may not be as favorable as the terms of the terminated agreement. If any of these events were to occur, or if we face an increase in costs incurred under one of our national roaming/network sharing agreements, it would have an adverse impact on our financial condition and results of operations, or, if we are not able to fund capital expenditure to extend our radio network, such failure would affect the level of services which we can offer which could mean that we would lose subscribers or fail to attract new subscribers, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

***Our reputation as a supplier and service provider of high-quality pay-TV, broadband internet and fixed-line and mobile telephony offerings or the value associated with our brands may be adversely affected.***

Our business depends on our reputation and our ability to maintain good relationships with our subscribers, suppliers, employees and local regulators. The brands under which we sell our products and services, including Telemach in Slovenia and Bosnia and Herzegovina, Telemach and M-Kabl in Montenegro, SBB in Serbia and *TotalTV* for our DTH platform throughout the former Yugoslav region are well-recognized brands in their respective jurisdictions. In addition, we own and operate some of the strongest brand names in the region, including *Sport Klub*, *Cinemania*, *Grand Production* and the *Ultra* family of pay-TV channels. Our reputation, brand image and competitive advantage may be harmed either through product defects, such as the failure of our network, branded routers and branded TV equipment (including failures or defects of equipment provided by third parties), or shortfalls in our customer service, such as a failure to provide reliable product maintenance or assist with connection problems. Any harm done to our reputation, business relationships or brand value as a result of our actions, or actions of others could have a significant negative effect on us and on the value of our brands which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our relationships with our subscribers are of particular importance. Subscribers generally judge our performance through their interactions with the staff at our monitoring centers, the reliability of our products and our maintenance performance for any products that require repair. If we fail to meet our subscribers' expectations, we may lose subscribers or have greater difficulty attracting new subscribers, which could have a material adverse effect on our business, financial condition and results of operations. We have also experienced in the past, and may experience in the future, a slightly negative perception of our brand by certain groups of the population in Bosnia and Herzegovina as a result of the recent political history of the region and our perceived Serbian identity. Any damage to the value of our brands caused by any of the foregoing or other factors could have a material adverse effect on our business, financial condition and results of operations.

***Our business may be adversely affected by the alleged health risks of antenna sites and the use of mobile telephones.***

We are aware of allegations that there may be health risks associated with the effects of electromagnetic signals from antenna sites, mobile telephones and other telecommunications devices. We cannot provide assurances that further medical research and studies will not establish a link between the radio frequency emissions of mobile handsets or telecommunications base stations and these health



concerns. The European Commission has been investigating these concerns since 1995. Should such allegations manifest, regulatory authorities in our countries of operation could increase regulation of mobile telephones and telecommunications base stations. Additionally, the actual or perceived risk of telecommunications devices, press reports about risks or any litigation relating to such risks could adversely affect us through a reduction in the size or growth rate of our customer base, a decline in usage by our customers, or through increased litigation costs and could have an adverse effect on our financial condition and results of operations.

***We may not be able to attract or retain personnel who are key to our business.***

We depend on our key management and personnel, including our group chairman and founder, Dragan Šolak, all of whom we believe are highly skilled and many of whom have been with our various businesses since their inception. As the markets in which we operate are highly competitive, there is significant competition in attracting and retaining qualified personnel in the telecommunications industry, especially individuals with experience in the cable sector. Despite our key management and personnel's long history of service and involvement in and commitment to our business, we cannot assure you that we will be successful in retaining the services of our key management or personnel or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

***The operation of our business depends in part on agreements with our competitors.***

While we compete with Telekom Srbija, Telekom Slovenije, the incumbent Bosnian operators and Crnogorski (Montenegrin) Telekom in the respective television, internet and telephony markets, we also rely on long-term services and assets provided by them. For example, we lease cable duct space used for parts of our cable network and purchase telephony interconnection services and mobile network services from Telekom Slovenije in Slovenia, and rely on lease agreements with Telekom Srbija and HT Eronet for cable duct space and the use of their fixed telephone lines in Serbia and Bosnia and Herzegovina. Furthermore, Telekom Slovenije provides us with fiber-optic connection lines for certain areas.

Our ability to offer our services to our customers depends on the performance of the respective partner to such lease and services agreements of their respective obligations under these arrangements. Pursuant to the terms of such lease and services agreements, the respective other party has the right to terminate the services under the agreements in certain circumstances and under certain conditions or has the right to unilaterally increase prices. For example, in 2011, Telekom Srbija significantly raised prices for the use of their duct space. The termination of any material portion or all of such lease or service agreements would require us to find alternative solutions and it may be difficult to establish an alternative at a reasonable price, which would adversely affect the value of our business. Additionally, our business relationships with our state-owned competitors might be affected by a close alignment between the state's interests and our competitor's business operations as a result of which our competitors might, for example, enjoy special privileges with regulatory authorities. Additionally, should we be unable to successfully negotiate moderate price increases, or should we be unable to pass-through price increases to our customers, our profitability, financial condition and results of operation might be affected.

***We may not be successful in maintaining the necessary regulatory authorization or licenses needed to operate our business and such authorizations and licenses may be invalid or may be subject to termination, revocation or material alterations in the event of a breach or to promote public interest.***

We currently hold numerous regulatory authorizations and licenses necessary to operate our business. In addition, we hold numerous radio frequency licenses in Slovenia and Serbia, of which the latest are set to expire in 2031 and 2022, respectively. We cannot assure you that all of our authorizations or licenses are valid, that we will be able to maintain all authorizations and licenses necessary to operate our business or that we will be able to renew our authorizations or licenses when they expire. The loss of any of our authorizations or licenses or a material modification of the terms of any existing or renewed licenses may have a material adverse effect on our business, financial condition, results of operations and cash flow. For instance, the grant of a third-generation, or 3G, license in 2008 to Tušmobil (that in April 2015 was acquired by, and later merged into, Telemach Slovenia) is currently subject to review by the administrative courts in Slovenia. We cannot rule out the outcome that this license may be revoked, or that the terms of such license may be modified in a way that could have an adverse effect on our operations. See “*Business—Legal Proceedings—Litigation Matters relating to Telemach Slovenia (as successor to Tušmobil).*”

Additionally, like all other broadcasters, we must comply with national broadcasting laws and regulations, and the terms and conditions of our licenses in order to maintain our licenses. If we are held to be in material breach of any applicable law or the terms and conditions of our licenses, our licenses may be revoked. In addition, if our activity under our licenses is carried out in a manner that is deemed to conflict with applicable law or the terms and conditions of our licenses, and we fail to remedy such conflict within the applicable grace period, our licenses may be revoked. Any revocation of our licenses could adversely affect our business, financial condition, results of operations and cash flow.

***EU regulation of the levels of roaming charges may in the future have a material adverse effect on our business.***

EU regulators have imposed price restrictions applicable to all operators in the EU (both at the retail and wholesale level). In particular, in 2007, the European Regulation (EC) No 717/2007 of the European Parliament and the Council of June 27, 2007 on roaming on public mobile telephone networks within the European Community (the “Community”) amending Directive 2002/21/EC came into effect, as well as, in 2009, Regulation (EC) No 544/2009 of the European Parliament and of the Council of 18 June 2009 was introduced amending Regulation (EC) No 717/2007 on roaming on public mobile telephone networks within the Community, both provided for a steady reduction in mobile retail and wholesale prices for voice calls, SMS and data. On June 13, 2012, however, the aforementioned Regulation (EC) No 544/2009 was repealed by Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the EU. Pursuant to the latter regulation, the maximum retail prices and average wholesale prices for roaming mobile services (calls, data transmission, SMS) decreased on July 1, 2013 and decreased further on July 1, 2014, and were fully eliminated on June 15, 2017. Additionally, a “decoupling regime” has been introduced to increase competition in the international roaming market, and the result has been a reduction in international roaming retail prices to below the regulatory caps. This “decoupling regime” came into effect on July 1, 2014 and introduced market participants in the form of Alternative Roaming Providers. Additionally, the “decoupling regime” foresees Local Break-Out (LBO) services, *i.e.*, the ability for foreign MNOs to target our outbound roaming customers to directly offer them data only services on their networks. Such services would be paid directly by such roaming customer to the visited roaming network. Furthermore, certain countries in the region, including Serbia and Montenegro, are party to a regional initiative for a phased reduction of roaming prices between such countries. Reduction of prices of mobile roaming services, as well as operation of the Alternative Roaming Providers may have a material adverse effect on our business, financial conditions and results of operations.

***There can be no assurance that our countries of operations will continue to successfully implement their respective political and economic reforms and agendas.***

Recently, the six countries in which we operate have implemented significant political and economic reforms aimed at, *inter alia*, reducing economic and structural imbalances, increasing the flexibility of their respective economies, including liberalization of the media and telecommunications sectors and creating a business-friendly environment that is conducive to foreign investment.

While Slovenia joined the European Union in 2004 and has generally made the transition to a functioning market economy, the political and economic reforms implemented by the respective governments of Croatia, despite having joined the European Union in 2013, and of Serbia, Montenegro, Macedonia, and Bosnia and Herzegovina are at a lesser developed stage than in Slovenia.

Since the end of the Yugoslav wars in 1995, all six countries have made significant progress towards becoming more democratic and liberalized market economies; however, rebuilding Serbia’s, Bosnia and Herzegovina’s, Montenegro’s, Croatia’s and Macedonia’s political and economic systems and infrastructure to a CEE or Western European standard will require further investment and may take some years to complete. We cannot assure you that Serbia, Bosnia and Herzegovina, Montenegro, Croatia and Macedonia will achieve their intended aims with the implemented reforms, that a political environment supportive of these reforms will be maintained or that the governments in the respective countries will not implement regulations or fiscal or monetary policies, or otherwise take actions which could have a material adverse effect on our business.

Additionally, the key risk to stability in Serbia remains the status of Kosovo’s independence, and the country’s history of political instability makes it difficult to predict the occurrence of events or circumstances, such as war or hostilities, and no assurance can be given that we would be able to sustain our current profit levels in Serbia if adverse political events or circumstances were to occur.

*We may become subject to more extensive regulation due to our scale.*

The European Union competition framework imposes pricing and other potential requirements on entities deemed to have significant market power (“SMP”) in non-competitive relevant markets in which they operate. Among other markets, the European Commission has identified “wholesale broadband access” and “the termination on an individual fixed network” as relevant markets. The European Union competition framework has been implemented in Slovenia; Croatia has largely aligned its law with the EU requirements; and Serbia, albeit not yet an EU member state, continues its efforts to harmonize its law with the European framework and has recently promulgated new rules applicable to the electronic communications sector. Due to SBB Serbia’s prior leading position in the Serbian pay-TV market, we were previously designated as having SMP in the Serbian distribution of media content market. As a result, the pricing of our Basic TV package, which accounted for 11.2% of our revenue for the year ended December 31, 2016, and which we use as a platform to up-and cross-sell our products, was regulated and we were not permitted to increase the price for such packages without regulatory approval. Since the beginning of 2017, we are no longer considered a significant market participant in the pay-TV market in Serbia, thus our Basic TV package is no longer subject to price regulation, though this may change in the future. However, we are deemed to have SMP in the pay-TV market in Slovenia.

There is a risk that we could be found to have SMP in other geographical markets in which we operate if local regulators identify these areas as relevant markets in which there is not sufficient competition. The designation of our business as an SMP provider could result in requiring us to provide other service providers access to our network for purposes of providing competing broadband and broadcasting services at regulated prices, and impose other restrictions on how we operate our network and market our services, including the imposition of a requirement to obtain additional permits and licenses for our operations. Granting such access would limit the bandwidth available for us to provide other products and services to our customers. Such regulation could, among others, (i) impair our ability to use our bandwidth in ways that would generate maximum revenue; (ii) create a shortage of capacity on our network, which could limit the types and variety of services we could provide to our customers; (iii) strengthen our competitors by granting them access in our network and lowering their costs to offer competing products and services; and (iv) have a significant adverse impact on our profitability.

Furthermore, we may be subject to fines for infringements of relevant local competition laws. For instance, in Serbia, while we have not been subject to any significant fines by local competition authorities in the last five years, Serbian law provides for fines of up to 10% of total annual revenue generated in Serbia. We have recently been subject to competition proceedings in Bosnia related to our provision of sports content, and in December 2015, United Media Distribution, an indirect subsidiary of the Issuer, was fined in the amount of €125,000 for the continuing alleged abuse of dominance. We have taken steps to address the concerns of the Bosnian competition authorities, including offering our sports content to third parties on terms that are comparable to those upon which we offer this content to our group companies. However, some competitors and the association of cable operators in Bosnia and Herzegovina have requested further fines in relation to these matters.

In Slovenia, until April 2015, we were subject to investigations by the Slovenian competition authority in respect of a delayed merger control filing by United Media Limited, an indirect subsidiary of the Issuer, in connection with its acquisition of IKO Balkan in January 2013. While we have held the view that the Slovenian competition authority no longer has grounds to object to the acquisition of IKO Balkan as IKO Balkan has been sold by United Media Limited in April 2015 and the merger control filing before the Slovenian competition authority has been subsequently withdrawn, on May 10, 2016 (following a series of requests for information and documentation) the Slovenian competition authority rejected our withdrawal of the merger control filing and decided that proceedings would continue ex officio. We filed a lawsuit against their decision in June 2016, which was rejected by the administrative court in Slovenia. We have agreed to apply certain corrective measures proposed by the Slovenian competition authority, who have recently concluded a review of these measures (including consultations with our competitors in the cable TV and IPTV markets in Slovenia), the results of which are awaited. While we intend to vigorously challenge any determination by the Slovenian competition authority in this matter that is adverse to us, we cannot rule out the possibility that the Slovenian competition authority may impose a fine for the delay by United Media Limited in making the merger control filing or exercising the merger prior to obtaining a merger clearing.

In February 2015, in an independent and separate action, the Slovenian competition authority notified United Media Limited that it intended to investigate United Media Limited for abuse of its dominant

position in the wholesale market for the supply of pay TV sports channels in Slovenia since, at least, August 2012. This proceeding is currently in its initial stages and the Slovenian competition authority has not yet filed a statement of objections or taken any further action against United Media Limited in this matter other than notify United Media Limited of its intention to pursue this investigation. While we intend to vigorously challenge their allegations, the outcome of this investigation is difficult to predict with any certainty, and we can offer no assurances in this regard.

Under Slovenian law, the maximum fine that may be imposed in the case of delayed merger control filings, the exercise of a merger prior to obtaining merger clearance or abuse of dominance is 10% of the annual revenue of the acquiring entity or dominant entity, including revenues of other entities in its group, as applicable, although we are not aware of any final legal precedent in Slovenia where, in such cases, a fine exceeding €170,000 may have been imposed. In addition, if we are found to have abused our dominant market position, we may be subject to damages claims from third parties.

We cannot guarantee that we will not be subject to further regulatory scrutiny in respect of (i) our market position in Slovenia, Serbia, Bosnia and Herzegovina, Montenegro or any other jurisdiction in which we operate, (ii) matters involving merger control filings or (iii) exclusive and restrictive content contracts, and may be liable to pay fines or other sanctions in the future, especially as local law and local customs continue to be updated based on CEE or Western European legal standards.

***Changes in labor laws may make it more costly to operate our business in the future.***

We are exposed to the risk of strikes, work stoppages and other industrial actions. While the substantial majority of our employees currently are not members of labor unions, we cannot guarantee that a larger portion of our employees will not associate with such unions in the future, especially as the labor standards in our countries of operations converge with CEE or Western European standards. As a result, we might also become subject to collective bargaining agreements which could regulate, *inter alia*, the general labor conditions of our employees, working hours, holidays, termination, provisions and general payment schemes for wages. Moreover, strikes and other industrial actions, as well as the negotiation of collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our business operations might be affected by changes in local labor law and labor market practice, such as the imposition of, or increases in, minimum wages, or a more restrictive interpretation of the status of employment of some of our employees. While we believe we are currently in material compliance with local, regional and national labor market practices, there can be no assurance that, as a result of changes to labor laws or market practice, we will continue to remain compliant with applicable labor standards. Should we fail to comply with relevant labor laws and regulations, we might be exposed to fines which could have a negative impact on our profitability, financial condition and result of operations.

***Sensitive customer data is an important part of our daily business and leakage of such data may violate laws and regulations which could result in fines reputational damage and customer churn, and adversely affect our business.***

We accumulate, store and use in our operating business data which is protected by data protection laws. The data protection authorities in the jurisdictions in which we operate have the right to audit us and impose fines if they find we have not complied with the applicable laws and adequately protected customer data. Although we take precautions to protect customer data in accordance with the applicable privacy requirements, it is possible that sensitive data may leak in the future. We cooperate with third-party service providers, for instance for the provision of call center services, and independent sales agents. Although the terms of our contracts restrict the usage of customer data, we cannot guarantee that they will abide by the contractual terms. Violation of data protection laws by such third party or by ourselves may result in fines, reputational damage and customer churn and may adversely affect our business, financial condition and results of operations.

***We are involved in a number of civil and criminal legal proceedings.***

From time to time, we may become involved in legal or regulatory proceedings, claims or investigations, including by governmental bodies, licensing authorities, customers, suppliers, competitors, former employees, class action plaintiffs and others. Should any of these matters be decided against us, it could have a material impact on our ability to conduct our business. On an ongoing basis, we attempt to



assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty and we can offer no assurances in this regard.

We are currently involved in a number of legal proceedings that have arisen in the ordinary course of our business, including disputes related to intellectual property rights. Please see “*Business—Legal Proceedings*.”

From time to time, we may also become involved in litigation matters pending against entities that we acquire. For example, KATV HS d.o.o. and HKB-net d.o.o., two small cable operators in Bosnia and Herzegovina that we acquired in July 2015 are subject to disputes with their minority shareholders relating to a prior sale of these companies. This claim is in the preliminary stages. The outcome of these disputes is difficult to anticipate and could have an adverse effect on our financial position and profitability if the final, non-appealable judgments in these matters are not consistent with our current expectations. Further, Telemach Slovenia (as successor to Tušmobil), which we acquired on April 1, 2015, has certain administrative and criminal proceedings pending against it, the outcome of which, although difficult to anticipate, could have a material adverse effect on our financial position and profitability if the final, non-appealable judgments in these matters are not consistent with our current expectations, or if significant fines and penalties are imposed on Telemach Slovenia, and we are not able to successfully recover such amounts from its seller. See “*Business—Legal Proceedings*.”

We cannot assure you that the costs, charges, liabilities or other regulatory outcomes associated with these matters will not be material, or that those costs, charges, liabilities or regulatory outcomes will not exceed any amounts reserved for them in our financial statements. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters are resolved unfavorably to us. Additionally, any reputational damage associated with such legal or regulatory proceedings could have a material impact on our business. See “*Business—Legal Proceedings*.”

***Our intellectual property rights and other security measures may not fully protect our operations.***

A part of our products is comprised of proprietary or licensed content that is transmitted through our pay-TV channels. We rely on trademark, copyright and other intellectual property laws to establish and protect our rights to this content. However, our intellectual property rights and other security measures may not fully protect our operations, and we cannot guarantee that the intellectual property rights we rely on will not be challenged, invalidated or circumvented. Further, we cannot guarantee that we will be able to renew our rights to such content when the term of protection for any such trademark or copyright expires, and any failure to protect our content, technology and know-how could result in loss of customers to our competitors and decreased profits.

Even if our intellectual property rights remain intact, we cannot assure you that security and anti-piracy measures will prevent unauthorized access to our services and piracy of our content. Further, third parties may be able to copy, infringe or otherwise profit from our proprietary and licensed content, without our, or the respective right holders’, authorization. The risk of piracy is especially acute in our pay-TV business segment. Media piracy occurs in many parts of the world, including the former Yugoslav region, and is facilitated by technological advances and the conversion of media content into digital formats, which makes it easier to create, transmit and share high quality unauthorized copies, on videotapes and DVDs, from pay-per-view through set-top boxes and through unlicensed broadcasts on free-to-air TV and the Internet. In addition, the lack of Internet-specific legislation relating to trademark and copyright protection creates additional challenges for us in protecting our intellectual property rights in cyberspace. The unauthorized use of our intellectual property may adversely affect our business by harming our reputation and by decreasing the confidence our business partners rest in our ability to protect our proprietary and licensed content.

***If third parties claim that we breached their intellectual property rights, we may be forced to make significant expenditures to either defend ourselves against such claims, license rights to the third party’s technology or to identify ways to conduct our operations without breaching such rights.***

The success of our business depends to an extent on the use of intellectual property rights, in particular rights to advanced technological solutions, software and programming content. We cannot guarantee that we have not breached or that we will not in the future breach the intellectual property rights of third parties. Any alleged breach could expose us to liability claims from third parties. In addition, we might be required to obtain a license or acquire new solutions that allow us to conduct our business in a



manner that does not breach such third-party rights and we may be forced to expend significant time, resources and money in order to defend ourselves against such allegations. The diversion of management's time and resources along with potentially significant expenses that could be involved could materially adversely affect our business, financial condition, results of operations and prospects.

***We are subject to increases in operating costs and inflation risks which may adversely affect our earnings.***

We are subject to increasing operating costs. We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs. While we aim to increase our subscription rates to offset increases in operating costs, we may not be successful in doing so. For example, see “—*We may become subject to more extensive regulation due to our scale.*” Price increases are also associated with expenses, in particular, service costs. As a result, our operating costs may increase faster than associated revenues, resulting in a material adverse effect on our business, financial condition and results of operations.

***We may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which we operate.***

We are subject to taxation in multiple jurisdictions, in particular, in the Netherlands, Luxembourg, Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro. Our effective tax rate and tax liability will be affected by a number of factors in addition to our operating results, including the amount of taxable income in particular jurisdictions, the tax rates in those jurisdictions, tax treaties between jurisdictions, the manner in which, and extent to which, we transfer funds to and repatriate funds from our subsidiaries, accounting standards and changes in accounting standards, and future changes in the law. As we operate in more than one tax jurisdiction and may therefore incur losses in one jurisdiction that cannot be offset against income earned in a different jurisdiction, we may pay income taxes in one jurisdiction for a particular period even though on an overall basis we incur a net loss for that period. In addition, the tax systems in the markets in which we operate are unpredictable, which gives rise to uncertainties in our tax planning.

**Risks Related to our Indebtedness**

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Notes Guarantees.***

We are highly leveraged. As of March 31, 2017, we had €879.9 million of outstanding indebtedness on a historical basis. On a pro forma basis after giving effect to the Refinancing Transactions and the use of proceeds therefrom, as of March 31, 2017, we would have had €1,370.4 million of outstanding indebtedness. The terms of the Indenture permit the Company and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of borrowings under any Credit Facility (as defined in the Indenture) of up to the greater of €260 million and 100% of our Consolidated EBITDA (as defined in the Indenture) (which Credit Facility can rank in priority to the Notes in respect of the recovery of any proceeds from an enforcement of the Collateral).

The degree to which we will continue to be leveraged following the issuance of the Notes could have important consequences to holders of the Notes, including:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

***We will be 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 and the Revolving Credit Facility restrict our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Issuer or any restricted subsidiary;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair security interests for the benefit of the holders of the Notes.

Our Revolving Credit Facility will in addition require us to comply with a leverage ratio. See “*Description of Certain Indebtedness—Revolving Credit Facility Agreement.*” Our ability to meet this test can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of this test could result in a restriction on the ability to make new drawings under the Revolving Credit Facility. Upon the occurrence of any event of default under our Revolving Credit Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, any default under the Revolving Credit Facility could lead to an event of default and acceleration under other debt instruments that contain cross default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under our Revolving Credit Facility, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could enforce against any Collateral granted to them to secure repayment of those amounts.

All of these limitations will be subject to significant exceptions and qualifications. See “*Description of the Notes—Certain Covenants.*” The covenants to which we are subject could limit our ability to finance future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interests.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.***

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these “*Risk Factors,*” many of which are beyond our control.

The 2022 Fixed Rate Notes will mature in 2022, the 2024 Fixed Rate Notes will mature in 2024, the Floating Rate Notes will mature in 2023 and loans under the Revolving Credit Facility may be utilized until 2022. At the respective maturity of the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. The type, timing and terms of any future financing will depend on our cash needs and the conditions prevailing in the financial markets. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures or sell assets or raise additional debt or equity financing in amounts that could be substantial. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Revolving Credit Facility Agreement, the Indenture and any future debt may limit our ability to pursue any of these measures.

***Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.***

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. In addition to the Revolving Credit Facility and certain hedging obligations, we may incur additional indebtedness that is permitted to share in proceeds from enforcement of the Collateral on a super priority basis. Although the Revolving Credit Facility Agreement and the Indenture will 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 these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Revolving Credit Facility and the Indenture will not prevent us from incurring obligations or entering other arrangements that do not constitute indebtedness under those agreements, such as receivables securitization financings.

***The Floating Rate Notes and the loans under our Revolving Credit Facility Agreement will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.***

The Floating Rate Notes and the loans under our Revolving Credit Facility will bear interest at floating rates of interest per annum equal to LIBOR or EURIBOR (as the case may be), as adjusted periodically, plus a margin. These interest rates could also rise significantly in the future. To the extent interest rates were to rise significantly, our interest expense associated with the Floating Rate Notes and debt under our Revolving Credit Facility Agreement would correspondingly increase, thus reducing our cash flow.

***Our hedging and other derivative arrangements may not effectively or sufficiently offset the negative impact of interest rate currency fluctuations.***

We may use a combination of natural hedging techniques and financial derivatives to protect against certain interest rate risks. We have made use of hedging arrangements to protect our business against interest rate fluctuations on our local credit facilities and exchange rate fluctuations, and we may continue to make use of hedging and other derivative arrangements going forward. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of our floating interest rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. Such hedging activities may be ineffective or may not offset more than a portion of the adverse financial impact resulting from foreign currency variations. Gains or losses associated with hedging activities also may negatively impact operating results.

## **Risks Related to the Notes and the Notes Guarantees**

***In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its Fixed Rate Notes, which means that you may not obtain the return you expect on such Fixed Rate Notes.***

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will deposit €200.0 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition. In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its Fixed Rate Notes at a price equal to 100% of the aggregate issue price of such Fixed Rate Notes, plus accrued but unpaid interest and additional amounts, if any, from the Issue Date to (but not including) the Special Mandatory 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), as described in “Description of the Notes—Acquisition Proceeds; Special Mandatory Redemption.” As a result, in the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date, you may not obtain the return you expect to receive on such Fixed Rate Notes.

***Our subsidiaries located in Serbia, as well as other subsidiaries representing a significant portion of our revenue and EBITDA, will not guarantee the Notes, and the Notes and each of the Notes Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.***

Generally, claims of creditors of a non-Guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims under any intercompany loans and claims by holders of the Notes under the Notes Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-Guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to such subsidiary’s parent entity. As such, the Notes and each Notes Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries for the Notes. For the twelve months ended March 31, 2017, the Issuer and the Guarantors generated 46.2% of the Company’s revenue and 42.9% of the Company’s EBITDA (in each case excluding the Acquired Stations). For the twelve months ended March 31, 2017, the Issuer and the Guarantors had a net loss of €14,225 thousand, compared to a net loss of €9,383 thousand for the Company. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries of the Company generated 53.8% of the Company’s revenue and 57.1% of the Company’s EBITDA (in each case excluding the Acquired Stations). For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries had a net profit of €4,842 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, the Issuer and the Guarantors represented 54.0% of the Company’s total assets (excluding goodwill) and the non-Guarantor subsidiaries of the Company represented 46.0% of the Company’s total assets (excluding goodwill) (in each case excluding the Acquired Stations). Our subsidiaries organized in Serbia, Macedonia, Croatia and Montenegro will not guarantee the obligations under the Notes.

***Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.***

The Guarantors will guarantee the payment of the Notes on a senior basis. Each Notes Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture will include language to the effect that each Notes Guarantee and each security interest granted as well as any other obligation under a Security Document will be limited so as to ensure compliance with local law. The Notes Guarantees, security interests and other obligations will also be subject to applicable corporate and other laws. In general, these laws prohibit companies from providing financial assistance to anyone for the purpose of acquiring their shares and limit the circumstances in which companies can transfer economic benefits to their shareholders outside the payment of properly declared dividends. They also provide for limitations that affect the rights of creditors generally in case an entity becomes insolvent. See “Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests” for more

details regarding limitations on Notes Guarantees and security interests in the Netherlands, Luxembourg, Slovenia, Serbia and Bosnia and Herzegovina.

While similar laws apply in many jurisdictions, because several of the Notes Guarantors and the substantial majority of the assets in which security interests are granted are located in CEE countries which have relatively young capital markets and where courts have limited experience with transactions of the type envisaged by the offering of the Notes, there is considerable uncertainty as to how the relevant laws will be applied and ultimately to what extent the Notes Guarantees and other security interests granted under the Indenture will be enforceable. For example, while the Slovenian law prohibiting companies from providing financial assistance to a third party for the purpose of acquiring its shares applies only to joint stock companies, there is a significant risk that a court might extend this provision to the acquisition of shares of a joint stock company's direct or indirect parents or to limited liability companies. Moreover, the Bosnian legislature adopted rules prohibiting limited liability companies from providing financial assistance to anyone for the purpose of acquiring their shares, thereby bringing the applicable legal regime in line with the rules applicable to joint stock companies. For those reasons, the risk of limitations on enforcement are greater in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro than in European countries with more established legal systems and a long history of secured bond offerings.

Moreover, certain transaction documents are governed by U.S. law. Judgments rendered by a U.S. court will generally not be directly enforceable in any of the jurisdictions in which the majority of the assets by which the bonds are secured are located. Instead, in many of these jurisdictions, as a pre-condition to enforcing a U.S. judgment, a local court will subject the judgment to a multi-factor test. Several of the factors the court will consider involve a considerable amount of discretion. Even if the court ultimately finds that the judgment is enforceable, the process may take a lengthy amount of time to complete. For all of these reasons, an investment in the Notes involves unique risks that may not apply or apply differently in a more conventional secured bond offering. If any of these risks materializes, your ability to collect payments of principal and interest under the Notes may be materially adversely affected. See *"Enforceability of Judgments"* for more information.

***Other than providing management services, the Issuer is a holding company and depends on distributions from its subsidiaries to service and repay the Notes; certain covenants in our financing arrangements and other agreements may limit the availability of operating cash flow to the Issuer.***

Other than providing management services, the Issuer is a holding company and conducts its operations principally through, and derives its revenues principally from, its subsidiaries. The ability of the Issuer's subsidiaries to pay dividends or make other distributions or payments to the Issuer will be subject to the availability of profits or funds for such purpose which, in turn, will depend on the future performance of the subsidiary concerned which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond its control. In addition, certain of our subsidiaries are subject to restrictions on the making of such distributions contained in its financing arrangements and in applicable laws and regulations. See *"Description of Certain Indebtedness."* There can be no assurance that our subsidiaries will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable these subsidiaries to service their indebtedness, to fund their other liquidity needs and to make payments to the Issuer sufficient to allow all payment obligations under the Notes to be met.

***The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes, and in the event that the Collateral is enforced, the lenders under the Revolving Credit Facility, counterparties of certain hedging obligations and creditors for other super priority indebtedness will be paid with the proceeds from the enforcement of Collateral in priority to the holders of the Notes.***

If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral underlying their security interest. Subject to certain exceptions, the Notes will be secured on a first-ranking basis by the same assets that secure the Revolving Credit Facility. We may incur additional indebtedness in the future, which may also be secured by the Collateral. If the value of the Collateral is less than the value of the claims of the holders of the Notes together with the claims of the other secured creditors, those claims may not be satisfied in full.

No appraisals of any of the security have been prepared by us or on our behalf in connection with the offering of the Notes. The fair market value of the security is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the security in an



orderly sale, general economic conditions, the availability of buyers and similar factors. The amount to be received upon a sale of any security would be dependent on numerous factors, including but not limited to the actual fair market value of the security at such time, general, market and economic conditions and the timing and the manner of the sale. There also can be no assurance that the security will be saleable and, even if saleable, the timing of any liquidation or foreclosure is uncertain. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the security and the ability of the Security Agent to realize or foreclose on the security. By the nature of our business, some or all of the security may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the security is less than the amount of principal and accrued and unpaid interest on the Notes and other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the security will be sufficient to pay the obligations due under the Notes.

The security interests over property and assets of the Issuer and its subsidiaries and any additional security interests are subject to the Agreed Security Principles and the Intercreditor Agreement. The Agreed Security Principles set forth limitations on the requirement to grant security interests in favor of the Notes in certain circumstances and may result in recoveries from security interests being limited or security not being granted at all over particular types or classes of assets.

Furthermore, the Intercreditor Agreement will provide that proceeds from the enforcement of the Collateral will be applied to repay claims of the lenders under the Revolving Credit Facility and creditors of other priority indebtedness in priority to the holders of the Notes and other secured obligations. Holders of the Notes may therefore receive less from the proceeds of the Collateral in an enforcement or insolvency scenario than if they were not required to share the proceeds.

***Holders of the Notes will not control certain decisions regarding the Collateral.***

The Notes will generally be secured by the same Collateral securing the obligations under our Revolving Credit Facility and certain hedging obligations. We can incur significant additional indebtedness and other obligations that may be secured by the same Collateral under the terms of the Indenture.

The Intercreditor Agreement will provide that the agent of the creditor class who wishes to deliver an enforcement instruction must first consult with every agent or representative of the other creditor classes, certain creditors and the Security Agent for a period of not less than 30 days. After an initial consultation period, the Security Agent may act upon the instructions of an instructing group, which may be holders of 66⅔% of the aggregate principal amount of the Notes outstanding or creditors of 66⅔% of the aggregate principal amount of super senior indebtedness (which includes drawn and undrawn commitments under the Revolving Credit Facility). To the extent there are conflicting instructions, those on behalf of holders of the Notes will prevail. However, in certain circumstances the creditors under the Revolving Credit Facility and any future counterparties to certain hedging arrangements and other indebtedness secured by the Collateral in priority to the Notes will have control over enforcement of the Collateral, including if (i) such creditors have not been fully repaid within six months of the end of the first 30-day consultation period, (ii) the Security Agent has not commenced any enforcement action within three months of the end of the first 30-day consultation period or (iii) an insolvency event has occurred and the Security Agent has not commenced any enforcement action.

These arrangements could result in the enforcement of the Collateral in a manner that results in lower recoveries by holders of the Notes. Furthermore, other creditors not subject to the Intercreditor Agreement could commence enforcement action against the Company or its subsidiaries during such period, the Company 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 in value.

If the Security Agent sells Collateral comprising the shares of any of our subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Notes Guarantees and the liens over any other assets securing the Notes and the Notes Guarantees may be released. See “*Description of Certain Indebtedness—Intercreditor Agreement*” and “*Description of the Notes—Security—Release of Liens.*”

***There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, the Notes Guarantees and the Collateral securing the Notes will be released automatically. See “*Description of the Notes—Guarantees*” and “*Description of the Notes—Security—Release of Liens*.” In addition, if the Security Agent sells Collateral comprising the shares of the Issuer or any of the Issuer’s subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, then claims under the Notes and the Notes Guarantees may be released or transferred. See “*Description of Certain Indebtedness—Intercreditor Agreement*” and “*Description of the Notes—Security—Release of Liens*.” Your ability to recover on the Notes could be materially impaired in such circumstances.

***The Issuer and the Notes Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.***

The security documents will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from certain of the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer and the Guarantors may, among other things, subject to the terms of the security documents, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral such as selling, modifying, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Collateral, which could reduce the amounts payable to you from the proceeds of any sale of the Collateral in the case of an enforcement of the liens on the Notes.

***Your rights in the Collateral may be adversely affected by the delay in or failure to grant or perfect security interests in the Collateral.***

Under applicable law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we or the Security Agent, as applicable, fail or are unable to take the actions required to perfect any of these liens or if it has been agreed that such perfection steps shall not be taken on the basis that such steps have undesirable effects. Furthermore, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Issuer and the Guarantors have limited obligations to assist the Security Agent in perfecting the security interest of the holders of the Notes in specified Collateral. There can be no assurance that the Security Agent will monitor, or that the Issuer will inform the Security Agent of, the future acquisition of property and rights that should constitute Collateral, and that the necessary action will be taken to properly create and perfect the security interest in such property and rights acquired post completion. The Security Agent has no obligation to monitor the acquisition of additional property or rights that should constitute Collateral or the creation or perfection of any security interest. The failure to create or perfect such additional security interests may adversely affect the relevant security interest and/or the priority of such security interest in favor of the Notes.

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

The release of existing security interests in the Collateral which secure the Existing Notes and the granting of new security interests in the Collateral in connection with the issuance of the Notes offered hereby 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 such security interests are extended and perfected with respect to the Notes or, if later, the issuance of such Notes. At each time, if the security interest granted, perfected, extended or recreated were to be enforced before the end of the applicable hardening period, it may be declared void and/or it may not be possible to enforce it. In addition, the granting of shared security interests to secure existing and new indebtedness or future indebtedness, as the case may be, may restart or reopen hardening periods in certain jurisdictions. If the grantor of such security interests were to become subject to a bankruptcy or winding up proceeding after

the Issue Date, any mortgage or security interest in the Collateral delivered after the Issue Date would face a greater risk than security interests in place as of the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. See “*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests.*”

***Upon an IPO Pushdown, certain Notes Guarantees and Collateral may be released, and any retaken Collateral may be subject to hardening periods.***

Under certain circumstances, we may undertake an IPO Pushdown. See “*Description of the Notes—IPO Pushdown.*” Upon consummation of the IPO Pushdown (as defined in “*Description of the Notes*”), references to the Company and Restricted Subsidiaries (and all related provisions) in the Indenture shall apply only to the IPO Pushdown Entity (as defined in “*Description of the Notes*”) and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity. Upon such substitution, each Holding Company (as defined in “*Description of the Notes*”) of the IPO Pushdown Entity will be irrevocably and unconditionally released from all obligations under the Indenture and the Intercreditor Agreement and any Notes Guarantees or security granted by such Holding Company in respect of the Indenture and the Notes will be released. In such a case, new security documents in respect of Collateral to be retaken and that will remain in place following an IPO Pushdown, including the pledge of the shares of the Issuer, may need to be executed and be subject to new hardening periods.

***It may be difficult to realize the value of the Collateral securing the Notes.***

The Collateral securing the Notes will be subject to defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions. There can be no assurance that the assets comprising the Collateral are, or will be, free and clear from third-party prior ranking security rights or other interests, such as security interests arising under standard contract terms or by operation of law. Any such rights or interests would adversely affect the value of the Collateral and the ability of the Security Agent to realize or foreclose such Collateral.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest in certain jurisdictions. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may decline significantly.

***Enforcement of the Collateral across multiple jurisdictions may be difficult.***

The Collateral will be governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. Accordingly, the rights under the Collateral will be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors’ rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions’ law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Notes Guarantees. See also “*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests.*”

***The security interests in the Collateral will be granted to the Security Agent rather than directly to you. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Notes Guarantees will not be granted directly to the

holders of the Notes but will be granted only in favor of the Security Agent. The Indenture and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral.

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a Security Document will be validly secured.

Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. As a consequence, the Intercreditor Agreement will provide for the creation of parallel debt (“Parallel Debt”) obligations in favor of the Security Agent mirroring the obligations of the Issuer and Guarantors towards the holders of the Notes under or in connection with the Intercreditor Agreement (the “Principal Obligations”). The Dutch law security interests will be granted to the Security Agent as security for the Parallel Debt and will not directly secure the Principal Obligations. As a result, the holders of the Notes will bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt construct has not been tested under Dutch law and, to the extent that the security interests in the collateral created to secure the Parallel Debt are successfully challenged by other parties, holders of the Notes will not (directly) receive any proceeds from an enforcement of the security interests in the Collateral. Similar considerations apply with respect to Slovenia, Serbia and Bosnia and Herzegovina.

***The insolvency laws of the Netherlands and the respective jurisdictions of incorporation of the Guarantors may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

The Issuer is incorporated under the laws of the Netherlands, and the Guarantors are incorporated under the laws of various jurisdictions, including the laws of the Netherlands, Slovenia, Bosnia and Herzegovina and Luxembourg. In the event that the Issuer, the Guarantors, any future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Notes Guarantees and Collateral provided by entities organized in jurisdictions not discussed in this offering memorandum are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the Notes Guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity’s jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction’s laws should apply, adversely affect your ability to enforce your rights under the Notes Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive.

***Insolvency laws and other limitations on the Notes Guarantees and the security may adversely affect their validity and enforceability.***

Our obligations under the Notes will be guaranteed by, and secured by certain assets of, the Guarantors or their shares. The Guarantors are organized or incorporated under the laws of Luxembourg, the Netherlands, Bosnia and Herzegovina and Slovenia. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Notes Guarantee and the security against a Guarantor or Collateral provider. Courts may also in certain circumstances avoid the security or the Notes Guarantee where the Collateral provider is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles,



which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes. See *"Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests"* and *"Enforceability of Judgments"* for more information.

In insolvency proceedings, it is possible that creditors of the Guarantors, the Collateral providers or the appointed insolvency administrator may challenge the Notes Guarantees and security, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its guarantee or the security provided by us or such Guarantor;
- direct that the Issuer and/or the holders of the Notes return any amounts paid under a guarantee or any security document to the relevant Guarantor or to the respective Collateral provider or to a fund for the benefit of the Guarantor's creditors or the Collateral provider; and
- take other action that is detrimental to holders of the Notes.

If we cannot satisfy our obligations under the Notes and any Notes Guarantee or security is found to be a fraudulent transfer or conveyance or is otherwise set aside, we cannot assure the holders of the Notes that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its guarantee of the Notes and the liability of each Collateral provider will be limited to the amount that will result in such guarantee or security not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from a Guarantor or a Collateral provider under the security documents will also be limited. However, there can be no assurance as to what methodology a court would apply in making a determination of the maximum liability of each Guarantor or each Collateral provider and whether a court would give effect to such attempted limitation. Also, there is a possibility that the entire guarantee or security may be set aside, in which case, the Guarantor's or Collateral provider's entire liability may be extinguished.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or Collateral provider generally may in different jurisdictions be considered insolvent at the time it issued a guarantee or created any security if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due (and it is unable to get further credit); or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

We cannot assure you which standard a court would apply in determining whether a Guarantor or a Collateral provider was "insolvent" as of the date the Notes Guarantees were issued or security was created or that, regardless of the method of valuation, a court would not determine that we or a Guarantor were insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or a Collateral provider was insolvent on the date the respective guarantee was issued or security was created, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

***The interests of our shareholders may conflict with the interests of the holders of the Notes.***

KKR, along with certain co-investors, indirectly owns an approximate 70.3% stake in the Issuer. Our shareholders have and will continue to have, directly or indirectly, the power to affect our legal and capital structure, as well as the ability to elect and change our management and to approve other changes to our operations and to control the outcome of matters requiring action by shareholders. The interests of our shareholders may conflict with the interests of holders of the Notes. Investment funds advised by KKR are in the business of making investments in companies and may have an interest in pursuing acquisitions, divestiture, financing or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as holders of the Notes. Conversely, our shareholders may have an interest in not pursuing acquisitions, divestitures and other transactions that could enhance our cash flow and be beneficial to you. Moreover, investment funds advised by KKR may, from time to time, acquire and hold interests in businesses that compete directly, or indirectly, with us. See *"Principal Shareholders."*



***The interests of holders of the Floating Notes and the interests of holders of the Fixed Rate Notes may be inconsistent, and the interests of holders of additional notes under the Indenture may be inconsistent with the interests of holders of the Notes offered hereby.***

The Floating Rate Notes and the Fixed Rate Notes will be issued pursuant to a single Indenture and will vote as a single class with respect to amendments, waivers or other modifications of the Indenture other than with respect to amendments, waivers or other modifications that will only affect the Fixed Rate Notes or the Floating Rate Notes. The Floating Rate Notes will bear interest at a floating rate, will have a different call schedule and call protection and will have other features that will differ from the Fixed Rate Notes. As a result of these differences, the interests of holders of the Floating Rate Notes and the interests of holders of the Fixed Rate Notes could conflict. In addition, the holders of one series of Notes may be in a position to agree to certain terms in a consent solicitation that would be beneficial to such series of Notes but adverse to the economic interest of the other series of notes issued under the Indenture; however, to the extent the relevant amendment or waiver is approved by the holders of a majority in aggregate principal amount of the Notes then outstanding under the Indenture (subject to the limited exceptions), all holders of Notes under the Indenture will be bound by such amendment. Subject to certain restrictions, further series of additional notes may be issued under the Indenture which have different terms in respect of currency, interest rate and certain other matters. Such additional notes will also generally vote as a single class with other series of notes issued under the Indenture but may have interests that differ from the interests of holders of other series of notes issued under the Indenture, including the Notes.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer and all of the Guarantors and their respective subsidiaries are organized outside the United States. All of the directors and executive officers of the Issuer and the Guarantors are non-residents of the United States and substantially all of their assets are located outside of the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers located outside of the United States. In addition, as the assets of the Issuer and certain of the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

***Investors in the Notes may have limited recourse against our independent auditors.***

Investors in the Notes offered hereby should understand that statements may be made by our independent auditors which may be intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the Issuer with respect to audit reports relating to the financial statements of the Issuer. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Exchange Act. If a U.S. court (or any other court) were to give effect to such language, the recourse that investors in the Notes may have against the independent auditors based on their audit reports or the consolidated financial statements to which they relate could be limited. The extent to which auditors have responsibility or liability to third parties is unclear under the laws of many jurisdictions, and the legal effect of these statements in the audit reports is untested in the context of an offering of securities. The inclusion of such language, however, may limit the ability of holders of the Notes to bring any action against our auditors for damages arising out of an investment in the Notes.

***The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Notes and the Notes Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “*Transfer Restrictions.*” It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

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

Unless and until definitive Notes (each a “Definitive Registered Note”) are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to Euroclear and Clearstream, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the relevant indenture. See “*Book-Entry, Delivery and Form.*”

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an Event of Default under the relevant indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although application will be made to the Authority for the listing of the Notes on the Official List of the Exchange, we cannot assure you that the Notes will become or remain listed and traded. Although no assurance is made as to the liquidity of the Notes as a result of the listing, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the Official List of the Exchange may have a material effect on a holder’s ability to resell the Notes, as applicable, in the secondary market.

***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 Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the 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 Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financing and could adversely affect the value and trading of such Notes.

***We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of a change of control as required by the Indenture and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.***

Upon the occurrence of certain events constituting a “change of control,” the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our Revolving Credit Facility Agreement, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Revolving Credit Facility Agreement and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its respective subsidiaries to allow it to pay cash to the holders of the Notes, respectively, following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon the occurrence of a change of control. We cannot assure you that we would be able to obtain such financing.

Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility Agreement and certain other indebtedness. See “*Description of the Notes—Change of Control.*”

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indenture. Except as described under “*Description of the Notes—Change of Control,*” the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” in the Indenture will include a disposition of all or substantially all of the assets of Adria Midco B.V. and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of Adria Midco B.V.’s assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Furthermore, the occurrence of certain events that might otherwise constitute a change of control under the Indenture will be deemed not to be a change of control if the consolidated leverage ratio is less than certain specified levels. See “*Description of the Notes—Certain Definitions—Specified Change of Control Event.*”

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in euros. If investors measure their investment returns by reference to a currency other than euros, an investment in the Notes will entail 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 investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes, which are denominated in a currency other than U.S. dollars, by U.S. Holders (as defined in “*Tax Considerations—United States Federal Income Taxation*”) may also have important tax consequences as a result of foreign exchange gains or losses, if any. See “*Tax Considerations—United States Federal Income Taxation*.”

## USE OF PROCEEDS

The following table sets forth the estimated sources and uses of proceeds from the issuance of the Notes based on our balance sheet data as of March 31, 2017. Actual amounts will vary from estimated amounts depending on several factors, including (i) the exact amount of accrued interest and applicable break costs on the date of redemption in full of the Existing Notes and the date of repayment of the Serbian Revolving Credit Facility, the Existing Revolving Credit Facility and the Existing PIK Facility, (ii) the estimated and actual amount of cash held (including due to recent trading) and (iii) differences from our estimates of fees and expenses.

Sources of Funds	(€ million)	Uses of Funds	(€ million)
Notes offered hereby . . . . .	1,350.0	Redemption in full of the Existing Notes <sup>(1)</sup> .	817.5
		Repay the outstanding borrowing under the Existing Revolving Credit Facility <sup>(2)</sup> . . . . .	84.5
		Repay the outstanding borrowing under the Existing PIK Facility <sup>(3)</sup> . . . . .	229.2
		Deposit into segregated bank account <sup>(4)</sup> . . .	200.0
		Transaction costs <sup>(5)</sup> . . . . .	18.8
<b>Total sources . . . . .</b>	<b><u>1,350.0</u></b>	<b>Total uses . . . . .</b>	<b><u>1,350.0</u></b>

(1) We will use a portion of the gross proceeds from this offering to redeem the Existing Notes in full and satisfy and discharge the Existing Indenture. The Existing Indenture will be satisfied and discharged and the Existing Notes will be redeemed on or about the Issue Date. The amount required to redeem the Existing Notes represents €775.0 million in aggregate principal amount of the Existing Notes to be redeemed, plus €12.0 million in accrued and unpaid interest to the redemption date of the Existing Notes, plus €30.5 million in redemption premium associated with the redemption of the Existing Notes.

(2) Outstanding borrowings under the Existing Revolving Credit Facility were €84.5 million as of March 31, 2017, and €104.5 million as of June 30, 2017, which amount (plus accrued and unpaid interest and associated break costs, if any) we intend to repay on or about the Issue Date, following which the commitments under our Existing Revolving Credit Facility will be cancelled and the Existing Revolving Credit Facility Agreement will be terminated. We also intend to repay, on or about the Issue Date, €16.0 million of drawings (plus accrued and unpaid interest and associated break costs, if any) made under our unsecured Serbian Revolving Credit Facility that were made subsequent to March 31, 2017. See “*Capitalization*.”

(3) On or about the Issue Date, we expect Adria Topco B.V. to have €222 million of borrowings outstanding under the Existing PIK Facility, all of which we expect will be repaid, together with approximately €7.2 million in accrued and unpaid interest. We intend to use a portion of the proceeds of the issuance of the Notes to make a share premium repayment to Adria Midco B.V., which we expect will in turn make a share premium repayment to Adria Topco B.V. to enable the repayment of the Existing PIK Facility. Following such repayment, the commitments under the Existing PIK Facility will be cancelled and the Existing PIK Facility will be terminated.

(4) We intend to use a portion of the proceeds of the issuance of the Notes to finance the acquisition of the Acquired Stations, and we intend to deposit €200.0 million into a segregated bank account of ours in respect of the Acquisition purchase price pending the consummation of the Acquisition. The funding of the €200.0 million deposit in respect of the Acquisition purchase price and the repayment on or about the Issue Date of the €104.5 million of drawings under the Existing Revolving Credit Facility and the €16.0 million of borrowings under the unsecured €20,000,000 Serbian Revolving Credit Facility will be made with a combination of a portion of the proceeds of the Notes, available cash and a drawing under the Revolving Credit Facility.

We agreed to acquire the Acquired Stations pursuant to the Acquisition Agreement for a purchase price of €230 million, subject to customary completion accounts adjustments based on the terms of the Acquisition Agreement, and expect to fund the excess purchase price over €200.0 million from other sources of liquidity available at the time of completion, including cash on hand and credit facilities. The completion of the Acquisition is subject to customary conditions and is expected to take place in the fourth quarter of 2017. There may be a special mandatory redemption of €200.0 million in aggregate principal amount of the

Fixed Rate Notes in certain circumstances where the consummation of the Acquisition does not occur, including if the Acquisition is not consummated on or prior to the Longstop Date. See “*Summary—Recent Developments—The Acquisition of the Acquired Stations*.”

(5) Represents estimated fees and expenses associated with the Refinancing Transactions, including commitment, placement and other transaction costs and professional fees, but excludes any discretionary incentive fees which we may elect to pay.



## CAPITALIZATION

The following table sets forth the cash and cash equivalents and capitalization of the Company and its consolidated subsidiaries as of March 31, 2017 on an actual basis, and as adjusted to give effect to the issuance of the Notes and the use of proceeds therefrom, as if each of these events occurred on March 31, 2017. The adjustments are based on available information and contain assumptions made by our management.

You should read this table in conjunction with “*Use of Proceeds*,” “*Selected Historical Financial Data*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Indebtedness*,” “*Description of the Notes*” and our financial statements included elsewhere in this offering memorandum.

	As of March 31, 2017	
	Actual	As Adjusted
	(€ million)	
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>65.9</b>	<b>25.9</b>
Existing Notes <sup>(2)</sup>	775.0	—
Notes offered hereby <sup>(3)</sup>	—	1,350.0
Existing Revolving Credit Facility <sup>(4)</sup>	84.5	—
Revolving Credit Facility <sup>(4)</sup>	—	—
Serbian Revolving Credit Facilities <sup>(5)</sup>	—	—
Finance leases <sup>(6)</sup>	13.1	13.1
Other indebtedness <sup>(7)</sup>	7.3	7.3
<b>Total indebtedness</b>	<b>879.9</b>	<b>1,370.4</b>
Capitalized transaction costs <sup>(8)</sup>	(2.3)	(18.8)
<b>Total financial liabilities</b>	<b>877.6</b>	<b>1,351.6</b>
<b>Total equity<sup>(9)</sup></b>	<b>431.7</b>	<b>431.7</b>
<b>Total capitalization</b>	<b>1,309.3</b>	<b>1,783.3</b>

- (1) Cash and cash equivalents in the amount of €65.9 million represents the amount as of March 31, 2017, including €40 million that was held in an escrow account as security for payment of liabilities in connection with the acquisition of Ikom. The “As Adjusted” column reflects the payment in April 2017 of €40 million in connection with the acquisition of Ikom, but does not reflect (among other things) the interest payment made on the Existing Notes on May 15, 2017 and other trading movements subsequent to March 31, 2017; therefore, the amount in such column may not be representative of the actual amount of cash and cash equivalents at subsequent dates. As of June 30, 2017, cash and cash equivalents were €22.7 million.
- (2) Represents €775.0 million aggregate principal amount of the Existing Notes to be redeemed in connection with the Refinancing Transactions, but does not include any accrued and unpaid interest in respect of the Existing Notes. See “*Use of Proceeds*.” The carrying value of the Existing Notes on our balance sheet as of March 31, 2017 was €775.1 million.
- (3) Represents the aggregate principal amount of the Notes offered hereby.
- (4) On or prior to the Issue Date, we will enter into the Revolving Credit Facility Agreement providing for facilities in the amount of €100.0 million. The amount outstanding under our Existing Revolving Credit Facility as of June 30, 2017 was €104.5 million, which amount we expect to repay on or about the Issue Date. On or about the Issue Date, upon entering into the Revolving Credit Facility Agreement and the repayment of borrowings outstanding under our Existing Revolving Credit Facility, the commitments under our Existing Revolving Credit Facility will be cancelled and the Existing Revolving Credit Facility Agreement will be terminated. The Revolving Credit Facility Agreement will benefit from guarantees from each entity that guarantees the Notes and from security over the same assets that secure the Notes. The Revolving Credit Facility will also be guaranteed by, and secured by certain assets of, certain of our subsidiaries located in Serbia. See “*Description of Certain Indebtedness—Revolving Credit Facility Agreement*.” Based on our estimates, we expect to make a drawing under the Revolving Credit Facility Agreement on or after the Issue Date, as described in “*Use of Proceeds*,” and have approximately €3 million outstanding in letters of credit.
- (5) On the Issue Date, we will have two unsecured revolving credit facilities in Serbia. The €20,000,000 Serbian Revolving Credit Facility is an unsecured bilateral facility in the amount of €20 million. The amount outstanding under the €20,000,000 Serbian Revolving Credit Facility as of March 31, 2017 was nil. The amount outstanding under the €20,000,000 Serbian Revolving Credit Facility as of June 30, 2017 was €16.0 million, which amount we expect to repay on or about the Issue Date. On or about the Issue Date, upon the repayment of any borrowings outstanding under our €20,000,000 Serbian Revolving Credit Facility and based on our current estimate of our cash flows and operations, we expect to have no amounts drawn under the €20,000,000 Serbian Revolving Credit Facility. We entered into our unsecured, bilateral €60,000,000 Serbian Revolving Credit Facility on July 7, 2017. On the Issue Date, we expect to have no amounts drawn under the €60,000,000 Serbian Revolving Credit Facility. See “*Description of Certain Indebtedness—Bilateral Facilities*.” See “*Use of Proceeds*.”

- (6) Represents leases of customer premise equipment and vehicles.
- (7) This reflects €7.3 million in borrowings outstanding under our local term loan facility in Slovenia that we used to finance the purchase of our Group headquarters in August 2015. See “*Description of Certain Indebtedness—Bilateral Facilities.*”
- (8) Actual represents €2.3 million of capitalized debt issuance costs as of March 31, 2017 related to the Existing Notes and the Existing Revolving Credit Facility and capitalized issue premium related to the Existing Notes. The as adjusted amount for capitalized transaction costs represents approximately €18.8 million of fees and expenses that we expect to incur in connection with the Refinancing Transactions and which we intend to capitalize and then amortize for the term of the Notes and the Revolving Credit Facility. See “*Use of Proceeds.*”
- (9) Equity is not adjusted for the offering of the Notes or the use of proceeds therefrom, including the repayment of share premium in connection with the repayment of the Existing PIK Facility, the write-off of existing capitalized transaction costs or the capitalization of transaction costs incurrent in connection with the offering of the Notes.

## SELECTED HISTORICAL FINANCIAL DATA

We present below selected unaudited consolidated financial data for the Company and its subsidiaries as of and for the three months ended March 31, 2016 and 2017, which has been derived from the Company's unaudited condensed consolidated interim financial statements prepared in accordance with IAS 34 and are included elsewhere in this offering memorandum. We also present below selected audited consolidated financial data for the Company and its subsidiaries as of and for the years ended December 31, 2014, 2015 and 2016, which has been derived from the Company's audited consolidated financial statements prepared in accordance with IFRS and are included elsewhere in this offering memorandum. We also present below selected unaudited condensed consolidated financial data for Slovenia Broadband for the two months ended February 28, 2014, derived from its unaudited condensed consolidated interim financial statements for the two months ended February 28, 2014, prepared in accordance with IAS 34 and included elsewhere in this offering memorandum.

In addition, we present below selected unaudited combined financial data for the Company and its subsidiaries and Slovenia Broadband and its subsidiaries for the year ended December 31, 2014, which represents the arithmetical addition of the financial data of the Company for the year ended December 31, 2014 (which includes the financial results of Slovenia Broadband and its subsidiaries from March 1, 2014) and the financial data of Slovenia Broadband for the two months ended February 28, 2014.

We believe that presenting the results in this manner provides useful data for comparison given the complexity involved with comparing periods that do not include all members of the Group for the entirety of the periods indicated. Prospective investors should read the selected data presented below in conjunction with "Presentation of Financial Data," "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

### Income Statement Data

	Slovenia Broadband	The Company					
	Two months ended February 28, 2014	Year ended December 31, 2014 <sup>(1)</sup>	Combined 2014	Year ended December 31,		Three months ended March 31,	
	(in € thousands)			2015	2016	2016	2017
				(in € thousands)			
<b>Revenue</b> . . . . .	<b>43,109</b>	<b>240,587</b>	<b>283,696</b>	<b>377,325</b>	<b>459,669</b>	<b>109,308</b>	<b>121,376</b>
Other income . . . . .	1,260	4,995	6,255	5,979	3,509	557	767
Content cost . . . . .	(8,534)	(48,320)	(56,854)	(60,017)	(65,567)	(15,493)	(18,645)
Satellite capacity cost . . . . .	(1,219)	(6,090)	(7,309)	(7,561)	(7,118)	(2,055)	(1,576)
Link and interconnection cost . . . . .	(993)	(10,807)	(11,800)	(28,834)	(36,066)	(8,217)	(9,329)
Materials cost . . . . .	(1,191)	(5,601)	(6,792)	(10,416)	(44,693)	(9,619)	(8,136)
Staff cost . . . . .	(4,167)	(24,444)	(28,611)	(42,780)	(48,337)	(11,664)	(12,399)
Depreciation . . . . .	(8,987)	(41,677)	(50,664)	(65,792)	(77,061)	(17,626)	(20,572)
Amortization of intangible assets . . . . .	(3,831)	(23,669)	(27,500)	(41,272)	(49,648)	(11,460)	(13,457)
Other operating expenses . . . . .	(7,842)	(83,345)	(91,187)	(92,317)	(94,507)	(19,207)	(22,203)
<b>Operating profit</b> . . . . .	<b>7,605</b>	<b>1,629</b>	<b>9,234</b>	<b>34,315</b>	<b>40,181</b>	<b>14,524</b>	<b>15,826</b>
Finance income . . . . .	902	5,790	6,692	147	8,547	383	433
Finance costs . . . . .	(6,199)	(78,144)	(84,343)	(59,864)	(66,718)	(23,673)	(18,768)
<b>Net finance costs</b> . . . . .	<b>(5,297)</b>	<b>(72,354)</b>	<b>(77,651)<sup>(2)</sup></b>	<b>(59,717)</b>	<b>(58,171)</b>	<b>(23,290)</b>	<b>(18,335)</b>
<b>Profit/(loss) before tax</b> . . . . .	<b>2,308</b>	<b>(70,725)</b>	<b>(68,417)</b>	<b>(25,402)</b>	<b>(17,990)</b>	<b>(8,766)</b>	<b>(2,509)</b>
Income tax credit/(expense) . . . . .	(145)	388	243	(1,575)	1,546	(1,702)	(898)
<b>Profit/(loss) for the period</b> . . . . .	<b>2,163</b>	<b>(70,337)</b>	<b>(68,174)</b>	<b>(26,977)</b>	<b>(16,444)</b>	<b>(10,468)</b>	<b>(3,407)</b>

(1) Includes the financial results of Slovenia Broadband and its subsidiaries from March 1, 2014.

(2) Includes payments of double interest in January and February 2014 in relation to our then-existing indebtedness as well as the Original Notes, as both were simultaneously outstanding pending completion of the Issuer's acquisition of Slovenia Broadband in March 2014. Our interest costs for the two months ended February 28, 2014 were €3,221 thousand.

## Historical Balance Sheet Data

	The Company		
	As of December 31,		As of
	2015	2016	March 31, 2017
	(in € thousands)		
Cash and cash equivalents . . . . .	15,126	13,941	65,925
Current assets . . . . .	126,058	131,491	189,030
Non-current assets . . . . .	1,243,569	1,297,439	1,301,701
<b>Total assets . . . . .</b>	<b>1,369,627</b>	<b>1,428,930</b>	<b>1,490,731</b>
Current liabilities . . . . .	145,969	132,136	153,237
Non-current liabilities . . . . .	739,130	859,968	905,842
<b>Total liabilities . . . . .</b>	<b>885,099</b>	<b>992,104</b>	<b>1,059,079</b>
Total equity . . . . .	484,528	436,826	431,652
<b>Total equity and liabilities . . . . .</b>	<b>1,369,627</b>	<b>1,428,930</b>	<b>1,490,731</b>

## Historical Cash Flow Data

	Slovenia Broadband	The Company				
	Two months ended February 28, 2014	Year ended December 31,			Three months ended March 31,	
	(in € thousands)	2014 <sup>(1)</sup>	2015	2016	2016	2017
		(in € thousands)				
Net cash flows from operating activities . . . . .	19,834	242 <sup>(2)</sup>	88,122	90,626	33,013	47,421
Net cash flows from (used in) investing activities . . . . .	(12,831)	(623,072) <sup>(3)</sup>	(220,069)	(190,145)	(30,492)	(38,305)
Net cash flows from (used in) financing activities . . . . .	(144)	168,762 <sup>(3)</sup>	130,891	98,347	1,047	42,871
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>6,861</b>	<b>(454,068)</b>	<b>(1,056)</b>	<b>(1,172)</b>	<b>3,568</b>	<b>51,987</b>

(1) Includes cash flow information of Adria Midco B.V. and its subsidiaries from March 1, 2014.

(2) Cash flows from operating activities for the year ended December 31, 2014 for the Company are not comparable to prior periods as they include the effects of one-off cash payments for costs and expenses of the Company of, among others, (i) €34 million incurred in connection with the acquisition of Slovenia Broadband and its subsidiaries by the Issuer on March 6, 2014, (ii) €8 million (net of refunds) in one-off tax payments and (iii) €3 million in interest payments in January and February 2014 in relation to then-existing indebtedness as well as the Original Notes, as both were simultaneously outstanding pending completion of the Issuer's acquisition of Slovenia Broadband in March 2014. In addition, we incurred certain other one-off cash costs in 2014 related to our refinancing and group restructuring.

(3) For the movements in cash flows provided by (used in) investing activities and cash flows provided by (used in) financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flow" and the cash flow statement for the Company for the year ended December 31, 2014, which is included elsewhere in this offering memorandum.

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

The following review relates to our financial condition and results of operations as of and for the periods discussed below. This “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” is based on the historical and combined financial data included in this offering memorandum and should be read in conjunction with “*Presentation of Financial Data*,” “*Summary Historical and Pro Forma Financial Data*,” “*Selected Historical Financial Data*,” and the historical financial statements included in this offering memorandum. Combined financial data is not intended to present a complete set of financial statements as prepared under IFRS or any other generally accepted accounting standard. Prospective investors should read the entire offering memorandum and not just rely on the information set out below. The following discussion of our results of operations and financial condition contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this offering memorandum, particularly under “*Risk Factors*” and “*Forward-Looking Statements*.”

### Overview

We are the leading distributor of pay-TV in our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro, where we also provide broadband internet and fixed line telephony services via our cable infrastructure. We are also the leading distributor of satellite (or DTH) pay-TV across the former Yugoslavia region, with offerings in each of Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro, where we use our *TotalTV* platform to serve approximately 498 thousand subscribers outside of our cable footprint, delivering content across the entire region, including in rural areas. In addition to our cable-based and satellite-based services, we offer mobile telephony services in Slovenia, where we have acted as a mobile network operator, or MNO, since our acquisition of Tušmobil in April 2015. Following our acquisition of Tušmobil, we have been successful at increasing our share of the mobile telephony market in Slovenia to 17.2% as of March 31, 2017, from 13.9% as of June 30, 2015.

We complement our pay-TV offering with United Media, our in-house content business, through which we produce distinctive and attractive pay-TV content for distribution to our pay-TV customers and sale to third-party networks and distribution platforms. Moreover, we use our two over the top (“OTT”) content platforms, *D3i* and *NetTV*, to further expand our reach. *D3i* is designed to deliver our pay-TV services to our competitors’ broadband internet customers in metropolitan areas outside of our cable footprint, and *NetTV* is designed to deliver ethnic content to the Yugoslav expatriate community around the world.

### Key Factors Affecting Our Business and Results of Operations

The performance of our businesses, our results of operations and the key operating measures discussed below have been and will continue to be affected by a variety of factors. Certain of these factors are discussed below.

### Products, Services and Content

Our results are impacted by our product mix as well as our ability to introduce new products and upgrades and successfully sell those products and upgrades to increase our RGUs and ARPU. We continually evaluate the suite of products and services we provide to our subscribers to ensure that we remain competitive with other providers in our markets and have an opportunity to increase our subscriber base and the number of products we sell to our subscribers. We accomplish this through product innovation, investments in technology and acquisitions of complementary businesses. For example, we have expanded our product offering by introducing fixed-line services to offer multi-play packages in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro, including pay television, broadband internet access, fixed-line telephony, as well as mobile telephony services in Slovenia. We believe that media and communications services customers will increasingly choose bundled products because of the convenience and enhanced value resulting from obtaining TV, broadband internet and telephony services from a single provider for one price. As of March 31, 2017, 64% of our cable subscribers in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro subscribed for one of our multi-play packages.

We seek to be the leader in our markets in pay-television content and have entered into long-term strategic partnerships with key international and regional content owners. We have also acquired leading



regional content owners in key television sub segments (sports, lifestyle, children and movies) such as providers of the *Sport Klub* family of channels (which includes *Sport Klub*, *Golf Klub* and our fishing and hunting channels), *Cinemanía* and the *Ultra* family of pay-TV channels (*Ultra* and *Mini Ultra*). Our ability to maintain the quality of our content impacts our ability to sell our pay television offerings, as well as bundled packages.

Our product mix can also impact our margins. For example, our mobile telephony business and our content business generally have lower margins compared to our cable-based business. Our success in growing these businesses will therefore regularly affect our Adjusted EBITDA margins. For example, our Adjusted EBITDA Margin declined to 42.7% for the year ended December 31, 2015 from 46.2% for the year ended December 31, 2014, primarily due to the increase in size of our mobile business, which has lower margins compared to our cable-based businesses, as a result of our acquisition of Tušmobil in April 2015.

### ***Pricing of our Products and Services***

We regularly review the prices of our products and services and in the past have adjusted our subscription fees as necessary in line with inflation, changes in foreign exchange rates or in response to market conditions and content costs. Changes in the pricing of our products and services will impact the revenues and margins that we generate from these products and services and impact our ability to attract new customers. For example, our multi-play bundles offer subscribers higher value in terms of channels, speeds functionality and add-on features. The pricing of all our services, including our multi-play bundles, is dependent on market conditions, pricing by competitors with similar offerings and the perceived quality of our products versus other products. In relation to our Basic TV package, we were also subject to price regulation in Serbia until January 2017. From January 2017, the price of our Basic TV package in Serbia is no longer subject to price regulation, however, such price regulation might be reinstated in the future. See “—Regulation.”

### ***Subscriber Churn***

The television, broadband internet and telephony industries exhibit churn as a result of high levels of competition. In addition to competitive alternatives, churn levels may be affected by changes in our prices or our competitors' prices, our level of subscriber satisfaction, subscriber mortality and the relocation of subscribers, as well as from the termination of agreements. Increases in churn may lead to increased costs as we incur additional marketing and advertising costs when subscribers cancel our services to find new subscribers, and reduced revenues.

Increasing demand for attractive content and higher broadband speeds allows us to increase the prices at which we provide these services while maintaining relatively low churn rates. We believe our relatively low churn rates provide us with recurring cash flows and visibility with respect to future revenues. We have historically experienced low churn rates in our television, broadband internet and fixed-line telephony businesses, and the churn we have experienced in these businesses has primarily been driven by customers moving outside of our current geographic area of services as well as termination of services due to their inability to pay, with only a limited amount of churn driven by competition. We believe that launching telephony in our markets, further driving digitization, providing our subscribers with multi-play packages (including quad-play in Slovenia, as described in more detail below), expanding our cable footprint to broaden our geographic reach and benefiting from increasing disposable incomes in the region (reducing the likelihood of customers' bad debt), will allow us to maintain low churn rates for cable pay-TV.

The churn rates for our mobile postpaid subscribers are higher than the churn rates for our fixed-line telephony services, as it is easier for mobile subscribers to switch to our competitors as there are no infrastructure limitations. We believe that our control of a mobile network in Slovenia, following our acquisition of Tušmobil, has allowed us to develop an attractive suite of fixed-mobile convergence services in Slovenia which, among other things, has had the effect of reducing the churn of our mobile postpaid subscribers in Slovenia. Since our acquisition of Tušmobil, our number of quad-play subscribers in Slovenia has increased to 30% of our subscribers in Slovenia as of March 2017, from 1% of our subscribers prior to the acquisition. In addition, we have successfully reduced the annual churn rate of our mobile postpaid subscribers to 6.5% in May 2017, from 8.9% in May 2016 and 17.8% in January 2016, primarily due to our attractive products and services and an increase in the number of our new mobile postpaid subscribers (each with new contractual obligations). The churn rate of mobile prepaid subscribers is relatively higher because of the non-contractual nature of the relationship with such subscribers.

### ***Cost of Services Provided***

Our most significant costs include (i) carriage fees which we pay to international and regional broadcasters such as *Fox*, *Discovery* and *Pink*, in order to carry their programs on our distribution network, (ii) licensing fees payable to sports rights owners such as the English Premier League, National Basketball Association, the Spanish Premier League, ATP and Formula 1 in order to develop content for our own channels, (iii) satellite capacity costs, (iv) payroll costs, (v) internet and interconnection fees, (vi) costs of materials used to connect subscribers to our network and (vii) costs for marketing and sales. Most of our costs, such as a portion of our network operations, customer care, billing and administration costs, are relatively fixed, while a portion of our marketing and customer services cost is variable. Our content acquisition costs are mostly fixed and a decreasing portion of these costs are subscriber-based. Where possible, we aim to negotiate fixed-rate content costs. This allows us to anticipate the input price of our content and price our products accordingly. The costs associated with the growth of our business, such as RGU acquisition costs, which are primarily comprised of campaign costs and sales costs for attracting new subscribers, are variable costs.

A large portion of our costs is content costs, accounting for 15.5% of our operating expenses for the year ended December 31, 2016. While we own a portion of our content, we are dependent on broadcasters and other content owners for most of our programming. We pay license fees to several regional and international broadcasters in order to broadcast their programs. For on-demand content purchased by our subscribers, we generally pay a revenue share of the retail price, subject, for certain on-demand content, to fixed minimum guarantees. For packaged on-demand content (subscription video on demand) we pay on a per-subscriber basis, sometimes with minimum guarantees. We generally expect that our content costs (above the minimum amounts) will increase in line with increased revenues from digital pay-TV and on-demand content. In the past we have successfully obtained rebates and discounts for our content, but these may not continue in the future.

We pay fees to satellite operators to uplink and transmit our content to our DTH subscribers, and we also use other network operators to have telephone calls of our customers connected to customers of their respective networks (interconnection). Generally, the amount we pay in interconnection fees in any period will depend on the level of usage of our services.

Our staff cost is impacted by the number of personnel we employ, the experience levels at which such persons are employed and increases in salaries and bonuses due to performance factors. Labor costs of technicians, spent on the construction and upgrade of our network and acquisition of subscribers, are capitalized as tangible and intangible assets.

RGU acquisition costs include campaign costs and sales costs. We target to recover RGU acquisition costs over the duration of the service contract. Factors that contribute to successful recovery of RGU acquisition costs include our operational efficiency, the density of our subscriber base and our direct relationships with our subscribers, which enables us not to rely on intermediaries to interact with our customers.

### ***Network and Technological Advances***

Our ability to provide new high definition and on-demand digital TV services, broadband internet access at higher speeds and telephony services to subscribers depends, in part, on our ability to upgrade and maintain our network. We incur capital expenditures in periods over which these upgrades are made, with the aim of recouping these investments through increased revenues and profitability.

Our ability to compete effectively and maintain or increase our customer base depends on our ability to anticipate and react quickly to technological developments and evolving industry standards and develop successful new and enhanced products and services to adapt to the changing market. We invest in new or enhanced technologies, products or services in periods over which industry standards change, or to upgrade our technologies. Additionally, we incur capital expenditures relating to the replacement of existing equipment.

### ***Foreign Currency Exchange Rates***

We operate across the Balkan region generating revenues in many local currencies, which fluctuate from time to time in relation to the euro. Our revenues in Slovenia and Montenegro are generated in euro. SBB Serbia and Telemach BH record their financial results in their respective functional currencies (the Serbian dinar and the Bosnian and Herzegovinian mark, respectively), which are then translated into euros

in preparing our consolidated financial statements. In the twelve months ended March 31, 2017, after giving effect to the Acquisition, 55% of our revenues would have been generated in euros or currencies pegged to the euro. We generated 39.9% of our revenue for the year ended December 31, 2016, in Serbian dinar. While the Bosnian and Herzegovinian mark is pegged against the euro at a fixed exchange rate of BAM 1.9558 per €1.00, the Serbian dinar freely fluctuates against the euro. For the year ended December 31, 2016, the value of the Serbian dinar declined approximately 1.5% relative to the euro. For the year ended December 31, 2015, the value of the Serbian dinar was stable relative to the euro, and for the year ended December 31, 2014, the value of the Serbian dinar fluctuated relative to the euro. However, due to the historic indexation of the Serbian dinar against the German mark, which was replaced by the euro in 2002, we believe the Serbian consumer price index (“CPI”) closely tracks the depreciation of the Serbian dinar against the euro which has historically allowed us to “pass-through” a portion of the impact of the depreciation of the dinar to our customers. We believe that our pricing strategy reflects this “pass-through” principle.

We present our consolidated financial statements in euro. As a result, we must translate the assets, liabilities, revenue and expenses of all of our operations with a functional currency other than the euro into euro at then-applicable exchange rates. Consequently, increases or decreases in the value of these currencies against the euro may affect the value of our assets, liabilities, revenue and expenses with respect to our non-euro businesses in our consolidated financial statements, even if their value has not changed in their original currency. These translations could significantly affect the comparability of our results between financial periods and result in significant changes to the carrying value of our assets, liabilities and stockholders’ equity.

Additionally, certain of our expenses, primarily content and satellite costs, are in euro and U.S. dollar. Where we are unable to match sales received in foreign currencies with costs paid in the same currency, our results of operations are impacted by currency exchange rate fluctuations. A substantial portion of our indebtedness is denominated in euro. In March 2015, we entered into a EUR/USD currency hedge agreement, pursuant to which we hedge a part of our exposure to the U.S. dollar. We entered into an additional EUR/USD currency hedge agreement in May 2016 pursuant to which we hedged the remaining portion of our exposure to the U.S. dollar for the year 2016. An additional EUR/USD hedge was implemented in February 2017, which hedged the remainder of our 2017 USD exposure.

### ***Growth in our Markets***

Three of our key markets, Serbia, Bosnia and Herzegovina and Montenegro, are generally characterized by lower internet broadband household penetration rates compared to elsewhere in Western Europe and the CEE and both Serbia and Bosnia and Herzegovina have lower pay television household penetration rates compared to elsewhere in Western Europe and the CEE. As a result, growth in our markets has been higher than in certain CEE and Western Europe jurisdictions. We believe this is primarily due to the increasing importance of high-quality broadband internet and an increasing convergence of our regions with the EU. Slovenia is a more mature market, with subscriber rates similar to the CEE, and as a result, growth in that market will depend more on our ability to effectively compete with other market participants and to continue to offer high-quality customer propositions. A number of factors will impact the rate of growth of pay television, broadband internet and telephony industries in our markets, including economic conditions, political stability, increases in infrastructure and an increased distribution of wealth. These industries may not grow at the same rate as they have in the past.

### ***Regulation***

Our operations are subject to various regulations in Europe and in our regional markets. We are generally free from price regulation other than, prior to January 2017, with respect to our Basic TV package in Serbia, due to SBB Serbia’s prior significant market power (SMP) in the Serbian pay-TV market. Since the beginning of 2017, we are no longer considered a significant market participant in the pay-TV market in Serbia, thus our Basic TV package is no longer subject to price regulation, though this may change in the future. Prior to this change in January 2017, the pricing of our Basic TV package in Serbia, which accounted for 11.2% of our revenue for the year ended December 31, 2016, and which we use as a platform to up- and cross-sell our products, was regulated and we were not permitted to increase the price for such packages without regulatory approval. For 2014, we were successful in applying for a price increase. In 2015, our first application for a price increase for this package was not accepted by the Serbian regulator; however, our second application, in November 2015, was accepted by the Serbian regulator, and we implemented price increases for our Basic TV package in Serbia on January 1, 2016. We

also successfully implemented a price increase in January 2017. In addition, we may be subject to conditions imposed in connection with competition authority clearances as we continue to expand our business through bolt-on, value accretive acquisitions and we may be subject to market power analysis from the relevant regulators, which could force us to adjust our prices or sell various parts of our businesses. See also “Risk Factors—Risks Relating to Our Business and Industry—We may become subject to more extensive regulation due to our scale” and “Business—Regulatory Framework.”

### ***Tax Treatment in Local Jurisdictions***

The results of our operations depend on our tax treatment under the tax laws and regulations of local jurisdictions. For instance, in Serbia, taxable income can be reduced in the same proportion as capital expenditure for the year in Serbia divided by the carrying amount of assets in Serbia. Due to our significant capital expenditure in Serbia in 2016, we believe we have satisfied the requirements to be granted a ten-year tax beneficial status, expiring in 2025, and we expect to record beneficial tax treatment for the SBB Serbia segment for the year ending December 31, 2017. Additionally, in Serbia, the interest amount related to intercompany loans can be deducted up to four times in the event of capitalization of intercompany loans. In 2016, SBB Serbia capitalized €82.7 million of intercompany loans, so we have received a tax allowance of four times the interest expense relating to such capitalized intercompany loans.

### **Key Factors Affecting Comparability of our Results of Operations**

#### ***Acquisition History***

Since January 1, 2014, we have expanded our business by acquiring and integrating the following cable TV operators, mobile telephony service providers, B2B service providers and ISPs that typically had EBITDA ranging up to €30 million:

In 2014, we acquired:

- assets from Bosna TV, representing approximately 7,000 OTT pay-TV subscribers to complement our *NetTV* business;
- Broadband Montenegro, a multichannel multipoint distribution service in Montenegro, adding approximately 21 thousand subscribers to our customer portfolio;
- *Orlando Kids* and *Bambino*, popular channels geared towards children with extensive distribution reach throughout Croatia and Slovenia that complement our *Ultra* family of pay-TV channels in our other markets;
- *Grand Production*, a leading Serbian music and TV production house with popular shows in Serbia, Bosnia and Herzegovina and Macedonia;

In 2015, we acquired:

- Tušmobil, a consumer-focused mobile network operator, and the third largest of such operators, in Slovenia and which has since been merged with our Telemach Slovenia segment;
- a majority stake in EUnet, a business-to-business operator in Serbia (and of which we acquired the remaining outstanding stake in May 2016, after which EUnet merged with and into SBB Serbia);
- the Bosnian Acquisitions;

In 2016, we acquired:

- GlobalNet, a cable operator in Bosnia with approximately 1,600 subscribers;
- M-kabl, a cable operator in Montenegro with approximately 20 thousand subscribers;
- Maxtel, a dark fiber business-to-business operator in Slovenia;

In 2017, we acquired:

- Fight Channel, a specialized martial arts channel in Croatia offering a range of mixed martial arts sports, kickboxing and boxing, and we expect the acquisition to provide us with an extension of our program content that will contribute to an increase in our number of subscribers (total consideration is €2.5 million, including €0.6 million payable by October 2017, and the transaction closed on April 5, 2017);

- Ikom, a cable operator in Serbia with 93 thousand unique cable subscribers, and we expect the acquisition to provide us with an increased share of the cable market in Serbia through access to Ikom's customer database (total consideration is €45 million, including €5 million in deferred consideration payable by April 2018, and the transaction closed on April 20, 2017 (subject to conditions from the CPC, as described in *"Risk Factors—Risks Relating to Our Business and Industry—We have made and may make acquisitions or enter into transactions that may present unforeseen risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions."*);
- 51% of IDJ Digital Holding Limited, a digital distributor of music and online video content based in Malta, and we expect the acquisition to provide us with expansion of our business activities into digital distribution (total consideration is €0.6 million, and the transaction closed on April 20, 2017);

In 2017, we entered into acquisition agreements to acquire:

- Cable Target, a cable operator in one of our core markets with approximately 14,000 subscribers, and we expect the acquisition to increase our share of the cable market in such market. We signed an acquisition agreement on June 28, 2017 for total consideration of €10 million, and the transaction is expected to close in October 2017; and
- the Acquired Stations (POP Slovenia in Slovenia and Nova Croatia in Croatia), which are providers of full format, general entertainment flagship stations geared towards mainstream audiences as well as a range of thematic channels, for which we signed the Acquisition Agreement on July 9, 2017 (as more fully described in the section entitled *"Summary—Recent Developments—The Acquisition of the Acquired Stations"*).

Acquisitions affect our results of operations in a variety of ways. Our results for the period during which an acquisition takes place are affected by the inclusion of the results of the acquired business in our consolidated results. In addition, the results of the acquired businesses after their acquisition may be impacted positively by synergies. Additionally, we may experience an increase in operating expenses, including staff cost, as we integrate the acquired business into our network. Acquisitions may also result in higher levels of depreciation and amortization expense. Also, because acquired entities are consolidated from the date of their acquisition, the full impact of an acquisition is only reflected in our financial statements in the subsequent period. As a result, the historical results of operations for the periods presented in this offering memorandum may not be comparable with each other. See *"Business—Our History"* for a discussion of these acquisitions.

### ***Our segment reporting***

We are a pan-regional distribution platform of cable and satellite pay-TV, broadband internet and telephony services, primarily in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro and other countries in the former Yugoslav region. Our business has grown substantially in terms of scale, geographic reach and service offering during the period under review through both organic growth and acquisitions. In addition, the corporate organization of our business has changed during this period as our business has grown and been integrated, and due to the acquisition of Slovenia Broadband by the Issuer in March 2014. As a consequence of these changes, our Group-level financial reporting has evolved during the last three years.

In order to provide a meaningful analysis of our results of operations during the period under review, in addition to a discussion of our Group-level consolidated results of operations based on IFRS measures, we also present a discussion of revenues, EBITDA, Adjusted EBITDA and capital expenditures of our business segments for the three months ended March 31, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014.

Under IFRS 8 "Operating Segments," we present our segment data in (i) the notes to the consolidated financial statements of the Company for the three months ended March 31, 2017 (with a comparison to data from the corresponding prior period) and the years ended December 31, 2016, 2015 and 2014 and (ii) the notes to the consolidated financial statements of Slovenia Broadband for the two months ended February 28, 2014.



In note 6 to the Company's audited consolidated financial statements for the years ended December 31, 2016, we present segment results for six business segments:

- *Telemach Slovenia*. This segment includes the results of our cable, mobile and DTH business in Slovenia;
- *SBB Serbia*. This segment includes the results of our cable business in Serbia and DTH business in Serbia, Croatia and Macedonia;
- *Telemach BH*. This segment includes the results of our cable and DTH business in Bosnia and Herzegovina;
- *Telemach MNE*. This segment includes the results of our cable and DTH business in Montenegro;
- *United Media Group*. This segment includes the results of our media and content business in the former Yugoslav region including the results of *N1*, *Sport Klub*, *Grand Production*, *Orlando Kids* and *Bambino*; and
- *Other Businesses*. This segment includes our other operating businesses, such as NetTV.

Effective January 1, 2016, we changed the composition of our business segments following a change in our organizational structure at the end of 2015, and for the year ended December 31, 2016 and the three months ended March 31, 2017 we have, and going forward we will, primarily report the results of our DTH business within the geographical segment in which those results were generated. Accordingly, from January 1, 2016, our SBB Serbia segment no longer includes the results of our DTH business in Slovenia, Bosnia and Herzegovina and Montenegro, and our DTH business in Croatia and Macedonia accounts for a minor part of our overall SBB Serbia segment. Consequently, our Telemach Slovenia segment now includes the results of our DTH business in Slovenia, our Telemach BH segment now includes the results of our DTH business in Bosnia and Herzegovina and our Telemach MNE segment now includes the results of our DTH business in Montenegro following the creation of the Telemach MNE segment in July 2016 as described below. From January 1, 2016 until the creation of the separate Telemach MNE segment in July 2016, our DTH business in Montenegro was included in our Other Businesses segment. For periods ending prior to January 1, 2016, we have included the results of our DTH business in Slovenia, Bosnia and Herzegovina and Montenegro under our SBB Serbia segment, and the results of our DTH business in Montenegro in our Other Businesses segment.

Additionally, we introduced a new business segment, Telemach MNE, following the acquisition of M-kabl in July 2016. Prior to this acquisition, we did not have any cable business in Montenegro. For the year ended December 31, 2016 and the three months ended March 31, 2017 we have reported, and going forward we will continue to report, the results of our cable and DTH business in Montenegro under the Telemach MNE segment. In order to provide a meaningful basis for comparison, in our consolidated financial statements for the three months ended March 31, 2017 and for the year ended December 31, 2016, we have restated the results of our segments in the comparative periods for the three months ended March 31, 2016 and the year ended December 31, 2015 to give effect to the introduction of the Telemach MNE segment as if such introduction had taken place on January 1, 2015, when comparing these periods to the three months ended March 31, 2017 and the year ended December 31, 2016, respectively. For this reason, our segment results for periods ending prior to January 1, 2015 may not be entirely comparable to the segment results presented in sections other than the comparisons noted above or to periods ending after that date.

#### *Capital expenditure*

Capital expenditures represents purchases of tangible and intangible assets, consisting primarily of set-top box purchases and other customer capital expenditure, installations (including capitalized labor costs), cable and mobile network build out, upgrades, maintenance and other investments, computer hardware and software and content rights.

In this management's discussion and analysis, for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015, we have derived total capital expenditure for the Company and for each of the Company's business segments from the Company's consolidated financial statements, prepared in accordance with IAS 34 and IFRS, respectively. For the year ended December 31, 2014, we have derived total capital expenditure for the Company from the Company's consolidated financial statements, prepared in accordance with IFRS. In addition, for informational purposes only, we

present a breakdown of our anticipated capital expenditure for the twelve months from April 1, 2017 based on management estimates, which may vary from our actual group-level capital expenditure data when it is prepared in accordance with IFRS.

Capital expenditure for the Company's segments derived from the notes to the Company's financial statements, as well as our future capital expenditure estimates, are prepared based on management accounts rather than IFRS. One example of a difference in methodology used in preparing the management account financial data (as compared to IFRS financial data) is that when determining capital expenditures relating to set top boxes purchased by group companies, the expenditure is treated as inventory until such set top box is activated by the end user, at which time it is treated as a fixed asset. Under IFRS, however, this expenditure is required to be accounted for as a fixed asset from the moment such set top box is purchased. As a result, when presenting our segment-level capital expenditure and our anticipated capital expenditure for the twelve months from April 1, 2017 in this offering memorandum, we classify our expenditures relating to set-top boxes as inventory until such set-top boxes are activated by the end user.

### **Key Operating Measures**

We use several key operating measures, including homes passed, unique subscribers, RGUs and ARPU, to track the performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. These measures are derived from management information systems. As these terms are defined by our management, they may not be comparable to similar terms used by other companies.

#### ***Unique subscribers, RGUs and ARPU***

Unique cable subscribers represent the number of individual end-users who have subscribed to one or more of our cable-based services. In all of our cable markets, cable pay-TV is the basic service that a unique cable subscriber is typically required to subscribe to in order to receive our other services such as broadband internet access and telephony. A unique cable subscriber may subscribe to several different services, thereby accounting for only one unique cable subscriber, but several RGUs.

DTH subscribers represent the number of individuals across the six former Yugoslav markets (Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia) who have subscribed to our DTH pay-TV services. We believe that most of these subscribers are outside of our cable footprint. Typically, DTH subscribers are only able to subscribe to DTH based pay-TV services and represent a single RGU. However we are re-selling ADSL services purchased from our competitors in the respective markets to DTH subscribers.

Average monthly revenue per user, or ARPU, is a measure we use to evaluate how effectively we are realizing potential revenues from subscribers. ARPU is calculated by adding together, for each month in a given period, the total subscription-related revenues for that particular month divided by the average number of subscribers for that month and then dividing that sum by the total number of months in the period

The following table sets forth certain of our key operating measures as of and for the years ended December 31, 2016, 2015 and 2014 and as of and for the three months ended March 31, 2017 and 2016:

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2014	2015	2016	2016	2017
(in thousands, except as otherwise stated)					
<b>Key Operating Measures</b>					
Homes passed <sup>(1)</sup>	1,436	1,495	1,571	1,499	1,582
Unique cable subscribers <sup>(2)</sup>	815	920	967	922	973
RGUs	2,125	2,850	3,154	2,893	3,210
Cable pay-TV <sup>(3)</sup>	815	920	967	922	973
DTH pay-TV	432	474	497	475	498
OTT <sup>(4)</sup>	87	107	115	110	119
Broadband internet <sup>(5)</sup>	468	558	626	566	637
Fixed-line telephony <sup>(6)</sup>	250	343	431	364	453
Mobile <sup>(7)</sup>	14	331	399	343	414
Other services <sup>(8)</sup>	60	116	117	112	117
<b>RGU Penetration<sup>(9)</sup></b>					
Cable pay-TV	56.8%	61.5%	61.8%	61.5%	61.5%
Broadband internet	32.6%	37.3%	40.0%	37.7%	40.3%
Fixed-line telephony	17.4%	23.0%	27.5%	24.3%	28.6%
<b>Blended Cable ARPU (in €)<sup>(10)</sup></b>	<b>17.9</b>	<b>18.3</b>	<b>19.4</b>	<b>19.0</b>	<b>20.0</b>

(1) Homes passed represents all homes connected to our network directly and through third-party networks. We provide our services to subscribers directly over our network and over certain cable networks owned by third parties with whom we have entered into exclusive or non-exclusive agreements to provide our services over their networks.

(2) Unique cable subscribers represent the number of persons who subscribe for one or more of our services without regard to how many services the end user is subscribed.

(3) Cable pay-TV RGUs includes i) the sum of our analog and digital cable pay-TV RGUs in Slovenia and (ii) our total analog cable pay-TV RGUs (without separately counting analog cable RGUs that have purchased digital top-ups) in Serbia, Bosnia and Herzegovina and Montenegro.

(4) OTT consists of our *NetTV* and *D3i* subscribers.

(5) Broadband internet RGUs represents residential broadband internet provided via coaxial cable.

(6) Fixed-line telephony RGUs represents residential fixed-line telephony provided via coaxial cable.

(7) Mobile RGUs represents mobile telephony services provided to customers in Slovenia, where we have operated as an MNO since our acquisition of Tušmobil in April 2015. Prior to April 2015, we provided mobile services to our customers as an MVNO.

(8) Other services include multichannel multipoint distribution service-based services, ADSL internet services and B2B.

(9) RGU Penetration represents the number of RGUs at the end of the relevant period as a percentage of the number of homes passed by our network.

(10) Blended Cable ARPU is calculated by adding together, for each month in a given period, the total cable pay-TV, broadband internet and fixed-line telephony revenues (including fixed-line telephony usage revenues and excluding minor installation fees) for that particular month divided by the average number of cable pay-TV RGUs for that month and then dividing that sum by the total number of months in the period. Blended Cable ARPU does not include mobile ARPU, which was €13.3 for the period from April 1, 2015 (when we acquired Tušmobil) to December 31, 2015, €12.0 for the year ended December 31, 2016 and €10.8 for the three months ended March 31, 2017. We calculate mobile ARPU by adding together, for each month in a given period, the total mobile telephony revenues (excluding revenues generated by customers of other networks roaming on our network and excluding wholesale revenues) for that particular month divided by the average number of mobile RGUs for that month and then dividing that sum by the total number of months in the period.

The following tables provide a breakdown of our key operating measures for our Telemach Slovenia segment, SBB Serbia segment, Telemach BH segment and Telemach MNE segment as of December 31, 2014, 2015 and 2016 and as of March 31, 2016 and 2017, respectively:

	Telemach Slovenia segment			SBB Serbia segment			Telemach BH segment			Telemach MNE segment		
	December 31,			December 31,			December 31,			December 31,		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
	(in thousands)											
<b>Footprint:</b>												
Homes passed <sup>(1)</sup>	301	304	308	892	844	902	198	302	312	N/A	45	50
<b>Unique cable subscribers<sup>(2)</sup></b>	<b>187</b>	<b>187</b>	<b>186</b>	<b>510</b>	<b>524</b>	<b>547</b>	<b>118</b>	<b>209</b>	<b>209</b>	<b>N/A</b>	<b>0</b>	<b>25</b>
<b>RGUs<sup>(3)</sup></b>												
Cable pay-TV	187	187	186	510	524	547	118	209	209	N/A	0	25
DTH pay-TV <sup>(4)</sup>	—	—	31	432	469	271	—	—	130	N/A	—	65
Broadband internet	132	137	140	266	296	336	70	125	137	N/A	—	13
Fixed-line Telephony	141	152	157	76	134	203	33	57	69	N/A	—	1
Mobile <sup>(5)</sup>	14	331	399	—	—	—	—	—	—	N/A	—	—
Other services <sup>(6)</sup>	18	22	23	17	70	86	3	3	2	N/A	21	6
<b>Total RGUs</b>	<b>492</b>	<b>831</b>	<b>937</b>	<b>1,306</b>	<b>1,502</b>	<b>1,457</b>	<b>224</b>	<b>393</b>	<b>548</b>	<b>N/A</b>	<b>N/A</b>	<b>111</b>

	Telemach Slovenia segment		SBB Serbia segment		Telemach BH segment		Telemach MNE segment	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
	2016	2017	2016	2017	2016	2017	2016	2017
	(in thousands)							
<b>Footprint:</b>								
Homes passed <sup>(1)</sup>	305	308	846	909	303	315	45	50
<b>Unique cable subscribers<sup>(2)</sup></b>	<b>187</b>	<b>185</b>	<b>527</b>	<b>553</b>	<b>208</b>	<b>209</b>	<b>1</b>	<b>26</b>
<b>RGUs<sup>(3)</sup></b>								
Cable pay-TV	187	185	527	553	208	209	1	26
DTH pay-TV <sup>(4)</sup>	30	37	259	268	119	129	66	64
Broadband internet	138	140	302	344	125	139	0	14
Fixed-line Telephony	153	160	150	217	60	73	0	2
Mobile services <sup>(5)</sup>	343	414	—	—	—	—	—	—
Other services <sup>(6)</sup>	23	25	72	87	3	2	15	3
<b>Total RGUs</b>	<b>874</b>	<b>960</b>	<b>1,310</b>	<b>1,483</b>	<b>515</b>	<b>552</b>	<b>83</b>	<b>110</b>

- (1) Homes passed represents all homes connected to our network directly and through third-party networks. We provide our services to subscribers directly over our network and over certain cable networks owned by third parties with whom we have entered into exclusive or non-exclusive agreements to provide our services over their networks.
- (2) Unique cable subscribers represent the number of persons who subscribe for one or more of our services without regard to how many services the end user is subscribed.
- (3) RGUs, or revenue generating units. Total RGUs are not equal to the total number of subscribers. For example, one subscriber who receives cable pay-TV and telephony services over our network is counted as two RGUs, and our subscriber who receives cable pay-TV, broadband internet and telephony services over our network is counted as three RGUs.
- (4) For the years ended December 31, 2015 and 2014, we report our DTH business within the SBB Serbia segment. Effective January 1, 2016, we reclassified our DTH business and now report those results primarily within the geographical segment in which they are generated. Accordingly, for the year ended December 31, 2016 and for the three months ended March 31, 2017 and 2016, our DTH business in Slovenia is reported within the Telemach Slovenia segment and our DTH business in Bosnia and Herzegovina is reported within the Telemach BH segment. Our DTH business in Montenegro is reported within the Telemach MNE segment following the creation of the Telemach MNE segment in 2016, but the Telemach MNE segment data for the year ended December 31, 2015 and for the three months ended March 31, 2016 is provided in this section of the offering memorandum for comparison purposes with respect to the Telemach MNE segment only. We continue to present the results of our other DTH business in Croatia and Macedonia within the SBB Serbia segment.

- (5) Mobile RGUs represents mobile telephony services provided to customers in Slovenia, where we have operated as an MNO since our acquisition of Tušmobil in April 2015. Prior to April 2015, we provided mobile services to our customers as an MVNO.
- (6) Other services include multichannel multipoint distribution service-based services, ADSL internet services and B2B.

***Group—Three months ended March 31, 2017 compared to the three months ended March 31, 2016***

Homes passed increased by 83 thousand, or 5.5%, from 1,499 thousand as of March 31, 2016 to 1,582 thousand as of March 31, 2017, primarily due to network expansion and the acquisition of M-Kabl in Montenegro.

As of March 31, 2017, we had 1,471 thousand cable pay-TV and DTH pay-TV RGUs, which represented an increase of 74 thousand, or 5.3%, compared to 1,397 thousand as of March 31, 2016. As a result of the organic growth of our operations and the acquisitions we completed in 2016 (including the acquisition of approximately 20 thousand unique cable subscribers in Montenegro), cable pay-TV RGUs have increased by 51 thousand, or 5.5%, to 973 thousand as of March 31, 2017, compared to 922 thousand as of March 31, 2016. DTH pay-TV RGUs increased by 23 thousand, or 4.8%, to 498 thousand as of March 31, 2017, compared to 475 thousand as of March 31, 2016, primarily due to organic growth and migration from MMDS to DTH in Montenegro.

As of March 31, 2017, we had 637 thousand broadband internet RGUs, which represented an increase of 71 thousand, or 12.5%, compared to 566 thousand as of March 31, 2016. This increase is primarily attributable to the increase in our multi-play subscriptions, the increase in the number of our subscribers and 11 thousand RGUs acquired in Montenegro since March 31, 2016. The total number of fixed-line telephony RGUs increased to 453 thousand as of March 31, 2017, an increase of 24.5% compared to 364 thousand as of March 31, 2016, primarily due to an increase in our multi-play subscriptions over this period.

Our mobile RGUs increased by 71 thousand, or 20.7%, to 414 thousand as of March 31, 2017, from 343 thousand as of March 31, 2016, due to organic growth following our acquisition of Tušmobil in April 2015.

Our total RGUs increased by approximately 317 thousand, or 11.0%, from 2,893 thousand as of March 31, 2016, to 3,210 thousand as of March 31, 2017. The RGUs added over this period are due to the acquisition of M-Kabl, an increase in the number of cable pay-TV, OTT, telephony and DTH subscribers, as well as a growing proportion of multi-play subscribers.

***Group—Year ended December 31, 2016 compared to the year ended December 31, 2015***

Homes passed increased by 76 thousand, or 5.1%, from 1,495 thousand as of December 31, 2015 to 1,571 thousand as of December 31, 2016, primarily due to network expansion and the acquisition of M-Kabl in Montenegro.

As of December 31, 2016, we had 1,464 thousand cable pay-TV and DTH pay-TV RGUs, which represented an increase of 70 thousand, or 5.0%, compared to 1,394 thousand as of December 31, 2015. As a result of organic growth and acquisitions in 2016, cable pay-TV RGUs increased by 47 thousand, or 5.1%, to 967 thousand as of December 31, 2016, compared to 920 thousand as of December 31, 2015. DTH pay-TV RGUs increased by 23 thousand, or 4.9%, to 497 thousand as of December 31, 2016, compared to 474 thousand as of December 31, 2015, due to organic growth.

As of December 31, 2016, we had 626 thousand broadband internet RGUs, which represented an increase of 69 thousand, or 12.4%, compared to 558 thousand as of December 31, 2015, primarily due to an increase in multi-play subscriptions over this period, the increase in the number of our subscribers and 4 thousand RGUs acquired in Bosnia as well as 11 thousand RGUs acquired in Montenegro.

Fixed-line telephony RGUs increased to 431 thousand as of December 31, 2016, an increase of 25.7% compared to 343 thousand as of December 31, 2015, primarily due to an increase in multi-play subscriptions over this period, especially in Serbia.

Our mobile RGUs increased by 68 thousand, or 20.5%, to 399 thousand as of December 31, 2016, from 331 thousand as of December 31, 2015, due to organic growth in Slovenia.

Our total RGUs increased by 304 thousand, or 10.7%, from 2,850 thousand as of December 31, 2015, to approximately 3,154 as of December 31, 2016. The RGUs added over this period were a result of the



acquisition of M-Kabl, the increase in the number of cable pay-TV, OTT, telephony and DTH subscribers, as well as the growing proportion of multi-play subscribers.

**Group—Year ended December 31, 2015 compared to the year ended December 31, 2014**

Homes passed increased by 59 thousand, or 4.1%, from 1,436 thousand as of December 31, 2014 to 1,495 thousand as of December 31, 2015, primarily due to network expansion and the Bosnian Acquisitions.

As of December 31, 2015, we had 1,394 thousand cable pay-TV and DTH pay-TV RGUs, which represented an increase of 147 thousand, or 11.8%, compared to 1,247 thousand as of December 31, 2014. As a result of organic growth of our operations and our acquisitions in 2015, cable pay-TV RGUs increased by 105 thousand, or 12.8%, to 920 thousand as of December 31, 2015, compared to 815 thousand as of December 31, 2014. DTH pay-TV RGUs increased by 42 thousand, or 9.7%, to 474 thousand as of December 31, 2015, compared to 432 thousand as of December 31, 2014, due to organic growth of our operations, particularly in Bosnia and Herzegovina and Montenegro, where we experienced higher growth given the relative underpenetration in these markets.

As of December 31, 2015, we had 558 thousand broadband internet RGUs, which represented an increase of 90 thousand, or 19.2%, compared to 468 thousand as of December 31, 2014, primarily due to the increase in our multi-play subscriptions since December 31, 2014, as well as our acquisition of 47 thousand RGUs in Bosnia and Herzegovina during the year ended December 31, 2015.

Fixed-line telephony RGUs increased to 343 thousand as of December 31, 2015, an increase of 37.2% compared to 250 thousand as of December 31, 2014, primarily due to the growth of this offering in our SBB Serbia segment since its introduction in April 2014 and an increase in our multi-play subscriptions since December 31, 2014.

Our mobile RGUs increased significantly, by 317 thousand to 331 thousand as of December 31, 2015, from 14 thousand as of December 31, 2014, due to our acquisition of Tušmobil in April 2015.

Our total RGUs increased by 725 thousand, or 34.1%, from 2,125 thousand as of December 31, 2014, to approximately 2,850 as of December 31, 2015. The RGUs added over this period were a result of the acquisition of Tušmobil, the Bosnian Acquisitions, an increase in the number of cable pay-TV, OTT, telephony and DTH subscribers, as well as an increasing number of multi-play subscribers.

The following tables set forth the ARPU for our Telemach Slovenia segment, SBB Serbia segment, Telemach BH segment and Telemach MNE segment generated by the products and services we offer.

	Telemach Slovenia segment			SBB Serbia segment			Telemach BH segment			Telemach MNE segment		
	Year ended December 31,			Year ended December 31,			Year ended December 31,			Year ended December 31,		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
<b>ARPU<sup>(1)</sup></b>												
Cable-pay-TV . . . . .	16.5	16.8	17.2	8.0	8.1	8.9	7.4	7.4	8.0	N/A	—	10.2
Broadband internet . . . . .	15.8	15.7	16.1	10.7	9.8	9.8	9.4	8.5	8.7	N/A	—	10.3
Fixed-line Telephony . . . . .	4.7	3.8	3.8	5.9	5.3	4.9	11.4	10.5	9.6	N/A	—	5.7
<b>Blended Cable ARPU<sup>(2)</sup></b>	<b>30.8</b>	<b>31.1</b>	<b>32.3</b>	<b>13.7</b>	<b>14.6</b>	<b>16.1</b>	<b>15.0</b>	<b>15.3</b>	<b>16.3</b>	<b>N/A</b>	<b>—</b>	<b>15.5</b>
<b>DTH pay-TV<sup>(3)</sup></b>	<b>—</b>	<b>—</b>	<b>15.9</b>	<b>8.8</b>	<b>8.7</b>	<b>8.6</b>	<b>—</b>	<b>—</b>	<b>7.5</b>	<b>N/A</b>	<b>—</b>	<b>10.1</b>

	Telemach Slovenia segment		SBB Serbia segment		Telemach BH segment		Telemach MNE segment	
	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
	2016	2017	2016	2017	2016	2017	2016	2017
<b>ARPU<sup>(1)</sup></b>								
Cable-pay-TV . . . . .	17.0	17.2	8.9	9.3	7.5	8.8	—	9.9
Broadband internet . . . . .	15.7	16.0	9.9	9.5	8.4	9.2	—	9.8
Fixed-line Telephony . . . . .	4.0	3.6	5.2	4.7	9.7	8.8	—	4.8
<b>Blended Cable ARPU<sup>(2)</sup></b> . . . . .	<b>31.8</b>	<b>32.2</b>	<b>15.9</b>	<b>16.9</b>	<b>15.3</b>	<b>17.9</b>	<b>—</b>	<b>15.5</b>
<b>DTH pay-TV<sup>(3)</sup></b> . . . . .	15.7	15.6	8.5	8.7	7.1	7.7	9.4	10.5

- (1) Our ARPU is presented in euro per month (excluding VAT) for the periods indicated. ARPU from broadband internet includes value-added services subscriptions, including online backup, internet security and anti-virus services.
- (2) Blended Cable ARPU is calculated by adding together, for each month in a given period, the total cable pay-TV, broadband internet and fixed-line telephony revenues (including fixed-line telephony usage revenues and excluding minor installation fees) for that particular month divided by the average number of cable pay-TV RGUs for that month and then dividing that sum by the total number of months in the period. Blended Cable ARPU does not include mobile ARPU, which is only relevant for our Telemach Slovenia segment and which was €13.3 for the period from April 1, 2015 (when we acquired Tušmobil) to December 31, 2015, €12.0 for the year ended December 31, 2016, €13.5 for the three months ended March 31, 2016 and €10.8 for the three months ended March 31, 2017. We calculate mobile ARPU by adding together, for each month in a given period, the total mobile telephony revenues (excluding revenues generated by customers of other networks roaming on our network and excluding wholesale revenues) for that particular month divided by the average number of mobile RGUs for that month and then dividing that sum by the total number of months in the period.
- (3) For the years ended December 31, 2015 and 2014, we report our DTH business within the SBB Serbia segment. Effective January 1, 2016, we reclassified our DTH business and now report those results primarily within the geographical segment in which they are generated. Accordingly, for the year ended December 31, 2016 and for the three months ended March 31, 2017 and 2016, our DTH business in Slovenia is reported within the Telemach Slovenia segment and our DTH business in Bosnia and Herzegovina is reported within the Telemach BH segment. Our DTH business in Montenegro is reported within the Telemach MNE segment following the creation of the Telemach MNE segment in 2016, but the Telemach MNE segment data for the year ended December 31, 2015 and for the three months ended March 31, 2016 is provided in this section of the offering memorandum for comparison purposes with respect to the Telemach MNE segment only. We continue to present the results of our other DTH business in Croatia and Macedonia within the SBB Serbia segment.

### *Three months ended March 31, 2017 compared to the three months ended March 31, 2016*

**Telemach Slovenia segment.** Blended cable ARPU per customer for Telemach Slovenia for the three months ended March 31, 2017 was €32.2, an increase of €0.4, or 1.4%, compared to the three months ended March 31, 2016. This increase in blended cable ARPU per customer was primarily due to an increase in the number of our multi-play subscribers. Additionally, the price increase for cable-based services in Slovenia, effective as of March 2016, had a positive impact on cable service revenues.

**SBB Serbia segment.** Blended cable ARPU per customer for SBB Serbia for the three months ended March 31, 2017 was €16.9, an increase of €1.0, or 6.7%, compared to the three months ended March 31, 2016. This increase in blended cable ARPU per customer was primarily due to the price increase implemented in January 2017 and the continued positive impact of subscribers upgrading to multi-play packages.

**Telemach BH segment.** Blended cable ARPU per customer for Telemach BH for the three months ended March 31, 2017 was €17.9, an increase of €2.6, or 16.9%, compared to the three months ended March 31, 2016. This increase in blended cable ARPU per customer was due to the increase in the number of multi-play subscribers and the price increase implemented in August 2016.

**Telemach MNE segment.** Blended cable ARPU per customer for Telemach MNE for the three months ended March 31, 2017 was €15.5. The primary business in Montenegro prior to the acquisition of M-Kabl in July 2016 was a DTH business.

### *Year ended December 31, 2016 compared to the year ended December 31, 2015*

**Telemach Slovenia segment.** Blended cable ARPU per customer for Telemach Slovenia for the year ended December 31, 2016 was €32.3, an increase of €1.2, or 3.9%, compared to the year ended December 31, 2015. This increase in blended cable ARPU per customer was primarily due to the increase

in the number of our multi-play subscribers. The price increase for cable-based services in Slovenia, which was effective as of March 2016, also had a positive impact on our pay-TV and Internet revenues.

**SBB Serbia segment.** Blended cable ARPU per customer for SBB Serbia for the year ended December 31, 2016 was €16.1, an increase of €1.6, or 10.9%, compared to the year ended December 31, 2015. This increase in blended cable ARPU per customer was primarily due to the continued positive impact of subscribers upgrading to multi-play packages and the price increase of the basic cable service in Serbia in 2016.

DTH ARPU decreased by €0.1, or 1.1%, to €8.6 as of the year ended December 31, 2016, from €8.7 as of December 31, 2015, due to the change in our segment reporting whereby, effective January 1, 2016, we primarily report the results of our DTH business within the geographical segment in which those results were generated. The DTH ARPU within the SBB Serbia segment would have otherwise slightly increased in the absence of such segment reporting change, primarily due to a price increase in July 2016.

**Telemach BH segment.** Blended cable ARPU per customer for Telemach BH for the year ended December 31, 2016 was €16.3, an increase of €1.0, or 6.5%, compared to the year ended December 31, 2015. This increase in blended cable ARPU per customer was primarily due to the increase in the number of subscribers for our multi-play offering and the price increase for our Basic TV package in Bosnia and Herzegovina in August 2016. At Telemach BH, fixed-line telephony ARPU was affected by increasing competition from VoIP providers, especially with respect to outgoing calls to mobile numbers. The increase in blended cable ARPU would have been higher without the Bosnian Acquisitions, which had lower ARPU than Telemach BH. Blended cable ARPU was negatively impacted by the Bosnian Acquisitions, which businesses had lower ARPU than Telemach BH. However, in 2017, we have begun to see improvements in ARPU levels at these companies due to our integration efforts with Telemach BH.

**Telemach MNE segment.** Blended cable ARPU per customer for Telemach MNE for the year ended December 31, 2016 was €15.5. The primary business in Montenegro prior to the acquisition of M-Kabl in July 2016 was DTH business, so the blended cable ARPU per customer in Montenegro was nil for the year ended December 31, 2015.

#### ***Year ended December 31, 2015 compared to the year ended December 31, 2014***

**Telemach Slovenia segment.** Blended cable ARPU per customer for Telemach Slovenia for the year ended December 31, 2015 was €31.1, an increase of €0.3, or 1.0%, compared to the year ended December 31, 2014. This increase in blended cable ARPU per customer was primarily due to an increase in the number of our multi-play subscribers. The price increase for cable-based services in Slovenia, which we implemented in April 2014, has also had a positive impact on our pay-TV and internet revenues.

**SBB Serbia segment.** Blended cable ARPU per customer for SBB Serbia for the year ended December 31, 2015 was €14.6, an increase of €0.9, or 6.6%, compared to the year ended December 31, 2014. This increase in blended cable ARPU per customer was primarily due to the continued positive impact of subscribers upgrading to multi-play packages. Fixed number portability, which was implemented in Serbia in April 2014, has also had a positive effect, as many of the ported numbers in the market were ported to SBB Serbia.

DTH ARPU decreased by €0.1, or 1.1%, to €8.7 as of the year ended December 31, 2015, from €8.8 as of December 31, 2014, due to higher the increase in the number of our subscribers in countries with lower ARPU.

**Telemach BH segment.** Blended cable ARPU per customer for Telemach BH for the year ended December 31, 2015 was €15.3, an increase of €0.3, or 2.0%, compared to the year ended December 31, 2014. This increase in blended cable ARPU per customer was primarily due to the increase in the number of our multi-play subscribers and an increase in revenue from our fixed-line telephony services. The increase in blended cable ARPU would have been higher without the Bosnian Acquisitions, which had lower ARPU than Telemach BH. However, we expect gradual improvements in ARPU levels at these companies due to our integration efforts with Telemach BH. We expect the trend of subscriber migration to multi-player packages to continue with further development of the cable market.

## Description of Key Line Items

**Revenue.** Revenues are generated from the following services: cable television, broadband internet, DTH-TV, value-added services (such as OTT), telephony subscriptions and telephony usage, content and other sources (primarily related to the sale of end-user equipment). Revenues generated from our bundle subscriptions are allocated to the individual products of standard cable, broadband internet and telephony subscriptions based on the individual product prices for each product as a percentage of the sum of the individual product prices. Revenue for these services is charged and recognized in the period in which these services are provided. We recognize revenues for connection fees upon delivery of installation and we defer and amortize connection fees over the average remaining useful life of the customer relationship.

**Other income.** Other income arises mainly from the sale of programming rights, advertising and lease of cable network.

**Content cost.** Content costs include author rights and royalties we pay to procure our content, and include fees paid to channel providers, primarily related to foreign television channels. Our content fees are predominantly determined on a flat monthly amount and to a lesser extent on a per-subscriber basis.

**Satellite capacity cost.** Satellite capacity costs relate to the lease of satellite capacity from third-party providers, which currently is EUTELSAT. These costs are impacted by the type and amount of commercial discounts obtained from satellite providers.

**Link and interconnection cost.** These costs relate to fees payable in order to transfer data over third-party networks. Internet connection links are leased from various parties.

**Materials cost.** Materials cost includes costs to procure set-top boxes, other products, such as telephones and routers, and materials used to connect subscribers to our network.

**Staff cost.** Staff cost includes wages and salaries, social security costs, pension costs and other post-employment benefits and the cost of temporary and external personnel, adjusted for own work capitalized based on direct labor hours spent on projects which are capitalized.

**Depreciation cost.** Depreciation cost relates to the depreciation and impairment of our property, plant and equipment over their useful lives.

**Amortization of intangible assets.** Amortization of intangible assets relates to the amortization and impairment of our intangible assets over their useful lives. Our intangible assets include our customer base and direct subscriber acquisition costs, which, for our cable and DTH customers, are capitalized and amortized over the estimated useful life of the customer relationship. For our mobile customers, subscriber acquisition costs are capitalized and amortized over a twenty-four month period (the estimated life of the post-paid customer contract), while our mobile customer base is capitalized and amortized over its estimated useful life. Intangible assets also include goodwill, computer software, licenses and content such as sport rights.

**Other operating expenses.** Other operating expenses include rent of premises, poles and ducts, marketing and promotion expenses, legal and administrative fees and maintenance costs.

**Operating income.** Operating income represents the amount of profit from business operations, and includes total revenues less total operating expenses (which contains cost of goods sold, personnel expenses, contracted work, materials and logistics, marketing and sales, office expenses, other operating expenses, amortization, depreciation and impairments).

**Finance income.** Finance income includes interest income on funds invested (including short-term bank deposits) and foreign currency gains.

**Finance costs.** Finance costs include interest expense on borrowings and foreign currency losses.

**Income tax credit/(expense).** Income tax credit/(expense) comprises current and deferred income tax and is recognized in our statement of comprehensive income, except to the extent that such expense or benefit relates to an item that is recognized as equity in our balance sheet or in our statement of other comprehensive income.

## Results of Operations

In this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have presented:

- unaudited condensed consolidated financial data for the Company and its subsidiaries for the three months ended March 31, 2017 compared to the unaudited condensed consolidated financial data for the Company and its subsidiaries for the three months ended March 31, 2016;
- audited consolidated financial data for the Company and its subsidiaries for the year ended December 31, 2016 compared to the audited consolidated financial data for the Company and its subsidiaries for the year ended December 31, 2015; and
- audited consolidated financial data for the Company and its subsidiaries for the year ended December 31, 2015 compared to the unaudited combined financial data for the Company and its subsidiaries and Slovenia Broadband and its subsidiaries for the year ended December 31, 2014, which represents the arithmetical addition of the financial data of the Company for the year ended December 31, 2014 and the financial data of Slovenia Broadband for the two months ended February 28, 2014.

We present this combination of historical and combined financial data to provide investors a meaningful basis for comparing periods of differing lengths and comprising different members of our group.

### Results of Operations

#### *Three months ended March 31, 2017 compared to the three months ended March 31, 2016*

We present and discuss in the following section the Company’s consolidated financial data for the three months ended March 31, 2017 and the three months ended March 31, 2016.

	The Company	
	Three months ended March 31, 2016	Three months ended March 31, 2017
	(in € thousands)	
<b>Statement of Comprehensive Income Data</b>		
<b>Revenue</b> . . . . .	<b>109,308</b>	<b>121,376</b>
Other income . . . . .	557	767
Content cost . . . . .	(15,493)	(18,645)
Satellite capacity cost . . . . .	(2,055)	(1,576)
Link and interconnection cost . . . . .	(8,217)	(9,329)
Materials cost . . . . .	(9,619)	(8,136)
Staff cost . . . . .	(11,664)	(12,399)
Depreciation . . . . .	(17,626)	(20,572)
Amortization of intangible assets . . . . .	(11,460)	(13,457)
Other operating expenses . . . . .	(19,207)	(22,203)
<b>Operating profit</b> . . . . .	<b>14,524</b>	<b>15,826</b>
Finance income . . . . .	383	433
Finance costs . . . . .	(23,673)	(18,768)
<b>Net finance costs</b> . . . . .	<b>(23,290)</b>	<b>(18,335)</b>
<b>Profit/(loss) before tax</b> . . . . .	<b>(8,766)</b>	<b>(2,509)</b>
Income tax credit/(expense) . . . . .	(1,702)	(898)
<b>Profit/(loss) for the period</b> . . . . .	<b>(10,468)</b>	<b>(3,407)</b>

**Revenue.** Revenue increased by €12,068 thousand, or 11.0%, to €121,376 thousand for the three months ended March 31, 2017 from €109,308 thousand for the three months ended March 31, 2016. This increase was primarily due to the increase in the number of our subscribers, the increase in average revenue per subscriber and the acquisitions of M-Kabl in Montenegro in July 2016 and Maxtel in Slovenia in November 2016. See “—Key Operating Measures—Unique Subscribers, RGUs and ARPU—Group—Three months ended March 31, 2017 compared to the three months ended March 31, 2016.”



## Revenue by Segment

Our revenue by segment presented below represents our external sales only (and does not reflect our intercompany sales).

	Revenue	
	For the three months ended March 31, 2016	For the three months ended March 31, 2017
	(in € thousands)	
Telemach Slovenia segment . . . . .	46,078	45,756
SBB Serbia segment . . . . .	37,306	43,021
Telemach BH segment . . . . .	12,555	14,766
Telemach MNE segment . . . . .	2,449	3,390
United Media segment . . . . .	7,198	10,320
Other Businesses segment . . . . .	3,722	4,123

**Telemach Slovenia segment.** Revenue for our Telemach Slovenia segment decreased by €322 thousand, or 0.7%, to €45,756 thousand for the three months ended March 31, 2017 from €46,078 thousand for the three months ended March 31, 2016, primarily due to higher revenues in Slovenia in the three months ended March 31, 2016 following the implementation of an accounting policy on January 1, 2016 which requires upfront recognition of revenue for the sale of subscriptions in relation to mobile phones, which we previously recorded as a cost.

**SBB Serbia segment.** Revenue for our SBB Serbia segment increased by €5,715 thousand, or 15.3%, to €43,021 thousand for the three months ended March 31, 2017 from €37,306 thousand for the three months ended March 31, 2016, primarily due to the price increase for our cable pay-TV services implemented on January 1, 2017, as well as organic growth of our existing subscriber base and RGUs.

**Telemach BH segment.** Revenue for our Telemach BH segment increased by €2,211 thousand, or 17.6%, to €14,766 thousand for the three months ended March 31, 2017 from €12,555 thousand for the three months ended March 31, 2016, primarily due to the price increase for our Basic TV package implemented in August 2016 and organic growth, particularly in the internet and fixed-line telephony segments.

**Telemach MNE segment.** Revenue for our Telemach MNE segment increased by €941 thousand, or 38.4%, to €3,390 thousand for the three months ended March 31, 2017 from €2,449 thousand for the three months ended March 31, 2016, primarily due to the acquisition of M-Kabl and the growth of cable services.

**United Media segment.** Revenue for our United Media segment increased by €3,122 thousand, or 43.4%, to €10,320 thousand for the three months ended March 31, 2017 from €7,198 thousand for the three months ended March 31, 2016, primarily due to the increase in sales of distribution rights of our proprietary channels to various third-party distributors and a price increase for our proprietary channels to third parties.

**Other Businesses segment.** Revenue for our Other Businesses segment increased by €401 thousand, or 10.8%, to €4,123 thousand for the three months ended March 31, 2017 from €3,722 thousand for the three months ended March 31, 2016, primarily due to the increase in subscribers to our *NetTV* platform.

**Other income.** Other income increased by €210 thousand, or 37.7%, to €767 thousand for the three months ended March 31, 2017 from €557 thousand for the three months ended March 31, 2016, primarily due to the sale of certain property, plant and equipment.

**Content cost.** Content cost increased by €3,152 thousand, or 20.3%, to €18,645 thousand for the three months ended March 31, 2017 from €15,493 thousand for the three months ended March 31, 2016, primarily due to the continuing improvements to our program offering and additional content costs for acquired companies.

**Satellite capacity cost.** Satellite capacity cost decreased by €479 thousand, or 23.3%, to €1,576 thousand for the three months ended March 31, 2017 from €2,055 thousand for the three months ended March 31,

2016, primarily due to the regrouping of TV channels and a reduced number of transponders resulting from our switch from MPEG 2 to MPEG 4 digital data compressing technology.

**Link and interconnection cost.** Link and interconnection cost increased by €1,112 thousand, or 13.5% to €9,329 thousand for the three months ended March 31, 2017 from €8,217 thousand for the three months ended March 31, 2016, primarily due to higher mobile interconnection costs resulting from the growth of our mobile business following the acquisition of Tušmobil and increased interconnection costs related to IPTV.

**Materials cost.** Materials cost decreased by €1,483 thousand, or 15.4% to €8,136 thousand for the three months ended March 31, 2017 from €9,619 thousand for the three months ended March 31, 2016, primarily due to lower accounting recognition of the cost of sold handsets.

**Staff cost.** Staff cost increased by €735 thousand, or 6.3%, to €12,399 thousand for the three months ended March 31, 2017 from €11,664 thousand for the three months ended March 31, 2016. This increase was primarily attributable to an increase in our headcount due to our organic growth and acquisitions.

**Depreciation.** Depreciation increased by €2,946 thousand, or 16.7%, to €20,572 thousand for the three months ended March 31, 2017 from €17,626 thousand for the three months ended March 31, 2016. This increase was primarily due to the increase in fixed tangible assets resulting from our acquisitions in 2016, as well as to capital expenditure related to expanding our cable network.

**Amortization of intangible assets.** Amortization of intangible assets increased by €1,997 thousand, or 17.4%, to €13,457 thousand for the three months ended March 31, 2017, from €11,460 thousand for the three months ended March 31, 2016. This increase was primarily due to newly-obtained licenses and higher prices for programming rights obtained in the six months ended March 31, 2017.

**Other operating expenses.** Other operating expenses increased by €2,996 thousand, or 15.6%, to €22,203 thousand for the three months ended March 31, 2017 from €19,207 thousand for the three months ended March 31, 2016. This was primarily due to higher marketing costs, legal and advisory fees and customer service costs.

**Net finance costs.** Net finance costs decreased by €4,955 thousand, or 21.3%, to €18,335 thousand for the three months ended March 31, 2017 from €23,290 thousand for the three months ended March 31, 2016. This decrease was primarily attributable to lower foreign exchange costs on intercompany loans due to the capitalization of intercompany loans in Serbia in the three months ended March 31, 2017 compared to the three months ended March 31, 2016 and favorable foreign exchange movements for currencies not denominated in euro.

**Loss before tax.** Loss before tax decreased by €6,257 thousand, or 71.4%, to €2,509 thousand for the three months ended March 31, 2017 from a loss of €8,766 thousand for the three months ended March 31, 2016, primarily due to lower net finance costs, as described above.

**Income tax expense.** Income tax expense decreased by €804 thousand, or 47.2%, to €898 thousand for the three months ended March 31, 2017 from €1,702 thousand for the three months ended March 31, 2016, primarily due to SBB Serbia obtaining beneficial tax status in Serbia, as described in “—Key Factors Affecting Our Business and Results of Operations—Tax Treatment in Local Jurisdictions”.

**Adjusted EBITDA and Adjusted EBITDA Margin.** Adjusted EBITDA increased by €6,835 thousand, or 14.7%, to €53,336 thousand for the three months ended March 31, 2017 from €46,501 thousand for the three months ended March 31, 2016, primarily due to the increase in operating revenues, improved cost control, the integration of acquired companies and the acquisition of M-Kabl.

Adjusted EBITDA Margin increased to 43.9% for the three months ended March 31, 2017 from 42.5% for the three months ended March 31, 2016, primarily due to increased operating revenues and the price increases in our SBB Serbia, United Media and Telemach BH segments.

We have discussed below our Adjusted EBITDA and Adjusted EBITDA Margin by segment for the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

**Telemach Slovenia segment.** Adjusted EBITDA decreased by €601 thousand, or 3.8%, to €15,043 thousand for the three months ended March 31, 2017 from €15,644 thousand for the three months ended March 31, 2016, primarily due to higher intercompany programming costs. These programming

costs were comprised of an additional €959 thousand of costs invoiced by United Media in the three months ended March 31, 2017. In addition, Adjusted EBITDA was adversely impacted by the introduction of a carriage fee by CME's Slovenian channels, which moved from a free-to-air model to a pay-TV model in 2017. Adjusted EBITDA Margin decreased to 32.9% for the three months ended March 31, 2017 from 34.0% for the three months ended March 31, 2016, primarily due to higher programming costs.

**SBB Serbia segment.** Adjusted EBITDA increased by €3,584 thousand, or 19.4%, to €22,019 thousand for the three months ended March 31, 2017 from €18,435 thousand for the three months ended March 31, 2016, primarily due to higher revenues from the price increase in January 2017 for our Basic TV package and bundle packages and growth in subscribers and RGUs. Adjusted EBITDA Margin increased to 51.2% for the three months ended March 31, 2017 from 49.4% for the three months ended March 31, 2016, primarily due to higher operating revenues and improved cost control.

**Telemach BH segment.** Adjusted EBITDA increased by €1,429 thousand, or 33.5%, to €5,694 thousand for the three months ended March 31, 2017 from €4,265 thousand for the three months ended March 31, 2016, primarily due to the price increase for our Basic TV package in August 2016. Adjusted EBITDA Margin increased to 38.6% for the three months ended March 31, 2017 from 34.0% for the three months ended March 31, 2016, primarily due to higher revenues and lower operating costs.

**Telemach MNE segment.** Adjusted EBITDA increased by €252 thousand, or 37.4%, to €926 thousand for the three months ended March 31, 2017 from €674 thousand for the three months ended March 31, 2016, primarily due to an increase in the number of subscribers and the acquisition of M-Kabl. Adjusted EBITDA Margin remained relatively stable at 27.3% for the three months ended March 31, 2017 compared to 27.5% for the three months ended March 31, 2016.

**United Media segment.** Adjusted EBITDA increased by €2,325 thousand, or 37.9%, to €8,457 thousand for the three months ended March 31, 2017 from €6,132 thousand for the three months ended March 31, 2016, primarily due to higher revenues for distribution of our content outside of the United Group companies, particularly in the Slovenian market, new contracts reflecting higher prices and increased revenues from other operators in the Adriatic region. Adjusted EBITDA Margin, based on total sales (not limited to third-party sales), decreased to 81.9% for the three months ended March 31, 2017 from 85.2% for the three months ended March 31, 2016, primarily due to higher production costs and new agreements with content providers.

**Other Businesses segment.** Adjusted EBITDA decreased by €154 thousand, or 11.4%, to €1,197 thousand for the three months ended March 31, 2017 from €1,351 thousand for the three months ended March 31, 2016, primarily due to increased operating costs in holding companies which were higher than the EBITDA growth of our *NetTV* platform. Adjusted EBITDA Margin decreased to 29.0% for the three months ended March 31, 2017 from 36.3% for the three months ended March 31, 2016, primarily due to increased costs with respect to certain of the Company's subsidiaries that serve as holding companies.

***Year ended December 31, 2016 compared to the year ended December 31, 2015***

We present and discuss in the following section the Company's historical consolidated financial data for the year ended December 31, 2016 and the year ended December 31, 2015.

	<b>The Company</b>	
	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<b>(in € thousands)</b>	
<b>Statement of Comprehensive Income Data</b>		
<b>Revenue</b> . . . . .	<b>377,325</b>	<b>459,669</b>
Other income . . . . .	5,979	3,509
Content cost . . . . .	(60,017)	(65,567)
Satellite capacity cost . . . . .	(7,561)	(7,118)
Link and interconnection cost . . . . .	(28,834)	(36,066)
Materials cost . . . . .	(10,416)	(44,693)
Staff cost . . . . .	(42,780)	(48,337)
Depreciation . . . . .	(65,792)	(77,061)
Amortization of intangible assets . . . . .	(41,272)	(49,648)
Other operating expenses . . . . .	(92,317)	(94,507)
<b>Operating profit</b> . . . . .	<b>34,315</b>	<b>40,181</b>
Finance income . . . . .	147	8,547
Finance costs . . . . .	(59,864)	(66,718)
<b>Net finance costs</b> . . . . .	<b>(59,717)</b>	<b>(58,171)</b>
<b>Profit/(loss) before tax</b> . . . . .	<b>(25,402)</b>	<b>(17,990)</b>
Income tax credit/(expense) . . . . .	(1,575)	1,546
<b>Profit/(loss) for the period</b> . . . . .	<b>(26,977)</b>	<b>(16,444)</b>

**Revenue.** Revenue increased by €82,344 thousand, or 21.8%, to €459,669 thousand for the year ended December 31, 2016 from €377,325 thousand for the year ended December 31, 2015. This increase was primarily due to the increase in the number of our subscribers, and the increase in average revenue per subscriber (including due to price increases), as well as the full year impact of the acquisitions of Tušmobil (April 2015), the Bosnian Acquisitions (July 2015), M-Kabl in Montenegro (July 2016) and Maxtel in Slovenia (November 2016). These positive trends more than offset the negative translation effect resulting from the depreciation of the Serbian dinar against the euro during the year ended December 31, 2016. See “—Key Operating Measures—Unique Subscribers, RGUs and ARPU—Group—Year ended December 31, 2016 compared to the year ended December 31, 2015.”

***Revenue by Segment***

Our revenue by segment presented below represents our external sales only (and does not reflect our intercompany sales).

	<b>Revenue</b>	
	<b>Year ended December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<b>(in € thousands)</b>	
Telemach Slovenia segment . . . . .	144,265	189,778
SBB Serbia segment . . . . .	140,697	158,725
Telemach BH segment . . . . .	41,596	54,481
Telemach MNE . . . . .	9,779	11,551
United Media segment . . . . .	27,453	29,821
Other Businesses segment . . . . .	13,535	15,313

**Telemach Slovenia segment.** Revenue for our Telemach Slovenia segment increased by €45,513 thousand, or 31.5%, to €189,778 thousand for the year ended December 31, 2016 from €144,265 thousand for the year ended December 31, 2015, primarily due to the full year impact of the acquisition of Tušmobil in April 2015. Other contributing factors include a price increase in April 2016, continued subscriber migration from lower-priced analog cable pay-TV services to higher-priced digital pay-TV services and an increase in the number of our multi-play subscribers.

**SBB Serbia segment.** Revenue for our SBB Serbia segment increased by €18,028 thousand, or 12.8%, to €158,725 thousand for the year ended December 31, 2016 from €140,697 thousand for the year ended December 31, 2015, primarily due to a price increase for cable television services, an increase in the number of our subscribers and an increase in multi-play subscriptions.

**Telemach BH segment.** Revenue for our Telemach BH segment increased by €12,885 thousand, or 31.0%, to €54,481 thousand for the year ended December 31, 2016 from €41,596 thousand for the year ended December 31, 2015, primarily due to the Bosnian Acquisitions completed in July 2015 and increased multi-play penetration of our existing subscriber base.

**Telemach MNE segment.** Revenue for our Telemach MNE segment increased by €1,772 thousand, or 18.1%, to €11,551 thousand for the year ended December 31, 2016 from €9,779 thousand for the year ended December 31, 2015, primarily due to the acquisition of M-Kabl in July 2016 and the growth of cable services.

**United Media segment.** Revenue for our United Media segment increased by €2,368 thousand, or 8.6%, to €29,821 thousand for the year ended December 31, 2016 from €27,453 thousand for the year ended December 31, 2015, primarily due to increased sales of distribution rights to various third-party channels. Revenue for our United Media segment would have been higher for the year ended December 31, 2016 compared to the year ended December 31, 2015 in the absence of certain acquisitions because of which certain of our sales that were recorded as external sales prior to these acquisitions became intercompany sales following such acquisitions. Taking into account intercompany sales, revenue for our United Media segment increased by €24,836 thousand to €44,063 thousand for the year ended December 31, 2016 from €19,227 thousand for the year ended December 31, 2015.

**Other Businesses segment.** Revenue for our Other Businesses segment increased by €1,778 thousand, or 13.1%, to €15,313 thousand for the year ended December 31, 2016 from €13,535 thousand for the year ended December 31, 2015, primarily due to organic growth.

**Other income.** Other income decreased by €2,470 thousand, or 41.3%, to €3,509 thousand for the year ended December 31, 2016 from €5,979 thousand for the year ended December 31, 2015, primarily due to lower revenues related to the sale of fixed assets below book value, collection of previously-impaired receivables (which resulted in less recognized income) and the reversal of certain long-term provisions.

**Content cost.** Content cost increased by €5,550 thousand, or 9.2%, to €65,567 thousand for the year ended December 31, 2016 from €60,017 thousand for the year ended December 31, 2015, primarily due to our acquisition of additional content.

**Satellite capacity cost.** Satellite capacity cost decreased by €443 thousand, or 5.9%, to €7,118 thousand for the year ended December 31, 2016 compared with €7,561 thousand for the year ended December 31, 2015 primarily due to changes in our contract with EUTELSAT and transponder regrouping following our switch from MPEG 2 to MPEG 4 digital data compressing technology.

**Link and interconnection cost.** Link and interconnection cost increased by €7,232 thousand, or 25.1%, to €36,066 thousand for the year ended December 31, 2016 from €28,834 thousand for the year ended December 31, 2015, primarily due to the increased mobile interconnection costs, resulting from the expansion of our mobile business due to our acquisition of Tušmobil and increased interconnection costs related to IPTV.

**Materials cost.** Materials cost increased by €34,277 thousand to €44,693 thousand for the year ended December 31, 2016 from €10,416 thousand for the year ended December 31, 2015, primarily due to implementation of an accounting policy in 2016 which requires upfront recognition of revenue for the sale of subscriptions in relation to mobile phones, which we previously recorded as a cost.



**Staff cost.** Staff cost increased by €5,557 thousand, or 13.0%, to €48,337 thousand for the year ended December 31, 2016 from €42,780 thousand for the year ended December 31, 2015. This increase resulted primarily due to an increase in our headcount due to our organic growth and acquisitions.

**Depreciation.** Depreciation increased by €11,269 thousand, or 17.1%, to €77,061 thousand for the year ended December 31, 2016 from €65,792 thousand for the year ended December 31, 2015. This increase was primarily due to the increase in fixed tangible assets resulting from the acquisition of Tušmobil, as well as to capital expenditure related to expanding our cable and mobile networks.

**Amortization of intangible assets.** Amortization of intangible assets increased by €8,376 thousand, or 20.3%, to €49,648 thousand for the year ended December 31, 2016, from €41,272 thousand for the year ended December 31, 2015. This increase was due to the increase in intangible assets as a result of our purchase price allocations in connection with the Tušmobil acquisition, including in relation to acquired radio frequency rights and Tušmobil's customer base.

**Other operating expenses.** Other operating expenses increased by €2,190 thousand, or 2.4%, to €94,507 thousand for the year ended December 31, 2016 from €92,317 thousand for the year ended December 31, 2015. This increase was primarily due to higher costs relating to legal and advisory and maintenance costs.

**Net finance costs.** Net finance costs decreased by €1,546 thousand, or 2.6%, to €58,171 thousand for the year ended December 31, 2016 from €59,717 thousand for the year ended December 31, 2015. This decrease was primarily attributable to the impact of favorable exchange rates on the fair value of our forward contracts.

**Loss before tax.** Loss before tax decreased by €7,412 thousand, or 29.2%, to €17,990 thousand for the year ended December 31, 2016 from a loss of €25,402 thousand for the year ended December 31, 2015, primarily due to better operating results and decreased net finance costs, as described above.

**Income tax expense.** Income tax benefit was €1,546 thousand for the year ended December 31, 2016 as compared to an income tax expense of €1,575 thousand for the year ended December 31, 2015. This was primarily due to the capitalization of €82.7 million of intercompany loans in SBB Serbia in 2016 and lower costs related to thin capitalization on intercompany loans in SBB Serbia.

**Year ended December 31, 2015 compared to combined 2014**

We present and discuss in the following section the Company's historical consolidated financial data for the year ended December 31, 2015 and unaudited combined financial data for the year ended December 31, 2014.

	Slovenia Broadband	The Company		
	Two months ended February 28, 2014	Year ended December 31, 2014	Combined 2014	Year ended December 31, 2015
	(in € thousands)	(in € thousands)		
Statement of Comprehensive Income Data				
Revenue . . . . .	43,109	240,587	283,696	377,325
Other income . . . . .	1,260	4,995	6,255	5,979
Content cost . . . . .	(8,534)	(48,320)	(56,854)	(60,017)
Satellite capacity cost . . . . .	(1,219)	(6,090)	(7,309)	(7,561)
Link and interconnection cost . . . . .	(993)	(10,807)	(11,800)	(28,834)
Materials cost . . . . .	(1,191)	(5,601)	(6,792)	(10,416)
Staff cost . . . . .	(4,167)	(24,444)	(28,611)	(42,780)
Depreciation . . . . .	(8,987)	(41,677)	(50,664)	(65,792)
Amortization of intangible assets . . . . .	(3,831)	(23,669)	(27,500)	(41,272)
Other operating expenses . . . . .	(7,842)	(83,345)	(91,187)	(92,317)
Operating profit . . . . .	7,605	1,629	9,234	34,315
Finance income . . . . .	902	5,790	6,692	147
Finance costs . . . . .	(6,199)	(78,144)	(84,343)	(59,864)
Net finance costs . . . . .	(5,297)	(72,354)	(77,651)	(59,717)
Profit/(loss) before tax . . . . .	2,308	(70,725)	(68,417)	(25,402)
Income tax credit/(expense) . . . . .	(145)	388	243	(1,575)
Profit/(loss) for the period . . . . .	2,163	(70,337)	(68,174)	(26,977)

**Revenue.** Revenue increased by €93,629 thousand, or 33.0%, to €377,325 thousand for the year ended December 31, 2015 from €283,696 thousand for combined 2014. This increase was primarily due to the full year impact of the acquisitions of *Grand Production*, *Orlando Kids* and *Bambino* in 2014, the acquisition of *Tušmobil* in April 2015, the Bosnian Acquisitions in July 2015 and the organic growth of our existing subscriber base and RGUs and the increase in our ARPU. See “—Key Operating Measures—Unique Subscribers, RGUs and ARPU—Group—Year ended December 31, 2015 compared to the year ended December 31, 2014.”

**Other income.** Other income remained relatively stable at €5,979 thousand for the year ended December 31, 2015 compared to €6,255 thousand for combined 2014.

**Content cost.** Content cost increased by €3,163 thousand, or 5.6%, to €60,017 thousand for the year ended December 31, 2015 from €56,854 thousand for combined 2014, primarily due to our acquisition of additional content and the increase in the number of our subscribers.

**Satellite capacity cost.** Satellite capacity cost increased by €252 thousand, or 3.4%, to €7,561 thousand for the year ended December 31, 2015 compared with €7,309 thousand for combined 2014 primarily due to increased costs associated with renting additional satellite capacity in connection with our one-off switch from MPEG 2 to MPEG 4 digital data compressing technology.

**Link and interconnection cost.** Link and interconnection cost increased by €17,034 thousand to €28,834 thousand for the year ended December 31, 2015 from €11,800 thousand for combined 2014, primarily due to the increased mobile interconnection costs, resulting from the expansion of our mobile business due to our acquisition of *Tušmobil*.

**Materials cost.** Materials cost increased by €3,624 thousand, or 53.4%, to €10,416 thousand for the year ended December 31, 2015 from €6,792 thousand for combined 2014, primarily due to higher energy and maintenance costs relating to the operation of mobile base stations following the acquisition of *Tušmobil*.

**Staff cost.** Staff cost increased by €14,169 thousand, or 49.5%, to €42,780 thousand for the year ended December 31, 2015 from €28,611 thousand for combined 2014. This increase resulted primarily due to an increase in our headcount due to our organic growth and acquisitions.

**Depreciation.** Depreciation increased by €15,128 thousand, or 29.9%, to €65,792 thousand for the year ended December 31, 2015 from €50,664 thousand for combined 2014. This increase was primarily due to the increase in fixed tangible assets resulting from the acquisition of Tušmobil and the Bosnian Acquisitions, as well as to capital expenditure related to expanding our cable and mobile networks and investments in customer premise equipment.

**Amortization of intangible assets.** Amortization of intangible assets increased by €13,772 thousand, or 50.1%, to €41,272 thousand for the year ended December 31, 2015, from €27,500 thousand for combined 2014. This increase was due to the increase in intangible assets as a result of our purchase price allocations in connection with the Tušmobil acquisition, including in relation to acquired radio frequency rights and Tušmobil's customer base.

**Other operating expenses.** Other operating expenses increased by €1,184 thousand, or 1.3%, to €92,317 thousand for the year ended December 31, 2015 from €91,187 thousand for combined 2014. This increase was primarily due to rental payments associated with the rent of mobile base stations and marketing costs resulting from our mobile operations. This increase was partially offset by lower legal and advisory fees during the year ended December 31, 2015 compared to the year ended December 31, 2014, during which our legal and advisory fees were higher as a result of the Issuer's acquisition of Slovenia Broadband in March 2014.

**Net finance costs.** Net finance costs decreased by €17,933 thousand, or 23.1%, to €59,717 thousand for the year ended December 31, 2015 from €77,651 thousand for combined 2014. This decrease was primarily attributable to the absence in the year ended December 31, 2015 of one-time finance costs related to the financing of the Issuer's acquisition of Slovenia Broadband.

**Loss before tax.** Loss before tax decreased by €43,015 thousand, or 62.9%, to €25,402 thousand for the year ended December 31, 2015 from a loss of €68,417 thousand for combined 2014, primarily due to improved operating results and lower finance costs.

**Income tax expense.** Income tax expense was €1,575 thousand for the year ended December 31, 2015 as compared to an income tax benefit of €243 thousand for combined 2014. This was primarily due to taxable income generated at our SBB Serbia segment.

## **Liquidity and Capital Resources**

Following the offering of the Notes and the completion of the Acquisition, our primary sources of liquidity and funds for capital expenditures, acquisitions and other investments are expected to be operating cash flow, our new Revolving Credit Facility, potential additional issuances of debt securities, ancillary and bilateral lending facilities and finance leases. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in euro as well as Serbian dinar and Bosnian mark.

As of March 31, 2017, we had €879.9 million of outstanding indebtedness on a historical basis. On a pro forma basis after giving effect to the Refinancing Transactions and the use of proceeds therefrom, as of March 31, 2017, we would have had €1,370.4 million of outstanding indebtedness and no borrowings outstanding under our Revolving Credit Facility. The terms of the Indenture will permit the Company and its restricted subsidiaries to incur substantial additional indebtedness, including in respect of borrowings under any Credit Facility (as defined in the Indenture) of up to the greater of €260 million and 100% of our Consolidated EBITDA (as defined in the Indenture).

## Cash Flow

The table below summarizes cash flows for the periods presented.

	Slovenia Broadband	The Company				
		Year ended December 31,			Three months ended March 31,	
		2014 <sup>(1)</sup>	2015	2016	2016	2017
	(in € thousands)	(in € thousands)				
Net cash flows from operating activities . . . . .	19,834	242 <sup>(2)</sup>	88,122	90,626	33,013	47,421
Net cash flows from (used in) investing activities . . . . .	(12,831)	(623,072) <sup>(3)</sup>	(220,069)	(190,145)	(30,492)	(38,305)
Net cash flows from (used in) financing activities . . . . .	(144)	168,762 <sup>(3)</sup>	130,891	98,347	1,047	42,871
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>6,861</b>	<b>(454,068)</b>	<b>(1,056)</b>	<b>(1,172)</b>	<b>3,568</b>	<b>51,987</b>

(1) Includes cash flow information of Adria Midco B.V. and its subsidiaries from March 1, 2014.

(2) Cash flows from operating activities for the year ended December 31, 2014 for the Company are not comparable to prior periods as they include the effects of one-off cash payments for costs and expenses of the Company of, among others, (i) €34 million incurred in connection with the acquisition of Slovenia Broadband and its subsidiaries by the Issuer on March 6, 2014, (ii) €8 million (net of refunds) in one-off tax payments and (iii) €3 million in interest payments in January and February 2014 in relation to then-existing indebtedness as well as the Original Notes, as both were simultaneously outstanding pending completion of the Issuer's acquisition of Slovenia Broadband in March 2014. In addition, we incurred certain other one-off cash costs in 2014 related to our refinancing and group restructuring.

(3) For the movements in cash flows provided by (used in) investing activities and cash flows provided by (used in) financing activities, see the cash flow statement for the Company for the year ended December 31, 2014, which is included elsewhere in this offering memorandum.

### *The Company—three months ended March 31, 2017 compared to the three months ended March 31, 2016*

**Net cash from / (used in) operating activities.** Cash flow from operating activities increased by €14,408 thousand, or 43.6%, to €47,421 thousand for the three months ended March 31, 2017 from €33,013 thousand for the three months ended March 31, 2016, primarily due to a smaller increase in operating costs (particularly with respect to costs paid to suppliers) compared to the increase in revenues and in the three months ended March 31, 2017 compared to the three months ended March 31, 2016. Cash flow from operating activities for the three months ended March 31, 2017 was also impacted by higher tax payments resulting from improved results. Additionally, in the three months ended March 31, 2016, there were significant outflows in respect of accounts payable, including due to early payment of a former Tušmobil payable to Telekom Slovenije in the amount of €4.2 million and payment of capital expenditure payables, which increased at the end of 2015 due to a capital-intensive period in the last quarter of 2015. Cash flow from operating activities was also impacted by increased accounts receivable during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, due to price increases in the United Media segment and overall revenue growth.

**Net cash from / (used in) investing activities.** Cash flow used in investing activities increased by €7,813 thousand, or 25.6%, to €38,305 thousand for the three months ended March 31, 2017 from €30,492 thousand for the three months ended March 31, 2016, primarily due to the digitalization process in Novi Sad and the creation of an escrow account related to deferred consideration for the Ikom acquisition.

**Net cash from / (used in) financing activities.** Cash flow from financing activities increased to €42,871 thousand for the three months ended March 31, 2017 from €1,047 thousand for the three months ended March 31, 2016, primarily due to a €45 million draw down under our Existing Revolving Credit Facility related to the Ikom acquisition in April 2017.

### *The Company—year ended December 31, 2016 compared to the year ended December 31, 2015*

**Net cash from / (used in) operating activities.** Cash flow from operating activities increased by €2,504 thousand, or 2.8%, to €90,626 thousand for the year ended December 31, 2016 from €88,122 thousand for the year ended December 31, 2015, primarily due to due to better operating results in

the year ended December 31, 2016 compared to the year ended December 31, 2015. This increase was partially offset by higher interest payments due to the issuance of €150,000 thousand of Existing Notes in July 2016 and higher tax payments in the amount of €4,710 thousand primarily related to tax treatment in the SBB Serbia segment. Cash flow from operating activities was also impacted in the year ended December 31, 2016 by higher working capital levels, including a decrease in accounts payable due to early payment of a former Tušmobil payable to Telekom Slovenije in the amount of €4.2 million and payment of capital expenditure payables, which increased at the end of 2015 due to a capital-intensive period in the last quarter of 2015.

***Net cash from / (used in) investing activities.*** Cash flow used in investing activities decreased by €29,924 thousand, or 13.6%, to €190,145 thousand for the year ended December 31, 2016 from €220,069 thousand for the year ended December 31, 2015, primarily due to lower capital expenditure and lower acquisition-related cash outflows. Cash outflows for the year ended December 31, 2015 included cash outflows to finance the acquisition of Tušmobil and the Bosnian Acquisitions, while cash outflows for the year ended December 31, 2016 included cash outflows to finance the acquisitions of M-Kabl and Maxtel.

***Net cash from / (used in) financing activities.*** Cash flow from financing activities decreased by €32,544 thousand, or 24.9%, to €98,347 thousand for the year ended December 31, 2016 from €130,891 thousand for the year ended December 31, 2015, primarily due to distribution of share premium in the amount of €22,000 thousand and repayment of lease liabilities in the amount of €12,330 thousand.

#### ***The Company—year ended December 31, 2014***

***Net cash from / (used in) operating activities.*** Cash flow from operating activities was €242 thousand for the year ended December 31, 2014. Cash flow from operating activities was negatively impacted by costs and expenses incurred in connection with the acquisition of Slovenia Broadband by the Issuer, one-off tax payments, interest on debt to be refinanced and other one-off refinancing and restructuring items.

***Net cash from / (used in) investing activities.*** Cash flow used in investing activities was a cash outflow of €623,072 thousand for the year ended December 31, 2014, of which €555,965 thousand related to our acquisition of subsidiaries, including the acquisition of Slovenia Broadband in March 2014 as well as the acquisitions of Grand Production, Orlando Kids and Bambino and €75,756 thousand related to capital expenditure on acquisition of property, plant and equipment, as well as the acquisition of intangible assets. For a description of our accounting policies in this regard, see note 18 of the audited consolidated financial statements for the Company, as of and for the year ended December 31, 2014, which are included elsewhere in this offering memorandum.

***Net cash from / (used in) financing activities.*** Cash flow from financing activities was €168,762 thousand for the year ended December 31, 2014, primarily driven by an increase in share capital and share premium of the Company in connection with our acquisition of Slovenia Broadband, which was partially offset by repayment of Slovenia Broadband's indebtedness.

#### ***Slovenia Broadband—two months ended February 28, 2014***

***Net cash from / (used in) operating activities.*** Cash flow from operating activities was €19,834 thousand for the two months ended February 28, 2014, primarily driven by our positive operating results.

***Net cash from / (used in) investing activities.*** Cash flow outflow from investing activities was €12,831 thousand for the two months ended February 28, 2014, primarily driven by purchases of tangible and intangible fixed assets, mainly broadcasting rights.

***Net cash from / (used in) financing activities.*** Cash flow from financing activities was €144 thousand for the two months ended February 28, 2014, resulting from certain of our lease repayments, which was offset by new borrowings in approximately the same amount.

#### ***Credit Arrangements***

##### ***Revolving Credit Facility***

On or prior to the Issue Date, we expect to enter into the Revolving Credit Facility, with, among others, the guarantors named therein as original guarantors or borrowers, the financial institutions named therein as original lenders, UniCredit Bank AG, London Branch, as facility agent and English security



agent and UniCredit Bank Serbia JSC Belgrade, as Serbian security agent. Our Revolving Credit Facility will provide for borrowings up to an aggregate of €100 million on a committed basis. Subject to certain exceptions, loans may be borrowed, repaid and reborrowed at any time. The interest rate on cash advances under the Revolving Credit Facility is the sum of the applicable margin and LIBOR/EURIBOR (both as defined in the Revolving Credit Facility). The margin may range from 3.00% to 3.50%, or as otherwise determined in accordance with the Revolving Credit Facility. The Revolving Credit Facility will mature on the same date as the 2022 Fixed Rate Notes. See “*Description of Certain Indebtedness—Revolving Credit Facility Agreement.*”

## Notes

Following this offering, we expect to have €1,350,000,000 in aggregate principal amount of Notes outstanding. We will pay interest on the € 2022 Fixed Rate Notes semi-annually in cash at an annual interest rate of % on and of each year. We will pay interest on the € 2024 Fixed Rate Notes semi-annually in cash at an annual interest rate of % on and of each year. We will pay interest on the € Floating Rate Notes quarterly in cash at an annual interest rate of % on , , and of each year.

The Indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: incur additional indebtedness; pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments; enter into agreements that restrict distributions from subsidiaries; sell or otherwise dispose of assets, including capital stock of restricted subsidiaries; enter into transactions with affiliates; create or incur liens; and merge, consolidate or sell substantially all of our assets. These covenants will be subject to important exceptions and qualifications. See “*Description of the Notes.*”

## Bilateral Facilities

From time to time, we enter into bilateral facilities with certain of our local lenders. Following this offering and the use of proceeds therefrom, we expect the following bilateral facilities to remain outstanding: (i) a €7.9 million term loan facility that we entered into in August 2015 with Nova Ljubljanska banka d.d. (“NLB”) in Slovenia, the proceeds of which we used to finance the purchase of our Group headquarters in August 2015, (ii) a €20.0 million unsecured revolving credit facility agreement entered into in May 2016 with Raiffeisenbank in Serbia for working capital purposes and (iii) a €60.0 million unsecured revolving credit facility agreement entered into in July 2017 with Komercijalna Banka in Serbia for acquisitions and capital expenditures. In connection with this offering, Telemach Slovenia intends to either obtain an amendment or waiver to the term loan facility with NLB, or repay or refinance the term loan, whether through cash resources or availability under its various credit arrangements. See “*Capitalization*” and “*Description of Certain Indebtedness—Bilateral Facilities.*”

## Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily debt obligations and non-cancellable operating leases. As of December 31, 2016, our contractual cash obligations and commercial commitments are set forth below. Prospective investors should read the data presented below in conjunction with the sections entitled “*Use of Proceeds*” and “*Capitalization.*”

	Less than one year	1–5 Years	More than 5 years	Total
	in € million			
Existing Notes <sup>(1)</sup>	—	775.0	—	775.0
Finance leases <sup>(2)</sup>	10.5	6.0	—	16.5
Acquisitions deferred consideration <sup>(3)</sup>	6.2	—	—	6.2
Other indebtedness <sup>(4)</sup>	0.9	6.6	—	7.5
Interest on our existing indebtedness	63.6	183.1	—	246.7
<b>Total<sup>(5)(6)</sup></b>	<b>81.2</b>	<b>970.7</b>	<b>—</b>	<b>1,051.9</b>

(1) Represents €775.0 million aggregate principal amount of the Existing Notes, but does not include any interest payments required in respect of the Existing Notes. The carrying value of the Existing Notes on our balance sheet as of December 31, 2016 was €775.0 million.

(2) Represents leases of customer premise equipment and vehicles.

- (3) Represents €1 million in deferred consideration payable in connection with the M-Kabl acquisition, €3.2 million in deferred consideration payable in connection with the Bosnian Acquisitions, and €2 million in deferred consideration payable in connection with the Tušmobil acquisition, in each case payable upon satisfaction of certain conditions. Note that this table does not include deferred consideration payable in connection with the acquisitions of Ikom (€5 million paid in April 2017), Fight Channel (€0.6 million payable by October 2017) and Cable Target (€2.5 million payable in June 2019), each of which completed or is expected to complete in 2017.
- (4) Represents €7.5 million of amortization of term loans that were drawn in the year ended December 31, 2015 in Slovenia for the purchase of the Group's headquarters in Slovenia.
- (5) Does not include any borrowings under our Existing Revolving Credit Facility or working capital facilities entered into in the ordinary course of business. On or about the Issue Date, we expect to have €104.5 million of borrowings outstanding under the Existing Revolving Credit Facility, all of which we intend to repay in connection with the termination of the Existing Revolving Credit Facility, together with accrued and unpaid interest and break costs, using a portion of the proceeds of the issuance of the Notes. See "Use of Proceeds" and "Description of Certain Indebtedness—Existing Revolving Credit Facility Agreement."
- (6) Does not include €1,350 million aggregate principal amount of the Notes offered hereby, nor does it include any interest payments required in respect of the Notes.

## Capital Expenditure

Our capital expenditure relates primarily to the purchase of property and equipment, including expansion of our network in terms of capacity and new homes connected, purchase of modems and set-top boxes to be installed in customer premises, growth in RGUs and maintenance of our cable and mobile networks and infrastructure, purchase of intangible assets such as content, software, investments in our core infrastructure and systems to facilitate the addition of new services and acquisitions. Therefore, capital expenditure is primarily driven by extending, upgrading and maintaining our cable and mobile networks, the installation and in-home wiring for new subscribers, the cost of cable modems, including high-speed modems for subscribers to our high-speed broadband internet, and the acquisition of content. Our capital expenditure has also historically included certain investments of a non-recurring nature, as well as costs to integrate acquired businesses.

Capital expenditure also includes increases in intangible assets (except our customer list and brand names) and does not include financial assets. As part of our strategy to focus on capital expenditure improving returns, we have implemented measures to ensure a more efficient usage of capital investment. We intend to manage capital expenditure to maintain our well-invested asset base. The members of our board review all material capital expenditure programs.

Over the next several years, we expect that our capital expenditure will be largely success and capacity based. Success and capacity based capital expenditure includes capital expenditure related to the expansion of our network footprint to additional homes and existing subscribers, the replacement of set-top boxes, expanding network capacity, new product and service development and expenditure incurred when connecting business subscribers to our network. Success based capital expenditure does not include capital expenditure for maintenance, upgrade and replacement of our systems and infrastructure.

For the year ended December 31, 2016, certain of our significant capital expenditure included: investments of €38 million on customer premise equipment, of which €3.2 million stemmed from the one-time switch to MPEG-4 from MPEG-2 digital data compression technology within our DTH business; an investment of €25 million in the buildup of our network; and investments of €17 million on our mobile frequency licenses and our mobile networks.

We plan to continue to invest in our services and infrastructure in order to maintain and strengthen our competitive position. We estimate that capital expenditures for the Group will be between approximately €123 million and €142 million for twelve months from April 1, 2017 to March 31, 2018, which we expect will include: an estimated €32 million of capital expenditures on customer premise equipment (€38 million in 2016); an estimated €21 million of capital expenditures on the buildup of our network (€25 million in 2016); an estimated €29 million of capital expenditures on acquisition of content (€10 million in 2016); an estimated €13 million of capital expenditures on headend and IP equipment (€13 million in 2016); an estimated €2 million of capital expenditures on the development of a United Group cloud computing (nil in 2016); an estimated €10 million of capital expenditures on our mobile frequency licenses and our mobile network (€17 million in 2016) and an estimated €35 million on other capital expenditures (€30 million in 2016). Management does not currently expect capital expenditure to exceed depreciation levels on a long term basis. These estimates through March 31, 2018 are our budgeted amounts and may differ as our business requirements change and we incur expenditures.

### ***Capital Expenditure by Segment***

In this management's discussion and analysis, for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015, we have derived total capital expenditure for the Company and for each of the Company's business segments from the Company's consolidated financial statements, prepared in accordance with IAS 34 and IFRS, respectively. For the year ended December 31, 2014, we have derived total capital expenditure for the Company from the Company's consolidated financial statements, prepared in accordance with IFRS.

#### ***Three months ended March 31, 2017 compared to the three months ended March 31, 2016***

*Telemach Slovenia segment.* Capital expenditures for our Telemach Slovenia segment increased by €2,327 thousand, or 29.5%, to €10,224 thousand for the three months ended March 31, 2017 from €7,897 thousand for the three months ended March 31, 2016, primarily as a result of investment in the development of the mobile network acquired with our acquisition of Tušmobil and investment in DTH end user equipment related to the change of CME's business model in Slovenia from free-to-air DTT to pay-TV, requiring households which were watching POP Slovenia's channels via DTT signal to upgrade to pay-TV in order to continue watching these channels.

*SBB Serbia segment.* Capital expenditures for our SBB Serbia segment increased by €6,486 thousand, or 66.3%, to €16,272 thousand for the three months ended March 31, 2017 from €9,786 thousand for the three months ended March 31, 2016, primarily as a result of an additional purchase of digital decoders for the digitalization project in Novi Sad, which will result in the switch-off of the analog signal.

*Telemach BH segment.* Capital expenditures for our Telemach BH segment decreased by €922 thousand, or 20.1%, to €3,675 thousand for the three months ended March 31, 2017 from €4,597 thousand for the three months ended March 31, 2016, primarily due to the completion in 2016 of an investment in the network and end-user equipment of companies acquired in 2015, to align them with our standards.

*Telemach MNE segment.* Capital expenditures for our Telemach MNE segment decreased by €460 thousand, or 46.3%, to €533 thousand for the three months ended March 31, 2017 from €993 thousand for the three months ended March 31, 2016, primarily due to decreased investment in end-user equipment for the DTH platform.

*United Media segment.* Capital expenditures for our United Media segment decreased by €586 thousand, or 14.7%, to €3,391 thousand for the three months ended March 31, 2017 from €3,977 thousand for the three months ended March 31, 2016, primarily due to a change in the timing of the acquisition of content rights.

*Other Businesses segment.* Capital expenditures for our Other Businesses segment remained relatively stable at €184 thousand for the three months ended March 31, 2017 compared to €192 thousand for the three months ended March 31, 2016.

#### ***Year ended December 31, 2016 compared to the year ended December 31, 2015***

*Telemach Slovenia segment.* Capital expenditures for our Telemach Slovenia segment decreased by €7,287 thousand, or 14.0%, to €44,595 thousand for the year ended December 31, 2016 from €51,882 thousand for the year ended December 31, 2015, primarily as a result of large investments in 2015, including investment in the development of the mobile network acquired with our acquisition of Tušmobil and the acquisition of the new Group headquarters in Slovenia for €7.8 million.

*SBB Serbia segment.* Capital expenditures for our SBB Serbia segment decreased by €6,971 thousand, or 12.0%, to €51,329 thousand for the year ended December 31, 2016 from €58,300 thousand for the year ended December 31, 2015, primarily as a result of lower spending on end-user equipment in 2016 following completion of the one-time switch to MPEG-4 digital data compression technology within our DTH business.

*Telemach BH segment.* Capital expenditures for our Telemach BH segment increased by €5,522 thousand, or 35.9%, to €20,896 thousand for the year ended December 31, 2016 from €15,374 thousand for the year ended December 31, 2015, primarily due to increased expenditure driven by investment in acquired entities to improve the technology at such entities in order to offer our advanced level of services to the entities' subscribers.

*Telemach MNE segment.* Capital expenditures for our Telemach MNE segment decreased by €998 thousand, or 22.6%, to €3,418 thousand for the year ended December 31, 2016 from €4,416 thousand for the year ended December 31, 2015, primarily due to less investment in end-user equipment for the DTH platform in the year ended December 31, 2016 compared to the year ended December 31, 2015.

*United Media segment.* Capital expenditures for our United Media segment decreased by €2,630 thousand, or 18.4%, to €11,687 thousand for the year ended December 31, 2016 from €14,317 thousand for the year ended December 31, 2015, primarily due to lower acquisition costs and an accounting adjustment to harmonize management and IFRS recognition of programming capital expenditure.

*Other Businesses segment.* Capital expenditures for our Other Businesses segment increased by €379 thousand, or 55.7%, to €1,060 thousand for the year ended December 31, 2016 from €681 thousand for the year ended December 31, 2015, primarily due to initial capitalization of salaries for developers hired in 2016 to work in our cloud development center in Solford.

## **Off-Balance Sheet Arrangements**

SBB Serbia is party to a tri-partite arrangement with the media company *Pink* and Erste GCIB Finance I B.V. (“Erste”) pursuant to which *Pink* obtained financing from Erste in return for pledging its media library as collateral. Simultaneously, SBB Serbia and Erste entered into an agreement pursuant to which SBB Serbia agreed to purchase (on the occurrence of, among other things, a default by *Pink* with respect to its repayment obligations to Erste) *Pink*’s media library at €9.0 million, the amount *Pink* owes to Erste. The agreement will expire on April 30, 2018 and is not recorded on our balance sheet.

Other than the agreement in relation to *Pink*’s media library referred to above and the guarantee for a personal bank loan to an affiliate company of our chairman in an amount of €5.3 million, we are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditure or capital resources, except with respect to our interest rate hedging. See “*Related Party Transactions—Transaction involving our Chairman.*”

## **Quantitative and Qualitative Disclosures about Market Risk**

### ***Interest Rate Risk***

Our income and cash flow from operations are affected by changes in market interest rates. Some items on our balance sheet, such as cash and bank balances, interest bearing investments and borrowings, are exposed to interest rate risk.

Borrowings under our Revolving Credit Facility and our Floating Rate Notes will bear interest at varying rates, and as a result we will have interest risk with respect to this debt. We currently do not expect to enter into any interest rate hedging arrangements with respect to the debt under our Revolving Credit Facility and our Floating Rate Notes. Indebtedness under the Fixed Rate Notes will bear interest at a fixed rate. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flow.

### ***Currency Risk***

As a result of our operations in various countries, we generate a significant portion of our sales and incur a significant portion of our expenses in currencies other than the euro. Our primary exposure is to the Serbian dinar. For the year ended December 31, 2016, 39.9% of our revenue was denominated in Serbian dinars and 60.1% was denominated in euros or other currency. The Bosnia and Herzegovinian mark is pegged to the euro, while Croatian kuna and Macedonian dinar are relatively stable. In March 2015, we entered into a EUR/USD currency hedge agreement, pursuant to which we hedge our exposure to the U.S. dollar. We entered into an additional EUR/USD currency hedge agreement in May 2016 pursuant to which we hedged the remaining portion of our exposure to the U.S. dollar for the year 2016, and in March 2017, we entered into an additional EUR/USD currency hedge to cover most of our 2017 U.S. dollar exposure.

***Translation Risk***

Translation risk is the risk that the value in euro of the consolidated profit and loss statement and balance sheet will fluctuate due to changes in foreign exchange rates connected with the translation of our subsidiaries that do not have the euro as their functional currency. Since November 2013, almost all our indebtedness has been denominated in euro.

***Transaction Risk***

Transaction risk is the risk of exchange losses made by us from purchases and sales in currencies other than the local currency of the subsidiaries concerned.

**Critical Accounting Policies**

For a description of our critical accounting estimates and judgments, see note 5 of the audited consolidated financial statements for the Company, as of and for the year ended December 31, 2016, which are included elsewhere in this offering memorandum. Our significant accounting policies are described in note 3 of these financial statements.



## INDUSTRY AND MARKET OVERVIEW

The information that we present below is based on management estimates and information that has been obtained from the communications regulatory agencies in our core jurisdictions and other third-party sources. Information that has been obtained from AKOS, RATEL and the Bosnian communications regulatory agency has been obtained for the most recent period for which such information has been made available by the relevant regulatory agency. Accordingly, this information has been presented as of different dates for different jurisdictions. Specifically, information obtained from AKOS is current as of March 31, 2017; information obtained from RATEL is current as of December 31, 2016; some information obtained from the Bosnian communications regulatory agency is current as of December 31, 2016 although some information is only available as of December 31, 2015; and information obtained from the Montenegrin communications regulatory agency is current as of April 30, 2017.

We operate most of our business across the six countries in the former Yugoslav region, Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro. These countries have a combined population of approximately 20 million people which are distributed across approximately 6.9 million households. Despite economic differences, these countries share a joint history and form a single media market in which small local differences are overshadowed by the influence of similarities in cultural preferences and language across the region. As a result, the former Yugoslav region is one of the three largest media market in CEE with Poland and Romania. The following table provides an overview of our countries of operations:

	Slovenia	Serbia	Montenegro	Bosnia and Herzegovina	Croatia	Macedonia
Population (in million) . . . . .	2.1	7.1	0.6	3.8	4.2	2.1
EU membership . . . . .	Member	Candidate	Member	No	Member	Candidate
Local Currency . . . . .	EUR	RSD	EUR	BAM	HRK	MKD
GDP/capita <sup>(1)</sup> (in U.S. dollar) .	33,368	14,740	NA <sup>(3)</sup>	11,850	23,709	14,510
Real GDP growth <sup>(2)</sup> . . . . .	0.8%	0.8%	NA <sup>(3)</sup>	1.6%	0.1%	2.4%

Source: Reproduced by permission of The Economist Intelligence Unit. Country Data published by Bureau van Dijk.

(1) 2016, purchasing power parity.

(2) CAGR for the years 2010-2016.

(3) Not available.

Recently, our six countries of operations have implemented significant political and economic reforms aimed at, inter alia, reducing economic and structural imbalances, increasing the flexibility of their respective economies, including liberalization of the media and telecommunications sectors and creating a business friendly environment that is conducive to foreign investment. As a result of such reforms, Slovenia and Croatia were admitted to the European Union in 2004 and 2013, respectively. Serbia officially applied for European Union membership in 2009, received full candidate status in 2012 and on January 21, 2014, the first accession negotiations took place. Negotiations are still ongoing with several Chapters having been opened up for discussion and review. Montenegro was granted candidate status in 2010 and the accession negotiations started in June 2012. Macedonia has been a candidate for accession to the European Union since 2005, and in 2009 the European Commission recommended that accession negotiations be opened. Bosnia and Herzegovina formally applied for EU membership in February 2016 and in December 2016, Bosnia and Herzegovina received the accession questionnaire from the European Commission.

The macro-economic environment is improving in our three core geographies. Slovenia's economy has experienced growth for three consecutive years since 2014, and going forward, domestic demand is expected to be an important driver of growth in Slovenia. In 2016, real GDP grew by 2.6% year on year. The Serbian national bank expects positive GDP growth to continue, driven by monetary policy relaxation, an improved business climate, structural reforms and the recovery of external demand. Bosnia and Herzegovina's real GDP has been growing for three consecutive years and is expected to continue to grow, driven by the government's commitment to a reform agenda.

Slovenia has been a member of the Eurozone since 2007 and the Bosnian mark ("BAM") is pegged to the euro at a fixed exchange rate of BAM1.9558 to €1.00. The Serbian dinar freely fluctuates against the euro and depreciated by approximately 34% against the euro between 2008 and 2016. Historically, the Serbian consumer price index ("CPI") has closely tracked the depreciation of the Serbian dinar against the euro leading to a constant "pass through" of the impact of the depreciation of the dinar to the consumer.

We believe that our pricing strategy reflects the “pass through” principle outlined above. For Croatian Kuna, the long-time policy of the Croatian National Bank has been to keep the fluctuations of the kuna’s exchange rate against the euro within a relatively stable range.

### **Television, Broadband Internet and Telephony Markets**

We operate mostly in the region’s cable and satellite, or direct to home (“DTH”), television, broadband internet and fixed-line telephony markets and provide services to approximately 1.6 million pay-TV subscribers, which included 973 thousand unique cable pay-TV subscribers. Overall, the Group had 3.2 million RGUs as of March 31, 2017, including broadband and fixed-line telephony RGUs in its cable markets.

We believe that the communications and pay-TV markets in the former Yugoslav region will continue to grow over the next few years, and will be characterized by the following trends:

- continued growth in the pay-TV market driven by subscription growth opportunities as a result of relatively low pay-TV market penetration rates;
- growing demand for digital TV and other value added services that can be delivered through digital TV platforms, such as video on demand (“VoD”) and CatchUp TV;
- further industry convergence as customers increasingly seek to receive their media and communication services from one provider;
- continued growth of the broadband internet market due to increasing service penetration driven by demand for higher speed and better quality broadband internet;
- further consolidation of the fragmented Serbian and Bosnian cable television markets; and
- further decrease in cost of end user equipment (such as personal computers and table devices) as well as a continued advancement of such devices, enabling consumption of value added services.

### ***Bundling Trends***

Customers in our core markets increasingly seek to receive their multimedia and communications services in a bundled offer from one provider. In response, service providers are providing television, broadband internet and fixed-line and mobile telephony services in bundled services offerings. We believe that offering bundled services allows media and telecommunication service providers to better meet customers’ communication and entertainment demands, to increase ARPU per customer while also increasing customer loyalty as well as to attract new customers as the value proposition of the services offering is enhanced.

As of March 31, 2017, approximately 64% of our cable subscriber base had subscribed to multi-play packages. While such convergence has occurred at relatively fast pace in a number of Western and Eastern European markets, notably in Slovenia, a series of regulations, including those limiting alternative operators other than the incumbent service providers from providing telephony services in Serbia and Bosnia and Herzegovina, have historically prevented such convergence to occur in our core markets. We observe that the relatively recent liberalization of the Serbian and Bosnian and Herzegovina fixed-line telephony markets is accelerating the convergence in our core markets. Bundling plays an important role in our core markets, and we believe cable operators will be well positioned to benefit from this due to the competitive advantage of their networks across the vast majority of their service areas.

### ***Advertising Trends***

We have entered into the Acquisition Agreement to acquire the Acquired Stations, currently owned by CME BV, in Slovenia and Croatia. The advertising markets particularly in Slovenia have benefitted from the robust macro-economic conditions. Macro-economic growth in Croatia improved in 2016 with 2.9% real GDP growth. Furthermore, TV continues to be the most powerful advertising media in the region and in particular in our core advertising markets of Slovenia and Croatia. We believe that the Acquired Stations have strong leadership positions in these markets through a combination of the flagship channels Pop TV in Slovenia and Nova TV in Croatia, which are the most viewed channels in Slovenia and Croatia, respectively, as well as a number of thematic channels operated in both these markets.

In Slovenia from January 2017, Pop TV switched off its DTT signal and became available only through pay-TV platforms. We believe the channel continues to retain its strong audience appeal in Slovenia, a market with relatively high pay-TV penetration.

### *Pay-TV*

The pay-TV market in the former Yugoslav region is characterized by relatively low service penetration rates compared to certain other CEE and Western European countries. Recently, the number of pay-TV services subscribers in the region has grown substantially: in Slovenia at a CAGR of 3.9% from 453 thousand in 2008 to 619 thousand as of March 31, 2017, in Serbia at a CAGR of 7.5% from 922 thousand in 2008 to 1,650 thousand in 2016 and in Bosnia and Herzegovina at a CAGR of 12.9% from 405 thousand in 2011 to 743 thousand in 2016. The growth occurred primarily due to increasingly attractive content, increasing output quality (i.e. as a result of increasing digitization rates), decreased end user equipment prices (including prices for television sets, smartphones and personal computers) and increased disposable income across the region. Pay-TV content is predominantly distributed through cable networks.

### *Cable*

Cable is the most commonly used distribution network medium for pay-TV services in Serbia and remains one of the two most common distribution platforms in Slovenia, alongside IPTV. In Bosnia and Herzegovina, as of December 31, 2015, cable was the most commonly used distribution network medium for pay-TV services and we believe this trend has continued. Cable pay-TV is characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. Population density is a key factor for cable operators when deciding whether to invest in extending their existing cable network. Higher population density reduces the overall cost associated with the deployment, operation and maintenance of cable infrastructure and allows for more efficient marketing. Cable operators that operate in urban areas with a high population density benefit from easier access to customers and more cost effective network upgrades and maintenance. As a result, cable networks in the former Yugoslav region are mainly concentrated across metropolitan regions in Slovenia, Serbia and Bosnia and Herzegovina.

Given the trend towards offering bundled media and telecommunications services, we expect that the market share of cable television distribution will benefit from cable's ability to deliver multi-play services and speed advantage compared to DSL technologies in general.

### *Internet Protocol Television*

As a consequence of improvements in broadband internet technologies, Internet Protocol Television ("IPTV") is increasingly being used for the distribution of television services and has traditionally been the second most commonly used distribution medium for television services across the region. In Slovenia, IPTV has recently become the most used distribution medium, supported by EU investment in shared open-fiber networks, which are accessible to all operators for a fee. However, as these open-fiber networks have been built with the objective of making high quality services available in rural parts of Slovenia, these networks have traditionally had a limited impact on our cable footprint, which typically covers more urban and high density areas. The principal providers of IPTV are Telekom Slovenije and T2 in Slovenia, Telekom Srbija in Serbia and BH Telecom, HT Eronet and Telekom Srpske in Bosnia and Herzegovina, which provide IPTV services through ADSL, VDSL and FttH broadband internet connections. We estimate that demand for IPTV will increase in the future as overall broadband internet speeds continue to increase, IPTV becomes more widely available, the price of the receiving equipment decreases and the receiving equipment is built into television sets. However, we believe that providing television services over a DSL network decreases the amount of bandwidth available for other service offerings, in particular broadband internet, and may lead to relatively low quality of service and lower internet speeds than those delivered via cable.

### *DTH-TV*

DTH-TV has traditionally been the third most commonly used distribution network medium for television services in the former Yugoslav region after cable television and IPTV. Pay-TV content owners can penetrate rural areas more cost efficiently through DTH than through fixed-line cable networks which are economically unviable to develop. Satellite operators, such as our own *TotalTV* and competitors, such as *Digi* and *Max TV*, distribute digital signals via satellite directly to television viewers. To receive

programming distributed via satellite, viewers need a satellite dish and a set top box. Depending on the service provider, viewers may also require a smart card for the subscription based and premium television services distributed via satellite.

We believe that DTH-TV has the following disadvantages compared to cable: (i) DTH-TV is a standalone video service with no or limited bundling options (ii) higher upfront costs of procuring and installing a satellite dish, as compared to the “plug and play” convenience of cable; (iii) the susceptibility of satellite reception to external interference, such as adverse weather conditions; and (iv) the platform’s struggle to offer nonlinear or on-demand TV services, given the lack of integrated return path signaling.

#### *Over-the-Top Television*

Another emerging technology is the delivery of television content “over the top” of an existing broadband internet network (“OTT”), which allows pay-TV distributors to reach customers through the internet. We operate two of our own OTT content platforms, *D3i* and *NetTV*. *D3i* is an OTT platform which offers customers of our broadband internet competitors within the region access to our full digital pay-TV channel offering. As a result, *D3i* subscribers can watch all of our digital pay-TV channels on their TV screens, computers, tablets, mobiles or other internet enabled devices. Through *NetTV* we deliver extensive local and regional content, to the entire former Yugoslav expatriate community worldwide. Like *D3i*, our subscribers can watch *NetTV* directly on their TV screens, computers, tablets, mobiles or other internet enabled devices.

#### *Slovenian pay-TV market*

Between 2008 and March 31, 2017, overall pay-TV market penetration in Slovenia increased from 58% to 75%, and as of March 31, 2017, approximately 619 thousand households in Slovenia had subscribed to pay-TV services.

Cable is a significant pay-TV distribution platform in Slovenia and as of March 31, 2017, an estimated 42% of households that had subscribed to pay-TV services received their content via cable. Due to comparatively high broadband penetration and advanced network technologies, cable pay-TV providers face increasing competition from IPTV providers, and as of March 31, 2017, approximately 52% of households that had subscribed to pay-TV services received their content via IPTV, compared to 31% in 2008. While we believe that both of our key Slovenian competitors, Telekom Slovenije and T2, are currently not expanding their respective fiber networks, the growth in IPTV market share is being driven by EU investment in open-fiber networks. As these open-fiber networks have traditionally been built with the objective of making high speed broadband internet and IPTV services accessible in rural areas, we believe that any competitive impact on cable operators will be limited, as these operators traditionally provide services in more urban and high density areas.

While the Slovenian pay-TV market is relatively mature, both in market penetration and digitization, we believe that up- and cross-selling of value added services, such as VoD and Catch-up TV services, will continue to provide existing market participants with attractive growth opportunities.

As of March 31, 2017, we estimate that through our Telemach and *TotalTV* brands we were the largest cable and DTH pay-TV content provider in Slovenia and accounted for a market share of approximately 35%. We mainly compete with the incumbents Telekom Slovenije and T2 in the Slovenian pay-TV market.

#### *Serbian pay-TV market*

The Serbian pay-TV market experienced strong growth between 2008 and 2016 and overall pay-TV penetration increased from 37% in 2008 to 66% in 2016. This increase in pay-TV market penetration is primarily due to increasingly attractive content, increasing output quality (i.e. as a result of increasing digitization rates), decreased end-user equipment prices (including prices for television sets, smartphones and personal computers) and increased disposable income across the region. However, pay-TV market penetration still lags behind some of the developed European countries, which we believe will provide cable pay-TV providers with attractive growth opportunities in the future.

Cable is a significant pay-TV distribution platform in Serbia. As of December 31, 2016, approximately 57% of households that had subscribed to pay-TV services received their content via cable. We believe that the popularity of cable pay-TV is a result of the attractive content available on cable television, the high service quality and the capability to deliver interactive services such as VoD and CatchUP TV. As of December 31, 2016, approximately 14% of households that had subscribed to pay-TV services received



their content via DTH-TV. We believe that the majority of DTH pay-TV subscribers live in rural areas without access to a cable network, which limits the overlap between our cable pay-TV and DTH pay-TV offerings. Additionally, 29% of total pay-TV subscribers received their content via IPTV. IPTV is mainly offered by Telekom Srbija who regularly offers IPTV at a significant discount to attract subscribers.

We estimate that SBB Serbia, together with *TotalTV*, was the largest cable and DTH pay-TV content provider in Serbia and accounted for a market share of approximately 48% in 2016. We mainly compete with the incumbent Telekom Srbija in the Serbian pay-TV market.

#### *Bosnian pay-TV market*

Between 2011 and 2016, the overall pay-TV penetration in Bosnia increased from approximately 35% to approximately 64%, and in 2016, approximately 743 thousand households in Bosnia had subscribed to pay-TV. We believe that this increase in pay-TV adoption was primarily the result of the consolidation of fragmented sub-scale cable TV providers undertaken by Telemach BH which led to an increase in the content-quality of pay-TV over regular free-TV. We believe that the continued fragmentation of the Bosnian pay-TV market will provide us with further attractive growth opportunities.

Cable is the predominant pay-TV distribution platform in Bosnia and Herzegovina. In 2015, an estimated 52% of households that had subscribed to pay-TV services received their content via cable compared to 31% of households that received pay-TV content via IPTV and 16% of households that received pay-TV content via DTH-TV. Additionally, from 2011 to 2015, television digitization increased significantly. We expect television digitization in Bosnia and Herzegovina to continue to increase in the future which should provide us with opportunities to cross- and up-sell our products to existing and new customers.

We estimate that Telemach BH, together with *TotalTV*, was the largest cable and DTH pay-TV content provider in Bosnia and Herzegovina and accounted for a market share of approximately 46% in 2016. We mainly compete with the incumbents in the ethnic regions in which we operate, BH Telecom and HT Eronet, as well as the regional cable operator Logosoft in the Bosnian ethnic region.

#### *Broadband Internet*

The broadband internet market in our core markets is characterized by continued growth and increasing demand for high speed broadband internet services, which leads to increasing internet service penetration rates. We believe this increase in the broadband internet market also stems from the overall increasing importance of the internet as the communications medium of choice as well as from a decrease in end-user equipment costs leading to increasing personal computer and smartphone penetration. We also believe that cable is well positioned to be the primary beneficiary of these trends in the former Yugoslav region. Our network is largely EuroDOCSIS 3.0 upgraded and due to the relatively small presence of Fiber-to-the-Home (FttH) networks, we and other similarly situated cable operators are able to offer highest speed broadband internet services to subscribers across our service areas compared to xDSL broadband. In addition, owing to our multiplatform technology and our contractual arrangements with Telekom Slovenije, we are also able to provide our content through Telekom Slovenije's infrastructure which includes both xDSL and FttH.

Fixed broadband internet household penetration in Slovenia grew from approximately 55% in 2008 to 76% as of March 31, 2017, in Serbia from approximately 19% in 2008 to 50% in 2016 and in Bosnia and Herzegovina from approximately 16% in 2011 to 57% in 2016. At the same time, fixed broadband penetration lags behind more developed European markets, such as Belgium and the Netherlands. We believe the comparatively low penetration rates in Slovenia, Serbia and Bosnia and Herzegovina provide significant growth opportunities.

#### *DSL*

DSL uses basic telephone infrastructure to access the internet. DSL technology leverages the fact that copper wires used in telephone networks have a much higher bandwidth (7 MHz) than that required for normal voice conversation (0-3.4 KHz). DSL utilizes the extra bandwidth to provide broadband internet connections. The most commonly used variant of DSL is ADSL which assumes that internet users normally receive or download significant more information than they would send or upload. Hence, ADSL connections normally have three to four times more bandwidth for downloading. However, as copper is a distance-sensitive medium, access speeds for DSL technology decrease substantially as the distance from



DSL hubs increases. The maximum download speed of DSL networks has to be shared between all services: television, broadband internet and telephony. Under currently available technology, DSL-based multi-play providers can therefore not provide broadband internet and television services of comparable quality to those provided over cable networks.

Another variant of DSL is Very high bit rate DSL (VDSL), a DSL technology that provides a faster data transfer rate than ADSL technologies. It is an access technology that exploits the existing infrastructure of copper wires that were originally deployed for traditional telephone service as a way of delivering very-high-speed internet access. The main high-speed link (e.g., a fiber optic connection) terminates at a hub near the customers' location. The existing copper wire infrastructure is then used to carry the high speed connection for the short remaining distance to the customers. In most occasions VDSL2 technology is used, which extends the capacity of the underlying VDSL system by further utilizing the frequency spectrum and extending transfer speeds for the downstream band to 50-100 Mbps, with real-world performance subject to distance from the hub to customer household.

#### *Cable*

Cable networks have been designed for the transmission of large amounts of analog TV and radio signals and are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. Our network is fully bi-directional and largely EuroDOCSIS 3.0 enabled and offers up to 90–120 Mbps download speeds, with the potential for up to 360 Mbps with current EuroDOCSIS 3.0 modems. As a result, we can offer substantially faster broadband internet access than DSL operators.

#### *FttH*

Fiber-to-the-Home, or FttH, is based on optical fiber cables and is the only infrastructure that offers similar speeds, with the potential for higher internet speeds (upload and download), than are currently possible over our cable network. Currently, FttH broadband internet connections play a very limited role in Serbia and Bosnia and Herzegovina. FttH had a broadband market share in Slovenia of approximately 29% as of March 31, 2017, compared to approximately 10% in 2008. The main providers of FttH in Slovenia are Telekom Slovenije and T2. This increase is primarily due to extensive fiber roll-out by Telekom Slovenije and T2 in 2009, as well as EU investment in municipally-owned open fibre networks. As fiber roll out is significantly more expensive than cable and the open fiber networks have traditionally been built with the objective of making high speed broadband internet and IPTV services accessible in rural areas, we believe that any competitive impact on cable operators will be limited, as these operators traditionally provide services in more urban and high density areas.

#### *Other broadband internet*

We also compete with service providers that use other alternative technologies for broadband internet access, such as satellite technologies or mobile standards such as worldwide interoperability for microwave access ("WiMax"), universal mobile telecommunications system ("UMTS") and high-speed packet access ("HSPA"). These mobile broadband internet access technologies may allow both incumbent and new broadband internet access providers the ability to provide high-speed connection services for voice, data, video and television. We estimate that only a small portion of households were using UMTS/HSPA for primary broadband internet access via laptops or PCs in 2014. We believe that the majority of mobile broadband internet users presently use mobile internet services to complement, rather than to replace, fixed-line broadband internet.

#### *Slovenian broadband internet market*

Between 2008 and March 31, 2017, overall broadband internet penetration in Slovenia increased from 55% to 76%. However, internet penetration in Slovenia still has not reached the levels of some of the more developed European markets, which we believe provides us with further growth opportunities in the future.

As of March 31, 2017, DSL was estimated to be the predominant distribution platform and accounted for approximately 39% of all internet connections, followed by cable broadband internet which accounted for approximately 30% of all internet connections and fiber which accounted for 29% of all broadband internet connections. Between 2008 and March 31, 2017, the market share of ADSL is estimated to have slightly declined due to lower quality service and lower speed compared to cable and fiber broadband internet. Fiber broadband internet is in a position to deliver similar or higher speeds to those of cable

broadband internet, which had historically led to strong growth of fiber. While we believe that both of our key Slovenian competitors, Telekom Slovenije and T2, are currently not expanding their respective fiber networks, the growth in FttH market share is being driven by EU investment in open-fiber networks. As these open-fiber networks have traditionally been built with the objective of making high speed broadband internet services accessible in rural areas, we believe that any competitive impact on cable operators will be limited, as these operators traditionally provide services in more urban and high density areas.

We estimate that, as of March 31, 2017, Telekom Slovenije was the largest broadband internet provider with a market share of 34%, followed by Telemach Slovenia, with a market share of approximately 25%. Due to material overbuild in metropolitan areas in Slovenia, we face competition from other Slovenian broadband internet providers, such as T2 and Telekom Slovenije who both offer FttH and Telekom Slovenije, Amis and T2 who each offer VDSL.

#### *Serbian broadband internet market*

Between 2008 and 2016, overall broadband internet penetration in Serbia increased from approximately 19% to approximately 50% of households in Serbia. However, internet penetration in Serbia significantly lags behind the levels of the more developed European markets and Slovenia, which we believe provides us with significant growth opportunities in the future.

In 2016, DSL was the predominant distribution platform due to the limited distribution of cable networks in Serbia and accounted for 52% of all internet connections, followed by cable broadband internet which accounted for 39% of all internet connections. While the incumbent, Telekom Srbija, introduced VDSL in 2012 which provides customers with access speeds of up to 100 Mbps, this service is only available to a limited number of internet users.

We estimate that Telekom Srbija was the largest broadband internet provider in 2016, followed by SBB Serbia, the largest Serbian cable broadband internet provider, with a market share of approximately 26%. In Serbia, we believe that cable overbuild is relatively low and largely concentrated in Belgrade.

#### *Bosnian broadband internet market*

Between 2011 and 2016, overall broadband internet penetration in Bosnia and Herzegovina increased from approximately 16% to approximately 57% of households in Bosnia and Herzegovina. However, internet penetration in Bosnia and Herzegovina significantly lags behind the levels of more developed European markets and Slovenia, which we believe provides us with significant growth opportunities in the future.

As of 2016, DSL was estimated to be the predominant distribution platform due to the limited distribution of cable networks in Bosnia and Herzegovina and accounted for 58% of all internet connections, followed by cable broadband internet which accounted for 32% of all internet connections. As demand for high-speed and high-quality internet services is the key driver for broadband internet market penetration, we believe that cable broadband internet providers are well-positioned to capture an increasing market share in the future. While one of the incumbents, BH Telecom, introduced VDSL in 2012 which provides customers with access speeds of up to 50 Mbps, this service is only available to a limited number of internet users.

We estimate that, in 2015, Telemach BH was the second largest Bosnian broadband internet provider with a market share of 21%. There is limited cable overbuild in Bosnia and Herzegovina (mainly in the Sarajevo region) and our primary competitors are the incumbents in the ethnic regions in which we operate, BH Telecom and HT Eronet, as well as regional cable operators, who all offer multi play bundles at discounted prices. However, we believe that we hold a competitive advantage due to our distinctive content offering and high broadband internet speed. The Bosnian cable market remains relatively fragmented and we believe that due to our scale in the market as well as our historical acquisition experience, we are well positioned to continue driving the consolidation of the Bosnian cable market and to thus increase our overall market share.

#### *Fixed-Line Telephony Market*

We provide fixed-line telephone services in Slovenia, Serbia and Bosnia and Herzegovina, using Voice over Internet Protocol (“VoIP”) telephony technology. VoIP technologies place and transmit telephone calls over the internet instead of using the traditional public switched telephone network (“PSTN”). Following the liberalization of fixed-line telephony markets in Serbia and Bosnia and Herzegovina, all

telephony markets in our three cable market are now fully liberalized, providing us with significant growth opportunities. We expect that our telephony operations in Serbia will continue to benefit from the introduction of full telephone number portability, which was introduced by the Serbian regulator on April 1, 2014.

Historically, the respective incumbent and state-owned monopolies, Telekom Slovenije in Slovenia, Telekom Srbija in Serbia and BH Telecom and HT Eronet in the ethnic regions of Bosnia and Herzegovina in which we operate, have been the largest providers of fixed-line telephony in their respective markets. However, following the liberalization of the region's telephony markets and the introduction of VoIP technologies, which allows customers to make traditional fixed-line telephone calls using a standard telephone handset and provides comparable quality to PSTN at lower prices, the respective Slovenian, Serbian and Bosnian incumbents have generally lost market share to us. We believe that consumers increasingly select fixed-line telephony providers by the quality of the accompanying pay-TV and broadband internet offerings or total bundle quality, and we believe that cable operators are well positioned to take advantage of this trend.

#### *Slovenia fixed-line telephony market*

According to AKOS, since 2008, the number of traditional PSTN telephone lines has declined at a CAGR of negative 15% and as of March 31, 2017, 77% of all main lines used VoIP technology. Slovenia is one of the few European telephony markets in which VoIP technology accounts for the majority of the fixed-line telephony connections. We believe that this increase in VoIP market share was primarily driven by lower prices of VoIP connections compared to PSTN connections which are often offered as part of a competitively priced cable or FttH internet and television bundle. We offer attractive VoIP packages in Slovenia which include free calls within our entire Group network, including to Serbia and Bosnia and Herzegovina. We believe this is particularly attractive because a number of Slovenian residents have family in Serbia or Bosnia and Herzegovina whom they can reach at no additional charge through our packages. We had a VoIP subscriber base of approximately 160 thousand as of March 31, 2017, an increase of more than 250% compared to 2009.

#### *Serbia fixed-line telephony market*

According to RATEL, the Serbian fixed-line market consisted of approximately 2.5 million main lines in 2016. Following the liberalization of the Serbian telephony market in late 2012, VoIP telephony has become a cross- and up-selling opportunity for our business, and we offer VoIP telephony services as part of a cable and television bundle. Since late 2012, we have become the second largest provider of fixed-line telephone services in Serbia, behind the incumbent Telekom Srbija. Moreover, largely due to the introduction of full telephone number portability in April 2014, we almost tripled the number of our fixed-line telephony subscribers in Serbia, from approximately 76 thousand as of December 31, 2014 to approximately 217 thousand as of March 31, 2017.

#### *Bosnia fixed-line telephony market*

According to the Bosnian communications regulatory agency, the Bosnian fixed-line market consisted of approximately 784 thousand main lines in 2016. Following the liberalization of the Bosnian telephony market in 2011, VoIP telephony became a cross- and up-selling opportunity for our business, and we offer VoIP telephony services as part of a cable and television bundle.

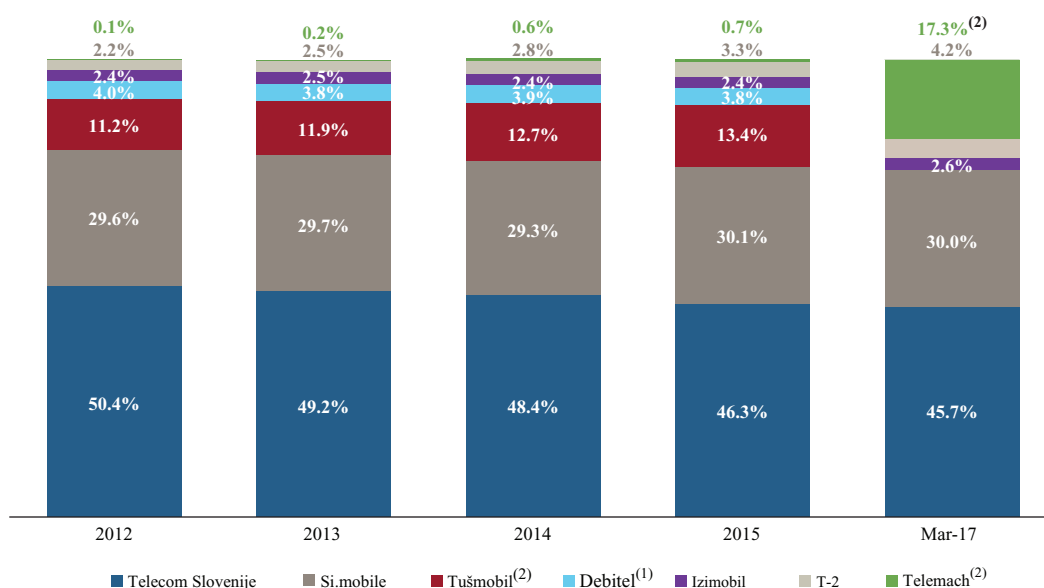
#### ***Slovenian Mobile Market***

Following our acquisition of Tušmobil in April 2015, we provide mobile telephony services in Slovenia as an MNO. There were approximately 2.4 million mobile subscribers in Slovenia as of March 31, 2017, which resulted in a penetration rate of 116%, below the average mobile penetration rate in Europe. The number of mobile subscribers in Slovenia grew at a CAGR of approximately 2% between 2009 and March 31, 2017. We believe mobile penetration in Slovenia is still below the penetration benchmarks provided by selected other Western and Eastern European mobile markets, supporting continued subscriber growth potential in the market. The Slovenian mobile market is a predominantly contract (or post-paid) market.

Telekom Slovenije is the largest mobile operator in the market, with an estimated market share of 45.7% as of March 31, 2017. Telemach Slovenia had an estimated market share of 17.3% as of March 31,

2017, which reflects the strongest market share momentum amongst the three largest MNOs, Telekom Slovenije, Si.mobil and Telemach Slovenia.

### Market share evolution in Slovenia



Source: AKOS.

(1) Debitel was acquired by Telekom Slovenije in 2015.

(2) Telemach Slovenia and Tušmobil were merged in January 2016, and March 2016 market share data presents their combined market share.

### Spectrum licenses





The first ever spectrum auction in Slovenia was completed in April 2014 with the award of several frequency bands to three mobile operators: Telekom Slovenije, Si.mobil and Tušmobil. All three operators acquired 2x10 MHz in the 800 MHz band which is widely recognized as the most efficient band for LTE / 4G roll-out. The licenses were awarded for a long-term tenure of 15 years which we believe represents a significant barrier to entry for a potential fourth mobile operator.

In June 2016, AKOS announced its decision to conduct an auction in August 2016 for various mobile spectrum bands in Slovenia that remain unallocated. These include frequencies in the 1800 MHz band and the 2100 MHz band. AKOS set the reserve price at €2.6 million for each block of 2x5 MHz in the 1800 MHz frequency band, two blocks of which were available for auction and €1.3 million for the block of 2x5 MHz in the 2100 MHz band, one block of which was available for auction.

We were successful in acquiring all three blocks of frequencies available for sale. Telemach was the sole bidder for the two paired MHz blocks of 1800MHz spectrum, acquiring these at the reserve price of €2.6 million for each block. The sale of a 2x5MHz block in the 2100MHz band attracted two bidders, however Telemach was the successful bidder acquiring the spectrum for €1.35 million still very close to the reserved price.

The tender conditions stipulate that the winning bidder must use its spectrum to reach 25% population coverage within three years and 40% within five years, though Telemach Mobil's existing 2G, 3G and 4G networks have all surpassed these figures already. The 1800MHz spectrum is valid until 2031 and the 2100MHz licence expires in September 2021. We believe that additional frequencies will help us address the demands of our growing mobile business. The table below presents certain key data with respect to the frequency licenses of Slovenian mobile operators.

## Current licenses and spectrum allocation

		 Telekom Slovenije	 simobil	 telemach	 T2
800 MHz	Spectrum available	2x10 MHz	2x10 MHz	2x10 MHz	
	Valid until	2029	2029	2029	–
900 MHz	Spectrum available	2x5 MHz	2x15 MHz	2x5 MHz	–
	Valid until	2031	2031	2031	–
1,800 MHz	Spectrum available	2x25.0 MHz	2x30.0 MHz	2x20.0 MHz	–
	Valid until	2031	2031	2029/2031	–
2,100 MHz <sup>1</sup>	Spectrum available	2x20.0 MHz	2x15.0 MHz	2x10.0 MHz	2x15.0 MHz
	Valid until	Sep-21	Sep-21	2021/2023	Sep-21
2,600 MHz <sup>1</sup>	Spectrum available	2x35 MHz	2x35 MHz	–	–
	Valid until	2029	2029	2029	NA

(1) Excluding TDD spectrum.

### Mobile termination rates

There has been a continuous decline in Slovenian MTR rates since 2008. MTR asymmetry in the Slovenian market was eliminated as of January 1, 2013, when MTR for all operators became €3.24c per minute. In July 2014, the Slovenian regulator, AKOS, announced a significant reduction in MTRs to €1.14c per minute and implemented this rate for all Slovenian operators with effect from September 1, 2014. Following this reduction, Slovenian MTR was brought closer in line with the target EU benchmark of €1c per minute, indicating limited further downside.



## BUSINESS

### Our Business

We are the leading distributor of pay-TV in our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro, where we also provide broadband internet and fixed line telephony services via our cable infrastructure. We are also the leading distributor of satellite (or DTH) pay-TV across the former Yugoslavia region, with offerings in each of Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro, where we use our *TotalTV* platform to serve approximately 498 thousand subscribers outside of our cable footprint, delivering content across the entire region, including in rural areas. In addition to our cable-based and satellite-based services, we offer mobile telephony services in Slovenia, where we have acted as a mobile network operator, or MNO, since our acquisition of Tušmobil in April 2015. Following our acquisition of Tušmobil, we have been successful at increasing our share of the mobile telephony market in Slovenia to 17.2% as of March 31, 2017, from 13.9% as of June 30, 2015.

We complement our pay-TV offering with United Media, our in-house content business, through which we produce distinctive and attractive pay-TV content for distribution to our pay-TV customers and sale to third-party networks and distribution platforms. Moreover, we use our two over the top (“OTT”) content platforms, *D3i* and *NetTV*, to further expand our reach. *D3i* is designed to deliver our pay-TV services to our competitors’ broadband internet customers in metropolitan areas outside of our cable footprint, and *NetTV* is designed to deliver ethnic content to the Yugoslav expatriate community around the world.

Our advanced fiber and cable network covers approximately 1.6 million homes passed across regions in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. As of March 31, 2017, we provided cable-based services to approximately 2.1 million RGUs and analog and digital cable pay-TV services to approximately 973 thousand unique subscribers. Overall, as of March 31, 2017, we served 1.6 million pay-TV subscribers through complementary cable, DTH and OTT technologies. Additionally, we are a leading provider of high speed cable broadband internet. We also offer subscribers fixed line telephony services in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. In July 2016, we completed the acquisition of M-kabl, a cable operator in Montenegro with 20 thousand unique cable subscribers, expanding our offer of broadband internet and fixed-line telephony services in Montenegro in addition to enhancing our delivery of pay-TV services, which previously we only offered through DTH and MMDS technologies in Montenegro. In addition, in April 2017, we completed the acquisition of Ikom, a Serbian cable operator with more than 93 thousand unique cable subscribers.

Despite economic differences, the countries of the former Yugoslavia share a joint history and form a single media market in which local differences are compensated by the influence of similarities in cultural preferences and language across the region. The former Yugoslav region represents the second largest CEE market after Poland, with a population of approximately 20 million people, and is characterized by growing pay-TV and broadband markets that are currently underpenetrated relative to some other CEE and Western European markets. We are the leading multi-play provider in our primary markets, where we combine our services into packages, or bundles, which offer subscribers the convenience of being able to purchase television, broadband internet and telephony services from a single provider, and provide us with significant opportunities to cross-sell our products.

We believe that we have been able to establish our business as one of the leading distribution platforms in our region due to (i) our attractive content portfolio, which we have established through ownership of certain key pay-TV channels as well as long-term partnerships with third-party channel owners, (ii) our well-invested network that provides, among other things, one of the highest internet download speeds in our markets, and (iii) our high-quality customer service, which has led to low churn rates that we believe evidence a satisfied customer base. Through our in-house content business, we produce distinctive and attractive pay-TV channels across multiple key genres that have historically driven pay-TV subscription. These include the region’s most popular family of branded pay-TV sports channels, as well as popular movie channels, children’s channels, a 24/7 news channel, music channels, and other specialized channels. We believe that our leading content portfolio differentiates us from our competitors, has enabled strong growth in our business and provides us with predictable third-party carriage fees.

We continue to build our content portfolio, both organically and through acquisitions. In October 2014, we launched *NI*, an independent 24/7 regional news channel affiliated with *CNN*, with studios in Belgrade, Zagreb and Sarajevo, and which is now available to our subscribers in all of our geographic markets; in addition, we have sold distribution rights for this channel to all major third-party distribution

platforms in the region. Additionally, since the beginning of 2015, we have utilized our majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched the *Grand 2* channel, expanding our music channels portfolio with new content offered to our subscribers. We have also extended the production of some of the most popular entertainment shows for the national TV stations in Serbia, Bosnia and Herzegovina, and Macedonia, with each such show continuing to be, or becoming, one of the most watched shows in its respective market. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on Ultimate Fighting Championship (“UFC”), and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content.













We have also been successful in broadening the distribution reach of our pay-TV channels. For example, during 2015, we sold distribution rights to *N1* and to certain *Grand Production* channels to other major cable operators in the region. Further, we have extended the distribution scope for *Orlando Kids* and *Bambino*, popular channels geared towards children, to include Bosnia and Herzegovina and Macedonia, as well as Croatia and Slovenia, where those offerings were already present. We have also increased revenues from our *Sport Klub* channels by successfully extending our existing contracts with third-party pay-TV distributors while maintaining access to premium content. In addition, we have significantly increased advertising revenues from most of our channels.

In July 2017, we entered into an agreement to acquire certain assets of CME BV in Slovenia and Croatia, including several popular television channels. We believe this acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform by giving us strong production capabilities, promote our specialized pay-TV channel portfolio and create a strong platform for additional bolt-on, accretive media acquisitions in the region. See “—Recent Developments—The Acquisition of the Acquired Stations” for further information.

In addition to our own content, as a result of our pan-regional presence and well-established distribution network, we are a distribution partner of choice for premium regional and international content owners, such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox* and *Universal* channels, and sports rights owners, such as the English Premier League, National Basketball Association (“NBA”), the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP, which we believe allows us to consistently obtain high quality content and attractive payment terms. We believe these providers partner with us because of our well-known brands, large network and our focus on the entire former Yugoslav region.

We provide our analog and digital pay-TV, broadband internet and telephony services through our well-recognized *Telemach* brand in Slovenia, Bosnia and Herzegovina, and Montenegro, and through our *SBB* brand in Serbia. We market our premium digital pay-TV offering in all our core markets under the brand name *D3*. We provide DTH pay-TV through our *TotalTV* brand across all six countries in the region. We address the entire former Yugoslav region, which has a large population with similar languages, cultures and entertainment preferences, with an integrated product and services portfolio while tailoring our branding strategies so that we can access each of the markets in the region as an ethnically neutral provider. Our focus on the entire former Yugoslav region allows us to enter some of the smaller markets, such as Montenegro and Macedonia, where local competitors are less able to provide first-rate content and technology on an economically efficient basis.

The table below shows operating and financial data of the Group as of and for the twelve months ended March 31, 2017. The market positioning data presented below is as of March 31, 2017 for Slovenia and as of December 31, 2016 for Serbia. For Bosnia and Herzegovina, some market positioning data presented below is as of December 31, 2015 and some as of December 31, 2016, as indicated below.

Country	Slovenia <sup>(1)</sup>	Serbia <sup>(2)</sup>	Bosnia <sup>(3)</sup>	Montenegro <sup>(4)</sup>	Croatia	Macedonia	Worldwide	United Media Group
EU membership / Currency	Member €	Candidate RSD	N/A BAM	Candidate €	Member HRK	Candidate MKD	NR €/ Hard currencies	NR €
Contribution to LTM Q1-2017 revenue <sup>(5)</sup>	 41%	 32%	 12%	 3%				
Entities / brands								
Positioning (by market share)	Pay-TV	No. 1	No. 1	No. 1	--	--	--	--
	Broadband (within footprint)	No. 1 <sup>(6)</sup>	No. 1 <sup>(6)</sup>	No. 1 <sup>(6)</sup>	--	--	--	--
	Fixed telephony	No. 2	No. 2	No. 2	--	--	--	--
RGUs (Mar 17)	Cable <sup>(7)</sup>	484k	1,114k	421k	43k	--	--	--
	Cable RGU/sub	2.6x	2.0x	2.0x	1.6x	--	--	--
	DTH	37k <sup>(8)</sup>	268k	129k	64k	--	--	--
	OTT	1k	14k	--	--	--	104k	--
	Mobile	414k	--	--	--	--	--	--

- (1) Market positioning data in Slovenia is based on management estimates, which have been based on data from the telecommunications regulator in Slovenia as of March 31, 2017.
- (2) Market positioning data in Serbia is based on management estimates, which have been based on data from the telecommunications regulator in Serbia as of December 31, 2016.
- (3) Market positioning data for pay-TV in Bosnia and Herzegovina is based on management estimates, which have been based on data from the telecommunications regulator in Bosnia and Herzegovina as of December 31, 2016. Market positioning for broadband and fixed telephony in Bosnia and Herzegovina is based on management estimates, which have been based on data from the telecommunications regulator in Bosnia and Herzegovina as of December 31, 2015, which is the most recent available data.
- (4) Market positioning data in Montenegro is based on management estimates, which have been based on management's familiarity with the market and analysis of data from the Montenegrin communications regulatory agency as of April 30, 2017.
- (5) The revenue breakdown presented in the table excludes intercompany revenues. DTH revenues for Slovenia, Bosnia and Herzegovina and Montenegro are included in the country in which they were generated, in line with our current segment reporting. For more information, see "Reconciliation of Certain Financial Data Presented Herein."
- (6) We are the leading high-speed cable broadband internet provider in each of Serbia, Slovenia and Bosnia and Herzegovina, and Montenegro, and have the second largest broadband market share in each of these countries, behind the respective incumbents with national footprints.
- (7) Cable RGUs in our markets consist of pay-TV, broadband internet and fixed-line telephony RGUs.
- (8) DTH RGUs in Slovenia include RGUs for *Pink International*, which is in charge of distributing *PINK* channels in Western Europe.

We believe that our business is well-positioned to maintain its market leadership in the pay-TV and cable broadband internet markets in Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro and further increase its market share in the fixed-line telephony market, as we differentiate our product offering through our access to desirable content, a well-invested network and high-quality service. In addition, we believe that relatively low overall service penetration rates in Serbia, Bosnia and Herzegovina, and Montenegro, as well as our attractive product offering, provide us with the opportunity to add additional customers and cross- and up-sell our products to existing customers. Further, our acquisition of Tušmobil in April 2015 has provided us with a platform for further market penetration through our expanded ability to offer quad-play bundles in Slovenia.

## Our Strengths

We believe a number of key factors give us a competitive advantage, including:

### ***We are the leading multi-play service provider with a pan-regional platform across the former Yugoslav region***

We are the leading distributor of cable pay-TV in our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro. In these markets we also provide broadband internet and fixed-line telephony services via our cable infrastructure. We are also the leading distributor of satellite pay-TV across the six countries of the former Yugoslavia, including Slovenia, Serbia, Bosnia and Herzegovina, Croatia, Macedonia and Montenegro. In addition to our cable-based and satellite-based services, we offer mobile telephony services in Slovenia as a mobile network operator, or MNO.

We are the pan-regional leader for pay-TV services with approximately 1.6 million pay-TV subscribers as of March 31, 2017, and we have leveraged our complementary cable and DTH platforms to gain a pay-TV market share of approximately 48% in Serbia as of March 31, 2017 and 35% in Slovenia as of December 31, 2016, in each case based on the number of subscribers, as well as a leading market share in pay-TV services in Bosnia and Herzegovina, with a subscriber market share of 46% as of December 31, 2015. Additionally, we are the largest pay-TV provider in Montenegro, with a subscriber market share of 48% as of March 31, 2017, and among the main competitors who provide DTH pay-TV in Macedonia and Croatia. We enjoy strong brand recognition across the entire former Yugoslav region. Our pan-regional presence and well-established distribution network has helped to make us a partner of choice for regional and international content owners that seek to partner with the top provider in the region, such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox* and *Universal* channels, which we believe allows us to maintain consistently high quality content and achieve attractive payment terms. We are the leading high-speed cable broadband internet provider in each of Slovenia, Serbia and Bosnia and Herzegovina, and have the second largest broadband market share in each of these countries, behind the respective incumbents with national footprints. We have leveraged our pay-TV and cable broadband internet capabilities to become the second largest fixed-line telephony provider in Slovenia, Serbia and Bosnia and Herzegovina. Following the liberalization of the telephony markets in Bosnia and Herzegovina and Serbia, which introduced fixed number portability (allowing customers to retain their existing number when switching to our network) in 2014, we substantially grew our fixed-line telephony subscriber numbers.

Further, our acquisition of Tušmobil in April 2015 provided us with an opportunity to create a fully convergent cable, internet, fixed-line and mobile telephony operator in Slovenia, which allows our customers to benefit from a convenient bundled product offering consisting of cable pay-TV, internet, fixed-line and mobile telephony services from a single provider. Subsequent to the integration of Tušmobil, our Telemach Slovenia segment is our largest segment by revenue. As of March 31, 2017, we had approximately 414 thousand mobile telephony subscribers in Slovenia, and we have increased our number of quad-play subscribers in Slovenia from 1% of our subscribers prior to our acquisition of Tušmobil to 30% of our subscribers as of March 2017. We have also been successful at reducing the annual churn rate for our mobile post-paid subscribers to 6.5% in May 2017, from 8.9% in May 2016 and 17.8% in January 2016. Additionally, since June 30, 2015, we have been successful at increasing our share of the mobile market in Slovenia, which stood approximately at 17.2% as of March 31, 2017, and which we estimate has increased to 17.7% as of May 31, 2017, representing an estimated increase of 3.8 percentage points since June 30, 2015, when our market share stood at 13.9%. We believe that this market share growth demonstrates our ability to attract mobile subscribers who are either migrating from existing operators or who are entering the mobile market for the first time through our attractive bundled offerings and our well-recognized *Telemach* brand, and we have been able to obtain approximately 40% of such gross additions in the period between January 2016 and May 2017.

Our widespread presence across the region allows us to cross-sell our services and expand the number of multi-play packages we provide.

### ***Track-record of delivering revenue and Adjusted EBITDA growth and realizing cost synergies related to our acquisitions, while generating strong Adjusted EBITDA margins***

Our large customer base and relatively low churn rates provide us with good visibility of future revenue, which has historically proven to be resilient even during periods of challenging economic conditions. Since 2014, we have delivered an increase in RGUs from 2.1 million as of December 31, 2014 to 3.2 million as of March 31, 2017, and have delivered strong organic growth in revenue and EBITDA during the period, which has significantly outperformed GDP growth in the countries in which we operate.



Furthermore, in addition to organic growth, our business has benefitted from targeted and value-accretive investments and acquisitions of attractive cable and mobile assets, and we have been successful at realizing synergies related to a number of these acquisitions. For example, we realized substantial cost synergies resulting from our acquisition of Tušmobil, in excess of our initial stated estimates, while simultaneously improving the quality and coverage of the network, our market share and brand perception, and our pre-paid/post-paid subscriber mix. Our acquisition of Tušmobil has also allowed us to develop an attractive suite of fixed-mobile convergence services in Slovenia, further driving revenue growth. Our revenue increased to €459.7 million from €377.3 million for the year ended December 31, 2016 compared to 2015, our net loss decreased to €16.4 million from €27.0 million for the year ended December 31, 2016 compared to 2015 and our Adjusted EBITDA increased to €190.4 million from €161.0 million for the year ended December 31, 2016 compared to 2015. We also have a proven ability to generate strong Adjusted EBITDA margins. The average of our Adjusted EBITDA margins for the three years ending December 31, 2014, 2015 and 2016, respectively, was 43.1%.

***Our business benefits from a fully invested, advanced cable network with a broad reach across the region and from a national mobile network in Slovenia***

We strive to be the most advanced media and telecommunications company in the former Yugoslav region. We operate an advanced proprietary hybrid fiber coaxial (“HFC”) network which is fully bi-directional and EuroDOCSIS 3.0 enabled, covering all of our homes passed in Serbia, Bosnia and Herzegovina and Montenegro and approximately 92% of our homes passed in our HFC network in Slovenia as of March 31, 2017 were fully bi-directional. We operate the largest fiber network in the region, which extends more than 7,700 km across metropolitan regions in Slovenia (approximately 1,750 km), in Serbia (approximately 3,900 km), in Bosnia and Herzegovina (approximately 1,800 km) and in Montenegro (approximately 250 km) and covers approximately 1.6 million homes passed as of March 31, 2017. Our network has an average homes passed per fiber optics node ratio in the range of approximately 140–410 across Slovenia, Serbia, Bosnia and Herzegovina and Montenegro, which we believe is unrivalled in the former Yugoslav region and compares favorably to other European cable benchmarks.

We believe that our cable-TV infrastructure allows us to provide digital TV, high speed broadband and fixed-line telephony with a higher quality than DSL providers or other cable operators in our markets. Our EuroDOCSIS 3.0 network allows us to compete effectively in Slovenia, where fiber to the home (“FttH”) had approximately 28.9% of the broadband market share as of March 31, 2017. We can match FttH speeds in overlapping markets and we have a service speed advantage in non-FttH areas. In Serbia, our broadband internet speed gives us an advantage over our broadband internet competitors, such as Telekom Srbija, which primarily utilizes DSL and has only begun to modernize its networks, with expected broadband speeds of 50-100 Mbps by 2020 for a majority of its subscribers. By contrast, we currently provide internet download speeds of 40 to 150 Mbps and upload speeds of 2 to 8 Mbps to our new broadband RGUs in Serbia which we believe compares favorably to the national average. Additionally, our maximum downstream bandwidth stream as of March 31, 2017, was 150 Mbps for downloads and 8 Mbps for uploads, compared to 100 Mbps and 2 Mbps, respectively, offered by Telekom Srbija, our primary competitor in Serbia. Furthermore, this speed can be offered by Telekom Srbija only in certain geographic areas. In Bosnia and Herzegovina, we are well-positioned to compete with incumbents who primarily use DSL, as well as with smaller regional cable operators. In Montenegro, we have developed FttH Gigabit-capable Passive Optical Networks (“GPON”) with 8,046 homes passed and 1,437 homes connected to this network.

Additionally, we believe that our cable network is fully invested and benefits from low maintenance capital expenditure requirements. We believe that this will allow us to manage our capital expenditures in the near- to medium-term, with expenditures largely being success- and capacity-based as our business expands, while making targeted improvements to our network.

Our national mobile network in Slovenia is the third largest (and fastest growing) MNO, with reach that significantly exceeds that of our fixed-line telephony network. Our extensive mobile network provides coverage to the majority of Slovenia’s population through extensive 2G and 3G networks, as well as our newer 4G network, which currently covers approximately 90% of the population in Slovenia.



*We are a recognized content leader benefitting from content ownership and strategic partnerships with international and regional broadcasters*

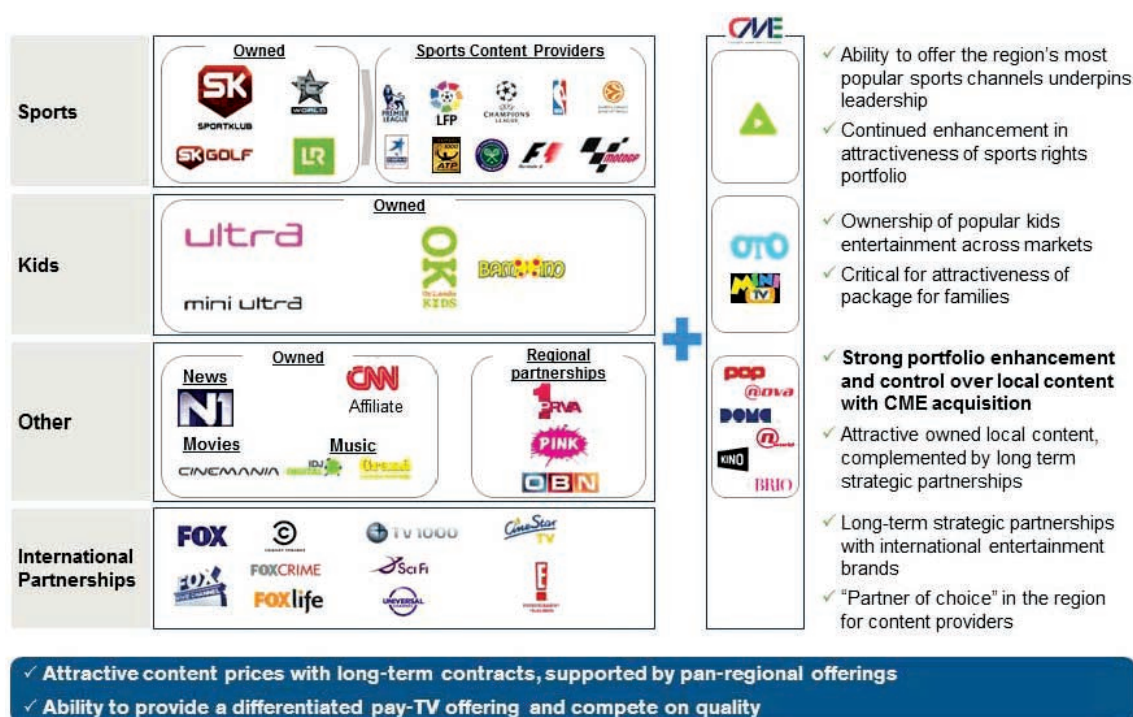
We believe we are the pan-regional content leader and that our desirable cross-genre content helps us attract and retain pay-TV subscribers. Our content business is an increasingly important contributor to our financial performance due to the increasing number of third party distribution platforms acquiring content from us. Through focused and consistent investment over the last few years, including a combination of developing our owned pay-TV content, entering into strategic partnerships with regional and international third-party content owners and acquiring content owners, we have built a comprehensive content offering, covering genres that we believe are core drivers of pay-TV subscription, such as sports, movies, news, music, special interest and children's content. Through our in-house content business, we own a number of attractive pay-TV channels. Our content seeks to address the entire former Yugoslav region, which has a large population with similar languages, cultures and entertainment preferences and which forms a single media market composed of six individually subscale countries. Our focus on the entire former Yugoslav region allows us to enter some of the smaller markets where providers with a smaller scale in comparison to us are less able to provide first-rate localized content and technology on an economically efficient basis.

We continue to enhance our content offering through both organic development and the acquisition of new channels. In terms of organic development, for instance, in collaboration with notable studios in the United States, we have improved *Cinemania's* movie content, helping establish *Cinemania* as a leading movie channel in the region. We have also continued to improve the content we offer through our leading *Sport Klub* channel by continuing to add popular sporting events to its content portfolio, which already included some of the most popular sports offerings in the region, including the English Premier League, the NBA, the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP. We also own a 75% stake in the *Ultra* family of pay-TV channels, which includes *Ultra*, a popular Serbian pay-TV channel which addresses children of school age, and *Mini Ultra*, which addresses children of pre-school age. Further, in October 2014, we launched *N1*, an independent 24/7 regional news channel affiliated with *CNN*, with studios in Belgrade, Zagreb and Sarajevo, and which is now available to our subscribers in all of our geographic markets. In addition, we have sold distribution rights for this channel to all major third party distribution platforms in the region, who pay us a recurring carriage fee. In terms of growth through acquisitions, in November 2014 we acquired *Orlando Kids* and *Bambino*, popular channels geared towards children with extensive distribution reach throughout Croatia and Slovenia that complement our *Ultra* family of pay-TV channels in our other markets. Since our acquisition of these channels, we have extended their distribution scope to include Bosnia and Herzegovina and Macedonia. In December 2014 we acquired a majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia and utilized it to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched the *Grand 2* channel, expanding our music channels portfolio with new content offered to our subscribers. Since our acquisition of *Grand Production*, we have been successful in selling distribution rights to its channels to other major cable operators in the region. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on UFC, and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content.

In July 2017, we entered into an agreement to acquire certain assets of CME BV in Slovenia and Croatia, including several popular television channels. We believe this acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform, promote our pay-TV channel portfolio, drive continued growth and create a strong platform for additional bolt-on, accretive acquisitions. See “—Recent Developments—The Acquisition of the Acquired Stations” for further information.

In addition to our owned pay-TV channels, we believe our pan-regional presence, advanced network, complementary regional cable and DTH platforms and leading market positions make us a natural partner for regional and international third-party content owners who seek to provide their content to the Yugoslav region, and as a result we have been able to enter into long-term contractual relationships with top regional and international content owners such as *Antenna Group*, *OBN*, *Pink*, *CNN*, *HBO*, *Fox*, *Universal* channels, *A&E Television Networks* channels and *Cinestar*, and sports rights owners such as the

English Premier League, the NBA, the Spanish Premier League, ATP, Formula 1, Euroleague, Diamond League and Moto GP. The following table provides an overview of our key pay-TV content:



Source: Company data

In some instances, we offer the sole platform on which certain content can be viewed in our markets, which creates an important point of differentiation between our pay-TV platform and competing platforms. Additionally, we pay for certain third party content on a flat-rate basis, which benefits our profit margins as our number of subscribers increases. As a result of our strategic alliances and our content ownership, we were among the first pay-TV providers in the region to offer localized international content. We believe that our attractive content portfolio differentiates us from our competitors and that our role as a provider of key content in our markets has enabled strong growth in our business and provides us with stable revenue streams due to relatively low customer churn rates.

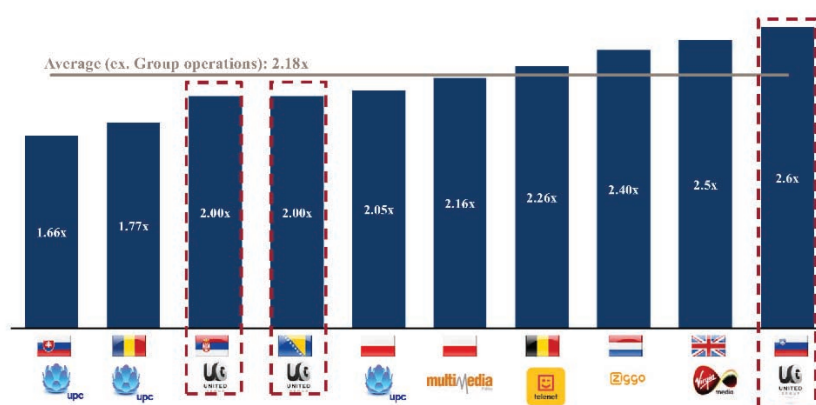
***Our core cable pay-TV business benefits from our ability to increase prices for our increasingly attractive product offering while maintaining low churn rates***

Increasing demand for attractive content and higher broadband speeds allows us to increase the prices at which we provide these services while maintaining relatively low churn rates. For example, we have raised the cost of our basic cable pay-TV subscription by 14% per month in Serbia, by 20% per month for original Telemach BH subscribers in Bosnia and Herzegovina and 29% per month for subscribers of acquired companies in Bosnia and Herzegovina, in each case between April 1, 2014 and March 31, 2017, and we have raised the monthly cost of our bundles by 15% in Slovenia during that same period. Our annual cable pay-TV subscriber churn rates for the twelve months ended March 31, 2017 were 7.6% for the Telemach Slovenia segment, 6.5% for the SBB Serbia segment, 7.5% for the Telemach BH segment and 6.6% for the Telemach Montenegro segment, which we believe compares favorably to other similarly-sized telecommunications and media companies in Western Europe. We believe our low churn rates provide us with recurring cash flows and visibility with respect to future revenues. We believe that the primary drivers of our churn are existing customers moving outside of our current geographical area of service as well as termination of services contracts by us due to existing customers' inability to pay, with only a limited amount of churn being driven by competition. We believe that launching telephony in our markets, further driving digitization, providing our subscribers with multi-play packages (including quad-play in Slovenia), expanding our cable footprint to broaden our geographic reach and benefiting from increasing disposable incomes in the region, which reduces the likelihood of customers' bad debt, will help us to keep cable pay-TV churn rates low.

***Low service penetration rates across the markets in which we operate provide significant cross- and up-selling and growth opportunities***

We operate our business across the former Yugoslav region which has a population of approximately 20 million people and represents the second largest CEE market after Poland. The Yugoslav market (except Slovenia) is currently characterized by underpenetrated pay-TV and broadband internet markets compared to certain other CEE and Western European markets. In Serbia, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 66% and 50%, respectively; in Bosnia and Herzegovina, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 64% and 57%, respectively; and in Montenegro, as of December 31, 2016, pay-TV penetration and broadband internet penetration were 97% and 59%, respectively. Additionally, due to historically strong regulatory constraints on bundling pay-TV, broadband internet and telephony services, RGUs per cable subscriber in our key markets in Serbia and Bosnia and Herzegovina as of March 31, 2017, lagged behind CEE and Western European cable markets, as well as our own operations in Slovenia. The following table shows RGUs per cable subscriber in certain key CEE and Western European markets:

**RGU per cable subscriber**



Source: Derived from public reports as of March 31, 2017. Companies shown might report RGUs differently from us.

Our markets have had significant growth in communications spending during the last ten years compared to Western European markets, due to higher gross domestic product (“GDP”) growth and increased consumer spending resulting from increased macroeconomic stability, a higher private sector participation in the economy and government reforms. At the same time, pay-TV penetration in all of our markets has been growing, driven by increasingly attractive content and bundled offers. Service penetration in our markets has increased as multi-play packages have expanded, but is still below the levels of some Western European cable markets (except in Slovenia). Since the liberalization of the fixed-line telephony markets in Bosnia and Herzegovina and Serbia, we launched telephony services in Bosnia and Herzegovina in the third quarter of 2011 and in Serbia in the second half of 2012. In April 2014, the Serbian fixed-line telephony market was fully liberalized with the introduction of fixed number portability, which allows customers to use their existing number when switching to our product. This liberalization has resulted in rapid growth in the number of our fixed-line telephony RGUs in Serbia, which increased from 76 thousand as of December 31, 2014, to 217 thousand as of March 31, 2017. Leveraging on our extensive cable infrastructure, we strive to use our high-quality pay-TV content as a basis to cross- and up-sell our broadband internet and telephony products to our existing cable pay-TV customers and offer multi-play packages to new customers, which we expect will allow us to continue to improve penetration rates as customers increasingly focus on receiving their multimedia and communications services in a bundled offer from one provider. While penetration rates in Slovenia are more comparable to those of Western European operators, as of March 31, 2017, approximately 24% of our subscribers in Slovenia subscribed to a single service, which we believe offers us significant cross-selling opportunities. The number of quad-play (cable pay-TV, broadband internet, and fixed-line and mobile telephony services) subscribers in Slovenia has grown since we began offering mobile services in late 2012 as an MVNO; since our acquisition of Tušmobil in April 2015 we have increased the number of our quad-play subscribers in Slovenia to 35 thousand as of March 31, 2017. We estimate that our mobile offering in Slovenia has grown to hold a 17.7% market share as of May 31, 2017, capturing approximately 40% of gross mobile subscriber additions in the market between January 2016 and May 2017, including a net gain of 46,000 subscribers who ported

between networks, in the year ended December 31, 2016, and we believe that there is still significant potential for growth, given that we estimate that currently only 30% of the households within our cable footprint in Slovenia subscribe to our mobile services.

We also believe that opportunities emanating from the global proliferation of the internet make our *NetTV* business one of the most viable platforms to access ethnic content. This is another business area that we believe is underpenetrated, where we expect to see growth in the future.

***Our business benefits from well-diversified revenue streams within our markets***

Due to our position as a pan-regional services provider, our business benefits from geographically diversified revenue streams. For the twelve months ended March 31, 2017, we generated 41% of our total revenue in Slovenia, 32% of our total revenue in Serbia, 12% of our total revenue in Bosnia and Herzegovina, 3% of our total revenue in Montenegro and the remainder of our revenues were generated in our other jurisdictions.

Additionally, due to our leadership position across the former Yugoslav cable and DTH pay-TV, broadband internet and telephony markets, our revenues are generated by a well-diversified product portfolio. For the twelve months ended March 31, 2017, we generated €120.5 million, or 26% of our total revenue, through our cable pay-TV business, €79.4 million, or 17% of our total revenue, through our cable broadband internet business, €25.0 million, or 5% of our total revenue through our fixed-line telephony business, €53.0 million, or 11% of our total revenue, through our DTH business and €85.0 million, or 18% of our total revenue, through our mobile telephony business. We believe our current customer structure and product offering provide us with significant cross-selling opportunities which will help us to further diversify our revenue streams and use our scale to capitalize on new technologies and delivery platforms. For more information, see “*Reconciliation of Certain Financial Data Presented Herein.*”

***Our business benefits from an experienced management team with a proven track-record***

Many of our key management members have been with our business since its inception, including our Executive Chairman and founder, Dragan Šolak, our Group Vice President—Sales and Marketing, Victoriya Boklag and our Group Vice President—Operations, Violeta Vasiljević. Our senior management team also includes Janez Živko, our Group Vice President—Finance, who joined us in March 2015 and had most recently served as the CFO of the Petrol Group, one of the largest companies in Slovenia, Vladislav Ratajac, our Group Vice President—Corporate Development, who joined our management in 2011, having previously held positions at Mid Europa Partners and Deutsche Bank, and Dragica Pilipović Chaffey, our Group Vice President—Corporate Affairs, who joined the management team in 2009 and had previously held a number of senior posts in the European Bank for Reconstruction and Development. Other members of our senior management team also have substantial experience in the telecommunications, media and technology industry, as well as in banking, private equity and corporate finance firms.

Many members of our senior management team, including our founder, have each held different positions within our business and have shaped the direction of its development and growth within the region. As our operations became more mature, our senior management team was positioned to leverage its significant industry experience and corporate background and to successfully expand our business through bolt-on acquisitions and integration of cable assets and content companies. Furthermore, certain members of management hold equity stakes in our business. Additionally, drawing on the significant international experience of most members of our senior management team who either attended university or worked abroad for a prolonged period of time, we successfully grew our business from being a single-country pay-TV operator to being the telecommunications and media services leader in the former Yugoslav region.



## **Our Strategy**

Our objective is to strengthen our leadership role as a multi-play communication service provider in the former Yugoslav region, and our aim is to achieve profitable and cash-generative growth through the following strategies:

### ***Continued focus on our competitive market position by leveraging our advanced network, differentiated content offerings and loyal customer base***

We intend to continue to use our advanced cable network, national mobile network in Slovenia, complementary distribution platforms, including DTH and OTT, and differentiated content offering to support, and improve, our market position. Our strategy is to continue offering the most attractive products in the region with better content choice, speed, functionality and service quality than those of our competitors, at prices that provide a compelling value. By leveraging our network and content advantages, we will continue to focus on subscriber growth opportunities in relatively under-penetrated markets while seeking to maintain low churn rates for existing customers. Additionally, we intend to further capitalize on our pan-regional fiber network to strengthen and develop our business relationships and strategic partnerships with international carriers.

### ***Increase service penetration across the region by cross-selling products and services and up-selling value-adding products to existing customers***

We intend to increase service penetration in our existing market by seeking to cross- and up-sell our products and services to new and existing customers. In particular, we intend to encourage our customers to subscribe for additional services by offering bundled double-, triple- and quad-play services. We have steadily grown our mobile business in Slovenia, and our acquisition of Tušmobil in April of 2015 has allowed us to continue to take advantage of Slovenia's dynamic mobile telephony market and provided us with an increased base of potential quad-play subscribers. Furthermore, in 2014 Serbia's regulator allowed fixed telephone numbers to be retained as subscribers switch to other providers which has been, and we believe will continue to be, beneficial for our telephony and multi-play offerings. Additionally, we plan to sell improved or more advanced products and services to our existing customers in order to improve or maintain the revenues we derive from those customers. In addition, the increasing demand for higher broadband speeds allows us to increase the prices at which we provide those services. We are continuing to invest in increasing the capacity of our network to support increasing demand for our multi-play services and for higher broadband speeds.

### ***Further expand our addressable market by utilizing our OTT platform and attractive content***

Leveraging on our strong brands and our attractive content, we intend to continue to develop our two OTT content platforms, *D3i* and *NetTV*, to further expand our addressable market. While our DTH pay-TV platform aims to deliver our content to subscribers in rural areas in our markets without cable infrastructure, our *D3i* platform is designed to deliver our pay-TV services to customers in metropolitan areas outside of our cable footprint who have subscribed to broadband internet services of our competitors but wish to access our attractive portfolio of pay-TV channels. Additionally, *NetTV*, our OTT content provider that delivers extensive local and regional content, allows us to provide over 200 local-language channels showing ethnic content to the entire Yugoslav expatriate community around the world. By expanding our geographic reach outside of our region to customers in countries in Western Europe and North America, we believe that we are in a position to charge prices that are higher than the prices we are able to charge for our pay-TV services in our core markets, thus further increasing our earnings potential.

### ***Continued focus on content and services innovation***

We seek to continue innovating our product offering to further strengthen our leading position in the former Yugoslav region by leveraging our existing network infrastructure and content. We intend to continue to grow our content offering by further developing our portfolio of owned content, entering into strategic partnerships with third-party content owners and acquiring content owners. We will continue to focus on leading the introduction of next generation television and broadband internet services by delivering to our subscribers services such as interactive TV, VoD and CatchUp TV services. We also plan to use our well-known group brands and our pan-regional structure to stimulate growth in our B2B offerings, including fiber optical connection, virtual private network, WiFi hot-spots internet and managed services.



***Grow customer base and operations through value accretive acquisitions in our highly fragmented markets across the region***

We believe we have a successful track record of acquisitions on attractive terms. Between 2011 and March 31, 2017 we have acquired and integrated (or are integrating) over twenty-five cable TV operators, content platforms, mobile service providers, B2B service providers and ISPs in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro that typically had annual EBITDA up to €30 million. Our acquisition strategy consists of enhancing our content offering, expanding our fixed-line and mobile telephony operations and leveraging our experience and successful acquisition history to continue to make small, bolt-on acquisitions that allow us to generate additional value for our operations through increasing scale and product offerings. Historically, our acquisitions have resulted in substantial synergies as well as improved margins for the target. For example, after acquiring Tušmobil in April 2015, we increased our share of the mobile telephony market in Slovenia to 17.7% as of May 31, 2017, from 13.9% as of June 30, 2015, captured approximately 40% of gross mobile subscriber additions in the market between January 2016 and May 2017, improved our pre-paid/post-paid subscriber mix and grew our quad-play subscriber base to 35 thousand as of March 31, 2017, all while realizing annualized cost synergies of approximately €3.8 million as of December 31, 2016, which has been in excess of our initial estimates. Further, we have recently acquired a number of cable operators, including M-kabl, a cable operator in Montenegro with approximately 20 thousand subscribers, which has allowed us to expand our cable network in Montenegro, and Ikom, a Serbian cable operator with more than 93 thousand unique cable subscribers, which has allowed us to grow our customer base in Serbia.

In recent years, we have also made a number of acquisitions with a focus to grow our content business, such as our acquisitions of a majority stake in *Grand Production* and the *NetTV* OTT content platform, as well as our acquisitions of *Orlando Kids* and *Bambino*, popular channels geared towards children with extensive distribution reach throughout the former Yugoslav region. Furthermore, in April 2017 we acquired *Fight Channel*, a Croatian channel with premium content focused on UFC, and IDJ Digital Holding Limited, a digital distributor of music and online video content. We plan to continue to make small value accretive bolt-on acquisitions at attractive multiples within our existing markets to integrate smaller regional service providers, cable assets and fixed-line and mobile telephony operators into our business. We intend to continue taking a disciplined approach to acquisitions within our footprint and we plan to assess individual opportunities on the basis of merit, ability to integrate assets into our existing business plans and potential for value creation.

## **Our History**

Our Group Executive Chairman, Dragan Šolak, founded our company as a Serbian cable-TV operator in 2000. Between 2001 and 2005, we grew our business by constructing our advanced cable network throughout Serbia. We also consolidated several sub-scale family-owned cable operators and successfully integrated them into our business. We launched our DTH services, *Total TV*, in Serbia in 2006 and in Slovenia, Bosnia and Herzegovina and Montenegro in 2007 and expanded *Total TV* into Croatia and Macedonia in 2008 and 2009, respectively. Also in 2007, we entered into a strategic alliance with *Sport Klub*, and we acquired a controlling stake in the *Ultra* family of pay-TV channels in 2009. As a result of our strategic alliances as well as the acquisition of local language television channels, we were among the first pay-TV providers in the former Yugoslav region to provide localized regional and international content.

In 2009, the group acquired Telemach Slovenia, a leading triple-play provider in Slovenia, adding 160 thousand subscribers to our operations. During 2010, our consolidation of three cable pay-TV operators in Sarajevo, including KT Global Net, BH Cabel Net and ELOB, led to the formation of Telemach BH. In addition, over the last few years we have built a comprehensive portfolio of owned pay-TV channels, covering sports, movies, news, music, general entertainment and children's programming, through our United Media business, which we have grown through focused and consistent investment. Telemach Slovenia, SBB Serbia, Telemach BH, Telemach MNE and United Media form the core operating companies of our business. We continue to leverage our position as the sole credible consolidator in the fragmented regional markets and have successfully acquired and integrated a number of businesses since 2010, including Maxtel in 2016, a local B2B internet provider in Slovenia, and Ikom in 2017, a cable operator in Serbia. In addition, following the acquisition of M-kabl in 2016, a cable operator in Montenegro, we have further expanded our subscriber base in Montenegro.








Following the liberalization of the fixed-line telephone markets in Bosnia and Herzegovina and Serbia in 2011 and 2012, respectively, we launched fixed-line telephony services in these two markets and,

leveraging on our existing cable pay-TV and broadband internet subscriber base, became the second largest Serbian fixed-line telephone services provider in June 2013. We also launched our MVNO services in Slovenia in late 2012 and became an MNO upon our acquisition of Tušmobil in 2015, allowing us to provide quad-play bundles (cable pay-TV, broadband internet, and fixed-line telephony and mobile telephony services) to our subscribers in Slovenia, in addition to stand-alone mobile telephony services.

In July 2017, we entered into the Acquisition Agreement to acquire the Acquired Stations, which include several popular television channels in Slovenia and Croatia. We believe the Acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform, promote our pay-TV channel portfolio, drive continued growth and create a strong platform for additional bolt-on, accretive acquisitions. See “*Summary—Recent Developments—The Acquisition of the Acquired Stations*” for further information.

## Our Distribution Product Offerings

We offer our subscribers a broad range of cable and satellite pay-TV, broadband internet and fixed-line and mobile telephony services in the following categories:

		Focus on bundled packages			Croatia / Macedonia		
		Slovenia 	Serbia 	Bosnia 	Montenegro 	 	Worldwide
Residential	(Analog CATV)	telemach ✓	SBB ✓	telemach ✓	telemach ✓		
	D3 (Digital CATV)	✓	✓	✓			
	total TV	✓	✓	✓	✓	✓	✓
	OTT	D3	D3				net tv plus
	net.	✓	✓	✓	✓		
	tel.	✓	✓	✓	✓		
	mob.	✓					
B2B		telemachsolutions	SBB SOLUTIONS	telemachsolutions			
							

- Multi-Play Services.** Our primary focus is to provide bundled services, which is a package of two or more of: pay television, broadband internet services and fixed-line telephony and mobile telephony. This enables our customers to subscribe to these services in a convenient one-stop shop manner at attractive prices that are lower than the sum of the stand-alone services of similar value. We believe that the several bundled options we have introduced allow our customers to customize their packages according to their requirements and offer them greater value for money compared to similar services offered by our competitors. As of March 31, 2017, approximately 64.2% of our cable customers subscribed to our multi-play packages. Our multi-play packages have allowed us to increase our total RGUs for cable-based services from 1.5 million RGUs as of December 31, 2014, to approximately 2.1 million RGUs as of March 31, 2017.
- Cable pay-TV.** Our analog and digital cable pay-TV services provide our subscribers access to over an attractive portfolio of standard definition (“SD”) and high definition (“HD”) pay-TV channels offering popular local and regional content to approximately 973 thousand subscribers across our core markets of Slovenia, Serbia, Bosnia and Herzegovina and Montenegro as of March 31, 2017.
- DTH pay-TV.** Our DTH pay-TV service, known as *TotalTV*, is targeted to households outside our cable footprint and provides access to an attractive portfolio of channels to approximately 498 thousand subscribers across the entire former Yugoslav region as of March 31, 2017.

- **Broadband internet.** Using our advanced fiber and cable network, we believe we operate the largest broadband internet network in the region and deliver among the highest broadband speed in the market with speeds of up to 220 Mbps. Our network has been fully upgraded to EuroDOCSIS 3.0, which supports speeds of up to 1,200 Mbps. We offer broadband internet to approximately 637 thousand subscribers across our core markets of Slovenia, Serbia, Bosnia and Herzegovina and Montenegro as of March 31, 2017.
- **Fixed-Line Telephony.** We offer telephony services using voice-over internet protocol technology (“VoIP”), which allows our subscribers to make traditional fixed-line telephone calls using a standard telephone handset. We offer fixed-line telephony to approximately 453 thousand subscribers across our core markets of Slovenia, Serbia, Bosnia and Herzegovina, and Montenegro as of March 31, 2017.
- **Mobile Telephony.** We offer mobile telephony services in Slovenia, where we operate an MNO. As an MNO, we are able to provide a broad array of subscription options, comprehensive data packages and enhanced coverage through our own mobile network. We offer mobile telephony services to approximately 414 thousand subscribers in Slovenia as of March 31, 2017.
- **United Media.** *United Media* is the platform through which we offer our owned content. We own some of the region’s most popular sports, new, children and general entertainment channels, including *Sport Klub*, *Cinemanía* and *Ultra*, *Orlando Kids*, *Bambino*, *Grand Production* and *N1*. Since the beginning of 2015, we have utilized our majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia to provide free to air music and *Grand*’s popular shows to our subscribers, and we have collaborated with them to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched *Grand 2 channel*, expanding our music channels portfolio with new content offered to our subscribers. We have also been successful in broadening the distribution reach of our pay-TV channels. For example, during 2015, we have sold distribution rights to *N1* and to certain *Grand Production* channels to other major cable operators in the region. Further, we have extended the distribution scope for *Orlando Kids* and *Bambino*, popular channels geared towards children that complement our *Ultra* family of pay-TV channels, to include Bosnia and Herzegovina and Macedonia, as well as Croatia and Slovenia, where those offerings were already present. We have also increased revenues from our *Sport Klub* channels by successfully extending our existing contracts with third-party pay-TV distributors while maintaining access to premium content. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on Ultimate Fighting Championship (“UFC”), and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content in Malta. On July 9, 2017, Slovenia Broadband, a subsidiary of the Issuer, entered into the Acquisition Agreement with CME BV providing for the acquisition of all of the issued and outstanding share capital and capital stock of Nova Croatia and POP Slovenia, providers of the leading television channels in Croatia and Slovenia, respectively; see “Summary—Recent Developments—The Acquisition of the Acquired Stations.”
- **D3i.** *D3i* is an OTT platform which offers customers of our broadband internet competitors access to our full digital pay-TV channel offering. As a result, customers can access all of our digital pay-TV channels on their TV screens, computers, tablets, mobiles or other internet enabled devices. *D3i* enables us to serve anyone in Serbia and Slovenia who is currently outside of our cable footprint but has access to a broadband internet connection with our attractive pay-TV products.
- **NetTV.** *NetTV* is an OTT content provider which delivers extensive local and regional content to the entire former Yugoslav expatriate community worldwide. *NetTV* had 104 thousand subscribers as of March 31, 2017, indicating significant future growth opportunity, supported by the global proliferation of internet, which makes OTT one of the most viable platforms to access ethnic content.
- **TV Everywhere.** Through our *D3 Go* applications for computer, tablet and mobile devices, we offer our pay-TV subscribers access to our proprietary pay-TV content “on the go” within our cable network as well as outside of our cable footprint through broadband internet and WiFi connections provided by our competitors. We also offer *D3 Go* through our mobile data plans in Slovenia.

For more information, see “*Reconciliation of Certain Financial Data Presented Herein.*”

### ***Pay-TV***

We currently provide analog and digital cable pay-TV throughout our network in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. As of March 31, 2017, we provided our cable TV services to approximately 185 thousand subscribers in Slovenia through Telemach Slovenia (approximately 60% of homes passed), approximately 553 thousand subscribers in Serbia through SBB Serbia (approximately 61% of homes passed), and approximately 209 thousand subscribers in Bosnia and Herzegovina through Telemach BH (approximately 66% of homes passed). Additionally, we have increased our presence in Montenegro through our acquisition in 2014 of 64% of Broadband Montenegro, a multichannel multipoint distribution service operator with approximately 21 thousand pay-TV subscribers and our acquisition in 2016 of M-kabl, a cable operator with approximately 30 thousand RGUs. In line with our business strategy, we leverage our extensive cable network and distinctive cable pay-TV content to encourage our subscribers to purchase one of our bundles which offer the convenience of being able to receive television, broadband internet and telephony services from a single provider. As of March 31, 2017, approximately 64.2% of our cable pay-TV subscribers had purchased one of our bundles. For the twelve months ended March 31, 2017, our analog and digital cable pay-TV business segment generated revenues of €120.5 million and an ARPU of €10.5.

In order to access our digital cable and DTH pay-TV and HD contents as well as our interactive TV services, our subscribers must be equipped with a digital receiver. To upgrade to our digital pay-TV content, we offer our subscribers the necessary equipment for free as part of our long-term services contract and recoup a portion of our cost of providing the equipment over the duration of the contract. The digital receiver remains the permanent property of the Group and the subscriber undertakes to return the receiver upon the termination of their contract.

### ***Telemach Slovenia***

We offer high-quality analog and digital cable pay-TV, including VoD services, to our cable pay-TV subscribers in Slovenia, who have access to more than 300 channels, including more than 60 HD channels and 70 radio stations. Migrating analog subscribers to digital services has historically been one of our main objectives in Slovenia. As of March 31, 2017, almost all of our cable pay-TV customers had subscribed to digital TV.

We believe each of our digital pay-TV bundles is competitively priced and provides our subscribers with unrivaled access to high quality content. In addition to our bundles, we also offer our subscribers digital add-on TV packages, each containing premium SD and HD television channels, such as *HBO* and other regional channels, as well as bundled VoD options.

We believe that our TV bundles offer popular channel line-up across a variety of popular genres, such as sports, children’s entertainment and movies, with a number of sport channels included in the Starter Package. Popular sports channels (*Sports Klub*) are also available in HD as part of our Extended Package at no additional cost. Many of our competitors, on the other hand, only include sports channels in their higher value packages and provide less overall premium content at equal or higher prices. We believe our high quality and broad channel and content offering in Slovenia allows us to take a distinctive position in the market vis-à-vis our competitors.

We also offer subscribers interactive TV receivers with the option to use several interactive services, including VoD and CatchUp TV. Telemach Slovenia offers transactional VoD, which allows subscribers to order recent movies and television shows on a pay-as-you-go basis. The cost per movie ranges from €1.50 to €3.60 depending on the attractiveness of the movie. We also offer subscribers the option to purchase subscription VoD packages for a monthly fee, which provides users access to a wide selection of movies, popular series, documentaries, cartoons and music.

For the twelve months ended March 31, 2017, Telemach Slovenia’s cable pay-TV services generated revenues of €38.5 million and an ARPU of €17.2.

### ***SBB Serbia***

We offer high-quality analog pay-TV throughout our network. All of our pay-TV customers receive to our analog pay-TV service (“Basic TV”). Our Basic TV package has been standardized across our network and offers our customers access to 60 analog TV channels. In addition to Basic TV, we provide our



customers with the option to subscribe to our *D3* digital cable pay-TV services. Our *D3* service provides our customers with access to 169 digital channels, including up to approximately 48 HD channels and 58 radio stations. Our *D3* service provides our subscribers the option to build a multi-channel TV bundle to suit their preferences by allowing them to choose from a tiered digital pay-TV offering, and we believe each of our digital pay-TV bundles is competitively priced and provides our subscribers with unrivaled access to high-quality content. In addition to our bundles, we also offer our subscribers digital add-on TV packages, each containing premium SD and HD television channels, such as *HBO* and *Pink TV*, as well as bundled VoD options for subscribers that have leased one of our digital receivers. Our *D3* service also includes CatchUp TV and VoD services. CatchUp TV provides subscribers with the ability to view a wide variety of television programs from a group of popular channels at any time within three days after the programs originally aired. VoD provides subscribers with access to a library of over 5,000 movies and other programming titles.

Like in Slovenia, most of our pay-TV customers are subscribers of our digital service with the penetration of our digital *D3* pay-TV service at approximately 72.8% of our pay-TV subscriber base as of March 31, 2017. In Serbia, we expect to benefit further from our experience in Slovenia, where we successfully increased the number of multi-play subscribers following the switchover from analog to digital television in 2010, by taking advantage of the cross- and up-selling opportunities provided by an influx of potential new customers switching over from analog to digital cable pay-TV.

For the twelve months ended March 31, 2017, SBB Serbia's cable pay-TV services generated revenues of €58.8 million and an ARPU of €9.0.

#### *Telemach BH*

We offer analog pay-TV throughout our network in Bosnia and Herzegovina and our analog cable package has been standardized across our network and the respective ethnic regions that we service. Our Basic TV package offers our subscribers access to 63 analog TV channels. In addition to Basic TV, we provide our customers with the option to subscribe to our *D3* digital cable pay-TV services, which offers them the option to build a multi-channel TV bundle to suit their preferences. Our *D3* offering also provides our customers with access to HD channels and allows them to take advantage of VoD and CatchUp TV. As in Slovenia and Serbia, our subscribers can choose from a tiered digital pay-TV offering, and complement their subscriptions with digital add-on TV packages, each containing premium SD and HD television channels, such as *HBO* and *Pink TV*. Additionally, we have integrated many of our cable asset acquisitions since 2014 (Telekabel Zenica, Velnet Mostar, VKT-net Bugojno and Global Internet Novi Travnik), and are in the process of integrating BHB Cable TV Lukavac, which we believe will further complement our ability to provide quality services to our subscribers in Bosnia and Herzegovina. Furthermore, we believe that the anticipated migration from analog to digital television in Bosnia and Herzegovina in the future will allow us to increase our pay-TV penetration as potential subscribers change their viewing preference to digital services.

For the twelve months ended March 31, 2017, Telemach BH's cable pay-TV services generated revenues of €21.2 million and an ARPU of €8.3.

#### *Telemach MNE*

We offer analog pay-TV throughout our network in Montenegro and our analog cable package has been standardized across our network. Our Basic TV package offers our subscribers access to 64 analog TV channels. In addition to Basic TV, we provide our customers with the option to subscribe to our *D3* digital cable pay-TV services. Our *D3* service provides our customers with access to more than 152 digital channels, including up to 36 HD channels and 42 radio stations.

For the twelve months ended March 31, 2017, Telemach MNE's cable pay-TV services generated revenues of €2.0 million and an ARPU of €10.1.

#### *Direct-to-home Pay-TV*

Our DTH, or satellite, pay-TV service, known as *TotalTV*, is targeted to households outside our cable footprint across the region of former Yugoslavia. *TotalTV* provides subscribers with access to up to 161 channels, 34 of which are also available in HD format. In order to access our *TotalTV* content, users must be equipped with a digital receiver, a satellite card for the receiver and a satellite dish. As we only actively market our DTH offering in those areas that are outside our cable footprint, there is limited to no overlap



with our analog and digital cable pay-TV offering. Additionally, there is a low risk of cable pay-TV cannibalization, due to the fact that for a similar price as basic DTH pay-TV services our basic cable pay-TV services offer a better value, including the option to watch TV programs on up to three TV sets, the possibility to combine cable pay-TV services with cable internet and digital telephony, and provide the most popular TV channels. As of March 31, 2017, we offered reception boxes equipped to receive MPEG-4 transmissions in every country in which we offer DTH services, allowing us to offer HD channels to all of our DTH subscribers.

As with our analog and digital cable pay-TV offering, customers can choose between different DTH packages and price points. Additionally, we have entered into partnership agreements with Telekom Slovenije in Slovenia and Telekom Srbija in Serbia pursuant to which we offer our DTH pay-TV content and re-sell their respective ADSL internet services to customers outside of our cable footprint.

As of March 31, 2017, we provided our *TotalTV* services to approximately 498 thousand subscribers throughout Slovenia, Serbia Bosnia and Herzegovina, Croatia, Macedonia and Montenegro. For the twelve months ended March 31, 2017, our DTH pay-TV business segment generated revenues of €53.0 million and an ARPU of €9.1.

#### *Internet and “On the Go” Television*

Our two OTT content platforms, *D3i* and *NetTV*, have allowed us to further expand our reach:

*D3i.* Our *D3i* platform is designed to deliver our pay-TV services to customers of our broadband internet competitors within Serbia and Slovenia (but outside of our cable footprint) with access to our distinctive digital content via an internet stream. Unlike our DTH pay-TV platform, which aims to deliver our content to subscribers in rural areas without cable infrastructure, our *D3i* platform is designed to deliver our pay-TV services to customers in metropolitan areas. By expanding our reach beyond the traditional cable footprint with our *D3i* platform we are able to increase our subscribers to our pay-TV content.

*NetTV.* Our *NetTV* platform provides over 200 local-language channels showing ethnic content to the entire Yugoslav expatriate community around the world through the internet. As of March 31, 2017, we had 104 thousand *NetTV* subscribers as compared to 98 thousand as of March 31, 2016. Subscribers can access our *NetTV* content through their television sets using the set-top box which is connected through internet, smart TVs that have built-in functionality or by streaming content via internet-enabled tablets, mobile devices and personal computers. By expanding our geographic reach outside our region to customers in affluent countries in Western Europe and North America, we are in a position to charge prices that are higher than the prices we are able to charge for our pay-TV services in our core markets, thereby further increasing our earnings.

*D3 Go.* We launched our *D3 Go* application for computer, tablet and mobile devices in 2012. Through this application, we provide our existing cable pay-TV subscribers with access to our digital pay-TV content “on the go.” Subscribers can register up to three devices per household and the applications support access to all channels simultaneously. The application is fully HD-compatible. Subscribers need an active broadband internet connection in order to access our *D3 Go* content and can download the applications from the internet for free. Our *D3 Go* content is also available to our mobile subscribers in Slovenia over our mobile network.

#### ***Programming Content***

Through focused and consistent investment over the last few years, and by a combination of our investment in developing our owned pay-TV content and in entering into strategic partnerships with regional and international third-party content owners, we have built a comprehensive content offering, covering sports, movies, news and children’s content.

#### ***Owned Content Business***

Through our owned-content business we directly own many of the region’s popular pay-TV channels. In 2012, we added *Cinemanía*, a popular movie channel, to our content portfolio, and in 2006, we acquired *Sport Klub*, the most popular sports channels in the region. We strive to continually improve these offerings. For example, in collaboration with notable studios in the United States, we have improved *Cinemanía*’s movie content helping establish *Cinemanía* as a leading movie channel in the region. We have

also continued to improve the content we offer through our leading *Sport Klub* channel by adding popular sporting events to its content portfolio. We have also introduced localized feeds for *Sport Klub* channels, in both HD and SD. In April 2017, we acquired *Fight Channel*, a Croatian channel with premium content focused on Ultimate Fighting Championship (“UFC”), and we also acquired IDJ Digital Holding Limited, a digital distributor of music and online video content in Malta.

In 2014, we launched *NI*, an independent 24/7 regional news channel affiliated with *CNN*, with studios in Belgrade, Zagreb and Sarajevo and a sizable network of reporters and journalists reporting on regional events, and which is now available to our subscribers in all of our geographic markets. In addition, we have sold distribution rights for this channel to all major operators in the region. Since the beginning of 2015, we have utilized our majority stake in *Grand Production*, a leading Serbian music and TV production house with a long history of broadcasting popular shows in Serbia, Bosnia and Herzegovina and Macedonia to introduce a 24/7 local music and entertainment channel called *Grand*. In 2016, we launched *Grand 2 channel*, expanding our music channels portfolio with new content offered to our subscribers. We have also been successful in broadening the distribution reach of our other pay-TV channels. For example, during 2015, we have sold distribution rights to *NI* and to certain *Grand Production* channels to other major cable operators in the region. Further, we have extended the distribution scope for *Orlando Kids* and *Bambino*, popular channels geared towards children that complement our *Ultra* family of pay-TV channels, to include Bosnia and Herzegovina and Macedonia, as well as Croatia and Slovenia, where those offerings were already present. We have also increased revenues from our *Sport Klub* channels by successfully extending our existing contracts with third-party pay-TV distributors while maintaining access to premium content. We have also extended the production of the most popular entertainment shows for national TV stations in Serbia, Bosnia, and Macedonia, becoming one of the most watched shows in their respective markets. In addition, we have significantly increased advertising revenues in most of our channels.

In July 2017, we entered into the Acquisition Agreement to acquire the Acquired Stations, including several popular television channels in Slovenia and Croatia. We believe the Acquisition, if completed, will help us create a strong mainstream media platform, which will further differentiate our distribution platform, promote our pay-TV channel portfolio, drive continued growth and create a strong platform for additional bolt-on, accretive acquisitions. See “*Summary—Recent Developments—The Acquisition of the Acquired Stations*” for further information.

We believe that the attractiveness of our content platform across key pay-TV genres supports the sustainable leadership position of our distribution platform. While a significant part of our content business’s revenue consists of carriage fees charged to our own distribution platforms (Telemach Slovenia, SBB Serbia, Telemach BH and *TotalTV*), we also generate revenues through carriage fees paid by third-party distribution platforms, such as Telekom Slovenije, Hrvatski Telekom, T2 and A1 (former Si.Mobile), sales of advertising and the sublicensing of some of the sports rights we acquire to regional free-to-air broadcasters or to TV operators in Kosovo, where the Group does not have any operations. Our *Sport Klub* sports TV channels are by far the most in-demand channels of our content business, followed by the *Grand* channels. Carriage revenues for the Pop TV channel which we have agreed to acquire from CME BV will also increase through 2019, following the channel’s switch from free-to-air DTT broadcasting to distribution exclusively over pay-TV platforms.

The following table sets forth the main broadcasting rights we held through our *Sport Klub* sports TV channels as of March 31, 2017. We have historically been successful in renewing these contracts on comparable terms.

Sport	Period	Slovenia	Serbia	BH	Croatia	Montenegro	Macedonia
Copa del Ray Finals	2009–2018	✓	✓	✓	✓	✓	✓
Portuguese League <sup>(1)</sup>	2009–2017	✓	✓	✓	✓	✓	✓
Russian League	2006–2020	✓	✓	✓	✓	✓	✓
Moto GP	2010–2019	—	✓	✓	✓	✓	✓
USA PGA Tour <sup>(1)</sup>	2011–2017	✓	✓	✓	✓	✓	✓
European PGA Tour	2011–2019	✓	✓	✓	✓	✓	✓
Champions League	2012–2018	✓	—	—	—	✓	—
English Premier League	2016–2019	✓	✓	✓	✓	✓	✓
Spanish League	2012–2018	✓	✓	✓	✓	✓	✓
Formula 1 <sup>(1)</sup>	2011–2017	—	✓	✓	—	✓	✓
NBA	2007–2019	✓	✓	✓	✓	✓	✓
Euroleague Basketball	2006–2019	✓	✓	✓	✓	✓	✓
ATP	2007–2019	✓	✓	✓	✓	✓	✓
WTA	2007–2019	✓	✓	✓	✓	✓	✓
FA Cup	2012–2018	✓	✓	✓	✓	✓	✓
Europa League	2012–2018	✓	—	—	—	✓	—
European Qualifiers UEFA Europe 2016 and 2018 FIFA World Cup <sup>(1)</sup>	2014–2017	✓	✓	✓	✓	✓	✓
Eurocup <sup>(1)</sup>	2016–2019	✓	✓	✓	✓	✓	✓
English Football League	2012–2022	✓	✓	✓	✓	✓	✓
Turkish Basketball Super League	2017–2022	✓	✓	✓	✓	✓	✓

(1) We are currently in the process of renegotiating these contracts, and we expect the new contracts to have three-year terms.

The variety that we offer in our content business allows us to tailor our approach for each individual country and market in which we operate. We plan to continue to review our content offering and will continue to develop our own distinctive content. We continue to view content differentiation as the cornerstone of our strategy and to drive the attractiveness of our content offerings relative to those of our competitors.

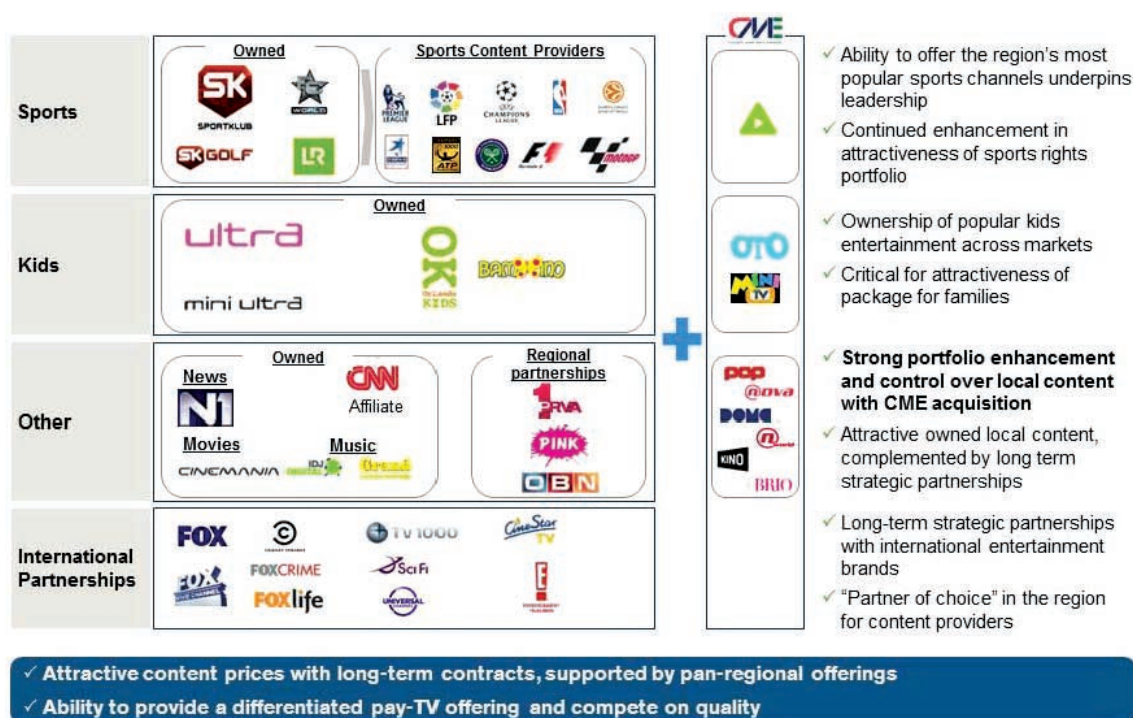
### *Third-Party Programming Content*

In addition to our owned-content offerings, our pay-TV distribution platforms typically license the rights for the distribution of our own as well as third-party owned channels, typically for a period of three to five years.

Because we are the only pan-regional operator, we have been able to negotiate contracts with third-party providers that we believe are beneficial to us. For example, we have been able to lock in flat-rate contracts for content that provide for several year terms, which benefits our profit margins as our number of subscribers increases because we are able to retain the benefits of increases in our subscriber base, and thereby increase our margins. We also pay royalties based on our subscribers' usage of our VoD content. We generally pay such license fees on a per subscriber basis. For on-demand content that is purchased by our subscribers (transactional VoD), we generally pay a revenue share of the retail price. For packaged on-demand content we pay on a per-subscriber basis (subscription VoD), often subject to fixed minimum guarantees. If necessary, we also license third-party copyrights through various collective rights associations. We generally seek to negotiate fixed-fee contracts and attempt to move away from per-subscriber agreements. We expect that our content costs (above the minimum amounts) will generally increase in line with increased revenues from digital pay-TV and on-demand content and continued investment in high-quality content to differentiate our platform from our competitors. We negotiate our contracts for content and other third-party rights on a group-wide basis, so that we are able to maximize the benefits of our scale and best practices across our group, and we have historically been successful at renewing these contracts on comparable terms. We plan to acquire additional broadcasting rights in the future to further enhance our content offering.

## Summary of Overall Programming Content

The following table provides an overview of our key content that differentiates our platform from other platforms:



Source: Company data

## Broadband Internet

Since 2009, we have been upgrading our network to, and, as of March 31, 2017, our network is fully EuroDOCSIS 3.0 enabled, and we offer our customers internet speeds of up to 220/6 Mbps in Slovenia, 150/8 Mbps in Serbia, 150/9 Mbps in Bosnia and Herzegovina and 80/4 Mbps in Montenegro. We believe the EuroDOCSIS 3.0 is superior to DSL and at par with FttH offered by our competitors. As our broadband internet operations provide us with very attractive margins due to little additional cost, we leverage our attractive pay-TV offering to sell our broadband internet services to existing pay-TV customers. As a result, we do not sell our broadband internet services on a stand-alone basis and customers wishing to receive our broadband internet services must at a minimum subscribe to our analog Basic TV package. As of March 31, 2017, we provided our broadband internet service to approximately 637 thousand subscribers across Telemach Slovenia, SBB Serbia, Telemach BH and Telemach MNE (40% of homes passed). For the twelve months ended March 31, 2017, our broadband internet business generated revenues of €79.4 million and an ARPU of €11.0.

## Telemach Slovenia

Within Slovenia, in approximately 51% of our cable footprint, we compete with DSL offered by competitors and not fiber, enabling us to provide the fastest broadband speed available within those areas. Our EuroDOCSIS 3.0 enabled network allows us to compete effectively in the remaining 49% of our cable footprint which is covered by our competitors' FttH network as we can match speeds offered by FttH operators in these overbuilt areas. We only offer broadband in Slovenia as part of a double-, triple-, or quad-play package with our cable pay-TV subscriptions. We provide our subscribers the option to choose between differently-priced tiers of broadband internet services varying in download size and delivery speed, which allow users to download data at a minimum speed of 8 Mbps and at a maximum speed of up to 220 Mbps. As of March 31, 2017, we provided broadband internet to approximately 140 thousand subscribers.

For the twelve months ended March 31, 2017, Telemach Slovenia's broadband internet business generated revenues of €26.9 million and an ARPU of €16.2.



### *SBB Serbia*

We are the leading cable broadband internet provider in Serbia with our network passing approximately 909 thousand households across the country. Within Serbia, our subscribers benefit from our extensive fully two-way enabled and EuroDOCSIS 3.0 upgraded network, with our current maximum commercial offering speed of 150/8 Mbps. As of March 31, 2017, the minimum broadband delivery speed we offer to new customers is 40 Mbps. We believe this compares favorably to the minimum broadband internet delivery speed offered by our competitors in Serbia.

We only offer broadband in Serbia to our existing TV customers and increasingly as part of a multi-play package with our cable pay-TV. We offer customers differently-priced tiers of broadband internet services varying in download size and delivery speed. As of March 31, 2017, we provided broadband internet to approximately 344 thousand subscribers.

For the twelve months ended March 31, 2017, SBB Serbia's broadband internet business generated revenues of €37.2 million and an ARPU of €9.6.

### *Telemach BH*

Within Bosnia and Herzegovina, our subscribers benefit from our fully two-way enabled and EuroDOCSIS 3.0 upgraded network which extends approximately 4,529 km across the country and allows us to provide broadband internet delivery speeds of up to 150/9 Mbps. As of March 31, 2017, the minimum data download speed that we offer for new customers is 10 Mbps.

We offer broadband in Bosnia and Herzegovina to our existing TV customers and mainly as part of a multi-play package with our digital cable pay-TV. Alternatively, we offer customers six different tiers of broadband internet services on top of our analog TV service. These internet services differ in available download size and delivery speed and range from our 10 Mbps to 90 Mbps, carrying a varying monthly subscription fee. Our available broadband internet speeds are higher when our internet services are purchased as part of a bundle with our digital pay-TV rather than as a bundle with our analog pay-TV. As of March 31, 2017, we provided broadband internet to approximately 139 thousand subscribers.

For the twelve months ended March 31, 2017, Telemach BH's broadband internet business generated revenues of €14.3 million and an ARPU of €8.9.

### *Telemach MNE*

Within Montenegro, our subscribers benefit from a fully two-way enabled and EuroDOCSIS 3.0 upgraded network which allows us to provide internet delivery speeds of up to 80/4 Mbps.

We offer cable broadband internet in Montenegro to our existing TV customers and mainly as part of a multi-play package with our digital cable pay-TV. As of March 31, 2017, the minimum data download speed that we offered for new customers is 10 Mbps.

For the twelve months ended March 31, 2017, Telemach MNE's broadband internet business generated revenues of €1.0 million and an ARPU of €10.1.

### *Fixed-Line Telephony*

We offer fixed-line telephony services in Serbia, Slovenia, Bosnia and Herzegovina and Montenegro using voice over internet protocol technology ("VoIP") which allows our subscribers to make traditional fixed-line telephone calls using a standard telephone handset.

Due to our leading position in the cable pay-TV and broadband internet markets, we believe that we are well-positioned to benefit from the liberalization of the Serbian fixed-line telephony markets. Specifically, in April 2014, the Serbian fixed-line telephony market was fully liberalized with the introduction of fixed number portability, which allows customers to use their existing number when switching to our product. This liberalization has resulted in rapid growth in the number of our fixed-line telephony subscribers in Serbia, which has grown from 76 thousand as of December 31, 2014, to 217 thousand as of March 31, 2017. In line with our strategy, we intend to leverage on our existing customer base and our extensive network and high-quality pay-TV content to cross-sell telephony products and bundled products to new and existing customers. As a result, our fixed-line telephony services are only available to our existing cable pay-TV customers.



Our “Basic Package” in all markets offers free calls within the United Group network and subscribers only need an analog touchtone phone to use our service. In addition to our Basic Package, we offer our subscribers various other packages which include free calls to customers of other regional fixed-line telephony providers. Despite the relatively recent launch of our fixed-line telephony operations in Serbia, we believe we are the second largest provider of fixed-line telephony services in Serbia behind the incumbent Telekom Srbija.

As of March 31, 2017, we provided our fixed-line telephony services to 453 thousand subscribers, or approximately 47% of our total cable pay-TV subscriber base. For the twelve months ended March 31, 2017, our fixed-line telephony services generated revenues of €25.0 million and an ARPU of €5.1.

### ***Mobile Telephony***

In 2012, we launched an MVNO-based mobile offering in Slovenia in collaboration with Tušmobil, which was only available to customers who had also subscribed to our pay-TV services. In April 2015, we acquired Tušmobil, the third largest MNO in Slovenia, and which we have now fully integrated with our Telemach Slovenia segment. We have been able to realize annualized cost synergies of €3.8 million by December 31, 2016 resulting from our acquisition of Tušmobil, in excess of our initial estimates, while simultaneously improving the quality and coverage of the network, our market share and brand perception, and our pre-paid/post-paid subscriber mix. Our acquisition of Tušmobil has also allowed us to develop an attractive suite of fixed-mobile convergence services in Slovenia. Accordingly, we now provide mobile voice, messaging and data to consumers and small home businesses on a contract and prepaid basis through a sales and distribution network consisting of 99 points of sale, including 18 own shops, 78 dealer shops and 3 call centers, and our D2D sales force team consists of 35 active agents. We aim to create a fully convergent cable, internet and fixed-line and mobile telephony operator in Slovenia on a greater scale and with a broader product-offering than the incumbent operator Telekom Slovenia and to develop an attractive suite of fixed-mobile convergence services, particularly data-anywhere services, which we believe will result in sustained increases in our overall RGUs in Slovenia.

Our mobile network provides coverage to the majority of Slovenia’s population through our extensive 2G/3G/4G networks. Licenses for use of spectrum for 2G are valid through 2031, while spectrum for 3G is valid through 2021 (5 Mhz on the 2100 band), 2023 (another 5 MHz on the 2100 band) and 2031 (5 MHz on the 900 band). In 2016, Telemach acquired additional spectrum in the 1800 MHz and 2100 MHz bands. This acquired spectrum allows us to expand our 3G and 4G networks. Use of frequencies in the LTE network currently includes 2x10 MHz in the 800 MHz spectrum band and 2x10 MHz in 1800 MHz spectrum band (which is the key spectrum band used for LTE services). These licenses are valid through 2029 (800 MHz) and 2031 (1800 MHz). As a condition to the grant of the 800 MHz 4G license, we are obligated to provide 4G network coverage to 50% of the Slovenian population within the second year of the award and 75% coverage within the third year. We currently provide 4G coverage to approximately 90% of the Slovenian population.

As of March 31, 2017, we had 414 thousand subscribers for our contract and prepaid mobile services and as of May 31, 2017 had a 17.7% share (based on number of subscribers) of the Slovenian mobile market, an increase of 3.0 percentage points since January 31, 2016. Our principal focus is contract subscribers, who generate significantly higher ARPU and generally have lower churn rates than prepaid subscribers, and as of March 31, 2017, contract subscribers accounted for 76% of our subscriber base. New, highly innovative mobile telephony products were launched in September 2015. In April 2017, we updated our mobile packages, with more data, more calls and more text messaging, and introduced our *UNIFI Travel* wi-fi roaming application, providing access to more than 60 million wi-fi hotspots around the world. All products include free on-net calls with unlimited off-net national calls in medium and high-end packages, and with the introduction of new EU roaming regulations which took effect on June 15, 2017, customers can now utilize their text message and voice minute allotments across the EU with no roaming charges. Customers are additionally encouraged to contract for a 24 month period with a discount offered on various mobile handsets. Cross-sales of fixed and mobile services are additionally driven by a bundling discount which is offered to mobile customers who have at least one fixed service.

We strive to deliver an industry leading level of customer service to our subscribers, and we believe that our efforts in this regard have contributed to the relatively low churn rates of our customers.

For the twelve months ended March 31, 2017, our mobile telephony services generated revenues of €85.0 million and an ARPU of €11.4.

## **WiFi**

Since 2011, we have been expanding our WiFi hotspot service in Serbia, Slovenia, and Bosnia and Herzegovina, and the service is currently offered under our “*UNIFI*” brand. To increase our brand recognition, we currently offer the service for free, and we believe that this product is steadily gaining significant popularity. We intend to utilize *UNIFI* to complement our bundled offering and reduce customer churn as well as to incentivize the use of our products by potentially offering *UNIFI* free to only our subscribers. Moreover, we believe this service offers further monetization potential from users that are not customers of the Group.

In 2017, SBB Serbia and Telemach Slovenia launched *UNIFI* Travel, a WiFi service which is available in 120 countries, on more than 60 million hotspots.

## **Business Product Offerings**

We utilize our existing fixed-line network in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro to offer a range of business products including virtual private networks and network capacity leases, to telecommunications operators, financial institutions, public service customers and multinational companies. We are the first CISCO certified partner for B2B services in the region.

One of our key customers in the region is Telekom Austria. We provide network connection services for Telekom Austria’s mobile phone towers as well as ‘last mile’ connection services for Telekom Austria’s B2B clients.

## **Subscribers**

We sell our TV, broadband internet and fixed-line and mobile telephony services, either on an individual service subscription basis or on a bundled basis, to residential customers and business customers. Our basic pay-TV subscription serves as a basis for cross-selling and up-selling and, with the exception of subscribers in Slovenia who prefer to subscribe only to our mobile telephony service, every subscriber needs at least a subscription for our basic pay-TV package to have access to our other services. Consumer subscriptions account for most of our revenues. Within the consumer market, we market our services directly to subscribers in single dwelling units and multi-dwelling units, such as apartment buildings. We provide our services pursuant to standard form fixed contracts lasting for twelve or twenty four months.

Our business subscribers typically purchase our broadband internet and voice and other data services and we generally target small- to mid-size businesses in metropolitan regions. Business subscriber contracts usually extend over a period of twenty-four months and cannot be prematurely cancelled free of charge.

We believe we have a loyal customer base which is the result of low churn rates due to our high-quality content, extensive network coverage and quality customer service.

Additionally, as our network covers the most affluent regions in Slovenia, Serbia, Bosnia and Herzegovina and Montenegro, our business benefits from low rates of services termination due to customers’ inability to pay.

## **Customer Services**

Along with content differentiation, customer service is a key pillar of our offering, and we believe we offer our subscribers high-quality customer service that is in line with Western European standards. Our customer service operations are responsible for all customer care activities, including handling queries and complaints from our customers. We operate dedicated customer contact centers in Ljubljana, Belgrade, Sarajevo and Podgorica. As of March 31, 2017, we employed approximately 933 customer service full-time employees.

All of our customer service agents are regularly trained in soft skills as well as on our new product offerings and advertising campaigns. As is common in Western Europe, we constantly measure our team’s answering speed and offer our subscribers the option to provide feedback on our service immediately following the call. Additionally, we have a customer service team focusing on business retention which reaches out to existing subscribers prior to the expiration of such subscribers’ service contracts to extend the service contract and advertise our products. We also have a specialized team for sales and customer care in relation to our business services.

We believe our customer service representatives are trained in accordance with Western European customer service standards and we receive consistently high scores in our subscriber satisfaction surveys.

## **Billing**

We manage our entire billing operations internally. We bill all of our customers directly, except for some that are included in a bulk contract (for example, with institutions like senior homes). Residential customers that are subscribed to single-play cable pay-TV services in Serbia or to DTH services are invoiced every two months and all of our other subscribers are invoiced once a month for their usage. We bill our business customers on varying bases depending on the service rendered.

## **Marketing and Sales**

Our marketing, sales and customer care department is responsible for designing and promoting new products and services to customers. In this regard, we are able to leverage our owned-content channels to cross-promote our other products and services to our customers because we can advertise those other products and services on our channels. We also market and sell our products using a broad range of sales outlets, including through our leased retail stores which are located in attractive parts of town in our key regions and markets, including in Ljubljana, Belgrade and Sarajevo, third-party stores, telesales and our and our partners' websites. As of March 31, 2017, our marketing, sales and customer care teams comprised 1,029 full-time employees.

We believe that our website currently provides our customers a clear explanation of our products prices and features and provides us with further sales and marketing options in the future.

To strengthen our brand recognition, we have entered into a number of sponsorship agreements with local, regional and national sports associations. Additionally, we give donations to social institutions, such as youth organizations, across the region.

## **Network**

### *Cable*

We provide our pay television, broadband internet infrastructure access and fixed-line telephony services through our extensive cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network covers approximately 1.6 million homes passed and generally covers the most affluent areas in our key markets. Specifically, as of March 31, 2017, our network passed almost 308 thousand homes, or approximately 37.6% of all households, in Slovenia, 909 thousand homes, or approximately 36.5% of all households, in Serbia, 315 thousand homes, or approximately 27.2% of all households, in Bosnia and Herzegovina, and 50 thousand homes, or approximately 26.0% of all households, in Montenegro. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper-based DSL networks. In particular, an HFC cable network offers a larger bandwidth than ordinary copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance.

Our HFC network is fully bi-directional in Serbia and Bosnia and Herzegovina and approximately 92% of HFC homes passed in Slovenia are bi-directional. Our bi-directional network enables us to deliver broadband internet, fixed-line telephony, and other interactive services such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our cable network is EuroDOCSIS 3.0 enabled covering all of our cable broadband internet RGUs in Slovenia, Serbia and Bosnia and Herzegovina which allows us to offer theoretical maximum speed levels of up to 1,200 Mbps with 24 allocated frequency channels. In Montenegro we continue to upgrade the network to group standards following our acquisitions. We believe we offer one of the highest available speeds in our cable footprint ranging around 150-220 Mbps.

Our HFC network has homes passed per fiber optics node ratios of approximately 411:1 in Slovenia, approximately 239:1 in Serbia, approximately 286:1 in Bosnia Herzegovina, and approximately 139:1 in Montenegro, which we believe is unrivalled in the former Yugoslav region and compares favorably to Central and Eastern European cable benchmarks. This means our fiber optic nodes typically only extend a very short distance from our subscribers' homes and offices, with only the last few hundred meters connected through coaxial cables. This allows us to provide high broadband internet access speeds and advanced services to our subscribers.

We operate one of the most extensive backbone networks across the region with a national backbone consisting of more than 7,500 km owned and leased dense wavelength division multiplexing fiber links that extend across the former Yugoslav region with international optical interconnections to Vienna, Frankfurt, Amsterdam and London. Such extensive fiber rich backbone not only supports our HFC cable network but also makes us a partner of choice for regional telecoms and other business customers. We rent ducts and poles from third parties as a part of our network.

We complement our cable network with our DTH and mobile offerings. We contract for satellite services with EUTELSAT, who transmits our satellite programming over their satellite networks to our customers. Data streams are sent to satellites that transmit the signal to local satellite receivers. Our transponder allotment agreements with EUTELSAT are valid until December 31, 2024. Pursuant to a services agreement entered into with EUTELSAT in December 2014, SBB Serbia agreed to replace all its subscriber reception boxes in order to permit the reception of HD and MPEG-4 transmissions to our subscribers via the transponders currently allocated to SBB Serbia on the EUTELSAT 16A satellite. The replacement of such subscriber reception boxes affected approximately 340,000 households. EUTELSAT agreed to assist SBB Serbia in the replacement of such equipment in order to facilitate our migration to MPEG-4 technology from MPEG-2 technology. The installation of the equipment commenced in February 2015 and has since been completed. Subject to certain milestones being met, EUTELSAT has agreed to participate in the costs incurred by SBB Serbia in connection with the replacement of the equipment. Furthermore, EUTELSAT has also agreed to provide SBB Serbia with certain discounts and also provide a certain amount of free additional satellite capacity from the MPEG-4 launch date until 2024.

### *Mobile*

Telemach Slovenia commenced a modernization program for Tušmobil's mobile network immediately after the acquisition in April 2015. Within four months of the acquisition, the radio network on 573 mobile sites was modernized with a swap of complete 2G and 3G technology. Additionally, a 4G network was implemented alongside the existing network and prepared for a commercial launch in June 2015. By the end of 2015, the modernization of the transport microwave network was completed.

Our mobile network is completely IP-enabled, with SRAN (single radio access network technology) providing full services on 2G, 3G and 4G networks.

We currently provide 4G coverage to approximately 90% of the Slovenian population, and by the end of 2017 we expect to upgrade 100 existing sites to 4G technology and add 50 additional mobile sites to our footprint. Additional upgrades with 4G technology and new sites will not only increase the coverage, but also enhance the network capacity, which enhances the customer's experience.

### **Licenses and Permits**

We believe we hold substantially all necessary authorization and licenses to provide our services. We summarize below the licensing and permit framework for each of our four core operating jurisdictions.

**Telemach Slovenia.** To be authorized to operate as media and telecommunications service provider in Slovenia, Telemach Slovenia notified the AKOS by providing a short description of its public communication network and its services. Telemach Slovenia was subsequently entered into the official register as service provider. In addition, Telemach Slovenia holds several radio and mobile frequency licenses, the newest of which will expire in 2031.

**SBB Serbia.** Pursuant to the law of electronic communications (2010, as amended in 2013 and 2014), an operator of media and telecommunications services is not required to obtain a license for its general services. In order to be permitted to provide its services, an operator must submit a request for registration to the RATEL which SBB Serbia did in 2011.

**Telemach BH.** Telemach BH holds licenses for the distribution of audiovisual media services and radio media services which are valid for ten years and will expire on December 31, 2026. These licenses can be extended by submitting a request to the Bosnian regulator at least three months before expiration. We also hold a license to operate a public electronic communications network which is valid for an unlimited duration. Additionally, we hold a license for the provision of fixed-line telephone services which is valid for an unlimited duration. We also hold a license for the use of telephone numbers and pre-code numbers the validity of which is tied to the validity of the license for the provision of fixed-line telephone services.

**Telemach MNE.** Telemach MNE holds licenses for the distribution of audiovisual media services and radio media services which are valid for fifteen years and will expire in 2032.

See also “—Regulatory Framework”, “—Legal Proceedings—Litigation matters relating to Telemach Slovenia (as successor to) Tušmobil”, and “Risk Factors—Risks Related to Our Business—We do not hold valid use permits for parts of our cable network”.

### **Information Technology**

We operate a modern information technology (“IT”) infrastructure in order to support our business. Our IT systems are generally managed in-house by a team of 79 employees, who also receive external support from manufacturers and suppliers.

Our IT system consists of the following key segments: our operations support system (“OSS”), which supports our back-office activities, including the operation of our network and provision and maintenance of our customer service; our business support system (“BSS”), which supports our customer-facing activities such as billing, order management and our call center; and our mediation and provisioning system which monitors and facilitates subscribers’ network access rights and privileges to ensure the security of our resources and user privacy.

In early 2017, Telemach Slovenia implemented SAP platforms, joining SBB Serbia and Telemach BH which had already implemented SAP platforms, and thus further facilitating integration. Our OSS applications in Slovenia are currently managed in-house while we are in the process of implementing a third-party platform in Serbia and Bosnia and Herzegovina. Our mediation and provisioning systems are currently managed in-house with Telemach Slovenia using a different system from the other group companies.

We will continue to focus on integrating and streamlining the different IT systems within our Group to standardize and further improve our IT solutions.

### **Competition**

We face competition from established market participants as well as new market entrants. The nature and level of the competition we face varies for each of the products and services we offer and for each country in which we operate. Despite regional differences in the intensity of competition, we compete in each case on the basis of network quality, content advantage, product and service portfolio specifications, value-for-money proposition, marketing, installation speeds and customer care.

Our competitors include, but are not limited to, providers of television, broadband internet, fixed telephony services using DSL or fiber connections and mobile telephony operators, including Telekom Slovenije, Telekom Austria and T2 in Slovenia, Telekom Srbija in Serbia and BH Telecom and HT Eronet in Bosnia and Herzegovina, and M-Tel and Crnogorski Telekom in Montenegro. We also compete against DTH providers, including *Digi* and *Polaris*, and DTT providers in Slovenia. Furthermore, we face competition from providers of television services using alternative and emerging digital technologies such as IPTV and OTT-television. We also compete with other sources of news, information and entertainment such as social media platforms, newspapers, movie theatres, live sporting and music events, computer games and home video products. Please also see “Risk Factors—Risks Relating to Our Business and Industry—The cable television, broadband internet, DTH and telephony markets in the regions in which we operate are highly competitive.”

### **Property and Equipment**

Our principal asset is our network, which consists of numerous cables, telecommunications installations, including exchanges of various sizes and transmission equipment.

We lease our headquarters at 8a Bulevar Zorana Djindjica in Belgrade, Serbia, as well as SBB’s technical center in Kumodraska Street in Belgrade and several other office spaces throughout the country. We also lease the headquarters of Telemach BH and other minor offices and sales facilities throughout the markets in which we operate. Additionally, we own most of the equipment needed for our core operations, including the sites housing network hubs. In Slovenia, we purchased Tušmobil’s headquarters in 2015 and relocated to this location most of our operations. By the end of 2017, all Slovenia operations will be moved to owned premises and Telemach’s headquarter’s lease will be terminated.



We believe that our properties and equipment are in good condition and are suitable and adequate for our business operations. None of our significant properties are subject to material easements or other third-party proprietary interests that prevent or restrict the current business activities or that are believed to require major investments or costs going forward.

## Employees

As of March 31, 2017, we employed 3,253 full-time employees across Slovenia, Serbia, Bosnia and Herzegovina and Montenegro. The following table shows the average number of full-time employees as of March 31, 2017, by category:

	March 31, 2017
Management .....	119
Support .....	412
Marketing .....	96
Engineering .....	272
Operations .....	1,951
Sales and Customer Care .....	933
Network .....	635
Administrative Support .....	280
Platforms .....	103
Media Production .....	317
Media Technics .....	86
<b>Total</b> .....	<b>3,253</b>

We believe that our relationship with our employees is satisfactory. During the last three years, we have not experienced any strikes or work outages, and currently none of our employees are members of labor unions.

## Insurance

Our fixed assets such as technical and office equipment in our network operating centers, network hubs, head-ends and office locations are protected by insurance policies covering damage from fire and other catastrophes. We also have separate insurance covering losses from machinery breakdown and insurance for interruption operating costs. While we have no insurance against the risk of failure by subscribers to pay, we have alternative controls to mitigate this risk, including collection processes and arrangements with collections agencies. We provide directors' and officers' liability insurance for all members of our Board, as well as certain other persons within our Group.

We believe that our existing insurance coverage, including the amounts of coverage and the conditions thereto, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to business operations. However, we cannot guarantee that no losses will be incurred or that claims that go beyond the type and scope of the existing insurance coverage will not be filed against us.

## Legal Proceedings

We are involved in a number of legal proceedings. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a significant effect on our financial position or profitability. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

### *Litigation matters relating to Telemach Slovenia (as successor to Tušmobil)*

#### *Administrative matters*

The grant of a third-generation, or 3G, license in 2008 to Tušmobil (that in April 2015 was acquired by, and later merged into, Telemach Slovenia) is currently subject to review by the administrative courts in Slovenia. This 3G license that was granted by the Agency for Communication Networks and Services of the Republic of Slovenia ("AKOS") is valid through 2023 and is used to operate Telemach Slovenia's mobile telephone network. The initial grant of the 3G license by AKOS to Tušmobil in 2008 was challenged by certain competitors on the grounds that Tušmobil obtained the 3G license without satisfying certain

requirements of a public tender, and free of charge. These competitors alleged this decision was contrary to the then existing policy of AKOS, as well as the practice followed by AKOS in prior grants of 3G licenses. Since its inception, the case arising from this challenge has been through several rounds of review and decision by AKOS, as well as by the relevant administrative court and the supreme court in Slovenia. Having previously affirmed its decision regarding the validity of the grant of the 3G license to Tušmobil on three occasions in 2008, 2010 and 2014, respectively, AKOS reopened the procedure for the allotment of the 3G license to Tušmobil in July 2015 following a decision from the administrative court in Slovenia (described below).

Following AKOS' decision in 2014 reaffirming the validity of the 3G license it granted to Tušmobil in 2008, one of Tušmobil's leading competitors in Slovenia appealed this decision of AKOS to the relevant administrative court in Slovenia. The administrative court held in February 2015 that AKOS had not adequately considered whether the invitation regarding the application for the 3G license had been properly published when AKOS made its first call for such invitations in 2008. The administrative court noted that although AKOS published the call for invitations in the official gazette, as normally required by law, it failed to publish the call on AKOS' website, as was stipulated in its bylaws. The administrative court therefore revoked AKOS' decision of March 2014 relating to the confirmation of its 2008 decision regarding the award of the 3G license to Tušmobil, and ordered that AKOS repeat the procedure for the award of this license. Following this direction by the administrative court, AKOS reopened the administrative procedure for the allotment of, and announced a public tender for, our 3G license in July 2015 without impeding Telemach Slovenia's current use of this license. Telemach Slovenia appealed this decision of AKOS to the administrative court in Slovenia asking for the revocation of AKOS' decision to reopen the tender of Telemach Slovenia's 3G license and also requested the administrative court for an interim injunction to stay AKOS from reopening this procedure until such time as the administrative court reached a final decision on its appeal. This interim injunction was granted by the supreme court in Slovenia after being turned down by the administrative court. The validity of the 3G license is still subject to the decision of the administrative court in the appeal brought by Telemach Slovenia, without impeding Telemach Slovenia's use of this license.

We continue to believe that Tušmobil was granted the 3G license in accordance with the Slovenian Electronic Communications Act, which is the applicable statute governing the grant of these licenses, that requires the equitable distribution of radio frequencies among industry participants. At the time of the grant of these radio frequencies to Tušmobil, Tušmobil's leading competitors in Slovenia were already in possession of licenses for the use these radio frequencies, and Tušmobil was at that time the only major telecommunications operator in Slovenia that did not yet have a 3G license. For instance, in 2008, when 5 MHz of the 3G spectrum band was granted to Tušmobil, the other major industry participants in Slovenia, including Telekom Slovenije, A1 and T-2, each held 15 MHz of the 3G spectrum band and, even following the grant to Tušmobil, 10 MHz of the 3G spectrum band remained unallocated at that time. However, we cannot rule out the outcome that the administrative court will turn down Telemach Slovenia's appeal and confirm AKOS' decision of July 2015, allowing AKOS to reopen the tender for the 3G license that was granted to Tušmobil. In such an event, Telemach Slovenia would be entitled to file an appeal on points of law before the supreme court in Slovenia against the decision of the administrative court. In addition, we cannot rule out the outcome that a charge may be imposed by AKOS for the 3G license, or that such license may be revoked, as there are limited precedents for the procedure AKOS must now follow. In the event a charge is imposed, the amount of which is difficult to predict, we could seek to recover the amount of the charge from Tušmobil's seller under the share sale and purchase agreement and other transaction documents that we have entered into with Tušmobil's seller. In the event that the 3G license is revoked, we similarly could seek to recover losses and damages related to such revocation from Tušmobil's seller under these transaction documents. However, we may not be successful in any actions to recover some or all of such charges, losses or damages from Tušmobil's seller in a timely manner or at all. See *“Related Party Transactions—Deferred Consideration Relating to our Acquisition of Tušmobil”* and *“Risk Factors—Risks Related to Our Business and Industry—We have made and may make acquisitions or enter into transactions that may present unforeseen risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.”*

In July 2016, AKOS announced its decision to conduct an auction for various mobile spectrum bands in Slovenia that remained unallocated. These included frequencies in the 1800 MHz band and the 2100 MHz band. AKOS set the reserve price at €2.6 million for each block of 2x5 MHz in the 1800 MHz frequency band, two blocks of which were available for auction, and €1.3 million for the block of 2x5MHz

in the 2100 MHz band, one block of which was available for auction. We submitted our tender for these frequencies on August 5, 2016. On August 29, 2016, AKOS issued a decision in our favor on the allocation of two blocks of 2x5 MHz in the 1800 MHz frequency band and one block of 2x5 MHz in the 2100 MHz frequency band for an aggregate amount of approximately €6.5 million. Telemach Slovenia's license for the frequencies in the 1800 MHz band is valid through January 2031 and for the frequencies in the 2100 MHz band is valid through September 2021.

We believe that these additional frequencies will help us address not only the demands of our growing mobile business but also mitigate the impact of any potential revocation or impairment of the 3G license that was granted in 2008 (in particular, the frequencies allotted in the 2100 MHz band, which can be used to provide 3G coverage).

### *Criminal Matters*

There are certain criminal matters pending in Slovenia against Telemach Slovenia (as successor to Tušmobil), Tušmobil's former owner Mirko Tuš, and certain other defendants, including a former head of AKOS. Pursuant to a bill of indictment that was filed in March 2015 by the public prosecutor in connection with these criminal matters, which were initially instigated by Tušmobil's competitors in 2008, it is alleged that, among other things, Tušmobil and Mirko Tuš made illegal payments to a former head of AKOS to obtain the 3G license in 2008. The bill of indictment filed by the public prosecutor also challenges AKOS' decision in 2006 to allow Tušmobil to exchange a certain radio frequency band (1,800 MHz) for another band (900 MHz) at no charge and without obtaining the views of other interested parties. It is also alleged that Tušmobil and Mirko Tuš made illegal payments to the same former head of AKOS to obtain the exchange of frequencies at no charge. On March 31, 2015, Tušmobil filed an objection to this bill of indictment on the grounds that none of the defendants were legally authorized to act on behalf of Tušmobil, and therefore the bill of indictment against Tušmobil should be quashed. In May 2015, the district court of Ljubljana set aside the objections to the bill of indictment finding, among other things, that Mirko Tuš was the indirect owner of Tušmobil and therefore legally authorized to act on its behalf.

Pre-trial hearings commenced in December 2015. In these hearings, Telemach Slovenia argued for the exclusion of certain evidence against Tušmobil contending that such evidence was obtained illegally and unconstitutionally by law enforcement authorities. In its decision of March 2016, the district court rejected these arguments. Telemach Slovenia appealed this decision to the high court of Ljubljana and the high court accepted this appeal, and in September 2016, annulled the decision of the district court and returned the case to the district court directing them to repeat their procedure to make a determination on the exclusion of certain evidence against Tušmobil. The decision of the district court on this matter is still pending. As the pre-trial hearings have concluded, the criminal matters against Telemach Slovenia (as successor to Tušmobil) and Mirko Tuš are expected to proceed to trial after the decision of the district court is available in the matter regarding the exclusion of certain evidence against Telemach Slovenia.

In a related development, in January 2016 the Republic of Slovenia made a claim against the defendants for indemnification in an amount of approximately €7.2 million. During the pre-trial hearings, Telemach Slovenia contested the grounds for, and challenged the amount of, this claim. While the bill of indictment filed by the public prosecutor in March 2015 had indicated that Tušmobil allegedly illegally gained property in an amount of approximately €7.2 million, representing a valuation of the potential charge for the frequency bands under challenge, which had been estimated by an expert appointed by the court for such purpose, Telemach Slovenia has and intends to continue to contest and oppose this valuation.

Under Slovenian law, in the event that Tušmobil is found guilty of a criminal offence relating to the frequency allotment decisions in 2006 and 2008, a court could order that property gains found to be acquired through, or owing to, the commission of such criminal offence be confiscated. The scope and magnitude of what constitutes illegally gained property, and the basis of determination of such property, in such circumstances are not clearly defined or limited under Slovenian law, and, in the event of a conviction, there can be no assurance that the amount ordered to be confiscated by a court would not be substantially in excess of the amounts being sought under the claim for indemnification. In addition, if Telemach Slovenia is found guilty of making the alleged illegal payments in these matters, there is a likelihood that it will be required to pay certain fines, the amount of which we presently are not able to predict. Further, if Tušmobil is found guilty in any of these criminal matters, AKOS could in turn review, whether upon its own initiative or if ordered to do so by a competent authority, the grant of the 3G license

to Tušmobil and potentially annul its prior allotment decision and initiate new proceedings for the allotment of the 3G spectrum.

If a fine or penalty should be imposed in these criminal matters, we, in turn, could seek to recover these amounts from Tušmobil's seller based on certain provisions set forth in the transaction documents we have entered into with Tušmobil's seller. For instance, under the share sale and purchase agreement, we have recourse to up to €140 million in indemnification from the seller for losses arising from breaches of warranties related to financial crime, which we could seek to claim against in the event of a final, non-appealable judgment requiring Tušmobil to pay monetary fines (which indemnification is not available for the separate AKOS proceeding described under "*—Administrative Matters*"). However, we may not be successful in any actions to claim indemnity or damages from Tušmobil's seller in a timely manner or at all. See "*Related Party Transactions—Deferred Consideration Relating to our Acquisition of Tušmobil*" and "*Risk Factors—Risks Related to Our Business and Industry—We have made and may make acquisitions or enter into transactions that may present unforeseen risks, and we may not realize the financial and strategic goals that were contemplated at the time of any transaction and, additionally, there are risks associated with the integration of any acquisitions.*"

The AKOS action and the criminal proceedings described above relate to the 3G license obtained by Tušmobil in 2008 (and the exchange of certain frequency bands in 2006), and do not affect the ownership or validity of the LTE/4G license that Tušmobil was awarded in 2014 for the period from 2014 to 2029 or the ownership or validity of the additional frequencies allotted to Telemach Slovenia in 2016 for periods until 2021 and 2031. Nevertheless, if the AKOS action or pending criminal proceedings were determined in a manner adverse to Telemach Slovenia, and Telemach Slovenia was unable to continue to utilize the 3G license, or was required to pay a material amount of charges, fines or penalties or other amounts, and Telemach Slovenia was not able to recover such amounts from the Tušmobil seller, such developments could have a material adverse effect on our financial position and profitability.

#### ***Dispute with minority shareholder of Ultra***

In June 2012, United Media Limited, one of our subsidiaries, extended a loan in the principal amount of €2.0 million to Luxor Co d.o.o. Beograd ("Luxor"), our 50% co-investor in TV Kanal Ultra d.o.o. Beograd ("Ultra"), to facilitate Luxor's payment of certain debts that it owed to Ultra. The loan was secured by a pledge by Luxor over 25% of the share capital Luxor owned in Ultra. Luxor defaulted on the loan, and consistent with the terms of the pledge agreement, in May 2013, Luxor transferred 25% of the share capital it owned in Ultra to United Media Limited for €2.0 million pursuant to a share transfer agreement. In April 2016, Luxor brought a claim against SBB Serbia alleging that SBB Serbia misrepresented the number of subscribers to which SBB Serbia would broadcast the channels that Ultra owns which, according to Luxor, in turn impacted the valuation of its stake in Ultra, thereby causing Luxor to transfer 25% of its stake for a value that was significantly lower than the fair market value of the stake, and is claiming damages in the amount of approximately €7 million. The first instance court ruled in favor of SBB Serbia and Luxor appealed. We are currently waiting for the secondary appellate's court decision. While any specific outcome of this claim is difficult to determine, we currently have no reason to believe that any adverse outcome of this claim would have a material adverse impact on our financial position or profitability.

A parallel but related proceeding was initiated by Luxor on March 21, 2017 against Ultra, claiming that the director of Ultra allegedly acted, among other things, unlawfully and contrary to the interest of Ultra and Luxor, resulting in the diminishment of Ultra's assets. Luxor is claiming damages of approximately €1.3 million and has requested that the director of Ultra be replaced with a court appointed representative to be employed by Luxor. We have responded to Luxor's allegation claiming, among other things, the lack of evidence and the inaccuracy of the claim.

While any specific outcome of these claims is difficult to determine, we currently have no reason to believe that any adverse outcome of these claims would have a material adverse impact on our financial position or profitability.

#### ***Dispute with SOKOJ relating to infringement of copyrights***

In June 2010, SBB Serbia signed a contract with the Serbian music authors' organization for collective protection of music copyright and related rights ("SOKOJ") whereby it agreed to pay SOKOJ an amount of royalties related to intellectual property rights that SOKOJ holds and that SBB Serbia broadcasts to our cable pay-TV subscribers in Serbia. The amount of royalties payable by SBB Serbia under the agreement



with SOKOJ was determined by a pre-agreed fee tariff that was linked to the number of subscribers to whom SBB Serbia broadcasts content that was protected by SOKOJ. SOKOJ has alleged that the number of subscribers to whom SBB Serbia broadcasts the content that it protects (and thus the number of subscribers for whom SOKOJ is entitled to claim payment under SBB Serbia's agreement with SOKOJ) was significantly higher than the number of subscribers that SBB Serbia had previously disclosed to SOKOJ. For example, SOKOJ has claimed that, while SBB Serbia's agreement with SOKOJ only provided for payment based on the number of SBB Serbia's cable pay-TV subscribers to whom it broadcast protected content, SOKOJ was nevertheless entitled to payment for DTH pay-TV subscribers to whom SBB Serbia broadcast protected content. Our initial efforts to settle this dispute were unsuccessful, and SOKOJ commenced its legal proceeding in court in June 2015, claiming damages in an amount of approximately €25 million for the period from 2012 until 2015. An expert witness has issued an opinion that the amount of royalties owed amounts to €0.2 million. SOKOJ has requested the court to issue an order to obtain certain data from the Regulatory Agency for Electronic Communications and Postal Services ("RATEL"). The court refused to issue this order. A court hearing was recently held and we are expecting a first instance decision.

In 2017, SOKOJ initiated a parallel but related litigation proceeding before the Commercial Court in Belgrade for an amount of approximately €4.8 million for the same alleged breach for the periods from January 1, 2015 to June 30, 2015 and from July 1, 2015 to June 30, 2016. SOKOJ proposed the testimony of an expert witness and requested the court to issue an order to obtain certain data from RATEL. We have disputed the merits of the claim as we believe all necessary data was submitted and correct. The indisputable amount of the obligation in the total amount of €0.8 million was paid to SOKOJ by SBB Serbia in the public notary deposit. A preliminary hearing was concluded and an expert witness will be issuing an opinion on the dispute.

***Dispute with minority shareholders of KATV HS d.o.o. and HKB-net d.o.o.***

We assumed a number of legal disputes in connection with our acquisition of KATV HS d.o.o. ("HS"), HKB-net d.o.o. ("HKB") and M&H Company d.o.o. ("M&H") as part of the Bosnian Acquisitions. Specifically, we assumed certain claims brought by the minority shareholder of both HS and HKB, most of which claims have been brought against HS and HKB, as well as their former majority shareholders and former management. These include certain claims asserted in a civil law suits brought in the period from 2013 to 2015, seeking damages relating to alleged breaches of contractual and/or statutory duties by HS, HKB, M&H, the former majority shareholder and the former management of these companies. The aggregate amount claimed by the minority shareholder in these cases is approximately €12 million increased for interests and costs of the proceedings. These claims are in the preliminary stages of litigation, and no final, enforceable decision will be rendered until the claims have been adjudicated by both the court of first instance and (if appealed) the secondary appellate court. It is difficult to estimate the final amount of damages (which will, in due course, be subject to valuation by an expert appointed by the court) and when such adjudication would be completed.

In June 2015, the minority shareholder of HS and HKB also brought a civil law suit against Telemach BH seeking to set aside Telemach BH's purchase of HS and HKB. Specifically, the former minority shareholder contends that it was not provided with sufficient information to allow it to determine whether to exercise its statutory right of first refusal relating to the sale of HS and HKB. This claim is still in the preliminary stages. The aggregate purchase price we paid for the acquisition of HS and HKB was approximately €7 million. The minority shareholder has also brought a number of additional claims against Telemach BH relating to the diversion of corporate opportunities to M&H from HS and HKB allegedly undertaken by the former majority shareholder of these companies. While we do not believe that these claims are justified, we have nonetheless suspended the operation of the contracts that formed the basis of these claims.

The minority shareholder has also filed a criminal complaint with the office of the public prosecutor in Bosnia and Herzegovina alleging criminal wrongdoing by the former majority shareholder and former management of these companies. This proceeding is still in the investigative phase, and no indictment or other criminal charge has been filed. The status of and information relating to criminal investigations is not publicly available and we have not received any intimation or notification that these criminal complaints in any way implicate Telemach BH or us.



### ***Disputes with SAZAS relating to infringement of copyrights***

In 2016, the Slovenian Association of Composers and Authors (“SAZAS”) commenced legal proceedings against all cable operators in Slovenia (including us) claiming infringement of copyrights and damages for the use of non-theatrical musical works in radio programs and in TV programs. While legal proceedings have been commenced against all cable operators in Slovenia, the damages that have been claimed against Telemach Slovenia are in an aggregate amount of approximately €1.7 million (€0.4 million for use of musical works by cable retransmission of radio programs and €1.4 million for use of musical works by cable retransmission of TV programs). Currently, in one of the litigation matters for use of works in radio programs, the first instance court has delivered a judgment by which the plaintiff, SAZAS, has been awarded approximately 70% of its original claim, whereas in two litigation matters for use of works in TV programs, the first instance court has delivered judgments by which the plaintiff, SAZAS, has been awarded approximately 30% of its original claim. We have appealed all of these decisions to the higher court. Accordingly, it is difficult to estimate the final amount of damages. We are also subject to an infringement of copyright claim brought against us by SAZAS in 2012. SAZAS filed lawsuits demanding payments of royalties for cable retransmission of non-theatrical musical works in accordance with its unilaterally defined temporary tariff for cable retransmission of copyrighted works in the field of music for the period between July 2012 and November 2012, for an aggregate amount of approximately €0.7 million. In all of these litigation matters, the first instance court issued decisions, pursuant to which, on average, SAZAS was awarded 17% of the aggregate amount of its original claims. In one of those litigation matters, the first instance court rejected SAZAS’ claim. We have not succeeded in our appeals to the higher court challenging the fines that were imposed on us by the court of first instance. We have now appealed these decisions to the supreme court of Slovenia.

We maintain that the fees payable to SAZAS can only be established by an agreement between SAZAS and the representative association of operators or that the fees should be determined by the Copyright Board, which has legal authorization to fix the proper tariff where an entity such as SAZAS and the representative association of operators are not able to agree on a proper tariff. In 2014, the Slovenian Intellectual Property Office (“URSIL”) issued an opinion stating that SAZAS had infringed the provisions of applicable law by publishing an interim tariff for cable retransmission. Additionally, with this decision URSIL required SAZAS to revoke the interim tariff. However, this opinion is not determinative. We have made what we believe to be appropriate reserves and will further vigorously defend these matters.

In October 2015, we were notified that our appeal against a decision in favor of SAZAS in relation to its claim that we failed to pay the agreed remuneration for broadcasters’ copyrights from April 2010 to October 2010 was rejected, and we subsequently paid SAZAS €1.0 million in damages. We continue to maintain that the applicable agreements were null and void during the period for which SAZAS is claiming unpaid fees and that SAZAS was not authorized to collect payments for broadcasters, and we have, for these reasons appealed the matter to the supreme court of Slovenia, where the decision is subject to a revision procedure, which is pending.

### ***Dispute with Telekom Srbija relating to duct leases***

Telekom Srbija has sued us for a total of approximately €1.5 million in nine separate proceedings concerning the lease of ducts. Two of these proceedings were resolved in favor of Telekom Srbija by the court of first instance, and the other cases are still pending. We have appealed each of these decisions.

### ***Dispute with BS Group d.o.o., Brus in regard to producer’s rights***

In 2016, BS GROUP DOO BRUS (“BS”) initiated litigation proceedings against SBB Serbia before the Commercial Court in Belgrade, claiming damages in the amount of approximately €25 million. BS claims that SBB Serbia allegedly violated BS’s producer rights of certain of its TV series and films by broadcasting them outside Serbia. SBB Serbia has responded to the lawsuit and raised, among other things, the objection of lack of both active and passive legitimacy, since SBB Serbia does not broadcast programs outside the territory of Serbia. This proceeding is in its preliminary stages. We believe this claim is without merit.

## Regulatory Framework

### *Slovenia*

Telecommunications operations in Slovenia are subject to the EU framework on telecommunications regulation. The act governing telecommunications in Slovenia is the Electronic Communications Act (*Zakon o elektronskih komunikacijah*—ZEKom-1), which came into force on January 15, 2013. The principal objectives of ZEKom-1 include the promotion of the development of electronic communications networks and services (and together with it the economic and social development), the establishment of effective competition on the electronic communications market, and the protection of consumers. The act aims to achieve these objectives principally by governing the conditions for the provision of electronic communication networks and services, ensuring competition, regulating the operation of networks and services in emergency situations, the protection of secrecy and confidentiality of electronic communications and setting forth the responsibilities and tasks of the AKOS.

Compliance with ZEKom-1 is supervised by AKOS. AKOS is an independent body that, among other things, regulates and supervises the electronic communications market. It does so by establishing an environment for effective competition, managing the numbering plan, operating the registry of all operators, monitoring the implementation of acts and regulations issued on the basis of ZEKom-1, conducting administrative procedures and issuing decisions and other documents.

### *Becoming an operator*

A legal entity that wishes to become an operator is required to notify AKOS about its intent to operate public communication networks or to provide public communication services prior to the beginning of the performance of its activities. The notification must include the required general information about the legal entity (such as the name and address, legal representatives etc.), a short description of the public communication networks and the manner of the provision of services, as well as a rough plan of the network, network elements, links and the planned date of the beginning of the operation of public communication networks or the provision of public communication services.

Within seven days from receipt of the complete notification, AKOS registers the operator in its official register and submits a confirmation notice to the operator.

Foreign operators that wish to acquire the status of an operator have two options: they can either establish a subsidiary in Slovenia or acquire a Slovenian tax number.

### *Required notifications*

An operator must notify AKOS about:

- changes to the company's name, address or headquarters, legal representatives, network or services; AKOS must be notified about these changes within 30 days from their occurrence;
- changes to the starting date of the operation of public communication networks or the provision of public communication services or changes to the geographic area in which our network is operated or the services are provided; AKOS must be notified about these changes prior to their occurrence;
- the termination of the operation of public communication networks or the termination of the provision of public communication services; AKOS must be informed in writing and at least 90 days prior to the planned termination.

### *Annual fee*

All operators must pay an annual fee to AKOS. The amount of the annual fee is based on the operator's revenue that results from the provision of public communication networks or public communication services and is calculated by AKOS. All operators must inform AKOS about all revenues generated from the provision of public communication networks or public communication services in a given calendar year by March 31 of the following year.

### *Numbering plan*

AKOS adopts the numbering plan with a general act that determines the type, length, and structure of the numbering elements, their intended use, and manner of use, including numbers for emergency calls

and numbers the use of which is harmonized based on EU regulations. This general act must also support number portability and the introduction of new electronic communication services.

The operator's application for the allocation of numbering elements must include:

- the company's name and address, its VAT identification number, its company registration number and the name of its legal representatives;
- evidence that the company has the right to be allocated numbering elements;
- data on the type and quantity of the numbering elements it wishes to acquire and their intended use;
- a project plan and an assessment of needs for the following three years, if the company requires a larger block of numbering elements;
- justifications on the basis of which the applicant proves that it will use the allocated quantity of numbering elements in three years.

AKOS must reach a decision on the allocation of numbering elements within 21 days from the beginning of the proceedings, provided that a public tender was not carried out. AKOS uses a public invitation to tender procedure only when it is established that efficient use of specific numbering elements (e.g., short numbers) can only be ensured by restricting the number of decisions issued allocating numbering elements. Operators that may allocate the numbering elements they acquire for use to their users under equal, cost- oriented and transparent conditions may take part in a public invitation to tender procedure. Other natural person or legal entities may only take part if they can prove that they require numbering resources in order to perform an activity for the public benefit under area legislation or EU regulations. AKOS shall decide on tenders by issuing one or more decisions allocating numbering elements, which it must in this case issue and deliver within 42 days of the expiry of the deadline for the submission of tenders.

#### *Operators with significant market power*

To prevent operators with significant market power ("OSMP") from potentially abusing their market power on a relevant market (in particular, the market for public communication networks and the market for public communication services), AKOS may issue decisions designating operators as OSMPs and impose on them suitable measures or regulatory obligations (*ex ante regulation*). The purpose of these measures is to regulate the relevant OSMP's actions vis- à-vis other operators. The measures or obligations that may be imposed on an OSMP are set forth in ZEKom-1 and include the obligation to ensure transparency and equal treatment, the obligation to ensure operator access to and the use of specific network facilities, price control and cost accounting obligations, the obligation to separate accounting records, the obligation to regulate retail services, etc. The most severe measure envisaged by ZEKom-1 is a functional separation, which means that the OSMP must perform a portion of its activities in a separate and independent business unit.

Under ZEKom-1, an operator is deemed to have significant market power if it itself or together with other undertakings on a relevant market holds a dominant position, i.e., such economic influence as to enable it to exercise a considerable degree of independence in respect of its competitors, users and consumers. In assessing whether an operator has significant market power AKOS, among other things, considers the following criteria:

- the market share of the operator on the relevant market and the variation of its market share on the relevant market over a longer period of time,
- the existence of barriers to entry and their effect on the potential competition on that market,
- the impact of large users on the power of the operator (countervailing purchasing power),
- the elasticity of demand,
- the stage of development of the relevant market,
- technological advantages,
- the development of sales and distribution networks,
- the achievement of scale or economies of integration,

- the level of vertical integration,
- the level of product differentiation,
- the possibility of access to financial resources,
- the control of infrastructure that may not easily be duplicated, and
- the interconnection of services.

The relevant markets are determined by AKOS taking into account principles of competition law and taking into account the valid Commission recommendation on relevant product and service markets. The relevant markets listed in the valid Commission recommendation of 9 October on relevant product and service markets within the electronic communications sector (2014/710/EU) are:

- Market 1: Wholesale call termination on individual public telephone networks provided at a fixed location,
- Market 2: Wholesale voice call termination on individual mobile networks,
- Market 3: (a) Wholesale local access provided at a fixed location,  
(b) Wholesale central access provided at a fixed location for mass-market products, and
- Market 4: Wholesale high-quality access provided at a fixed location.

## ***Serbia***

### *General*

Under the Serbian Law on Electronic Communication (“ECA”), a company’s general authorization to conduct its business is in most cases sufficient to provide electronic communication services; a sector specific license is required only if the business involves the exploitation of scarce resources, such as numbering plans or radio frequencies. Therefore, when a company takes up an activity under the general authorization regime, all it needs to do (subject to fulfillment of the imposed general technical conditions and payment of the prescribed fees) is to notify RATEL within 15 days of doing so. In addition, the company is required to notify RATEL of any important changes in its activities as well as of their termination.

As regards domestic programming content, according to the Serbian Broadcasting Act, an operator that distributes such content of broadcasters in Serbia via cable or satellite systems is required to obtain a license for such distribution from the Broadcasting Agency of the Republic of Serbia. This license is formally issued in the name of the relevant broadcaster upon request of the operator, which must obtain the license for its distribution to be considered validly performed.

### *Significant Market Power under the ECA*

Under the ECA, an operator is considered to have significant market power (“SMP”), if it has, alone or together with other operators, a dominant position, i.e., a position that enables it to a significant degree to act independently from its competitors, subscribers and customers. Pursuant to the ECA, if RATEL finds the absence of effective competition in a relevant market (and a closely related market), it will designate the operator who, individually or jointly with other operators, has SMP on that market, by taking into account different market conditions.

If RATEL reaches a decision designating one or more operators as having SMP, RATEL will impose at least one of the following obligations on the respective entities:

- an obligation to publish any confidential data that gave rise to the finding of SMP,
- an obligation to only engage in non-discriminatory conduct,
- an obligation to unbundle products and services,
- an obligation to keep separate accounts for transmission system operators and distribution system operators,
- an obligation to provide access and use of parts of our network infrastructure and associated facilities to third parties,
- price controls and cost-based accounting,

- an obligation to make available a minimum set of leased lines
- an obligation to offer operator selection and operator pre-selection services, and
- regulation of the respective operators' retail services.

### *Tariffs*

As a general matter, each operator is free to set its own tariffs. However, if RATEL finds an operator to have SMP in a relevant market, the operator may become subject to various restrictions, including price controls, as noted above. If an operator becomes subject to price controls, it must adopt a cost-based accounting system for the provision of specific types of interconnection and/or access services. These controls are imposed if, in particular, RATEL determines that the absence of effective competition enables the operator to charge exceedingly high prices or resort to price squeezes to the detriment of end users.

While RATEL has some flexibility in imposing these restrictions, it must take into consideration the previous investments made by the operator while imposing the aforesaid measures, it must encourage further investments and it must allow for a reasonable rate of return on investment in view of the risks involved.

The burden of proof that an operator's prices comply with the above-mentioned restrictions is on the relevant operator. Upon RATEL's request, the operator in question is required to provide a detailed account of its pricing policy.

A description of the operator's price calculations must be made publicly available and reviewed annually by an independent auditor.

### ***Bosnia and Herzegovina***

#### *Telecommunications services*

The Bosnian Law on Communications regulates telecommunications, radio, broadcasting (including cable television) and associated services and facilities in Bosnia and Herzegovina as well as the establishment and the activities of the Bosnian Communications Regulatory Agency ("CRA").

The CRA was established on March 2, 2001 and assumed the competences of the Independent Media Commission and the Telecommunications Regulatory Agency. The CRA is responsible for developing rules in the telecommunications and broadcasting sectors, the licensing of operators in these sectors, the planning, management and allocation of the frequency spectrum, the implementation of technical and quality standards and the determination and maintenance of license fees.

Telecommunications services through fixed-line and mobile networks or internet services may only be offered if the relevant operator holds a license. A telecommunications operator is required to

- enter into written subscription contracts with its subscribers;
- provide (free of charge) a brief and plain summary of the tariffs applicable to its subscribers;
- deliver, at the request of the CRA, within a reasonable period of time, business data, network data and traffic data including confidential data;
- ensure the proper functioning and good working condition of its system and the timely removal of interferences and failures and notify the CRA without any undue delay of any significant interruption in the telecommunications connections;
- set up conditions of operation, a description of services and specify the relevant tariffs, all of which must be presented to the CRA and published in a suitable form; the operator must also publish any changes to the conditions of operations and tariffs at least one month prior to their effective date in a suitable form; any change to the content of a contract entitles the contracting party to terminate its contract with the telecommunications operator within a period of four weeks from the publication of the change;
- offer interconnection services to other operators upon their request; if the relevant parties cannot reach an agreement within a period of six weeks from receipt of the request, each of them may petition the CRA to mediate the dispute.



The CRA decides upon the grant of a telecommunications license within two months of receiving an appropriate application. In the event of competitive or comparative selection procedures the CRA may extend the evaluation period for up to four months to ensure that such procedures are fair, reasonable, open, non-discriminatory and transparent to all interested parties. The CRA will grant a license if the applicant possesses the necessary technical competence and if there is no reason to assume that the applicant will not provide the relevant services in accordance with the license, in particular as regards quality and supply. In reaching its decision, the CRA takes into consideration the applicant's financial strength, its experience in the telecommunications sector and related sectors as well as its relevant expertise. A licensee may transfer its license in whole or in part only with the consent of the CRA, which defines the conditions for the transfer of the license.

#### *Operators with significant market power*

A telecommunications operator with significant market power must enable third parties to access its public telecommunications network or unbundled parts of such network. This obligation does not apply if the telecommunications operator provides suitable evidence to the effect that it would be inappropriate to require it to open its network in a particular case. A telecommunications operator with significant market power requires the CRA's approval to provide (i) voice telephony services via a fixed-line or mobile network; and (ii) leased lines. In addition, telecommunications operators with significant market power on the telecommunications market are required to establish a cost accounting system that assigns costs to all of its services and permits subsequent audits of this system in compliance with the CRA rules and the provisions set out in the licenses.

In addition, a provider of public fixed-line telephony services that has been designated as an operator of telecommunications with significant market power on the market of fixed-line public telephony services must enable unbundled access to the local loop and related facilities on the basis of the following principles: objectivity, transparency, non-discrimination and cost orientation.

#### *Audiovisual Media Services*

The provision of audiovisual media services is subject to a license by the CRA. Such services must be provided on a non-discriminatory basis and in accordance with the law and the terms of the license. A licensee may not restrict access to subscribers based on their nationality, religious beliefs, financial strength or any other grounds nor is it entitled to make a selection of programs in a manner that favors the interests of only one national or religious community in Bosnia and Herzegovina. The licensee is required to offer the services to all citizens in the technical coverage zone and each person that accepts the single and non-discriminatory conditions is entitled to enter into a subscription contract. Prior to the inclusion of any audiovisual media service or a radio media service into a service package, the licensee is required to obtain written consents from the owners of the program content or their authorized representatives. The distribution of such services cannot be launched before the relevant consents have been obtained.

A license for the provision of audiovisual media services is valid for a period of ten calendar years and may be extended. In order to extend the term of the license, the licensee must submit a request for extension of the license at least three months before its expiration.

## MANAGEMENT

### The Issuer

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of the Netherlands.

The Issuer currently has a board of directors composed of eight directors. The directors are Mattia Caprioli, Jean-Pierre Saad, Janez Živko, Sašo Cunder, Marjolein Gorissen, Augustinus Gabriels, Filique de Ranitz and Murat Yasar. The board is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders' meeting. The principal functions of the board are to carry out the day-to-day business of the Issuer and to legally represent the Issuer in its dealings with third parties.

Set forth below are the names and ages of the Issuer's managing directors as of March 31, 2017.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mattia Caprioli . . . . .	43	Director
Jean-Pierre Saad . . . . .	36	Director
Janez Živko . . . . .	44	Director
Sašo Cunder . . . . .	42	Director
Marjolein Gorissen . . . . .	36	Director
Augustinus Gabriels . . . . .	57	Director
Filique de Ranitz . . . . .	31	Director
Murat Yasar . . . . .	38	Director

*Mattia Caprioli—Director.* Mr. Caprioli joined KKR in 2001 and leads KKR's Services industry team in Europe and is also responsible for the development of KKR's activities in Southern Europe. He has had a significant role with several investments, including Legrand, Toys 'R' Us, FL Selenia, Van Gansewinkel, Alliance Boots, Avancis, Mission-Critical Services, RigNet, PortAventura and United Group. Prior to joining KKR, Mr. Caprioli was with Goldman Sachs International in London, where he was involved in a broad array of mergers, acquisitions and financings across a variety of industries. Mr. Caprioli holds a M.Sc., *summa cum laude*, from the L. Bocconi University, Milan, Italy.

*Jean-Pierre Saad—Director.* Mr. Saad joined KKR in 2008 and is focused on investments in Technology and Telecoms within the Private Equity platform. Jean-Pierre is also a member of the boards of SoftwareONE Holdings AG and OVH SAS. In addition to United Group, Jean-Pierre has been involved in KKR's investments in NXP Semiconductors, Acteon, Legrand and Van Gansewinkel Groep and is also responsible for Middle East and North Africa investment efforts. Prior to joining KKR, he was an Associate at Lehman Brothers in London. Mr. Saad holds a M.Sc. from HEC Paris as well as an Engineering degree with high distinction in Computer and Communications from the American University of Beirut, Lebanon.

*Janez Živko—Director—Group Vice President—Finance.* Mr. Živko joined the management team in March 2015. Prior to joining us, Mr. Živko served as the CFO of the Petrol Group, one of the largest companies in Slovenia. He has also served in numerous roles at Gorenje Group over a period of seven years, including Director of Finance and Deputy CFO. Mr. Živko began his career in 1998 as a financial analyst and subsequently financial controller for European operations at ACT Teleconferencing in Denver, Colorado. He holds an MBA (in Finance) from the University of Denver, USA.

*Sašo Cunder—Director—Chief Financial Officer—SBB Serbia.* Mr. Cunder joined the Group in 2014 as Chief Financial Officer of SBB Serbia. Prior to joining the Group, Mr. Cunder served as chief financial officer of Droga Kolinska, one of the largest regional FMCG companies, and prior to that he was employed by Deutsche Bank in London, working in the CEMA investment banking team. Mr. Cunder has a degree from Ljubljana University, where he graduated from the Faculty of Economics. Mr. Cunder is also a CFA charterholder, as well as the treasurer and one of the founding members of CFA Society Slovenia.

*Marjolein Gorissen—Director.* Ms. Gorissen has been a member of the board of United Group B.V. since December 2015. Ms. Gorissen is currently managing partner of a corporate service provider in the Netherlands. Prior to that, Ms. Gorissen worked for several years as a lawyer at De Brauw Blackstone Westbroek N.V. before she started working for a Dutch corporate service provider where she held several

legal positions including a position as Business Unit Manager (Legal). She holds a Master of Laws degree (LL.M.) from Rijksuniversiteit Groningen, the Netherlands and holds a Bachelor Business Administration degree (BBA) from HES Amsterdam, The Netherlands.

*Augustinus Gabriels—Director.* Mr. Gabriels has been a member of the board of United Group B.V. since December 2015. Mr. Gabriels is currently managing director of a corporate service provider in the Netherlands. He has held various positions in the financial sector in the Netherlands as well as in Belgium, including the position of Operational Director for two different financial institutions and Financial Director of a bank. As Operational Director and Financial Director he was also member of the board of directors of those financial institutions. Mr. Gabriels has a Bachelor's degree in accountancy with a state certificate from The Netherlands.

*Filique de Ranitz—Director.* Ms. De Ranitz has been a member of the board of United Group B.V. since December 2015. Ms. De Ranitz is also a director of PortAventura Entertainment Barcelona B.V. and works for a corporate service provider in the Netherlands. Prior to that, Ms. De Ranitz worked for several years as a lawyer at De Brauw Blackstone Westbroek N.V. and has held several legal positions, including a position as Senior Company Lawyer while working for another corporate service provider. She holds a Master of Laws degree (LL.M.) from the University of Leiden, The Netherlands.

*Murat Yasar—Director.* Mr. Yasar has been a member of the board of United Group B.V. since December 2015. Mr. Yasar is currently managing partner of a corporate service provider in the Netherlands. Prior to that, Mr. Yasar worked for several years as accountant and controller in an operational environment, before he started working for a Dutch corporate service provider in 2006. Mr. Yasar holds a Bachelor Business Administration degree (BBA) from HES Amsterdam, the Netherlands and a Master Degree in Economics (MSc) from Vrije Universiteit, Amsterdam, the Netherlands.

## Senior Management of the Group

The Group's current senior management team is composed of eleven individuals. Most of the current members of senior management indirectly hold ownership interests in the United Group. See "*Principal Shareholders*." The following table sets forth information regarding the Group's senior management members and their responsibilities as of July 1, 2017.

Name	Age	Position
Dragan Šolak . . . . .	52	Group Executive—Chairman & Founder
Victoriya Boklag . . . . .	39	Group Vice President—Sales & Marketing and Chief Executive Officer—SBB Serbia
Violeta Vasilijević . . . . .	45	Group Vice President—Operations
Janez Živko . . . . .	44	Group Vice President—Finance
Vladislav Ratajac . . . . .	35	Group Vice President—Corporate Development
Dragica Pilipović Chaffey . . . . .	70	Group Vice President—Corporate Affairs
Željko Batistić . . . . .	45	Group Vice President—Technology
Marko Šter . . . . .	45	Chief Executive Officer—Telemach Slovenia
Admir Drinić . . . . .	43	Chief Executive Officer—Telemach BH
Srdcan Radić . . . . .	44	Director of B2B Operations
Tanja Milošević . . . . .	35	Chief Executive Officer—Telemach Montenegro
Aleksandra Subotić . . . . .	42	Chief Executive Officer—United Media

*Dragan Šolak—Founder and Executive Chairman of the Group.* Mr. Šolak founded SBB in 2000 and has been a member of our management since the Group's inception. In 2009, Mr. Šolak assumed the role of Group Executive Chairman. In his current role, he continues to be involved in all aspects of the business and is responsible for the overall strategic leadership of the Group.

*Victoriya Boklag—Director—Group Vice President—Sales & Marketing; Chief Executive Officer—SBB Serbia.* Ms. Boklag has been with the management team since the Group's inception in 2000, and prior to assuming her current roles, she held various functions including Director of Finance. Since June 2016, Ms. Boklag has also functioned as the Chief Executive Officer of SBB Serbia. Ms. Boklag holds a BA degree from the ICU Kiev.

*Violeta Vasiljević—Group Vice President—Operations.* Ms. Vasiljević has been with the management team since the Group's inception in 2000. She is currently responsible for the technical and operating support for all of the Group's administrative functions and products. Ms. Vasiljević holds a degree in Mechanical Engineering from the University of Kragujevac.

*Vladislav Ratajac—Group Vice President—Corporate Development.* Mr. Ratajac joined the management team in 2011. Mr. Ratajac held positions at Mid Europa Partners from 2008 to 2011 and Deutsche Bank before joining the Group. Mr. Ratajac holds a degree in Economics from Rutgers University in New Jersey, USA.

*Dragica Pilipović Chaffey—Group Vice President—Corporate Affairs.* Ms. Pilipović Chaffey joined the management team in 2009. Prior to her current role, Ms. Pilipović Chaffey held a number of senior posts within the European Bank for Reconstruction and Development (EBRD) from 2007 to 2009, and the IMF in Washington, D.C. Ms. Pilipović Chaffey holds an MBA from George Washington University, Washington, D.C., and a BA in Economics from the University of Belgrade.

*Željko Batistić—Group Vice President—Technology.* Mr. Batistić first joined the management team in May 2012. Prior to joining, Mr. Batistić was an experienced CATV manager and served at a Croatian cable operator at B.net Croatia from 2007 to 2012. Mr. Batistić holds a Master's degree in Electrical Engineering from the Faculty of Electrical Engineering and Computing, University of Zagreb and an Executive MBA degree from Cotrugli Business School, Zagreb.

*Marko Šter—Chief Executive Officer—Telemach Slovenia.* Mr. Šter has been with the management team since Telemach Slovenia's inception in 2005. Prior to his current role, he was the Group's Chief Technology Officer, holding responsibility for the Group's technical operations and IT. Mr. Šter has a mechanical engineering background and an MBA from IEDC Bled.

*Admir Drinić—Chief Executive Officer—Telemach BH.* Mr. Drinić serves as Chief Executive Officer of Telemach Bosnia and Herzegovina, having joined the company in 2013 as Chief Operating Officer. His previous positions include member of the Securitas BiH Board of Directors, Chief Executive Officer of the B.I.G.A. Sarajevo security agency, and Chief Technology Officer of Gama Sigurnost Sarajevo. He holds a bachelor's degree in economics from the University for Business Studies, Faculty of Economics, in Banja Luka, in 2009.

*Srdan Radić—Director of B2B Operations.* Mr. Radić joined the Group in 2010. He is responsible for the Group's DTH offering under the *Total TV* brand. Before joining the Group, he was the Chief Commercial Officer of MTEL Montenegro (a leading mobile telephony operator in Montenegro) and prior to that was the head of corporate sales at Telekom Srbija. He holds an MA in Technical Sciences from the Faculty of Organizational Sciences, Belgrade University.

*Tanja Milošević—Chief Executive Officer—Telemach Montenegro.* Mrs. Milošević is currently the head of our cable operations in Montenegro, a role that she has held since 2014. Before being appointed Chief Executive Officer of Telemach Montenegro, Mrs. Milošević was responsible for operations in Broadband Montenegro for five years. Her previous experience is related to managing investments and business development projects in tourism, hospitality and marketing. She holds a BA degree in International Affairs and Business Administration from John Cabot University, Rome and an Executive MBA degree from ESCP Europe, Paris.

*Aleksandra Subotić—Chief Executive Officer—United Media.* Ms. Subotić joined the management team in 2014. In addition to her Chief Executive Officer role at United Media, Ms. Subotić is also the Media Content Director at SBB Serbia. Previously, Ms. Subotić was a General Manager at NetTV Plus. Prior to joining us, Ms. Subotić worked as General Manager at Daniel SatTV, a satellite and cable network development company in Serbia, and at Total TV Info, a distribution company in Austria. She holds an MBA degree in Economics from Educons University.

From time to time, we enter into consultancy or advisory agreements with senior management members, pursuant to which they are entitled to certain consultancy fees. These fees are in addition to the remuneration payable to them as a result of their employment relationship with us and form a part of aggregate compensation paid to our senior management members. The aggregate compensation paid in the twelve months ended December 31, 2016 to our senior management members was €2.4 million, consisting of fixed salary, annual consultancy fees and performance related components.

## Corporate Compliance

Following our acquisition by funds advised by affiliates of KKR, we undertook an anti-corruption compliance risk assessment process. This process included several days of in-person meetings with specialist legal counsel and was aimed at identifying key areas of anti-corruption and trade sanctions risk and at recommending means to mitigate those risks through enhanced policies and procedures. Following that risk assessment, our internal legal team worked with our board of directors and management, external legal counsel, and KKR to draft and ultimately adopt a number of relevant policies.

We and our operating subsidiaries follow a global anti-corruption policy, a trade sanctions policy, and an acquisition due diligence policy. These policies are aimed at facilitating our compliance with applicable anti-corruption and trade sanctions laws and regulations that apply by virtue of our geographical operations as well as with certain international compliance standards that apply because of our ownership by funds advised by affiliates of KKR. Our acquisition due diligence policy sets out a framework for anti-corruption, trade sanctions, and anti-money laundering diligence procedures for our add-on acquisitions, and we have retained specialist legal counsel on a number of occasions to review proposed acquisitions from a corruption and sanctions perspective. We have also adopted a set of implementing procedures to assist us in conducting appropriate risk-based due diligence before retaining a third-party service provider, ranging from catering firms to technical contractors and business consultants.

Our policies are maintained by our internal legal department. As mentioned above, we also retain specialist counsel to assist with compliance diligence on material acquisitions. Moreover, from time to time when we are considering entering into a roaming agreement or other contract with a service provider in a geography that poses heightened trade sanctions risk, we engage specialist compliance counsel to review the opportunity, consistent with our policies and legal obligations.



## PRINCIPAL SHAREHOLDERS

Investment funds advised by affiliates of KKR as well as certain co-investors (including the European Bank for Reconstruction and Development (the “EBRD”)) indirectly hold approximately 70.3% of the shareholding of United Group, while approximately 26.2% is indirectly held by management through Gerrard Enterprises LLC, Dragan Šolak and Cable Management Company Ltd and the remaining 3.5% is held by Middlesbor Associates Limited (an entity wholly-owned by the former shareholder of Tušmobil and his spouse).

KKR is a leading global investment firm with a long history of investing in Europe. Founded in 1976 and led by Henry Kravis and George Roberts, KKR had \$138 billion in assets under management as of March 31, 2017. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR has in-depth experience in the telecommunications and media sector through its current and former investments including TDC, Versatel, Nielsen, ProSiebenSat 1, GfK and UFC.

The EBRD is owned by 65 countries across five continents and two intergovernmental institutions. It supports the development of market economics and democracies in central Europe, central Asia, the western Balkans and the southern and eastern Mediterranean. In Serbia alone, the EBRD has invested €4.3 billion to date. The EBRD’s investments cover agribusiness, power and energy, industry, commerce, information and communication, as well as the financial and infrastructure sectors.

### Shareholders’ Agreement

The Shareholders’ Agreement (as amended from time to time) governs various rights of the investment funds advised by affiliates of KKR and certain co-investors (including the EBRD), Gerrard Enterprises LLC, Dragan Šolak, Cable Management Company Ltd. and Middlesbor Associates Limited in relation to their indirect shareholding in the Group. Pursuant to the Shareholders’ Agreement, KKR is entitled to appoint or remove a majority of the board of directors of United Group B.V., Gerrard Enterprises LLC is entitled to appoint one member of the board of directors so long as it, Dragan Šolak and Cable Management Company Ltd. together, directly or indirectly, hold at least 10% of the share capital of the United Group and Middlesbor Associates Limited is entitled to appoint an observer to the board of directors who is entitled to participate in two board meetings annually, to be decided at the board’s discretion, with no voting rights. The Shareholders’ Agreement requires that certain specified actions in relation to the United Group not take place without the consent of each of Gerrard Enterprises LLC, Dragan Šolak and Cable Management Company Ltd. These include amendments to the organizational documents that would have an adverse effect on Gerrard Enterprises LLC, Dragan Šolak and Cable Management Company Ltd., amendments to the rights attaching to the shares in Adria Luxco (the parent of Adria Topco B.V. and the indirect parent of the Issuer), a material change in the nature of the United Group’s business and any voluntary liquidation or bankruptcy of the United Group.

## RELATED PARTY TRANSACTIONS

In addition to the management arrangements described in “*Management*,” we are party to the following transactions with related parties.

### Deferred Consideration relating to our Acquisition of Tušmobil

On October 16, 2014, Telemach Slovenia, a subsidiary of the Issuer, and Adria Topco B.V. entered into a share sale and purchase agreement with Tušmobil and Tuš Holding d.o.o. providing for the acquisition of all of the issued and outstanding share capital of Tušmobil for a total consideration of €110.0 million, comprised of (i) an initial consideration of €84.0 million (including the repayment of Tušmobil’s outstanding indebtedness, and the assumption of €16.3 million of its indebtedness (net of cash), trade payables and other operating liabilities) and (ii) deferred consideration of €26.0 million payable by Adria Topco B.V. in four installments over a period of thirty months from the completion date, April 1, 2015. In October 2015, we made a loan to Adria Topco B.V. in the amount of €2 million, which it then used to make the first deferred payment. Effective December 31, 2015, Adria Topco B.V. made a contribution in an aggregate amount of €26 million to the Company, which the Company designated an “Excluded Contribution” under the Existing Indenture. On March 30, 2016, the Company made a cash distribution to Adria Topco B.V. in an aggregate amount €20 million and reduced the “Excluded Contribution” by the same amount. Adria Topco B.V. used €20 million for a deferred consideration payment for Tušmobil on that date. The last outstanding deferred consideration payment for Tušmobil of €2 million will be paid in September 2017.

### Transactions involving our Chairman

One of our Slovenian operating companies is acting as a guarantor for a personal bank loan to an affiliate company of our Chairman, Dragan Šolak. As of March 31, 2017, the amount guaranteed was €5.3 million. The guarantee is secured by Mr. Šolak’s salary for his position within the Group.

The Issuer made a loan in the aggregate amount of €30 million to Mr. Šolak. This loan was pursuant to a loan agreement dated September 15, 2016 based on arm’s length terms to enable Mr. Šolak to acquire shares of equivalent value in Adria Luxco. These shares in Adria Luxco acquired by Mr. Šolak have been pledged in favor of the Issuer to secure Mr. Šolak’s obligations under the agreement, and the Issuer approved the loan given that a management incentive plan is yet to be adopted.

### The Existing Notes

Certain members of our management purchased, and currently hold through an investment vehicle, a limited amount of the Existing Notes, which will be redeemed with a portion of the proceeds from the issuance of the Notes.

### The acquisition by the Issuer of Slovenia Broadband and its Subsidiaries

Certain members of management and certain of their affiliates received a portion of the proceeds paid in connection with the acquisition by the Issuer of Slovenia Broadband and its subsidiaries in March 2014, and have indirectly invested a portion of such proceeds in the capital of Adria Luxco through Gerrard Enterprises LLC and Cable Management Company Ltd. See “*Principal Shareholders*.”

### Transaction Fee Agreement and Advisory Services Agreement

In consideration for certain transaction and structuring services rendered in connection with the acquisition by the Issuer of Slovenia Broadband and its subsidiaries, KKR, and the management entities, Gerrard Enterprises LLC and Cable Management Company Ltd., were paid a one-time transaction fee pursuant to certain transaction fee agreements entered into with us. The transaction fee agreements also require us to reimburse KKR, Gerrard Enterprises LLC and Cable Management Company Ltd. for expenses incurred in connection with these services, and to indemnify KKR, Gerrard Enterprises LLC and Cable Management Company Ltd. for liabilities arising from such services.

In addition to customary fees paid at completion of the acquisition by the Issuer of Slovenia Broadband and its subsidiaries pursuant to the transaction fee agreements described above, KKR as well as our founder, Mr. Šolak, and management entities provide advisory services to us and our affiliates pursuant to an advisory services agreement between us, Kohlberg Kravis Roberts & Co. L.P., Gerrard Enterprises LLC and Cable Management Company Ltd. (the “*Advisory Services Agreement*”). Under the

terms of the Advisory Services Agreement, we are obligated to pay to Kohlberg Kravis Roberts & Co. L.P., Gerrard Enterprises LLC and Cable Management Company Ltd. an aggregate annual fee plus all expenses incurred in connection with the provision of such services. The annual aggregate fee payable under the Advisory Services Agreement is 1.2% of consolidated Adjusted EBITDA, based on the consolidated Adjusted EBITDA set out in the audited consolidated financial statements of the Group for the preceding financial year.

For the year ended December 31, 2016, we paid KKR, Gerrard Enterprises LLC and Cable Management Ltd, an aggregate amount of €2,364 thousand, €5,182 thousand and €136 thousand, respectively, pursuant to the Advisory Services Agreement.

#### **Other Relationships**

In addition, KKR Capital Markets Limited, one of the Initial Purchasers, is an affiliate of KKR and therefore an affiliate of the Issuer.

#### **Consulting Agreement with Mirko Tuš**

In connection with the acquisition of Tušmobil, Telemach Slovenia and Tušmobil's founder, Mr. Mirko Tuš, entered into a consulting and retention scheme, pursuant to which, from the date of the completion of the acquisition of Tušmobil, the founder has been engaged through his firm Consulting Estrela, due to his expertise as a former manager of Tušmobil and his industry experience in Slovenia, to provide certain post-acquisition integration services to Telemach Slovenia and Tušmobil, with a particular focus on recovering the costs of the acquisition of Tušmobil and improving the short- and medium-term performance of Tušmobil and Telemach Slovenia. These services include analyzing and maximizing product, market and human resources synergies between Tušmobil and Telemach Slovenia; rationalizing, streamlining and eliminating duplication between Tušmobil and Telemach Slovenia; and providing ongoing strategic support in respect of the integration process. The consulting agreement will terminate on April 1, 2018. The aggregate fee for these services is €2.0 million, which was payable in monthly installments over the course of two years from April 1, 2015, the date on which the acquisition of Tušmobil was completed. For the year ended December 31, 2016, Telemach Slovenia paid €911 thousand to Consulting Estrela. In May 2017, Telemach Slovenia paid to Mr. Tuš the remaining amount of €600 thousand in five equal installments. As of June 2017, all installments due under the agreement have been paid and there were no further payments required to be paid.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

*The following is a summary of certain provisions of our indebtedness and certain financial arrangements to which we and certain of our subsidiaries are or will be a party. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. In this “Description of Certain Indebtedness,” the term “Parent” refers to Adria Midco B.V.*

### **Revolving Credit Facility Agreement**

#### ***Overview and Structure***

On or prior to the Issue Date, the Parent and certain of its subsidiaries will enter into a €100 million super senior revolving credit facility agreement (the “Revolving Credit Facility Agreement”) with, among others, UniCredit Bank AG, London Branch as facility agent, UniCredit Bank AG, London Branch as English security agent, UniCredit Bank Serbia JSC Belgrade as Serbian security agent, UniCredit Bank Serbia JSC Belgrade as Payment Agent and the financial institutions named therein as arrangers and lenders.

Capitalized terms set forth and used in this section entitled “—*Revolving Credit Facility Agreement*” have the same meanings as set forth in the Revolving Credit Facility Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this offering memorandum.

The facility made available under the Revolving Credit Facility Agreement (the “Revolving Credit Facility”) may be utilized by any current or future borrower thereunder in euros, U.S. dollars and (other than in respect of loans by a Serbian Lender (as defined below)), Sterling or any other currency which is readily available and freely convertible into euro, by the drawing of cash advances, the issuance of letters of credit, bank guarantees and/or the establishment of ancillary facilities. The Revolving Credit Facility may be used for (directly or indirectly) financing or refinancing the general corporate purposes and/or working capital requirements of the Group.

In addition, the Parent may elect to request additional facilities, either as new facilities or additional tranches of the Revolving Credit Facility (each an “Additional Facility”), provided that the aggregate principal amount outstanding of all such Additional Facilities incurred during the life of the Revolving Credit Facility shall not exceed the greater of (a) €125 million and (b) 100% of Relevant EBITDA (unless such indebtedness incurred is otherwise permitted under the terms of the Revolving Credit Facility). The Parent and the lenders providing an Additional Facility may agree to certain terms applicable to such Additional Facility, including the margin, the termination date and the availability period (where relevant, subject to parameters as set out in the Revolving Credit Facility Agreement).

Due to Serbian foreign exchange regulations and the National Bank of Serbia registration requirements, the Revolving Credit Facility Agreement provides for (i) loans to borrowers incorporated in Serbia (or its affiliates) (“Serbian Borrowers”) to be made only by a bank duly incorporated under the Serbian banking and company laws and lending out of an office in Serbia (“Serbian Lender”) and (ii) loans to borrowers which are not Serbian Borrowers to be made only by banks or entities which are not Serbian Lenders. Payments between such Serbian Lenders and Serbian Borrowers shall be made through a payment agent.

The Revolving Credit Facility may be utilized until the date falling one month prior to the termination date of the Revolving Credit Facility. The borrowers under the Revolving Credit Facility are Adria Serbia Holdco B.V., SBB Serbia, the Issuer, Telemach BH, Telemach Slovenia and Slovenia Broadband.

#### ***Interest and Fees***

Loans under the Revolving Credit Facility Agreement will initially bear interest at rates per annum equal to LIBOR or, for loans denominated in euro, EURIBOR, plus a margin of 3.50% per annum (which is subject to reduction in accordance with a ratchet linked to the leverage ratio). Loans made by a Serbian Lender to a Serbian Borrower will bear an additional margin of 1.10% per annum. The margin applicable to an Additional Facility will be agreed between the Parent and the lenders of that Additional Facility (subject to certain parameters set out in the Revolving Credit Facility Agreement).

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility until the end of the availability period for the Revolving Credit Facility at a rate of 35% of the margin applicable to the Revolving Credit Facility from time to time. The commitment fee is payable quarterly in arrears, on the last date of availability of the Revolving Credit Facility and on the date the

Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment thereunder. Default interest is calculated as an additional 1% on the overdue amount. The Parent is also required to pay customary agency fees to the facility agent, the English security agent and the Serbian security agent, the payment agent in connection with the Revolving Credit Facility.

### ***Repayments***

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism applicable to amounts being drawn on the same date. All outstanding amounts under the Revolving Credit Facility will be repaid on the date falling 72 months after the Issue Date. The termination date for a facility under an additional facility commitment is the date agreed between the Parent and the relevant lenders. Amounts repaid by the borrowers in respect of loans made under the Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

### ***Mandatory Prepayment***

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to minimum amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender under the Revolving Credit Facility Agreement upon a Change of Control. The Revolving Credit Facility Agreement also requires the Parent to make an offer to prepay the Revolving Credit Facility with the net cash proceeds received by the Group from certain disposals of assets, to the extent that such net cash proceeds exceed certain agreed thresholds and have not been applied for other permitted purposes.

### ***Guarantees***

The Parent, Adria Serbia Holdco B.V., SBB Serbia, the Issuer, Adria Cable B.V., Adria Media B.V., Bosnia Broadband S.à r.l., Slovenia Broadband, Telemach BH, Telemach Slovenia, Telemach Rotovž d.d. and Telemach Tabor d.d. have provided senior guarantees of all amounts payable to the finance parties under the Revolving Credit Facility Agreement, in each case subject to the limitations on such guarantees as set out in the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement requires that (subject to agreed security principles and upon request in certain cases) each subsidiary of the Parent incorporated in the Netherlands, Serbia, Luxembourg, Bosnia and Herzegovina or Slovenia that is or becomes a Material Subsidiary (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing 5% or more of consolidated EBITDA or total assets representing 5% or more of the total assets of the Group), and any holding company of that company, will be required to become a guarantor under the Revolving Credit Facility Agreement within the time period specified therein.

Furthermore, if on the last day of a financial year of the Parent, the guarantors represent less than 80% of the consolidated EBITDA and/or the total assets of the Parent and its subsidiaries (subject to certain exceptions), within 60 days of delivery of the annual financial statements for that financial year, subject to agreed security principles additional restricted subsidiaries of the Parent are required to become additional guarantors of the Revolving Credit Facility Agreement until the 80% coverage requirement is met (calculated as if such additional guarantors had been guarantors on such last day of the relevant financial year).

### ***Security***

The Revolving Credit Facility is initially secured by the same Collateral as the Notes other than in respect of guarantees and security granted by any member of the Group incorporated in Serbia, which, due to local law restrictions, are granted in favor of the Serbian Security Agent for the benefit of the Domestic Serbian Lenders under the Revolving Credit Facility only. In addition, any Material Subsidiary or other member of the Group which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over its material assets in favor of the relevant security agent under the Revolving Credit Facility.



## ***Representations and Warranties***

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, power and authority, binding obligations, non-conflict with laws, constitutional documents or other binding obligations, authorizations, consents and filings and no default.

## ***Covenants***

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments) that are set forth in the Indenture. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see “*Financial Covenant*”).

The Revolving Credit Facility Agreement also contains a “notes purchase condition” covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Parent may not, and shall procure that no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration by a member of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time) or any Additional Notes issued at any time after the Issue Date.

The Revolving Credit Facility Agreement also requires certain members of the Group to observe certain affirmative covenants relating to maintenance of guarantor and security coverage and further assurances.

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended upon (i) an achievement of a leverage ratio equal to or less than 2.00:1 or (ii) an achievement by the Parent (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB– or better by at least two of Moody’s Investor Services, Inc., Standard & Poor’s Investors Ratings Services and Fitch Ratings Limited.

The Revolving Credit Facility contains an information covenant under which, among other things, the Parent is required to deliver to the facility agent annual financial statements, quarterly financial statements and compliance certificates, provided that delivery of accounts and/or financial statements for any period which comply with the terms of the Indenture (or documentation governing any replacement, equivalent or similar financing from time to time) shall satisfy such requirements.

## ***Financial Covenant***

The Revolving Credit Facility Agreement requires the Parent to comply with a Leverage Ratio (defined as the aggregate outstanding net Indebtedness of the Parent and its Restricted Subsidiaries (excluding certain hedging obligations and certain other obligations) at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters ending prior to the date of determination of such ratio. Subject to the satisfaction of certain pre-conditions, the covenant will be tested quarterly.

In the event that the Leverage Ratio on the last day of each Measurement Period ending on or after 30 September 2017 exceeds 9.50:1, the Company shall confirm that fact in the applicable Compliance Certificate.

The Parent is permitted to prevent or cure breaches of the Leverage Ratio by applying all or any part of amounts received by the Parent in cash pursuant to any new equity or permitted subordinated debt (such amount being a cure amount) as if Consolidated Leverage had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than two cure amounts may be taken into account during each financial year of the Parent and no more than four cure amounts may be taken into account during the term of the Revolving Credit Facility. Breaching the specified financial covenant levels will result only in a drawstop event, and not an event of default.

### ***Events of Default***

The Revolving Credit Facility contains events of default which are, with certain adjustments, the same as those applicable to the Notes and set forth in the section entitled “*Description of the Notes—Events of Default.*” In addition, the Revolving Credit Facility contains the following events of default (which are subject to certain materiality exceptions and cure periods):

- inaccuracy of a representation or statement when made;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the Revolving Credit Facility Agreement or any other finance documents entered into in connection with it; and
- non-compliance by a member of the Group with a material obligation under the Intercreditor Agreement.

### ***Ancillary Facilities***

The ancillary facilities under our Revolving Credit Facility Agreement include:

- A €12,000,000 aggregate principal amount Serbian law governed revolving credit facility agreement with Raiffeisen Bank a.d. Beograd, which we entered into on April 15, 2014 and which was amended and restated on March 03, 2017. This facility is available for period until March 3, 2020 and terminates on March 04, 2020 when SBB Serbia is required to repay the loan in full by way of bullet payment. Loans denominated in RSD under this facility bear interest rate per annum equal to 1-, 3-, or 6-month BELIBOR plus a margin of 1.60%. Loans denominated in euros (or the Serbian dinar equivalent of euro) bear interest at a rate per annum equal to one month EURIBOR plus a margin of 2.75% or 2.9% fixed interest rate per annum. The election between fixed and variable interest rate is to be specified by SBB Serbia in each drawdown notice. We intend to prepay the borrowings under this facility with the proceeds of the offering of the Notes.
- A €5,000,000 aggregate principal amount Serbian law governed revolving credit facility agreement with Unicredit Bank a.d. Beograd, which we entered into on December 9, 2012 (originally as a €3,125,000 line) and which was amended and restated on February 28, 2014. This facility is available for period until December 9, 2017 and terminates on December 10, 2017 when SBB Serbia is required to repay the loan in full by way of bullet payment. Loans denominated in RSD under this facility bear interest rate per annum equal to 1-, 3-, or 6-month BELIBOR plus a margin of 1.40%. Loans denominated in euros (or the Serbian dinar equivalent of euro) bear interest at a rate per annum equal to one month EURIBOR plus a margin of 5.35%. We intend to prepay the borrowings under this facility with the proceeds of the offering of the Notes.
- A €3,000,000 aggregate principal amount Serbian law governed revolving credit facility agreement with Findomestic Bank a.d. Beograd, which we entered into in April 2014. This facility is available for period and terminates on March 2020 when SBB Serbia is required to repay the loan in full by way of bullet payment. Loans denominated in RSD under this facility bear interest rate per annum equal to 1-, 3-, or 6-month BELIBOR plus a margin of 1.40%. Loans denominated in euros (or the Serbian dinar equivalent of euro) bear interest at a rate per annum equal to one month EURIBOR plus a margin of 5.35%. We intend to prepay the borrowings under this facility with the proceeds of the offering of the Notes.

### ***Bilateral Facilities***

From time to time, we enter into bilateral facilities with certain of our local lenders. Following this offering and the use of proceeds therefrom, we expect the following bilateral facilities to remain in place.

#### ***Slovenian loan facility***

On August 26, 2015, Telemach Slovenia, as borrower, entered into a term loan agreement in the principal amount of €7,870,000 with Nova Ljubljanska banka d.d. (“NLB”), as lender. The proceeds of this loan were used to finance the purchase of the Group’s headquarters in Slovenia in August 2015. The loan bears interest at a rate per annum equal to one-month Euribor plus a margin of 3.40%, with a minimum interest rate per annum of 3.40%. Telemach Slovenia is required to repay the loan in full in forty-nine consecutive monthly instalments, forty-eight of which are required to be in the amount of €72,202 and the final instalment is required to be in the amount of €4,404,304. The agreement allows for an interest

payment holiday of one year. The loan is required to be repaid in full on the date that is the fifth anniversary of the date of the agreement.

As security for the loan, Telemach Slovenia has provided a pledge over the building purchased from the proceeds of the loan and, by way of additional support, has also provided ten blank promissory notes to NLB.

This loan agreement allows for voluntary repayments of outstanding borrowings subject to the delivery of a prepayment notice thirty business days prior to the date of such repayment. A prepayment fee of 1% of the prepayment amount (for the first three years from the drawing of the loan) and a prepayment fee of 0.75% of the prepayment amount (for three to five years from the drawing of the loan) would apply in the event of a voluntary prepayment.

The loan agreement contains customary representations and warranties and certain restrictive covenants. Under the terms of the loan agreement, without the prior consent of NLB, Telemach Slovenia may not grant new loans, give sureties to third persons, dispose its property other than in the ordinary course of its business or otherwise sell assets for less than their book value. This loan is also subject to certain financial covenants. For example, Telemach Slovenia is required to maintain a percentage of capital to assets equal to, or greater than, 20% and to maintain a net leverage ratio of less than, or equal to, 4.5x. In connection with the offering of the Notes, Telemach Slovenia is in discussions with NLB to obtain a waiver in respect of certain of these provisions. If Telemach Slovenia is unable to obtain such waivers in a timely manner, or at all, it may elect to prepay this loan. Moreover, in the event that Telemach Slovenia is unable to obtain such waivers, following the issuance of the Notes, NLB could elect to declare the loan immediately due and payable and, if Telemach Slovenia is unable to repay the loan within five days of such demand, NLB will be able to act upon the remedies in the loan agreement and to also enforce against the security. In any event, Telemach Slovenia believes that it will be able to either repay or refinance the loan with NLB through its cash resources or the availability under its various credit agreements.

#### ***Serbian revolving facility—€20,000,000***

SBB Serbia entered into a €20,000,000 Serbian law governed revolving credit facility agreement (the “€20,000,000 Serbian Revolving Credit Facility Agreement”) dated May 4, 2016 and as amended on March 7, 2017 (and as amended and/or amended and restated from time to time) with Raiffeisen banka a.d. Beograd (“Raiffeisen”). As support for this loan, SBB Serbia delivered to Raiffeisen five blank bills of exchange accompanied by authorizations for collecting under these bills of exchange. The loan provides for additional support to be delivered upon request.

The revolving facility made available pursuant to the €20,000,000 Serbian Revolving Credit Facility Agreement (the “€20,000,000 Serbian Revolving Credit Facility”) may be utilized either in foreign currency or in euro (or in the Serbian dinar equivalent of euro). The €20,000,000 Serbian Revolving Credit Facility may be used for the financing of general corporate and working capital purposes. The €20,000,000 Serbian Revolving Credit Facility is made available to SBB Serbia for the period until August 31, 2020 and terminates on September 30, 2020 when SBB Serbia is required to repay the loan in full by way of a bullet payment.

Foreign currency denominated loans under the €20,000,000 Serbian Revolving Credit Agreement bear interest at a rate per annum equal to one-month EURIBOR plus a margin of 2.75%, or at a rate per annum of 2.9%. The election between fixed and variable interest rate is to be specified by the SBB Serbia in each drawdown notice. Dinar denominated loans under the €20,000,000 Serbian Revolving Credit Agreement bear interest at a rate per annum equal to one-month BELIBOR plus a margin of 1.6% per annum. Interest is payable monthly.

The €20,000,000 Serbian Revolving Credit Facility Agreement allows for voluntary repayments of outstanding borrowings subject to the delivery of a prepayment notice three business days prior to the date of such repayment. A prepayment fee of 1% of the prepayment amount applies if adequate prepayment notice is not provided.

The €20,000,000 Serbian Revolving Credit Facility Agreement contains certain customary representations (subject to certain exceptions and qualifications and with certain representations being repeated), including, but not limited to, status and incorporation, capacity and authority, authorizations, consents and third party claims. The loan provides for certain events of default including cross defaults.

The €20,000,000 Serbian Revolving Credit Facility Agreement requires SBB Serbia to maintain certain bank accounts in specified currencies. SBB Serbia is also required to (i) channel at least 50% of its Serbian dinar inflows based on the collection of receivables to the account it holds with the Serbian Lender and to deposit with Raiffeisen at least 50% of the total Serbian dinar-denominated deposits, if any and (ii) channel at least 50% of its foreign currency transactions, including foreign currency inflow based on the collection of receivables to the account it holds with Raiffeisen and to deposit with Raiffeisen at least 50% of the total foreign currency-denominated deposits, if any. SBB Serbia is also required, among other things, to provide annual reports; allow access to its business books following a request from Raiffeisen; allow representatives of Raiffeisen to carry out specific control of the utilization of the €20,000,000 Serbian Revolving Credit Facility in order to determine whether it has been used for intended purposes and comply with certain intercompany subordination obligations.

Without the prior consent of Raiffeisen, SBB Serbia is restricted from, among other things, entering into any other loan facility, creating any encumbrance on its present or future assets in Serbia and changing (directly or indirectly) its existing ownership structure.

#### ***Serbian revolving facility—€60,000,000***

On July 7, 2017, SBB Serbia entered into a €60,000,000 Serbian law governed revolving credit facility agreement (the “€60,000,000 Serbian Revolving Credit Facility Agreement”) with Komercijalna banka a.d. Beograd (“Komercijalna”).

As support for this loan, SBB Serbia is obliged to deliver to Komercijalna ten blank bills of exchange accompanied by authorizations for collecting under these bills of exchange. The €60,000,000 Serbian Revolving Credit Facility Agreement is also guaranteed by the Company in the amount of €60,000,000 (plus all interest, fees and expenses) for a period of 30 days longer than the individual loans but not later than 31 October 2020.

The revolving facility made available pursuant to the €60,000,000 Serbian Revolving Credit Facility Agreement (the “€60,000,000 Serbian Revolving Credit Facility”) may be utilized euro or in the Serbian dinar equivalent of euro. The €60,000,000 Serbian Revolving Credit Facility may be used for (i) financing acquisitions in Serbia up to the amount of €45,000,000, and (ii) financing the purchase of rights, licenses, equipment and other intangible investment up to the amount of €15,000,000.

The €60,000,000 Serbian Revolving Credit Facility is made available to SBB Serbia for the period until June 30, 2020 and terminates on September 30, 2020 when SBB Serbia is required to repay any outstanding borrowings in full by way of a bullet payment.

Foreign currency denominated loans under the €60,000,000 Serbian Revolving Credit Agreement bear interest at a rate per annum equal to three-month EURIBOR plus a margin of 2.75%. Dinar denominated loans under the €60,000,000 Serbian Revolving Credit Agreement bear interest at a rate per annum equal to three-month BELIBOR plus a margin of 1.5%. Interest is payable monthly.

The €60,000,000 Serbian Revolving Credit Facility Agreement allows for voluntary repayments of outstanding borrowings subject to the delivery of a prepayment notice two business days prior to the date of such repayment.

The €60,000,000 Serbian Revolving Credit Facility Agreement requires SBB Serbia to use commercially reasonable endeavours to execute payment operations in Serbia and abroad through accounts opened with Komercijalna that are proportional relative to SBB Serbia’s interactions with the Serbian banking sector. SBB Serbia is also required to, among other things, provide information related to SBB Serbia’s business as Komercijalna may reasonably request; allow access to its business books following a request from Komercijalna; allow representatives of Komercijalna to exercise regular control of the utilization of the €60,000,000 Serbian Revolving Credit Facility in order to determine whether it has been used for intended purposes; and comply with certain intercompany subordination obligations.

#### **Intercreditor Agreement**

##### ***General***

To establish the relative rights of certain of our creditors under our financing arrangements, the Parent, Adria Serbia Holdco B.V., SBB Serbia, Adria Cable B.V., Adria Media B.V., Bosnia Broadband S.à r.l., Slovenia Broadband S.à r.l., Telemach BH, Telemach Slovenia, Telemach Rotovž d.d., Telemach Tabor d.d. and the Issuer (together with any other entity which accedes or otherwise becomes a party to the

Intercreditor Agreement as a debtor, the “Debtors”) will enter into an Intercreditor Agreement dated on the Issue Date, with, among others, UniCredit Bank AG, London Branch as English security agent, UniCredit Bank Serbia JSC Belgrade as Serbian security agent and UniCredit Bank Serbia JSC Belgrade as Payment Agent. The Trustee in respect of the Notes shall accede to the Intercreditor Agreement as a Senior Notes Trustee on the Issue Date.

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 collateral providers, when payments can be made in respect of certain debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Due to restrictions under Serbian law, the Intercreditor Agreement provides for the appointment of (x) a security agent in relation to the Security Documents governed by the laws of Serbia (the “Serbian Security Agent”) and (y) a security agent in relation to the Security Documents not governed by the laws of Serbia (the “English Security Agent”).

The Intercreditor Agreement additionally provides for Hedge Counterparties and Operating Facility Lenders (each as defined below) to receive guarantees and indemnities from the Debtors on substantially the same terms (including the relevant limitations) as such guarantees and indemnities are provided by the obligors to the finance parties under the Senior Facilities Agreement.

Capitalized terms set forth and used in this section entitled “—*Intercreditor Agreement*” have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this offering memorandum.

### ***Definitions***

The following capitalized terms used in this summary of the Intercreditor Agreement have the meaning given to them below:

“Creditors” means the Senior Secured Creditors, the Senior Parent Creditors, the Hedge Counterparties, the intra-Group lenders and the investors in the Group.

“Enforcement Action” means:

(a) in relation to any liabilities:

- (i) the acceleration of any liabilities or the making of any declaration that any liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Secured Creditor or a Senior Parent Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the debt documents);
- (ii) the making of any declaration that any liabilities are payable on demand;
- (iii) the making of a demand in relation to a liability that is payable on demand;
- (iv) the making of any demand against any member of the Group in relation to any guarantee liabilities of that member of the Group;
- (v) the exercise of any right to require any member of the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of the Senior Facilities Agreement (or any other similar or equivalent provision of any of the Secured Debt Documents) and/or any other acquisition of liabilities, acquisition or transaction which any member of the Group is not prohibited from entering into by the terms of the Secured Debt Documents and excluding any mandatory offer arising as a result of a change of control or asset sale (howsoever described) as set out in the Senior Notes finance documents or the Senior Parent Notes finance documents (or any other similar or equivalent provision of any of the Secured Debt Documents);
- (vi) the exercise of any right of set-off, account combination or payment netting against any member of the Group in respect of any liabilities other than the exercise of any such right:
  - (A) as close-out netting by a Hedge Counterparty or by a hedging ancillary lender;



- (B) as payment netting by a Hedge Counterparty or by a hedging ancillary lender;
  - (C) as inter-hedging agreement netting by a Hedge Counterparty;
  - (D) as inter-hedging ancillary document netting by a hedging ancillary lender; and/or
  - (E) which is otherwise permitted by the terms of any of the Secured Debt Documents, in each case to the extent that the exercise of that right gives effect to a permitted payment; and
- (vii) the suing for, commencing or joining of any legal or arbitration proceedings against any member of the Group to recover any liabilities;
- (b) the premature termination or close-out of any hedging transaction under any hedging agreement, save to the extent permitted by the Intercreditor Agreement;
  - (c) the taking of any steps to enforce or require the enforcement of any security (including the crystallization of any floating charge forming part of the security);
  - (d) the entry into any composition, compromise, assignment or similar arrangement with any member of the Group which owes any liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the liabilities (other than any action permitted under the Intercreditor Agreement or any debt buy-back, tender offer, exchange offer or similar or equivalent arrangement not otherwise prohibited by the debt documents); or
  - (e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, examiner, administrator or similar officer) in relation to the winding up, dissolution, examinership, administration or reorganization of any member of the Group which owes any liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the liabilities, or any of such member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action:
    - (i) the taking of any action falling above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
    - (ii) a Senior Secured Creditor or Senior Parent Creditor bringing legal proceedings against any person solely for the purpose of: (a) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any debt document to which it is party, (b) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages or (c) requesting judicial interpretation of any provision of any debt document to which it is party with no claim for damages; or
    - (iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud; or
    - (iv) to the extent entitled by law, the taking of any action against any creditor (or any agent, trustee or receiver acting on behalf of that creditor) to challenge the basis on which any sale or disposal is to take place pursuant to the powers granted to those persons under any relevant documentation; or
    - (v) any person consenting to, or the taking of any other action pursuant to or in connection with, any merger, consolidation, reorganization or any other similar or equivalent step or transaction initiated or undertaken by a member of the Group (or any analogous procedure or step in any jurisdiction) that is not prohibited by the terms of the Secured Debt Documents to which it is a party.

“First/Second Lien Discharge Date” means the later to occur of the Senior Discharge Date and the Second Lien Discharge Date.

“Group” means the Parent and its Restricted Subsidiaries (as such term is defined in the Revolving Credit Facility Agreement) for the time being.

“Hedge Counterparty” means any person that executes or accedes to the Intercreditor Agreement as a Hedge Counterparty.

“Hedging Liabilities” means the liabilities owed by any Debtor to hedge counterparties in respect of certain hedging agreements.

“Majority Permitted Parent Financing Creditors” means, in relation to any Permitted Parent Financing Debt, the requisite number or percentage of Permitted Parent Financing Creditors under the Permitted Parent Financing Agreement on whose instructions the Senior Parent Creditor Representative is required to act in relation to the relevant matter.

“Majority Permitted Second Lien Financing Creditors” means, in relation to any Permitted Second Lien Financing Debt, the requisite number or percentage of Permitted Second Lien Financing Creditors under the Permitted Second Lien Financing Agreement on whose instructions the Second Lien Creditor Representative is required to act in relation to the relevant matter.

“Majority Permitted Senior Financing Creditors” means, in relation to any Permitted Senior Financing Debt, the requisite number or percentage of Permitted Senior Financing Creditors under the Permitted Senior Financing Agreement on whose instructions the Senior Creditor Representative is required to act in relation to the relevant matter.

“Majority Second Lien Creditors” means, at any time, those Second Lien Secured Creditors whose Second Lien Secured Credit Participations at that time aggregate more than 66 2/3 per cent. of the Total Second Lien Secured Credit Participations at that time.

“Majority Second Lien Lenders” has the meaning given to the term “Majority Lenders” in the Second Lien Facility Agreement.

“Majority Senior Creditors” means, at any time, those Senior Creditors whose Senior Credit Participations at that time aggregate more than 66.66 per cent. of the total Senior Credit Participations at that time.

“Majority Senior Lenders” means, at any time, subject to certain provisions of the Revolving Credit Facility Agreement, a Senior Lender or Senior Lenders commitments under the Revolving Credit Facility Agreement that aggregate at least 66.66 per cent. of the total commitments under the Revolving Credit Facility (or, if the total commitments have been reduced to zero, aggregate at least 66.66 per cent. of the total commitments immediately prior to that reduction).

“New Debt Financing” means any new, additional or increased Liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing.

“Operating Facility” means any facility or financial accommodation (including, without limitation, any overdraft or other current account facility, any foreign exchange facility, any guarantee, bonding, documentary or standby letter of credit facility, any credit card or automated payments facility, any short term loan facility and any derivatives facility) provided to a member of the Group by an Operating Facility Lender which is notified to the Security Agent by the Parent in writing as a facility or financial accommodation to be treated as an “Operating Facility” for the purposes of the Intercreditor Agreement.

“Operating Facility Document” means, at the election of the Parent, any document relating to or evidencing an Operating Facility.

“Operating Facility Lender” means any person that executes or accedes to the Intercreditor Agreement as an Operating Facility Lender.

“Operating Facility Liabilities” means the liabilities owed by any Debtor to the Operating Facility Lenders under or in connection with the Operating Facility Documents.

“Permitted Parent Financing Agreement” means, in relation to any Permitted Parent Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Parent Financing Debt is made available or, as the case may be, issued.

“Permitted Parent Financing Creditors” means, in relation to any Permitted Parent Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Parent Financing Debt from time to time (including the applicable Senior Parent Creditor Representative).

“Permitted Parent Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Permitted Parent Financing Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Parent Financing Documents” means, in relation to any Permitted Parent Financing Debt, the Permitted Parent Financing Agreement, any fee letter entered into under or in connection with the Permitted Parent Financing Agreement and any other document or instrument relating to that Permitted Parent Financing Debt and designated as such by the Parent and the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt.

“Permitted Parent Financing Liabilities” means all liabilities of any Debtor to any Permitted Parent Financing Creditors under or in connection with the Permitted Parent Financing Documents.

“Permitted Second Lien Financing Agreement” means, in relation to any Permitted Second Lien Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Second Lien Financing Debt is made available or, as the case may be, issued.

“Permitted Second Lien Financing Creditors” means, in relation to any Permitted Second Lien Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Second Lien Financing Debt from time to time (including the applicable Second Lien Creditor Representative).

“Permitted Second Lien Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Permitted Second Lien Financing Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Second Lien Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Second Lien Financing Documents” means, in relation to any Permitted Second Lien Financing Debt, the Permitted Second Lien Financing Agreement, any fee letter entered into under or in connection with the Permitted Second Lien Financing Agreement and any other document or instrument relating to that Permitted Second Lien Financing Debt and designated as such by the Parent and the Second Lien Creditor Representative in respect of that Permitted Second Lien Financing Debt.

“Permitted Second Lien Financing Liabilities” means all liabilities of any Debtor to any Permitted Second Lien Financing Creditors under or in connection with the Permitted Second Lien Financing Documents.

“Permitted Senior Financing Agreement” means, in relation to any Permitted Senior Financing Debt, the facility agreement, indenture or other equivalent document by which that Permitted Senior Financing Debt is made available or, as the case may be, issued.

“Permitted Senior Financing Creditors” means, in relation to any Permitted Senior Financing Debt, each of the lenders, holders or other creditors in respect of that Permitted Senior Financing Debt from time to time (including the applicable Senior Creditor Representative).

“Permitted Senior Financing Debt” means any indebtedness incurred by any member of the Group which is notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Permitted Senior Financing Debt” for the purposes of the Intercreditor Agreement provided that (a) the incurrence of such indebtedness is not prohibited by the terms of the Secured Debt Documents (as defined below) and (b) the providers of such indebtedness or the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt have agreed to become a party to the Intercreditor Agreement in such capacity, in each case to the extent not already a party in that capacity.

“Permitted Senior Financing Documents” means, in relation to any Permitted Senior Financing Debt, the Permitted Senior Financing Agreement, any fee letter entered into under or in connection with the Permitted Senior Financing Agreement and any other document or instrument relating to that Permitted Senior Financing Debt and designated as such by the Parent and the Senior Creditor Representative under that Permitted Senior Financing Debt.

“Permitted Senior Financing Liabilities” means all liabilities of any Debtor to any Permitted Senior Financing Creditors under or in connection with the Permitted Senior Financing Documents.

“Primary Creditors” means the creditors in relation to the Senior Facilities, certain hedging obligations, the Senior Notes, the Senior Parent Notes, the Permitted Senior Financing Debt and the Permitted Parent Financing Debt, and each a “Primary Creditor.”

“Relevant Original Transaction Security” means any Transaction Security granted by any Debtor over its French assets, other than the Supplemental Security.

“Relevant Original Transaction Security Beneficiaries” means the Secured Parties which are beneficiaries of the Relevant Original Transaction Security.

“Second Lien Arranger Liabilities” means the liabilities owed by the Debtors to any Second Lien Arranger under or in connection with the Second Lien Finance Documents.

“Second Lien Debt” means any indebtedness outstanding under any Second Lien Facility.

“Second Lien Discharge Date” means the date that the Second Lien Lender Liabilities and the Permitted Second Lien Financing Liabilities have been discharged.

“Second Lien Facility” has the meaning given to the term “Facility” in the Second Lien Facility Agreement.

“Second Lien Facility Agreement” means, in relation to any Second Lien Debt, the second lien facility agreement or other equivalent document by which that Second Lien Debt is made available or, as the case may be, issued.

“Second Lien Lenders” means each Lender under and as defined in the Second Lien Facility Agreement.

“Second Lien Liabilities” means the Second Lien Lender Liabilities and any Permitted Second Lien Financing Liabilities.

“Second Lien Lender Liabilities” means the liabilities owed by the Debtors to the Second Lien Lenders under the Second Lien Finance Documents.

“Second Lien Secured Creditors” means the Second Lien Facility Finance Parties and/or the Permitted Second Lien Financing Creditors, as the context requires.

“Secured Debt Documents” means the Senior Facilities finance documents, the Senior Notes finance documents, the Permitted Senior Financing Documents, the hedging agreements regulated by the Intercreditor Agreement, the Operating Facility finance documents, the Second Lien Finance Documents, the Permitted Second Lien Financing Documents, the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents.

“Secured Party” means, to the extent legally possible and subject to the Agreed Security Principles, each of the Security Agent, any receiver or delegate and each of the creditor representatives of the relevant secured creditors, the arrangers under the Revolving Credit Facility Agreement, the Operating Facility Lenders, the Senior Secured Creditors and the Senior Parent Creditors from time to time but, to the extent required by the Intercreditor Agreement, only if it is a party to the Intercreditor Agreement or has acceded to it, in the appropriate capacity, pursuant to its terms.

“Security Agent” means the English Security Agent and/or the Serbian Security Agent, as the context requires.

“Senior Agent Liabilities” means the liabilities owed by the Debtors to the Senior Facility Agent under or in connection with the Senior Facilities Finance Documents.

“Senior Arranger Liabilities” means the liabilities owed by the Debtors to any Senior Arranger under or in connection with the Senior Facilities Finance Documents.

“Senior Creditors” means the Senior Lenders and the Hedge Counterparties.

“Senior Creditor Liabilities” means the Senior Lender Liabilities, the Hedging Liabilities and the Operating Facility Liabilities.

“Senior Creditor Representative” means in relation to any Permitted Senior Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Senior Financing Debt.

“Senior Discharge Date” means the date that the Senior Lenders Liabilities, the Hedging Liabilities, the Senior Notes Liabilities and the Permitted Senior Financing Liabilities have been discharged.

“Senior Facilities Agreement” means the Revolving Credit Facility Agreement.

“Senior Financing Agreement” means the Senior Facilities Agreement, the Second Lien Facility Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement and/or any Permitted Second Lien Financing Agreement, as the context requires.

“Senior Lender” means each of the lenders, clearing facility lenders, issuing banks and ancillary lenders under the Senior Facilities Agreement.

“Senior Lender Liabilities” means the liabilities owed by the Debtors to the Senior Lenders under the Senior Facilities finance documents.

“Senior Liabilities” means the Senior Creditor Liabilities, the Second Lien Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities and the Permitted Second Lien Financing Liabilities (as applicable).

“Senior Notes” means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Senior Notes” for the purposes of the Intercreditor Agreement.

“Senior Noteholders” means the registered holders from time to time of the applicable Senior Notes.

“Senior Notes/Permitted Financing Credit Participations” means the aggregate of all the Senior Secured Credit Participations at any time of the Senior Notes Creditors and the Permitted Senior Financing Creditors.

“Senior Notes Creditors” means, on and from the first Senior Notes Issue Date, the Senior Noteholders and each Senior Notes Trustee.

“Senior Notes Trustee” means any entity acting as trustee under any issue of Senior Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

“Senior Parent Creditors” means, on and from the first Senior Parent Notes Issue Date, the Senior Parent Noteholders, the Senior Parent Notes Trustee and any Permitted Parent Financing Creditors.

“Senior Parent Creditor Representative” means in relation to any Permitted Parent Financing Debt, the agent, trustee or other relevant representative in respect of that Permitted Parent Financing Debt.

“Senior Parent Debt Issuer” means, in relation to any Senior Parent Notes or Permitted Parent Financing Debt, the member of the Group which is the issuer, or, as the case may be, the borrower of those Senior Parent Notes or that Permitted Parent Financing Debt, provided that no member of the Group which is:

- (a) an issuer or, as the case may be, a borrower of any outstanding Senior Term Debt, outstanding Senior Notes, outstanding Second Lien Debt, outstanding Permitted Senior Financing Debt or outstanding Permitted Second Lien Financing Debt; or
- (b) a subsidiary of a member of the Group falling within (a) above (other than a subsidiary which is a financing vehicle), may be a Senior Parent Debt Issuer.

“Senior Parent Finance Parties” means any Senior Parent Notes Trustee (on behalf of itself and the Senior Parent Noteholders that it represents), any Senior Parent Noteholder, the Security Agent and the Permitted Parent Financing Creditors.

“Senior Parent Liabilities” means the Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities.

“Senior Parent Notes” means high yield notes, exchange notes, debt securities and/or other debt instruments issued or to be issued by any member of the Group which are notified to the Security Agent by the Parent in writing as indebtedness to be treated as “Senior Parent Notes” for the purposes of the Intercreditor Agreement.

“Senior Parent Noteholders” means the holders of the Senior Parent Notes.



“Senior Parent Notes Finance Documents” means, generally, the Senior Parent Notes, each indenture for Senior Parent Notes, guarantees of the Senior Parent Notes, the Intercreditor Agreement, the relevant security documents securing the liabilities in respect of the Senior Parent Notes and any other document designated as such by the Parent and the applicable Senior Parent Notes Trustee.

“Senior Parent Notes Liabilities” means, generally, the liabilities owed by any Debtor to the Senior Parent Notes Creditors and the Security Agent under the finance documents for the Senior Parent Notes (excluding, generally, certain amounts owed to the relevant Senior Parent Notes Trustee in respect of each issuance of Senior Parent Notes).

“Senior Parent Notes Trustee” means any entity acting as trustee under any issue of Senior Parent Notes (to the extent it has acceded in such capacity to the Intercreditor Agreement in accordance with its terms) in each case as the context requires.

“Senior Secured Creditors” means the Senior Creditors, the Senior Notes Creditors, the Second Lien Lenders, the Permitted Senior Financing Creditors and/or the Permitted Second Lien Financing Creditors, as the context requires.

“Supplemental Security” means any security which is granted by a Debtor pursuant to a Security Document governed by French law:

- (a) over any charged property subject to Relevant Original Transaction Security in accordance with the section entitled “—*Supplemental Security*” to secure Hedging Liabilities or Operating Facility Liabilities; and/or
- (b) over any charged property subject to Relevant Original Transaction Security to secure any new debt financing,

it being understood that the Secured Parties which are beneficiaries of Supplemental Security will have all the rights of a Secured Party under the Intercreditor Agreement (including under the provisions set out under the caption “—*Application of Proceeds*”) regardless of the ranking of the security stated in the Security Document creating the Supplemental Security or the chronological order in which such security is granted.

### ***Debt Refinancing***

The Intercreditor Agreement permits any of the liabilities under the debt documents to be refinanced, replaced, increased or otherwise restructured in whole or in part including by way of Permitted Senior Financing Debt, Second Lien Debt, Permitted Second Lien Financing Debt and/or Permitted Parent Financing Debt or the issue of additional Senior Notes and the introduction of a “super senior” credit facility (the “Priority Facility”) or the establishment of new or additional Operating Facilities (each a “Debt Refinancing”).

Each party to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of the then current Secured Debt Documents and/or take such other action as is required by the Parent in order to facilitate such a Debt Refinancing including changes to, the taking of, or release and retake of any guarantee or security, subject to certain conditions. At the option of the Parent, a Debt Refinancing may be made available on a basis which is senior to, *pari passu* with or junior to any of the other liabilities, shall be entitled to benefit from all or any of the security, may be made available on a secured or unsecured basis (subject to certain restrictions) and may 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 Financing Agreements.

Under the terms of the Intercreditor Agreement each agent, each Secured Party and each Primary Creditor agrees that it shall co-operate with the Parent, each other member of the Group and each agent in order to facilitate any Debt Refinancing (including by way of, at the request and cost of the Parent, executing any document or agreement and/or giving instructions to any person).

In the event of any refinancing or replacement of all or any part of the Senior Lender Liabilities (or any such refinancing or replacement indebtedness from time to time), the Parent shall be entitled to require that the definition of Instructing Group is amended such that the relevant refinancing or replacement indebtedness is treated in the same manner as the Senior Facilities (meaning that for the purpose of calculating the voting entitlement of any person, at the option of the Parent all or any part of

the relevant refinancing or replacement indebtedness may be treated as Senior Secured Credit Participations of the Senior Creditors and not Senior Notes/Permitted Financing Credit Participations).

In the event that any Priority Facility becomes subject to the provisions of the Intercreditor Agreement, the Parent shall be entitled to require that all or any part of the liabilities in relation to Hedging Liabilities and/or the Operating Facility Liabilities shall rank in right and priority of payment *pari passu* with that Priority Facility (which, for the avoidance of doubt, may result in such Hedging Liabilities and/or, as the case may be, Operating Facility Liabilities ranking ahead of the Senior Notes liabilities, the Permitted Senior Financing liabilities, the Senior Parent Notes Liabilities and/or the Permitted Parent Financing Liabilities) in each case unless otherwise prohibited by the Debt Financing Agreements.

Any Priority Facility implemented pursuant to a Debt Refinancing shall comply with, among others, the following limitations:

#### *Ranking of a Priority Facility*

No liabilities or obligations in respect of any Priority Facility may rank in right and priority of payment ahead of the Senior Lender Liabilities (other than amounts of the type set out in paragraphs (i) and (ii) under the caption “—*Application of Proceeds*.”

Subject to the paragraph above and to the extent not otherwise prohibited by the Debt Financing Agreements, any Priority Facility shall rank in right and priority of payment as determined by the Parent.

#### *Enforcement: Priority Facility*

The right of the lenders or other creditors in respect of a Priority Facility to:

- (a) instruct the Security Agent to enforce the security;
- (b) give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the security as they see fit; and/or
- (c) otherwise provide instructions as, or as part of, an Instructing Group,

shall be generally consistent with, or otherwise not materially less favorable to the other Secured Parties than, those customary for facilities of a similar nature to that Priority Facility (if any), in each case as at the date such Priority Facility is contractually committed by the relevant member(s) of the Group and as determined by the Parent (with any such determination to be conclusive).

#### *Option to Purchase*

- (a) The Senior Notes Creditors and the Permitted Senior Financing Creditors shall be provided with an ‘option to purchase’ right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the ‘option to purchase’ right provided in relation to the Senior Lender Liabilities as set out under the caption “—*Restrictions Relating to Senior Secured Liabilities—Option to Purchase: Senior Secured Creditors*.”
- (b) The Senior Parent Notes Trustee and any Senior Parent Creditor Representative(s) shall be provided with an ‘option to purchase’ right in relation to any liabilities in respect of a Priority Facility consistent in all material respects with the ‘option to purchase’ right as set out under the paragraph captioned “—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities—Option to Purchase: Senior Parent Creditors*.”

#### *Supplemental Security*

Without prejudice to the provisions set out under the caption “—*Ranking and Priority*” and “—*Application of Proceeds*” and the other rights of the Debtors under the Intercreditor Agreement and the debt documents, if any member of the Group enters into any hedging agreement or Operating Facility Document at any time after the date of the Intercreditor Agreement (which is not already secured by the Relevant Original Transaction Security), any Debtor may, subject to the terms of the Intercreditor Agreement, at any time grant to the relevant Hedge Counterparty or, as the case may be, Operating Facility Lender Supplemental Security securing all or any Hedging Liabilities arising under the relevant hedging agreement or, as the case may be, all or any Operating Facility Liabilities arising under the relevant Operating Facility Document. A Debtor may grant Supplemental Security to any secured creditor in connection with all or any part of any New Debt Financing.

The Relevant Original Transaction Security Beneficiaries agree that Supplemental Security may be granted by any Debtor in order to secure all or any part of any Hedging Liabilities, any Operating Facility Liabilities and/or any New Debt Financing.

For the avoidance of doubt, nothing set out this caption shall:

- (a) restrict the rights of the Relevant Original Transaction Security Beneficiaries to enforce and/or to release all or any part of the Relevant Original Transaction Security in accordance with the terms of the Intercreditor Agreement and the other Debt Documents; or
- (b) restrict, limit or prejudice the rights and other benefits of the Debtors or any member of the Group under the Intercreditor Agreement or any other Debt Document.

Each of the Secured Parties agrees not to take any action to challenge the validity or enforceability of the Supplemental Security by reason of it being expressed to be second ranking (or any other lower ranking).

### ***Ranking and Priority***

#### ***Priority of Debts***

Subject to the provisions set out under the caption “—*Senior Parent Liabilities and Security*” below, the Intercreditor Agreement provides that the liabilities owed by the Debtors (other than any Senior Parent Debt Issuer to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (a) **first**, the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Second Lien Lender Liabilities, the Permitted Second Lien Financing Liabilities, the Senior Arranger Liabilities, the Second Lien Arranger Liabilities, the Senior Agent Liabilities, amounts due to the Senior Notes Trustee, the Second Lien Agent Liabilities and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference amongst them; and
- (b) **second**, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them,

The liabilities owed by any Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or the borrower) to the Primary Creditors and the Operating Facility Lenders shall rank *pari passu* in right and priority of payment without any preference amongst them.

#### ***Priority of Security***

The Intercreditor Agreement provides that the security shall secure the liabilities (but only to the extent that such security is expressed to secure those liabilities) in the following order:

- (a) **first**, the Senior Lender Liabilities, the Senior Notes Liabilities, the Permitted Senior Financing Liabilities, the Hedging Liabilities, the Operating Facility Liabilities, the Senior Arranger Liabilities, the Senior Agent Liabilities, amounts due to the Senior Notes Trustee, the Second Lien Agent Liabilities and amounts due to the Senior Parent Notes Trustee *pari passu* and without any preference amongst them;
- (b) **second**, the Second Lien Lender Liabilities, the Permitted Second Lien Financing Liabilities and the Second Lien Arranger Liabilities *pari passu* and without any preference amongst them; and
- (c) **third**, the Senior Parent Notes Liabilities and the Permitted Parent Financing Liabilities *pari passu* and without any preference amongst them.

#### ***Senior Parent Liabilities and Security***

The Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities owed by a Senior Parent Debt Issuer (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) are senior obligations of that Senior Parent Debt Issuer. Notwithstanding the preceding

sentence, the Senior Parent Notes Creditors and the Permitted Parent Financing Creditors agree that, until the First/Second Lien Discharge Date, they may not take any steps subject to the Security Documents in connection with any Enforcement Action, other than as expressly permitted by the Intercreditor Agreement.

For the avoidance of doubt, the restrictions set out in the preceding paragraph shall not impair the right of the Senior Parent Creditors and/or the Permitted Parent Financing Creditors to institute suit for the recovery of any payment due by a Senior Parent Debt Issuer in respect of the Senior Parent Liabilities and/or the Permitted Parent Financing Liabilities (in each case to the extent relating to liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where that Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower).

#### *Intra-Group Liabilities and Investor Liabilities*

The Intercreditor Agreement provides that the intra-Group liabilities and the liabilities of the Group to an investor are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors and the Operating Facility Lenders, but does not purport to rank any of those liabilities as between themselves.

#### *Additional and/or Refinancing Debt*

The Creditors and the Operating Facility Lenders acknowledge in the Intercreditor Agreement that the Debtors (or any of them) may wish to incur incremental borrowing liabilities (including guarantees of such liabilities) or refinance or replace borrowing liabilities (including incurring guarantee liabilities in respect of such refinancing or replacement). Such liabilities are intended to rank *pari passu* with any other liabilities and/or share *pari passu* in any security and/or to rank behind any other liabilities and/or to share in any security behind any such other liabilities.

The Creditors and the Operating Facility Lenders undertake in the Intercreditor Agreement (at the cost of the Debtors) to co-operate with the Parent and the Debtors with a view to enabling and facilitating such financing, refinancing or replacement and such sharing in the security (provided it is not prohibited by the terms of the Debt Financing Agreements at such time) to take place in a timely manner. In particular, but without limitation, each of the secured parties authorizes and directs each of its respective agents and the Security Agent to execute any amendment to or replacement of the Intercreditor Agreement and such other debt documents and/or (subject to certain pre-conditions) release and retake of security required by the Parent to reflect, enable and/or facilitate any such arrangements (including, as regards the ranking of any such arrangements).

If a Debtor incurs any new, additional or increased liabilities under any Secured Debt Document and/or in connection with any Debt Refinancing, at the option of the Parent, the relevant Debtor may (but subject to the relevant Debt Financing being elected to be secured in accordance with the applicable terms of the Intercreditor Agreement and subject to the agreed security principles) grant to the relevant Secured Parties in respect of all or any part of such Debt Financing additional security by executing additional security documents which will benefit from the order of priority and ranking set out in the Intercreditor Agreement.

#### *Restrictions Relating to Senior Secured Liabilities*

The Parent and the Debtors may make payments of the Senior Liabilities at any time.

The Intercreditor Agreement provides that the Senior Secured Creditors, the Operating Facility Lenders, the Parent and the Debtors may at any time amend or waive the terms of the finance documents in relation to the Senior Facilities (the “Senior Facilities Finance Documents”), the Senior Notes, the Permitted Senior Financing Debt, the Second Lien Facility (the “Second Lien Facility Finance Documents”), the Permitted Second Lien Financing Documents and/or any Operating Facility in accordance with their respective terms from time to time (and subject only to any consent required under them).

*Security and Guarantees: Senior Secured Creditors*

The Senior Secured Creditors and the Operating Facility Lenders may take, accept or receive the benefit of:

- (a) any security from any member of the Group in respect of any of the Senior Liabilities in addition to the shared security provided that, to the extent legally possible and subject to certain agreed security principles:
  - (i) the security provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);
  - (ii) all amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption “—*Application of Proceeds*,” and
  - (iii) any such security may only be enforced in accordance with the provisions set out under the caption “—*Enforcement of Security—Security Held by Other Creditors*.”
- (b) any guarantee, indemnity or other assurance against loss from any member of the Group regarding any of the Senior Liabilities in addition to those in:
  - (i) the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Document, the Second Lien Facility Agreement, any Permitted Second Lien Financing Document or any Operating Facility Document;
  - (ii) the Intercreditor Agreement; or
  - (iii) any guarantee, indemnity or other assurance against loss in respect of any of the liabilities, the benefit of which (however conferred) is, to the extent legally possible and subject to certain agreed security principles, given to, or expressed to be given to, all the senior secured parties in respect of their senior secured liabilities, provided that (except for any guarantee, indemnity or other assurance against loss permitted to be given to any ancillary lender or issuing bank), to the extent legally possible, and subject to certain agreed security principles,
    - (A) the guarantee provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity); and
    - (B) such guarantee, indemnity or assurance against loss is expressed to be subject to the Intercreditor Agreement.
- (c) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:
  - (i) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or
  - (ii) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities, Permitted Senior Financing Liabilities and/or Second Lien Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

All amounts actually received or recovered by any Senior Secured Creditor or Operating Facility Lender with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption “—*Application of Proceeds*”.

Any such Security may only be enforced in accordance with the terms of the Intercreditor Agreement which relate to security held by someone other than the Security Agent.

Any such guarantee, indemnity or assurance against loss is expressed to be subject to the terms of the Intercreditor Agreement.



*Restriction on Enforcement: Senior Lenders, Operating Facility Lenders, Senior Notes Creditors and Permitted Senior Financing Creditors*

The Intercreditor Agreement provides that no Senior Lender, Operating Facility Lender, Senior Notes Creditor or Permitted Senior Financing Creditor may take certain Enforcement Action without the prior written consent of an Instructing Group (as defined below).

Notwithstanding the above restriction or anything to the contrary in the Intercreditor Agreement, after the occurrence of certain specified insolvency events (an “Insolvency Event”) in relation to the Parent or a Debtor, each Senior Lender, Operating Facility Lender, Senior Notes Creditor and/or Permitted Senior Financing Creditor may, to the extent it is permitted to do so under the relevant Debt Documents, take certain Enforcement Action and/or claim in the winding up, dissolution, administration, reorganization or similar insolvency event or process in relation to that Debtor for liabilities owing to it (but no Senior Secured Creditor or Operating Facility Lender may direct the Security Agent to enforce the common security in any manner).

*Option to Purchase: Senior Notes Creditors and Permitted Senior Financing Creditors*

Senior Notes Creditors holding at least a simple majority of the Senior Notes liabilities or Permitted Senior Financing Creditors holding at least a simple majority of the Permitted Senior Financing Liabilities (the “Senior Secured Acquiring Creditors”) may, after the occurrence of an acceleration event which is continuing, by giving not less than ten (10) days’ notice to the Security Agent (with the first notice to prevail in the event that more than one set of Creditors serves such a notice), require the transfer to them (or to a nominee or nominees), in accordance with the applicable transfer provisions of the Intercreditor Agreement, of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities and the Operating Facility Liabilities (a “Senior Liabilities Transfer”) if:

- (i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement and the Operating Facility Documents;
- (ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement and the Operating Facility Documents are complied with, other than:
  - (A) any requirement to obtain the consent of, or consult with, a member of the Group in relation to such transfer, which consent or consultation shall not be required; and
  - (B) to the extent to which all the Senior Secured Acquiring Creditors provide cash cover for any letter of credit, the consent of the relevant letter of credit issuing bank relating to such transfer;
- (iii) the Senior Facility Agent, on behalf of the Senior Lenders, is paid an amount equal to the aggregate of:
  - (A) any amounts provided as cash cover by the Senior Secured Acquiring Creditors for any letter of credit (as envisaged in paragraph (ii)(B) above);
  - (B) all of the Senior Lender Liabilities at that time (whether or not due), including all amounts that would have been payable under the Senior Facilities Agreement if the Senior Facilities were being prepaid by the relevant Debtors on the date of that payment; and
  - (C) all costs and expenses (including legal fees) incurred by the Senior Facility Agent and/or the Senior Lenders and/or the Security Agent as a consequence of giving effect to that transfer;
- (iv) the Operating Facility Lenders are paid an amount equal to the aggregate of:
  - (A) all of the Operating Facility Liabilities at that time (whether or not due), including all amounts that would have been payable under the Operating Facility Documents if the Operating Facilities were being prepaid by the relevant Debtors on the date of that payment; and
  - (B) all costs and expenses (including legal fees) incurred by the Operating Facility Lenders and/or the Security Agent as a consequence of giving effect to that transfer.
- (v) as a result of that transfer:
  - (A) the Senior Lenders have no further actual or contingent liability to a Debtor under the Senior Facilities Finance Documents; and
  - (B) the Operating Facility Lenders have no further actual or contingent liability to a Debtor under the Operating Facility Documents.

- (vi) an indemnity is provided from each of the Senior Secured Acquiring Creditors (other than any Senior Agent) or from another third party acceptable to all the Senior Lenders and the Operating Facility Lenders in a form reasonably satisfactory to each Senior Lender and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender or Operating Facility Lender for any reason;
- (vii) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders or the Operating Facility Lenders, except that each Senior Lender and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer; and (viii) the Senior Parent Creditors have not exercised their rights to purchase as described under the provisions set out in the paragraph captioned “—*Option to Purchase: Senior Parent Creditors*” or having exercised such rights, have not failed to complete the acquisition of the relevant Senior Secured Liabilities in accordance with such provisions.

Subject to the Intercreditor Agreement, the Senior Secured Acquiring Creditors may only require a Senior Liabilities Transfer if, at the same time, they require a transfer of the Hedging Liabilities in accordance with the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no Senior Liabilities Transfer may be required to be made.

At the request of a Senior Agent (on behalf of the Senior Secured Acquiring Creditors), the Senior Facility Agent and the Operating Facility Lenders shall notify that Senior Agent of the foregoing payable sums in connection with such transfer.

### ***Instructing Group***

The term “Instructing Group” means at any time:

- (a) prior to the Senior Discharge Date:
  - (i) in relation to any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action:
    - (A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66⅔% of the Total Senior Instructing Group Credit Participations at that time; and/or
    - (B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors, in each case as applicable in accordance with the provisions set out under the caption “—*Consultation Period*”; or
  - (ii) in relation to any other matter:
    - (A) those Senior Instructing Group Creditors whose Senior Secured Credit Participations at that time aggregate to more than 66⅔% of the Total Senior Instructing Group Credit Participations at that time; and
    - (B) prior to the Senior Lender Discharge Date, the Majority Senior Creditors; and
- (b) on or after the Senior Discharge Date but before the Second Lien Discharge Date, and subject always to the provisions set out under the caption “—*Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors*,” those Second Lien Secured Creditors whose Second Lien Secured Credit Participations at that time aggregate to more than 66⅔ per cent. of the Total Second Lien Secured Credit Participations at that time; and
- (c) on or after the First/Second Lien Discharge Date but before the Senior Parent Discharge Date, and subject always to the provisions set out under the caption “—*Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*,” the Majority Senior Parent Creditors.

In the foregoing definition of “Instructing Group”:

“Majority Senior Parent Creditors” means, at any time, those Senior Parent Creditors whose Senior Parent Credit Participations at that time aggregate to more than 66⅔% of the total aggregate amount of all Senior Parent Credit Participations at that time.

“Senior Instructing Group Creditors” means:

- (a) prior to the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Creditors and the Second Lien Secured Creditors); and
- (b) on and after the Senior Lender Discharge Date, the Senior Secured Creditors (other than the Senior Lenders and the Second Lien Secured Creditors).

“Senior Lender Discharge Date” means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders are under no further obligation to provide financial accommodation to any of the Debtors under any of the Senior Facilities Finance Documents.

“Second Lien Secured Credit Participation” means:

- (a) in relation to a Second Lien Lender, its second lien commitments; and
- (b) in relation to a Permitted Second Lien Financing Creditor, the aggregate amount of its commitments under each Permitted Second Lien Financing Agreement (drawn or undrawn and calculated in a manner consistent with the second lien commitments) and/or the principal amount of outstanding Permitted Second Lien Financing Debt held by that Permitted Second Lien Financing Creditor (as applicable and without double counting).

“Senior Parent Credit Participation” means:

- (a) in relation to a Senior Parent Noteholder, the principal amount of outstanding Senior Parent Notes Liabilities held by that Senior Parent Noteholder; and
- (b) in relation to a Permitted Parent Financing Creditor, the aggregate amount of its commitments under each Permitted Parent Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Parent Financing Debt held by that Permitted Parent Financing Creditor (as applicable and without double counting).

“Senior Secured Credit Participation” means:

- (a) in relation to a Senior Creditor, its Senior Credit Participation in relation to the Senior Facilities Agreement and the hedging agreements only;
- (b) in relation to a Senior Noteholder, the principal amount of outstanding Senior Notes liabilities held by that Senior Noteholder; and
- (c) in relation to a Permitted Senior Financing Creditor, the aggregate amount of its commitments under each Permitted Senior Financing Agreement (drawn or undrawn and calculated in a manner consistent with the senior commitments) and/or the principal amount of outstanding Permitted Senior Financing Debt held by that Permitted Senior Financing Creditor (as applicable and without double counting).

“Total Senior Instructing Group Credit Participations” means:

- (a) prior to the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Creditors and the Second Lien Secured Creditors); and
- (b) on and after the Senior Lender Discharge Date, the aggregate of all the Senior Secured Credit Participations at any time (excluding the Senior Secured Credit Participations of the Senior Lenders and the Second Lien Secured Creditors).

“Total Second Lien Secured Credit Participations” means the aggregate of all the Second Lien Secured Credit Participations at any time.

“Total Senior Secured Credit Participations” means the aggregate of all the Senior Secured Credit Participations at any time.

## ***Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities***

### ***Restriction on Payment and Dealings***

The Intercreditor Agreement provides that, until the Senior Discharge Date, no Debtor shall (and the Parent shall ensure that no member of the Group will) make any payment of, or exercise any set-off against, the Second Lien Liabilities at any time unless:

- (a) that payment or set-off is permitted by the provisions set out below under the captions “—*Permitted Second Lien Liabilities Payments*,” and the fourth paragraph under the caption “—*Effect of Insolvency Event; Filing of Claims*” or by a refinancing of the Second Lien Debt or the Permitted Second Lien Financing Debt as permitted by the Intercreditor Agreement; or
- (b) the taking or receipt of that payment or exercise of that set-off is permitted by the provisions set out below under the caption “—*Permitted Second Lien Enforcement*”.

### ***Permitted Second Lien Liabilities Payments***

Prior to the Senior Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the Second Lien Liabilities at any time:

- (a) if:
  - (i) the payment is of:
    - (A) any of the principal amount of the Second Lien Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Second Lien Liabilities (subject to certain conditions); or
    - (B) any other amount which is not an amount of principal or capitalized interest;
  - (ii) no Second Lien Payment Stop Notice (as defined below) is outstanding;
  - (iii) no payment default under the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Documents (the “Senior Payment Default”) has occurred and is continuing;
- (b) if the Majority Senior Lenders, the Senior Notes Trustee and the Permitted Majority Senior Financing Creditors or the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (as applicable) (the “Required Senior Consent”) give prior consent to that payment being made; or
- (c) if the payment is of Second Lien Agent Liabilities;
- (d) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;
- (e) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Second Lien Debt Documents (including in relation to any reporting or listing requirements under such documents);
- (f) if the Payment is funded directly or indirectly with Second Lien Debt, Permitted Second Lien Financing Debt, Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Second Lien Debt Document and/or Senior Parent Notes;
- (g) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution or Available Shareholder Amounts; or
- (h) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Parent.

On or after the Senior Discharge Date, the Debtors may make payments to the Second Lien Creditors in respect of the Second Lien liabilities in accordance with the terms of the Second Lien Finance Documents, as applicable.

### ***Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors***

Until the Senior Discharge Date, except with the Required Senior Consent, no Debtor shall make (and the Parent shall procure that no other member of the Group shall make), and no Second Lien Secured Creditor may receive from any other member of the Group, any Permitted Second Lien Payment

(other than, for the avoidance of doubt, a roll-up or capitalisation of any amount and Second Lien Agent Liabilities, and payments permitted under (b) to (f) under the caption “—*Permitted Second Lien Liabilities Payments*”) if:

- (a) a Senior Payment Default is continuing; or
- (b) an insolvency event of default under the Senior Facilities Agreement, the Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a “Material Event of Default”) is continuing, from the date which is one Business Day after the date on which any Senior Agent delivers a notice (a “Second Lien Payment Stop Notice”) specifying the event or circumstance in relation to that Material Event of Default to the Parent, the Security Agent and the Senior Parent Agents until the earliest of:
  - (i) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;
  - (ii) in relation to payments of Second Lien Liabilities, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;
  - (iii) the date on which the relevant Material Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);
  - (iv) the date on which the Senior Agent which delivered the relevant Second Lien Payment Stop Notice delivers a notice to the Parent, the Security Agent and the Second Lien Agents cancelling the Second Lien Payment Stop Notice;
  - (v) the Senior Discharge Date; and
  - (vi) the date on which the Security Agent or a Second Lien Agent takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless each of the Second Lien Agents waives this requirement, (i) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and (ii) no Second Lien Payment Stop Notice may be delivered by a Senior Agent in reliance on a Material Event of Default more than 75 days after the date that Senior Agent received notice of that Material Event of Default.

The Senior Agents may only serve one Second Lien Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Agents to issue a Second Lien Payment Stop Notice in respect of any other event or set of circumstances. No Second Lien Payment Stop Notice may be served by an Agent in respect of a Material Event of Default which had been notified to the Agents at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a payment due under the Second Lien Debt Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined under a Second Lien Financing Agreement) as a consequence of that failure to make a payment in relation to the relevant Second Lien Debt Document; or (ii) the issue of a Second Lien Enforcement Notice on behalf of the Second Lien Secured Creditors.

#### *Payment Obligations and Capitalization of Interest Continue*

No Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Second Lien Debt Document by the operation of the provisions set out under each section above under the caption “—*Restrictions Relating to Second Lien Secured Creditors and Second Lien Liabilities*” even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalisation of interest (if any) in accordance with the Second Lien Debt Documents shall continue notwithstanding the issue of a Second Lien Payment Stop Notice.



### *Cure of Payment Stop—Second Lien Secured Creditors*

If:

- (i) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and
- (ii) any Debtor then promptly pays to the Second Lien Secured Creditors an amount equal to any Payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Secured Creditors or any other Creditor or Operating Facility Lender.

### *Restrictions on Enforcement by Second Lien Secured Creditors*

Until the Senior Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (i) no Second Lien Secured Creditor shall direct the Security Agent to enforce or otherwise require the enforcement of any security; and/or
- (ii) no Second Lien Secured Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities,

except as permitted under the provisions set out below under the caption “—*Permitted Second Lien Enforcement*” below, *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

### *Permitted Second Lien Enforcement*

Subject to the provisions set out under the caption “—*Enforcement on behalf of Second Lien Secured Creditors*”, the restrictions set out under the caption “—*Payment Blockage Provisions—Restrictions on Enforcement by Second Lien Secured Creditors*” above will not apply if:

- (i) an Event of Default (as defined under a Second Lien Financing Agreement, a “Second Lien Event of Default”) (the “Relevant Second Lien Default”) is continuing;
- (ii) each Senior Agent has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Agent;
- (iii) a Second Lien Standstill Period (as defined below) has elapsed; and
- (iv) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Event of Default, the relevant Second Lien Agent may by notice (a “Second Lien Enforcement Notice”) in writing notify the Senior Agents of the existence of such Second Lien Event of Default.

### *Second Lien Standstill Period*

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the “Second Lien Standstill Start Date”) the relevant Senior Agent serves a Second Lien Enforcement Notice on each of the Senior Agents in respect of such Second Lien Event of Default and ending on the earlier to occur of:

- (i) the date falling 120 days after the Second Lien Standstill Start Date
- (ii) the date the Senior Secured Parties (other than the Second Lien Secured Creditors) take any Enforcement Action in relation to a particular Second Lien Borrower or Second Lien Guarantor,

provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Second Lien Secured Creditors may only take the same Enforcement Action in relation to the relevant Second Lien Borrower or Second Lien Guarantor as the Enforcement Action taken by the Senior Secured Parties (other than the Second Lien Secured Creditors) against such Second Lien Borrower or Second Lien Guarantor and not against any other member of the Group;

- (iii) the date of an Insolvency Event in relation to the relevant Second Lien Borrower or a particular Second Lien Guarantor against whom Enforcement Action is to be taken;
- (iv) the expiry of any other Second Lien Standstill Period outstanding at the date such first-mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders) and any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) has been obtained; and
- (vi) a failure to pay the principal amount outstanding under any Second Lien Facility or on any Permitted Second Lien Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on that Second Lien Facility or on that Permitted Second Lien Financing Debt, as the case may be (provided that, unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the Issue Date).

#### *Subsequent Second Lien Facility Defaults*

The Second Lien Secured Creditors may take Enforcement Action under the provisions set out in caption “—*Permitted Second Lien Enforcement*” in relation to a Relevant Second Lien Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Second Lien Event of Default.

#### *Enforcement on behalf of Second Lien Secured Creditors*

If the Security Agent has notified the Second Lien Agents that it is enforcing Security created pursuant to any Security Document over shares of a Second Lien Borrower or a Second Lien Guarantor, no Second Lien Secured Creditor may take any action referred to under the provisions set out under the caption “—*Permitted Second Lien Enforcement*” against that Second Lien Borrower or Second Lien Guarantor (or any Subsidiary of that Second Lien Borrower or Second Lien Guarantor) while the Security Agent is taking steps to enforce that Security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

#### *Option to Purchase: Second Lien Secured Creditors*

Subject to the following paragraphs, any of the Second Lien Agent(s) (on behalf of the Second Lien Secured Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes Indenture or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days’ notice to the Security Agent, require the transfer to the Second Lien Secured Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Lender Liabilities, the Senior Notes Liabilities, any Permitted Senior Financing Liabilities and the Operating Facility Liabilities if:

- (i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities);
- (ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes

remain outstanding (in the case of the Senior Notes Liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

- (iii) each of the Senior Facility Agent (on behalf of the Senior Lenders), the applicable Senior Notes Trustee (on behalf of the relevant Senior Noteholders), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors) and the Operating Facility Lenders is paid the amounts required under the Intercreditor Agreement;
- (iv) as a result of that transfer the Senior Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;
- (v) an indemnity is provided from each Second Lien Secured Creditor (other than any Second Lien Agent) (or from another third party acceptable to all the Senior Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor or Operating Facility Lender for any reason; and
- (vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors or the Operating Facility Lenders, except that each Senior Lender, Senior Notes Creditor, Permitted Senior Financing Creditor and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorise the making by it of that transfer.

Subject to the terms of the Intercreditor Agreement, a Second Lien Agent (on behalf of all the Second Lien Secured Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of a Second Lien Agent (on behalf of all the Second Lien Secured Creditors), the Senior Facility Agent, any relevant Senior Notes Trustee, any relevant Senior Creditor Representative and the Operating Facility Lenders shall notify the Second Lien Agents of the foregoing payable sums in connection with such transfer.

#### ***Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities***

##### ***Restriction on Payment and Dealings***

The Intercreditor Agreement provides that, until the First/Second Lien Discharge Date, no Senior Parent Debt Issuer shall (and the Parent shall ensure that no member of the Group will):

- (a) pay, repay, prepay, redeem, acquire or defease any principal, interest or other amount on or in respect of, or make any distribution in respect of, any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities in cash or in kind or apply any such money or property in or towards discharge of any Senior Parent Notes Liabilities and any Permitted Parent Financing Liabilities except as permitted by the provisions set out below under the captions “—*Permitted Senior Parent Payments*,” “—*Permitted Senior Parent Enforcement*,” and the fourth paragraph under the caption “—*Effect of Insolvency Event; Filing of Claims*” or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement;
- (b) exercise any set-off against any Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, except as permitted by the provisions set out under the caption “—*Permitted Senior Parent*

*Payments*” below, the provisions set out under the caption “—*Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors*” below or the fourth paragraph under the caption “—*Effect of Insolvency Event; Filing of Claims*” below or by a refinancing of the Senior Parent Notes or the Permitted Parent Financing Debt as permitted by the Intercreditor Agreement; or

- (c) create or permit to subsist any security over any assets of any member of the Group or give any guarantee (and the Senior Parent Notes Trustee or Senior Parent Creditor Representative, as the case may be, may not, and no Senior Parent Creditor may, accept the benefit of any such security or guarantee from any member of the Group) for, or in respect of, any Senior Parent Notes liabilities or any Permitted Parent Financing Liabilities other than:
  - (i) guarantees by a member of the Group of any obligations of the Group under the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents;
  - (ii) at the option of the Parent, all or any of the security (provided that, for the avoidance of doubt, each of the parties agrees that the security shall rank and secure any Senior Parent Notes and any Permitted Parent Financing Debt as set out in “—*Ranking and Priority—Priority of Security*);” and
  - (iii) any security over any assets of any Senior Parent Debt Issuer (other than, any such assets over which a Senior Parent Debt Issuer has granted security);
  - (iv) any other security or guarantee provided by a member of the Group (the “Credit Support Provider”) provided that, to the extent legally possible:
    - (A) the Credit Support Provider becomes party to the Intercreditor Agreement as a Debtor (if not already a party in that capacity);
    - (B) all amounts actually received or recovered by the Senior Parent Notes Trustee, the Senior Parent Creditor Representative or the Senior Parent Creditors, as the case may be, with respect to any such security shall immediately be paid to the Security Agent and applied in accordance with the provisions set out under the caption “—*Application of Proceeds*;”
    - (C) any such security may only be enforced in accordance with the provisions set out under the caption “—*Enforcement of Security—Security Held by Other Creditors*;” and
    - (D) such guarantee is expressed to be subject to the Intercreditor Agreement; and
  - (v) any security, guarantee, indemnity or other assurance against loss from any member of the Group in connection with:
    - (A) any escrow or similar or equivalent arrangements entered into in respect of amounts which are being held (or will be held) by a person which is not a member of the Group prior to release of those amounts to a member of the Group; or
    - (B) any actual or proposed defeasance, redemption, prepayment, repayment, purchase or other discharge of any Senior Lender Liabilities, Operating Facility Liabilities, Senior Notes liabilities and/or any Permitted Senior Financing Liabilities (in each case provided that such defeasance, redemption, prepayment, repayment, purchase or other discharge is not prohibited by the terms of the Intercreditor Agreement).

#### ***Permitted Senior Parent Payments***

Prior to the First/Second Lien Discharge Date, any member of the Group may, directly or indirectly, make payments with respect to the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities then due in accordance with the finance documents in relation to the Senior Parent Notes and the Permitted Parent Financing Debt (such payments, collectively, “Permitted Senior Parent Payments”):

- (a) if:
  - (i) the payment is of:
    - (A) any of the principal amount of the Senior Parent Notes liabilities and the Permitted Parent Financing Liabilities which is either (1) not prohibited from being paid by the Senior Financing Agreements; or (2) paid on or after the final maturity date of the relevant Senior Parent Notes liabilities and Permitted Parent Financing Liabilities (subject to certain conditions); or
    - (B) any other amount which is not an amount of principal or capitalized interest;

- (ii) no Senior Parent Payment Stop Notice (as defined below) is outstanding;
  - (iii) no Senior Payment Default has occurred and is continuing; and
  - (iv) no payment default under the Second Lien Facility Agreement or the Permitted Second Lien Financing Documents has occurred and is continuing;
- (b) if the Required Senior Consent has been obtained;
  - (c) if consent has been obtained from the Majority Second Lien Lenders and the Majority Permitted Second Lien Financing Creditors or the Creditor Representative in respect of that Permitted Second Lien Financing Debt Senior Lenders (as applicable);
  - (d) if the payment is of certain amounts due to the Senior Parent Notes Trustee for its own account;
  - (e) if the payment is made by the relevant Senior Parent Debt Issuer and funded directly or indirectly with amounts which have not been received by that Senior Parent Debt Issuer from another member of the Group;
  - (f) of any costs and expenses of any holder of security in relation to protection, preservation or enforcement of such security;
  - (g) of costs, commissions, taxes, fees and expenses incurred in respect of or in relation to (or reasonably incidental to) any of the Senior Parent Notes Indenture and any Permitted Parent Financing Documents (including in relation to any reporting or listing requirements under such documents);
  - (h) if the payment is funded directly or indirectly with Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred under or pursuant to any Senior Parent Notes;
  - (i) if the payment is funded directly or indirectly with the proceeds of an Equity Contribution or Available Shareholder Amounts; or
  - (j) of any other amount not exceeding €5,000,000 (or its equivalent) in aggregate in any financial year of the Parent.

On or after the First/Second Lien Discharge Date, the Debtors may make payments to the Senior Parent Creditors in respect of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, in accordance with the Senior Parent Notes Indenture and the Permitted Parent Financing Documents, as applicable.

***Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors***

Until the Senior Discharge Date, except with the Required Senior Consent, and until the Second Lien Discharge Date, except with the Required Second Lien Consent, no Senior Parent Debt Issuer shall make (and the Parent shall procure that no other member of the Group shall make), and neither the Senior Parent Notes Trustee, any holder of Senior Parent Notes or the Permitted Parent Financing Creditors may receive from any other members of the Group, any Permitted Senior Parent Payment (other than, for the avoidance of doubt, a roll-up or capitalisation of any amount and certain amounts due to the Senior Parent Notes Trustee for its own account, payments funded by amounts not received from another member of the Group or payments funded by Permitted Parent Financing Debt and/or the proceeds of any indebtedness incurred or pursuant to any Senior Parent Notes) if:

- (a) a Senior Payment Default is continuing; or
- (b) an event of default under the Senior Facilities Agreement, the Senior Notes Indenture and/or any Permitted Senior Financing Agreement (a “Senior Event of Default”) (other than a Senior Payment Default) is continuing, from the date which is one business day after the date on which any of the Senior Facility Agent, the Senior Notes Trustee and any Senior Creditor Representative (together, the “Senior Agents”) delivers a payment stop notice (a “Senior Parent Payment Stop Notice”) specifying the event or circumstance in relation to that Senior Event of Default to the Parent, the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative until the earliest of:
  - (i) the date falling 179 days after delivery of that Senior Parent Payment Stop Notice;



- (ii) in relation to payments of the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities, if a Parent standstill period is in effect at any time after delivery of that payment stop notice, the date on which that standstill period expires;
- (iii) the date on which the relevant Senior Event of Default has been remedied or waived in accordance with the Senior Facilities Agreement, the Senior Notes Indenture or any Permitted Senior Financing Agreement (as applicable);
- (iv) the date on which the Senior Agent which delivered the relevant Senior Parent Payment Stop Notice delivers a notice to the Parent, the Security Agent, the Senior Parent Notes Trustee and the Senior Parent Creditor Representative cancelling the Senior Parent Payment Stop Notice;
- (v) the First/Second Lien Discharge Date; and
- (vi) the date on which the Security Agent, the Senior Parent Notes Trustee and any Senior Parent Creditor Representative take Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Parent Notes Trustee and any Senior Parent Creditor Representative waive this requirement, (i) a new Senior Parent Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Parent Payment Stop Notice; and (ii) no Senior Parent Payment Stop Notice may be delivered by a Senior Agent in reliance on a Senior Event of Default more than 45 days after the date that Senior Agent received notice of that Senior Event of Default.

The Senior Agents may only serve one Senior Parent Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph, this shall not affect the right of the Senior Agents to issue a Senior Parent Payment Stop Notice in respect of any other event or set of circumstances. No Senior Parent Payment Stop Notice may be served by a Senior Agent in respect of a Senior Event of Default which had been notified to the Senior Agents at the time at which an earlier Senior Parent Payment Stop Notice was issued.

Any failure to make a payment due under any Senior Parent Notes Indenture and any Permitted Parent Financing Documents as a result of the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (i) the occurrence of an Event of Default (as defined in any Senior Parent Notes Indenture or any Permitted Parent Financing Documents, as applicable) as a consequence of that failure to make a payment in relation to the relevant Senior Parent Notes Indenture and any Permitted Parent Financing Documents; or (ii) the issue of a Senior Parent Enforcement Notice (as defined below) on behalf of the Senior Parent Creditors.

#### *Payment Obligations and Capitalization of Interest Continue*

Neither the relevant Senior Parent Debt Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Parent Notes Indenture and any Permitted Parent Financing Document by the operation of the provisions set out under each section above under the caption “—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*” even if its obligation to make such payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with any Senior Parent Notes Indenture and any Permitted Parent Financing Document shall continue notwithstanding the issue of a Senior Parent Payment Stop Notice.

#### *Cure of Payment Stop—Senior Parent Creditors*

If:

- (i) at any time following the issue of a Senior Parent Payment Stop Notice or the occurrence of a Senior Payment Default, that Senior Parent Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Senior Payment Default ceases to be continuing; and
- (ii) the relevant Senior Parent Debt Issuer or the relevant Debtor then promptly pays to the Senior Parent Creditors an amount equal to any payments which had accrued under any Senior Parent Notes Indenture and any Permitted Parent Financing Document and which would have been

Permitted Senior Parent Payments but for that Senior Parent Payment Stop Notice or Senior Payment Default,

then any Event of Default (including any cross default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any Senior Parent Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Senior Parent Creditors or any other Creditor or Operating Facility Lender.

#### *Restrictions on Amendments and Waivers*

The Intercreditor Agreement provides that the Senior Parent Creditors, the relevant Senior Parent Debt Issuers and other Debtors may amend or waive the terms of the Senior Parent Notes finance documents and/or the Permitted Parent Financing Documents in accordance with their respective terms from time to time (and subject only to any consent required under them).

#### *Restrictions on Enforcement by Senior Parent Creditors*

Until the First/Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (i) no Senior Parent Creditor shall direct the Security Agent to enforce, or otherwise require the enforcement of, any security; and/or
- (ii) no Senior Parent Creditor shall take or require the taking of any Enforcement Action in relation to the guarantees by a member of the Group of any of the obligations of any member of the Group under the Senior Parent Notes finance documents and/or Permitted Parent Financing Documents,

except as permitted under the provisions set out below under the caption “—*Permitted Senior Parent Enforcement*” below, *provided, however*, that no such action required by the Security Agent need be taken except to the extent the Security Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

#### *Permitted Senior Parent Enforcement*

The restrictions set out under the caption “—Payment Blockage Provisions—Restrictions on Enforcement by Senior Parent Creditors” above will not apply if:

- (i) an Event of Default (as defined in any Senior Parent Notes Finance Document and any Permitted Parent Financing Agreement, as applicable, each a “Senior Parent Event of Default”) (the “Relevant Senior Parent Default”) is continuing;
- (ii) each Senior Agent has received a notice of the Relevant Senior Parent Default specifying the event or circumstance in relation to the Relevant Senior Parent Default from the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (as the case may be);
- (iii) a Senior Parent Standstill Period (as defined below) has elapsed; and
- (iv) the Relevant Senior Parent Default is continuing at the end of the relevant Senior Parent Standstill Period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative, as the case may be, may by notice (a “Senior Parent Enforcement Notice”) in writing notify the Senior Agents of the existence of such Senior Parent Event of Default.

#### *Senior Parent Standstill Period*

In relation to a Relevant Senior Parent Default, a Senior Parent Standstill Period shall mean the period beginning on the date (the “Senior Parent Standstill Start Date”) the relevant Senior Agent serves a Senior Parent Enforcement Notice on each of the Senior Agents in respect of such Senior Parent Event of Default and ending on the earlier to occur of:

- (i) the date falling 179 days after the Senior Parent Standstill Start Date (the “Senior Parent Standstill Period”);

- (ii) the date the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Parent Notes and/or any Permitted Parent Financing Debt (a “Senior Parent Guarantor”), provided, however, that if a Senior Parent Standstill Period ends pursuant to this paragraph, the Senior Parent Creditors may only take the same Enforcement Action in relation to the Senior Parent Guarantor as the Enforcement Action taken by the Senior Secured Parties against such Senior Parent Guarantor and not against any other member of the Group;
- (iii) the date of an Insolvency Event in relation to the relevant Senior Parent Debt Issuer or a particular Senior Parent Guarantor against whom Enforcement Action is to be taken;
- (iv) the expiry of any other Senior Parent Standstill Period outstanding at the date such first-mentioned Senior Parent Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (v) the date on which the consent of each of the Senior Facility Agent (acting on the instructions of the Majority Senior Lenders), the Second Lien Facility Agent (acting on the instructions of the Majority Second Lien Lenders), any Senior Notes Trustee (acting on behalf of the Senior Noteholders), any Senior Creditor Representative (acting on the instructions the Majority Permitted Senior Financing Creditors) and any Second Lien Creditor Representative (acting on the instructions of the Majority Permitted Second Lien Financing Creditors) has been obtained; and
- (vi) a failure to pay the principal amount outstanding on any Senior Parent Notes or on any Permitted Parent Financing Debt, as the case may be, at the final stated maturity of the amounts outstanding on the Senior Parent Notes or on the Permitted Parent Financing Debt, as the case may be (provided that (i) unless the Senior Lender Discharge Date has occurred or as otherwise agreed by the Majority Senior Lenders and the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the Issue Date; and (ii) if any Second Lien Debt has been incurred, unless the Second Lien Lender Discharge Date has occurred or as otherwise agreed by the Majority Second Lien Lenders and the Parent, such final stated maturity does not fall on a date prior to the date falling 85 months after the Issue Date).

#### *Subsequent Senior Parent Event of Default*

The Senior Parent Finance Parties may take Enforcement Action under the provisions set out in caption “—*Permitted Senior Parent Enforcement*” above in relation to a Relevant Senior Parent Default even if, at the end of any relevant Senior Parent Standstill Period or at any later time, a further Senior Parent Standstill Period has begun as a result of any other Senior Parent Event of Default.

#### *Enforcement on Behalf of Senior Parent Creditors*

If the Security Agent has notified the Senior Parent Agents that it is enforcing security created pursuant to any security document over shares of a Senior Parent Guarantor, no Senior Parent Creditor may take any action referred to under the provisions set out under the caption “—*Permitted Senior Parent Enforcement*” above against that Senior Parent Guarantor (or any subsidiary of that Senior Parent Guarantor) while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

#### *Option to Purchase: Senior Parent Creditors*

Subject to paragraphs (ii) and (iii) below any of the Senior Parent Notes Trustee and any Senior Parent Creditor Representative (on behalf of the Senior Parent Creditors) may, after an acceleration event under any of the Senior Facilities Agreement, the Senior Notes or in relation to any Permitted Senior Financing Debt which is continuing, by giving not less than 10 days’ notice to the Security Agent, require the transfer to the Senior Parent Creditors (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities and the Operating Facility Liabilities if:

- (i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Senior Facilities Agreement (in the case of the Senior Lender Liabilities), the Second Lien Facility Agreement (in the case of the Second Lien Lenders Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities),

any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) (as applicable);

- (ii) any conditions relating to such a transfer contained in the Senior Facilities Agreement (in the case of the Senior Lender Liabilities)), the Second Lien Facility Agreement (in the case of the Second Lien Lenders Liabilities), any Senior Notes Indenture(s) pursuant to which any Senior Notes remain outstanding (in the case of the Senior Notes liabilities), any Permitted Senior Financing Agreement pursuant to which any relevant Permitted Senior Financing Liabilities remain outstanding (in the case of the Permitted Senior Financing Liabilities), any Permitted Second Lien Financing Agreement pursuant to which any relevant Permitted Second Lien Financing Liabilities remain outstanding (in the case of the Permitted Second Lien Financing Liabilities) and/or any Operating Facility Documents pursuant to which any relevant Operating Facility Liabilities remain outstanding (in the case of the Operating Facility Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;
- (iii) each of the Senior Facility Agent (on behalf of the Senior Lenders), the Senior Notes Trustee (on behalf of the relevant Senior Noteholders), the applicable Senior Creditor Representative (on behalf of the relevant Permitted Senior Financing Creditors), the Operating Facility Lenders, the Second Lien Facility Agent (on behalf of the Second Lien Lenders) and the applicable Second Lien Creditor Representative (on behalf of the relevant Permitted Second Lien Financing Creditors) is paid the amounts required under the Intercreditor Agreement;
- (iv) as a result of that transfer the Senior Lenders, the Second Lien Lenders, the Senior Noteholders, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders have no further actual or contingent liability to the Parent or any other Debtor under the relevant Secured Debt Documents;
- (v) an indemnity is provided from each Senior Parent Creditor (other than any Senior Parent Agent) (or from another third party acceptable to all the Senior Lenders, the Second Lien Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors and the Operating Facility Lenders) in a form reasonably satisfactory to each Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender in consequence of any sum received or recovered by any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor or Operating Facility Lender for any reason; and
- (vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Second Lien Lenders, the Senior Notes Creditors, the Permitted Senior Financing Creditors, the Permitted Second Lien Financing Creditors or the Operating Facility Lenders, except that each Senior Lender, Second Lien Lender, Senior Notes Creditor, Permitted Senior Financing Creditor, Permitted Second Lien Financing Creditor and Operating Facility Lender shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorise the making by it of that transfer.

Subject to the Intercreditor Agreement, the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging liabilities regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of the Senior Parent Notes Trustee or any Senior Parent Creditor Representative (on behalf of all the Senior Parent Creditors), the Senior Facility Agent, the Senior Notes Trustee, any relevant Senior Creditor Representative, the Operating Facility Lenders, the Second Lien Facility Agent and any

relevant Second Lien Creditor Representative shall notify the Senior Parent Notes Trustee and any Senior Parent Creditor Representative of the foregoing payable sums in connection with such transfer.

***Effect of Insolvency Event; Filing of Claims***

The Intercreditor Agreement provides that, among other things, after the occurrence of an Insolvency Event in relation to any Debtor, or, following an acceleration event which is continuing, any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption “—*Turnover*” and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent and to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption “—*Application of Proceeds*” below.

Subject to certain exceptions, to the extent that any member of the Group’s liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor and any Operating Facility Lender which benefited from that set-off shall (in the case of any Creditor or Operating Facility Lender, only to the extent that such distribution would otherwise constitute a receipt or recovery of a type subject to the provisions set out below under the caption “—*Turnover*” and, in all cases, if prior to a distress event, only if required by the Security Agent acting on the instructions of an Instructing Group), subject to receiving payment instructions and any other relevant information from the Security Agent, pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under the caption “—*Application of Proceeds*” below and subject to certain exceptions.

Subject to the provisions set out under the caption “—*Application of Proceeds*” below, if the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities, the liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the liabilities.

After the occurrence of an Insolvency Event in relation to any Debtor (or, following an acceleration event which is continuing, any member of the Group), each Creditor and each Operating Facility Lender irrevocably authorizes the Security Agent, on its behalf, to:

- (i) take any Enforcement Action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;
- (ii) demand, sue, prove and give receipt for any or all of that member of the Group’s liabilities;
- (iii) collect and receive all distributions on, or on account of, any or all of that member of the Group’s liabilities; and
- (iv) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover that member of the Group’s liabilities.

Each Creditor and Operating Facility Lender will (i) do all things that the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) reasonably requests in order to give effect to the matters referred to in this “—*Effect of Insolvency Event; Filing of Claims*” section and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this “—*Effect of Insolvency Event; Filing of Claims*” section or if the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) requests that a Creditor or Operating Facility Lender take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) may reasonably require, although neither the Senior Notes Trustee nor the Senior Parent Notes Trustee shall be under any obligation to grant such powers of attorney) to enable the Security Agent to take such action.



## **Turnover**

Subject to certain exceptions, the Intercreditor Agreement provides that if any Creditor or Operating Facility Lender receives or recovers from any member of the Group:

- (i) any payment or distribution of, or on account of or in relation to, any of the liabilities which is prohibited under the Intercreditor Agreement or, following the occurrence of a Senior Distress Event which is continuing, any Senior Lender Liabilities, Hedging Liabilities, Senior Notes liabilities, Permitted Senior Financing liabilities or Operating Facility liabilities;
- (ii) other than as referred to in the second paragraph of the caption “—*Effect of Insolvency Event; Filing of Claims*” any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;
- (iii) notwithstanding paragraphs (i) and (ii) above, other than as referred to in the second paragraph of the caption “—*Effect of Insolvency Event; Filing of Claims*” any amount:
  - (A) on account of, or in relation to, any of the liabilities after the occurrence of a distress event (including as a result of any 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 set out below the caption “—*Application of Proceeds*,”
- (iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption “—*Application of Proceeds*,” or
- (v) subject to certain exceptions, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out under the caption “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Group,

that Creditor or Operating Facility Lender will, subject to certain exceptions: (i) in relation to receipts and recoveries not received or recovered by way of set-off (x) 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 subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement and (y) subject to receiving payment instructions and any other relevant information the Security Agent, promptly pay 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 (ii) in relation to receipts and recoveries received or recovered by way of set-off, subject to receiving payment instructions and any other relevant information from the Security Agent, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

## **Enforcement of Security**

### ***Enforcement Instructions***

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; (ii) if required as set out in the third paragraph of this section, the Majority Second Lien Creditors or (iii) if required as set out under the fourth paragraph of this section, the Majority Senior Parent Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date as described under the caption “—*Restrictions Relating to Second Lien Liabilities*” above, the Majority Second Lien Creditors or (iii) to the extent permitted to enforce or to require the enforcement of the security prior to the First/Second Lien Discharge Date as described under the provisions under the caption “—*Restrictions Relating to Senior Parent Creditors and Senior Parent Liabilities*” above, the Majority Senior Parent Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Second Lien Creditors are then entitled to give to the Security Agent as described under the provisions under the caption “—*Permitted Second Lien Enforcement*” above.

Prior to the First/Second Lien Discharge Date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Parent Creditors are then entitled to give to the Security Agent as described under the provisions under the caption “—*Permitted Senior Parent Enforcement*” above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent in the manner contemplated by the Intercreditor Agreement.

#### *Manner of Enforcement*

If the security is being enforced as set forth above under the caption “—*Enforcement of Security—Enforcement Instructions*,” the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator, examiner or equivalent officer of any Debtor to be appointed by the Security Agent) as:

- (a) an Instructing Group;
- (b) prior to the Senior Discharge Date, if (i) the Security Agent has, pursuant to the third paragraph under the caption “—*Enforcement of Security*” above, given effect to instructions given by the Majority Second Lien Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Second Lien Creditors;
- (c) prior to the First/Second Lien Discharge Date, if (i) the Security Agent has, pursuant to the fourth paragraph under the caption “—*Enforcement of Security*” above, given effect to instructions given by the Majority Senior Parent Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Parent Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit (it being understood that, absent such instructions, the Security Agent may elect to take no action).

#### *Exercise of Voting Rights*

To the fullest extent permitted under applicable law, each Creditor (other than the Senior Notes Trustee and the Senior Parent Notes Trustee) and each Operating Facility Lender shall agree 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. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other Creditor or Operating Facility Lender under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that Creditor or Operating Facility Lender.

#### *Waiver of Rights*

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any

other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

#### *Security Held by Other Creditors*

If any security is held by a Creditor or Operating Facility Lender other than the Security Agent, then that Creditor or Operating Facility Lender may only enforce that security in accordance with instructions given by an Instructing Group pursuant to the terms of the Intercreditor Agreement (and for this purpose references to the Security Agent shall be construed as references to that Creditor or Operating Facility Lender).

#### *Consultation Period*

- (a) Subject to paragraph (d) below, before giving any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or to take any other Enforcement Action, the creditor representative(s) of the creditors of the Group represented in the Instructing Group concerned (and, if applicable, any relevant Hedge Counterparties) shall consult with each other creditor representative, each other Hedge Counterparty, each Operating Facility Lender and the Security Agent in good faith about the instructions to be given by the Instructing Group for a period of not less than 30 days from the date on which details of the proposed instructions are received by such creditor representative(s), Hedge Counterparties, Operating Facility Lenders and the Security Agent (or such shorter period as each creditor representative, Hedge Counterparty, Operating Facility Lender and the Security Agent shall agree) (the “Consultation Period”), and only following the expiry of a Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to enforce the security or refrain or cease from enforcing the security or take any other Enforcement Action.
- (b) Subject to paragraph (c) below, in the event conflicting instructions are received from any other Instructing Group, the Security Agent shall enforce the security, refrain or cease from enforcing the security or, as the case may be, take the relevant other Enforcement Action in accordance with the instructions given by an Instructing Group referred to in paragraph (a)(i)(A) of the definition of Instructing Group as set out above (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the Security Documents) and the terms of all instructions given by any other Instructing Group shall be deemed revoked.
- (c) Prior to the Senior Lender Discharge Date, if:
  - (i) the Senior Creditors have not been fully repaid within six months of the end of the first Consultation Period;
  - (ii) the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action within three months of the end of the first Consultation Period; or
  - (iii) an Insolvency Event has occurred and the Security Agent has not commenced any enforcement of the security (or a transaction in lieu thereof) or other Enforcement Action at that time,then the Security Agent shall follow the instructions given by the Majority Senior Creditors (in each case provided that such instructions are consistent with any applicable requirements of the Intercreditor Agreement and the relevant security documents).
- (d) Subject to paragraph (c) above, no Agent or Hedge Counterparty shall be obliged to consult in accordance with paragraph (a) above and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the security 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 Security Documents) if:
  - (i) the security has become enforceable as a result of an Insolvency Event; or
  - (ii) the Instructing Group or any creditor representative of the Creditors represented in the Instructing Group determines in good faith (and notifies each other creditor representative, the Hedge Counterparties and the Security Agent) that to enter into such consultations and thereby

delay the commencement of enforcement of the security would reasonably be expected to have a material adverse effect on:

(A) the Security Agent's ability to enforce any of the security; or

(B) the realization proceeds of any enforcement of the security, and, where this paragraph (d) applies:

any instructions shall be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting in relation to the matters referred to in sub-paragraphs (A) and (B) above; and

the Security Agent shall act in accordance with the instructions first received.

- (e) As soon as reasonably practicable following receipt of any instructions from an Instructing Group to enforce the security, refrain or cease from enforcing the security or, as the case may be, take any other Enforcement Action, the Security Agent shall provide a copy of such instructions to each Agent, Hedge Counterparty and Operating Facility Lender (unless it received those instructions from that person).

#### *Duties Owed*

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the First/Second Lien Discharge Date, the duties of the Security Agent and of any receiver or delegate owed to the Senior Parent Creditors in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall, subject to the section entitled Distressed Disposals below, be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

#### *Proceeds of Disposals*

##### *Non-Distressed Disposals*

The Security Agent is irrevocably authorized and instructed (at the request and cost of the relevant Debtor or the Parent) to promptly release (or procure that any other relevant person releases):

- (i) any security (and/or any other claim relating to a debt document) over any asset which is the subject of:
- (A) a disposal not prohibited by the terms of the Senior Facilities Agreement, any Senior Notes Indenture, any Permitted Senior Financing Agreement, the Second Lien Facility Agreement, any Permitted Second Lien Financing Agreement, any Senior Parent Notes Indenture and any Permitted Parent Financing Agreement (each a "Debt Financing Agreement") (including a disposal to a member of the Group, but without prejudice to any obligation of any member of the Group in a Debt Financing Agreement to provide replacement security); or
- (B) any other transaction not prohibited by the terms of any Debt Financing Agreement pursuant to which that asset will cease to be held or owned by a member of the Group;
- (ii) any security (and/or any other claim relating to a debt document) over any document or other agreement requested in order for any member of the Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Debt Financing Agreement);
- (iii) any security (and/or any other claim relating to a debt document) over any asset of any member of the Group which has ceased to be a Debtor (or will cease to be a Debtor simultaneously with such release); and
- (iv) any security (and/or any other claim relating to a debt document) over any other asset to the extent that such release is in accordance with the terms of the Debt Financing Agreements.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor (including in connection with the resignation of that Debtor or the Debtor being designated as an Unrestricted Subsidiary), the Security Agent (on behalf of itself and the Secured Parties) shall (at the request and cost of the relevant Debtor or the Parent) promptly release (or procure the release of) that Debtor and its subsidiaries (and its and their assets) from all present and future liabilities under the Secured Debt Documents.

When making any request for a release pursuant to this “—*Non-Distressed Disposals*” section, the Parent shall confirm in writing to the Security Agent that:

- (i) in the case of any release requested pursuant to paragraph (i) or (ii) above, the relevant disposal or other action is not prohibited by the terms of any Debt Financing Agreement; or
- (ii) in the case of any release requested pursuant to paragraph (iv) above, the relevant release is in accordance with terms of the Debt Financing Agreements,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor or the Parent but without the need for any further consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Parent (acting reasonably) shall require to give effect to any release or other matter described above.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Parent in accordance with the terms of any of the Debt Financing Agreements (and provided that the requested action is not expressly prohibited by any of the other Debt Financing Agreements), the Security Agent and the other Creditors and Operating Facility Lenders shall (at the cost of the relevant Debtor, the relevant Additional Security Provider and/or the Parent) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Security Documents as contemplated by the terms of any of the Debt Financing Agreements (and the Security Agent is authorized to execute, and will promptly execute if requested by the Parent, without the need for any further consent, sanction, authority or further confirmation from any Creditor or Operating Facility Lender, any such release or document on behalf of the Creditors and the Operating Facility Lenders). When making any request pursuant to this paragraph (d) the Parent shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Debt Financing Agreement (and the requested action is not expressly prohibited by way of any of the other Debt Financing Agreements) and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement or the Debt Financing Agreements (a “Permitted Transaction”). The Security Agent (on behalf of itself and the Secured Parties) hereby agrees (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any Party) that it shall (at the request and cost of the relevant Debtor or the Parent) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Parent in order to complete, implement or facilitate a Permitted Transaction.

If any member of the Group is required or permitted under the Senior Debt Documents to apply the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of the Senior Liabilities then no such application of those proceeds shall require the consent of any other party or result in any breach of any Senior Parent Finance Documents and such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or other discharge or reduction of any Senior Parent Liabilities. This paragraph is without prejudice to any right of any member of the Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Parent Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or any other Senior Debt Document.

The Security Agent is irrevocably authorized by each Secured Party to (and will on the request and at the cost of the Parent):

- (i) release the security; and
- (ii) release each investor, each Debtor and each other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of the Parent).



### *Distressed Disposals*

Generally, a “Distressed Disposal” is a disposal of an asset of a member of the Group which is (a) being effected at the request of an Instructing Group in circumstances where a security interest has become enforceable in accordance with the terms of the relevant security document(s), (b) being effected by enforcement of a security interest in accordance with the terms of the relevant security document(s) or (c) being disposed of to a third party subsequent to a distress event.

If a Distressed Disposal of any asset of a member of the Group is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, or the Parent and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor):

- (i) to release the security interest or any other claim over that asset and execute and deliver or enter into any release of that security interest 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 disposed of consists of shares in the capital of a Debtor to release:
  - (A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities;
  - (B) any security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and
  - (C) any other claim of an investor, an 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 Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;
- (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release:
  - (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities;
  - (B) any security interest granted by that holding company or any subsidiary of that holding company over any of its assets; and
  - (C) any other claim of any investor, any intra-group lender or another Debtor over that holding company’s assets or the assets of any subsidiary of that holding company,on behalf of the relevant Creditors, Operating Facility Lenders, Debtors and certain creditor representatives;
- (iv) if the asset which is disposed of 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 Intercreditor Agreement) decides to dispose of all or any part of the liabilities or the Debtor liabilities 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 Intercreditor Agreement) does not intend that any transferee of those liabilities or Debtor liabilities (the “Transferee”) will be treated as a Primary 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 Debtor liabilities, provided that, notwithstanding any other provision of any debt document, the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and
  - (B) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary 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 Primary Creditors and Operating Facility Lenders and all or part of any other liabilities and the Debtor liabilities,on behalf of, in each case, the relevant Creditors, Operating Facility Lenders and Debtors;

- (v) if the asset which is disposed of 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 Intercreditor Agreement) 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 Debtor liabilities, 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 Debtor liabilities 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) (if the Receiving Entity is a holding company of the Disposed Entity which is also a guarantor of Senior Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities or Debtor liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or Debtor liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtor liabilities) shall be paid to the Security Agent for application in accordance with the provisions set out under the caption “—*Application of Proceeds*” (to the extent that the asset disposed of constituted charged property), as if those proceeds were the proceeds of an enforcement of the relevant security interest and, to the extent that any disposal of liabilities or Debtor liabilities has occurred, as if that disposal of liabilities or Debtor liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent (acting in accordance with the Intercreditor Agreement), 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).

Where Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities would otherwise be released pursuant to the Intercreditor Agreement, the Creditor or Operating Facility Lender concerned may elect to have those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities transferred to the Parent in which case the Security Agent is irrevocably authorized (to the extent legally possible and at the cost of the relevant Debtor or the Parent and without any consent, sanction, authority or further confirmation from any Creditor, Operating Facility Lender, other Secured Party or Debtor) to execute such documents as are required to so transfer those Borrowing Liabilities, Guarantee Liabilities and/or Other Liabilities.

Subject to the immediately following two paragraphs, in the case of a Distressed Disposal effected by or at the request of the Security Agent (acting in accordance with the Intercreditor Agreement), unless the consent of each Senior Agent is otherwise obtained, it is a further condition to any release, transfer or disposal that the proceeds of such disposal are in cash (or substantially all in cash) and such sale or disposal is made pursuant to a public auction in respect of which the Primary Creditors are entitled to participate or where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the Second Lien Discharge Date a Distressed Disposal is being effected such that any Second Lien Liabilities will be released or disposed of, or any security securing the Second Lien Liabilities will be released, it is a further condition to the release that either:

- (a) each Second Lien Agent has approved the release; or
- (b) where shares or assets of a Second Lien Borrower or a Second Lien Guarantor are sold:
  - (i) the proceeds of such sale or disposal are in cash (or substantially in cash); and
  - (ii) all claims of the Senior Creditors, the Senior Notes Creditors, the Permitted Senior Financing Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any) all of whose shares

(other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates) and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that if each of the Senior Facility Agent, any Senior Notes Trustee and any Senior Creditor Representative (acting reasonably and in good faith):

- (A) determines that the Senior Secured Creditors will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its Affiliates and not released and discharged; and
- (B) serves a written notice on the Security Agent confirming the same, the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(iii) such sale or disposal is made:

- (A) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or
- (B) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

If prior to the first date on which the discharge date for the Senior Parent Notes and any Permitted Parent Financing Debt has occurred, a Distressed Disposal is being effected such that, generally, the guarantees of the Senior Parent Notes and the guarantees of any Permitted Parent Financing Debt or any security over the assets of a Senior Parent Debt Issuer or any Senior Parent Guarantor will be released and/or the Senior Parent Notes liabilities and any Permitted Parent Financing Liabilities will be released, it is a further condition to the release that either:

- the Senior Parent Notes Trustee and any Senior Parent Creditor Representative has approved the release; or
- where shares or assets of a Senior Parent Guarantor or assets of the Senior Parent Debt Issuer are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

- (B) all claims of the Senior Secured Creditors and the Operating Facility Lenders (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security interests under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Agent (acting reasonably and in good faith):

- (I) determines that the Senior Secured Creditors will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(II) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

- (I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or
- (II) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement, provided that the liability of such financial adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any financial adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

#### *Application of Proceeds*

The Intercreditor Agreement provides that secured parties may only benefit from Recoveries (as defined below) to the extent that the liabilities of such secured parties has the benefit of the guarantees or security under which such Recoveries are received and provided that, in all cases, the rights of such secured parties shall in any event be subject to the priorities set out in this section. This shall not prevent a Senior Secured Creditor benefiting from such Recoveries where it was not legally possible for the Senior Secured Creditor to obtain the relevant guarantees or security interests.

#### *Order of Application*

The Intercreditor Agreement provides that 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 relevant security interests (for the purposes of this “—*Application of Proceeds*” section and the “—*Equalization of the Senior Secured Creditors*” section, the “Recoveries”) shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this “—*Application of Proceeds*” section), in the following order of priority:

- (i) in discharging any sums owing to the Senior Agent (in respect of the amounts due to the Senior Agent), any Senior Creditor Representative (in respect of amounts due to the Senior Creditor Representative), any Senior Parent Creditor Representative (in respect of amounts due to the Senior Parent Creditor Representative), any Second Lien Agent (in respect of amounts due to Second Lien Agent), any Second Lien Creditor Representative (in respect of amounts due to Second Lien Creditor Representative) or certain amounts due to the Senior Notes Trustee or amounts due to the Senior Parent Notes Trustee, or any sums owing to the Security Agent, any receiver or any delegate on a pro rata and pari passu basis;
- (ii) in payment of all costs and expenses incurred by any agent, Primary Creditor or Operating Facility Lender in connection with any realization or enforcement of the security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- (iii) in respect of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in payment to:
  - (A) the Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders (or, if required under the laws of Serbia, to the Payment Agent on its own behalf and on behalf of any Senior Lenders making and receiving payments out of a facility office located in Serbia);
  - (B) the Hedge Counterparties; and
  - (C) the Operating Facility Lenders; for application towards the discharge of:
    - (I) the liabilities of the Debtors owing to the arrangers under or in connection with the Senior Facilities Finance Documents and the Senior Lender Liabilities (in accordance with the terms of the finance documents relating to the Senior Facilities);
    - (II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) to (III) above;

(iv) in payment to:

(A) the Senior Facility Agent on its own behalf and on behalf of the arrangers under the Revolving Credit Facility Agreement and the Senior Lenders (or, if required under the laws of Serbia, to the Payment Agent on its own behalf and on behalf of any Senior Lenders making and receiving payments out of a facility office located in Serbia);

(B) the Hedge Counterparties;

(C) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

(D) the Senior Notes Trustee on its own behalf and on behalf of the holders of the Senior Notes; and

(E) each Senior Creditor Representative on its own behalf and on behalf of the arrangers with respect to the Permitted Senior Financing Debt and the Permitted Senior Financing Creditors; and for application towards the discharge of:

(I) the liabilities of the Debtors owed to the arrangers under or in connection with the Revolving Credit Facility and the Senior Lender Liabilities (in accordance with the terms of the finance documents in relation to the Revolving Credit Facility);

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty); and

(III) the Operating Facility Liabilities (on a pro rata basis between the Operating Facility Liabilities of each Operating Facility Lender);

(IV) the Senior Notes liabilities (other than sums owing to the Security Agent) (in accordance with the terms of the Indenture and other finance documents for the Senior Notes);

(V) the liabilities of the Debtors owing to the arrangers of the Permitted Senior Financing Debt and the Permitted Senior Financing Liabilities (other than the liabilities owing to a Senior Creditor Representative) (in accordance with the terms of the Permitted Senior Financing Documents and, if there is more than one Permitted Senior Financing Agreement, on a pro rata basis between the Permitted Senior Financing Debt in respect of each Permitted Senior Financing Agreement);

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) to (V) above;

(v) in payment to:

(A) the Second Lien Facility Agent on its own behalf and on behalf of the Second Lien Arrangers and the Second Lien Lenders; and

(B) each Second Lien Creditor Representative on its own behalf and on behalf of the Permitted Second Lien Financing Arrangers and the Permitted Second Lien Financing Creditors, for application towards the discharge of:

(I) the Second Lien Arranger Liabilities and the Second Lien Lender Liabilities (in accordance with the terms of the Second Lien Finance Documents); and

(II) the Permitted Second Lien Financing Arranger Liabilities and the Permitted Second Lien Financing Liabilities (other than the Permitted Second Lien Financing Agent Liabilities) (in accordance with the terms of the Permitted Second Lien Financing Documents and, if there is more than one Permitted Second Lien Financing Agreement, on a pro rata basis between the Permitted Second Lien Financing Debt in respect of each Permitted Second Lien Financing Agreement),

on a pro rata basis and pari passu between the immediately preceding paragraphs (I) and (II) above;



(vi) in payment to:

- (A) each Senior Parent Notes Trustee on its own behalf and on behalf of the Senior Parent Noteholders; and
- (B) each Senior Parent Creditor Representative on its own behalf and on behalf of the arrangers under the Permitted Parent Financing Debt and the Permitted Parent Financing Creditors, for application towards the discharge of:
  - (I) the Senior Parent Notes liabilities (other than any sums owing to the Security Agent) (in accordance with the terms of the Senior Parent Notes finance documents); and
  - (II) the liabilities of the Debtors owed to the arrangers of the Permitted Parent Financing Debt and the Permitted Parent Financing Liabilities (other than the liabilities owing to a Senior Parent Creditor Representative) (in accordance with the terms of the Permitted Parent Financing Documents and, if there is more than one Permitted Parent Financing Agreement, on a pro rata basis between the Permitted Parent Financing Debt in respect of each Permitted Parent Financing Agreement),

on a pro rata basis and *pari passu* between the immediately preceding paragraphs (I) and (II) above;

(vii) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and

(viii) the balance, if any, in payment to the relevant Debtor.

The Security Agent is authorized under the Intercreditor Agreement to hold any non-cash consideration received or recovered in connection with the realization or enforcement of all or any part of the security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

#### *Liabilities of the Senior Parent Debt Issuer*

Generally, all amounts from time to time received or recovered by the Security Agent from or in respect of the Senior Parent Debt Issuer pursuant to the terms of any debt document (other than in connection with the realization or enforcement of all or any part of the relevant security interests) 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:

- (i) in accordance with paragraph (i) of the section captioned “—*Application of Proceeds—Order of Application*;”
- (ii) in accordance with paragraph (ii) of the section captioned “—*Application of Proceeds—Order of Application*;”
- (iii) in accordance with paragraphs (iv) to (vi) of the section captioned “—*Application of Proceeds—Order of Application*,” *provided* that payments will be made on a pro rata basis and *pari passu* between each of the payments referred to in paragraphs (iv) and (to the extent relating to Liabilities in respect of Senior Parent Notes and/or Permitted Parent Financing Debt where the relevant Senior Parent Debt Issuer is the issuer or, as the case may be, the borrower) (v);
- (iv) if none of the Debtors is under any further actual or contingent liability under any Secured Debt Document, in payment to any person to whom the Security Agent is obliged to pay in priority to any Debtor; and
- (v) the balance, if any, in payment to the relevant Debtor.

#### *Equalization of the Senior Secured Creditors*

If, for any reason, any Senior Creditor Liabilities, Senior Notes Liabilities, Permitted Senior Financing Liabilities or Operating Facility Liabilities remain unpaid after the relevant enforcement date and the

resulting losses are not borne by the relevant Senior Secured Creditors and the Operating Facility Lenders in the proportions which their respective exposures at the relevant enforcement date bore to the aggregate exposures of all the relevant Senior Secured Creditors and the Operating Facility Lenders at the enforcement date (or, in the case of Recoveries resulting from the realization or enforcement of all or any part of the security or a transaction in lieu thereof, in a manner reflecting the order of priority contemplated in under the section “—*Application of Proceeds—Order of Application*”), the relevant Senior Secured Creditors and the Operating Facility Lenders will make such payments among themselves as the Security Agent shall require to put the relevant Senior Secured Creditors and the Operating Facility Lenders in such a position that (after taking into account such payments) those losses are borne in those proportions (or, as the case may be, to otherwise reflect the order of priority contemplated under the section “—*Application of Proceeds—Order of Application*”).

#### ***Turnover of Enforcement Proceeds***

If:

- (a) the Security Agent or the relevant Agent is not entitled, for reasons of applicable law, to pay amounts received pursuant to the making of a demand under any guarantee, indemnity or other assurance against loss or the enforcement of the security to the Senior Secured Creditors and the Operating Facility Lenders but is entitled to distribute those amounts to Creditors (such Creditors, the “Receiving Creditors”) who, in accordance with the terms of the Intercreditor Agreement, are subordinated in right and priority of payment to the Senior Secured Creditors and the Operating Facility Lenders; and
- (b) the First/Second Lien Discharge Date has not yet occurred (nor would occur after taking into account such payments), then the Receiving Creditors shall make such payments to the Senior Secured Creditors and the Operating Facility Lenders as the Security Agent shall require to place the Senior Secured Creditors and the Operating Facility Lenders in the position they would have been in had such amounts been available for application against the Senior Liabilities and the Operating Facility Liabilities, provided this shall not apply to any receipt or recovery that has been distributed by:
  - (i) a Senior Notes Trustee to the Senior Noteholders in accordance with the Senior Notes Finance Documents;
  - (ii) a Senior Parent Notes Trustee to the Senior Parent Noteholders in accordance with the Senior Parent Notes Finance Documents;
  - (iii) a Senior Creditor Representative to the Permitted Senior Financing Creditors in accordance with the Permitted Senior Financing Documents;
  - (iv) a Second Lien Creditor Representative to the Permitted Second Lien Financing Creditors in accordance with the Permitted Second Lien Financing Documents; or
  - (v) a Senior Parent Creditor Representative to the Permitted Parent Financing Creditors in accordance with the Permitted Parent Financing Documents,

unless the Senior Notes Trustee, the Senior Parent Notes Trustee, the Senior Creditor Representative, the Second Lien Creditor Representative or the Senior Parent Creditor Representative (as applicable) had received at least two Business Days’ prior written notice (in accordance with the Intercreditor Agreement) that an acceleration event or an insolvency event in relation to a Debtor had occurred or that the receipt or recovery falls within the provisions set out under the caption “—*Turnover*” prior to distribution of the relevant amount.

#### ***Group Pushdown***

The Intercreditor Agreement, generally, provides that on, in contemplation of, or after, a public equity offering (an “IPO Event”) of any member of the Group (other than (x) a subsidiary of a borrower or issuer which is restricted from being designated as such by the relevant Debt Financing Agreement and is not replaced prior to such a public equity offering with another Group entity or (y) a subsidiary of the Parent) or any of its holding companies (the “IPO Entity”), at the Parent’s option:

- (i) the Group shall comprise only the IPO Entity and its restricted subsidiaries from time to time (subject to the exclusions set out in the definition of Group);
- (ii) the IPO Entity shall take on the Parent’s role under the Intercreditor Agreement;

- (iii) none of the representations, warranties, undertakings or other provisions of the Intercreditor Agreement shall apply to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise);
- (iv) no event, matter or circumstance relating to any holding company of the IPO Entity (whether in its capacity as a Debtor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term of the Intercreditor Agreement or a default or an event of default;
- (v) each holding company of the IPO Entity shall be irrevocably and unconditionally released from all obligations under the Intercreditor Agreement and the security documents (including any security granted by any such holding company; and
- (vi) unless otherwise notified by the Parent:
  - (A) each person which is party to the Intercreditor Agreement as an investor shall be irrevocably and unconditionally released from the Intercreditor Agreement and all obligations and restrictions under the Intercreditor Agreement (and from the date specified by the Parent that person shall cease to be party to the Intercreditor Agreement as an investor and shall have no further rights or obligations under the Intercreditor Agreement as an investor); and
  - (B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement as an investor, such amendments being a “Group Pushdown.”

In the event that any person is released from or does not become party to the Intercreditor Agreement as an investor as a consequence of the above paragraph, any term of any debt document which requires or assumes that any person be an investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement or otherwise subordinated shall cease to apply.

The Parent must provide written notice to the Security Agent in order to implement a Group Pushdown. Such a notice may be revoked prior to the IPO Event to which it relates provided that (where requested by an Instructing Group) any security which was released is reinstated and any investor which was released from its obligations under the Intercreditor Agreement accedes again.

The parties to the Intercreditor Agreement shall be required to enter into any amendment to or replacement of it and/or take such other action as is required by the Parent to facilitate or reflect any of the matters contemplated by the preceding paragraph and the Security Agent is irrevocably authorized to promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any security document) as is requested in order to complete, implement or facilitate such matters.

#### ***Required Consents***

The Intercreditor Agreement provides that, subject to certain exceptions, it and/or a security document may be amended or waived only with the written consent of:

- (i) if the relevant amendment or waiver (the “Proposed Amendment”) is prohibited by the Senior Facilities Agreement, the Senior Facility Agent (acting on the instructions of the requisite Senior Lenders in accordance with the applicable provisions of the Senior Facilities Agreement);
- (ii) if any Senior Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;
- (iii) if any Second Lien Debt has been incurred and the Proposed Amendment is prohibited by the terms of the Second Lien Facility Agreement, the Second Lien Facility Agent (acting on the instructions of the requisite Second Lien Lenders in accordance with the terms of the Second Lien Facility Agreement);
- (iv) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Financing Agreement, the Senior Creditor Representative in respect of that Permitted Senior Financing Debt (if applicable, acting on the instructions of the Majority Permitted Senior Financing Creditors);
- (v) if any Permitted Second Lien Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Second Lien Financing Agreement, the Second Lien

Creditor Representative in respect of that Permitted Second Lien Financing Debt (if applicable, acting on the instructions of the Majority Permitted Second Lien Financing Creditors);

- (vi) if any Senior Parent Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Parent Notes Indenture, the Senior Parent Notes Trustee;
- (vii) if any Permitted Parent Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Parent Financing Agreement, the Senior Parent Creditor Representative in respect of that Permitted Parent Financing Debt (if applicable, acting on the instructions of the Majority Permitted Parent Financing Creditors);
- (viii) if a Hedge Counterparty is providing hedging to a Debtor under a hedging agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable hedging agreement, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);
- (ix) if an Operating Facility Lender is providing one or more facility to a Debtor under an Operating Facility Document, that Operating Facility Lender (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Operating Facility Lender and is an amendment or waiver which is expressed to require the consent of that Operating Facility Lender under the applicable Operating Facility Document, as notified by the Parent to the Security Agent at the time of the relevant amendment or waiver);
- (x) certain investors (as permitted under the Intercreditor Agreement); and
- (xi) the Parent.

Notwithstanding the foregoing, any amendment or waiver of any Secured Debt Document that is made or effected in connection with any Debt Refinancing (see “—*Debt Refinancing*”), any incurrence of additional and/or refinancing debt (as referred to in “—*Ranking and Priority—Additional and/or Refinancing Debt*”) or Non-Distressed Disposal (see “—*Proceeds of Disposals—Non-Distressed Disposals*”) or in connection with any other provision of any Secured Debt Document (provided that such amendment or waiver is not expressly prohibited by the terms of any other Secured Debt Document) shall be binding on all parties to the Intercreditor Agreement.

The Intercreditor Agreement or a security document may be amended by the Parent 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 for the benefit of all or any of the Secured Parties. Any amendment, waiver or consent which relates only to the rights or obligations applicable to creditors under a particular Debt Financing Agreement (and which does not materially and adversely affect the rights or interests of creditors under other Debt Financing Agreements) may be approved with only the consent of the creditor representative in respect of that Debt Financing Agreement and the Parent.

#### *Amendments and Waivers: Security Documents*

Subject to the paragraph below and to certain exceptions under the Intercreditor Agreement and unless the provisions of any debt document expressly provide otherwise, the Security Agent may, if authorized by an Instructing Group, and if the Parent 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 second and third paragraphs of the section captioned “—*Exceptions*” below, any amendment or waiver of, or consent under, any security document which would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of the security are distributed requires approval as set out under the section captioned “—*Required Consents*.”

#### *Exceptions*

Subject to the following paragraph of this “—*Exceptions*” section, an amendment, waiver or consent which adversely relates to the express rights or obligations of an agent, an arranger or the Security Agent

(in each case in such capacity) may not be effected without the consent of that agent, that arranger or the Security Agent (as the case may be) at such time.

The foregoing shall not apply:

- to any release of security, claim or liabilities; or
- to any consent,

which, in each case, the Security Agent gives in accordance with the provisions set out under the caption “—*Proceeds of Disposals*” above.

The first paragraph of this “—*Exceptions*” section shall apply to an arranger only to the extent that the arranger liabilities are then owed to that arranger.

*Agreement to Override*

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the debt documents to the contrary.



## DESCRIPTION OF THE NOTES

The following is a description of the €            million aggregate principal amount of            % senior secured notes due 2022 (the “2022 Fixed Rate Notes”), the €            million aggregate principal amount of            % senior secured notes due 2024 (the “2024 Fixed Rate Notes” and, together with the 2022 Fixed Rate Notes, the “Fixed Rate Notes”), and €            million aggregate principal amount of floating rate senior secured notes due 2023 (the “Floating Rate Notes” and, together with the Fixed Rate Notes, the “Notes”). The Notes will be issued by United Group B.V., a *besloten vennootschap met beperkte aansprakelijkheid* incorporated under the laws of the Netherlands (the “Issuer”), and unconditionally guaranteed on a senior secured basis by its direct parent, Adria Midco B.V. (the “Company”), and certain of its subsidiaries, including Adria Serbia HoldCo B.V., Adria Cable B.V., Adria Media B.V., Slovenia Broadband S.à r.l. and Bosnia Broadband S.à r.l., Telemach d.o.o., Telemach Rotovž d.d., Telemach Tabor d.d. and Telemach d.o.o. Sarajevo (together with the Company, the “Guarantors”).

Unless the context otherwise requires or is otherwise clear from context, in this “*Description of the Notes*,” the “Issuer” refers only to United Group B.V., and any successor obligor to United Group B.V. on the Notes, and not to any of its subsidiaries or to its parent, the Company. The Company has been incorporated as a *besloten vennootschap met beperkte aansprakelijkheid* under the laws of the Netherlands.

The proceeds of the offering of the Notes sold on the Issue Date will be used by the Issuer to refinance certain existing indebtedness of the Company including any accrued and unpaid interest and any redemption premium; to finance the Acquisition (as defined below) and to pay fees, costs and expenses incurred in connection with the Transactions (as defined below), as set forth in this offering memorandum under the caption “*Use of Proceeds*.”

Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the Issuer will, concurrently with the closing of the offering of the Notes on the Issue Date, deposit €200 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition. In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to May 31, 2018 (the “Longstop Date”) or the Acquisition Agreement (as defined herein) terminates at any time on or prior to the Longstop Date, the Issuer will redeem €200.0 million in aggregate principal amount of its            Fixed Rate Notes at a price equal to 100% of the initial issue price of such Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory Redemption Date (as defined below). See “—*Acquisition Proceeds; Special Mandatory Redemption*.”

The Issuer will issue the Notes under an indenture to be dated as of the Issue Date among, *inter alios*, the Issuer, the Guarantors and U.S. Bank Trustees Limited, as trustee (the “Trustee”). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See “*Transfer Restrictions*.” The terms of the Notes include those stated in the indenture. The indenture will not be qualified under, incorporate provisions by reference to, or otherwise be subject to, the Trust Indenture Act. The Notes are subject to all such terms pursuant to the provisions of the indenture, and holders of the Notes are referred to the indenture for a statement thereof.

The following is a summary of the material provisions of the indenture, the Security Documents (as defined below) and the Intercreditor Agreement (as defined below) and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the indenture, the Security Documents and the Intercreditor Agreement, respectively. Because this is a summary, it may not contain all the information that is important to you. You should read the indenture, the Security Documents and the Intercreditor Agreement in their entirety. Copies of the indenture and the Intercreditor Agreement are available as described under “*Where You Can Find Other Information*.” You can find the definitions of certain terms used in this description under “—*Certain Definitions*.”

### Brief Description of the Notes and the Guarantees

#### *The Notes*

- will be senior obligations of the Issuer, secured by the Collateral described below on a first priority basis along with obligations under the Senior Facilities Agreement (as defined below) (although any liabilities in respect of obligations under the Senior Facilities Agreement will, and certain future Hedging Agreements (as defined below) and other indebtedness that is secured by the Collateral may, receive priority over the Notes with respect to any proceeds received upon any enforcement action over the Collateral);

- will be senior in right of payment to any Subordinated Indebtedness (as defined below) of the Issuer;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- will be or will be unconditionally guaranteed on a senior secured basis by the Guarantors, subject to the guarantee limitations described herein and in *“Risk Factors—Risks Related to the Notes and the Notes Guarantees—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.”*

### **The Guarantees**

- will be the senior obligations of the relevant Guarantor, which will be secured by the Collateral described below on a first priority basis along with obligations under the Senior Facilities Agreement (although any liabilities in respect of obligations under the Senior Facilities Agreement will, and certain future Hedging Agreements and other indebtedness that is secured by the Collateral may, receive priority over the Guarantees with respect to any proceeds received upon any enforcement action over the Collateral);
- will be senior in right of payment to any Subordinated Indebtedness of the relevant Guarantor;
- will be effectively senior in right of payment to any existing or future unsecured obligations of the relevant Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes; and
- will be subject to limitations described herein and in *“Risk Factors—Risks Related to the Notes and the Notes Guarantees—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.”*

### **Principal and Maturity**

The Issuer will issue €1,350 million in aggregate principal amount of Notes on the Issue Date. The Notes will mature on \_\_\_\_\_, 2022, in the case of the 2022 Fixed Rate Notes, \_\_\_\_\_, 2024, in the case of the 2024 Fixed Rate Notes and \_\_\_\_\_, 2023, in the case of the Floating Rate Notes. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

If the due date for any payment in respect of any Notes is not a Business Day (as defined below), the Holder (as defined below) thereof will not be entitled to payment of the amount due until the next succeeding Business Day, 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 on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at 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.

### **Interest**

#### ***Interest on the Fixed Rate Notes***

Interest on the 2022 Fixed Rate Notes will accrue at the rate of \_\_\_\_\_ % per annum and will be payable, in cash, semi-annually in arrears on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 2018 to holders of record on the immediately preceding \_\_\_\_\_ and \_\_\_\_\_, respectively.

Interest on the 2024 Fixed Rate Notes will accrue at the rate of        % per annum and will be payable, in cash, semi-annually in arrears on        and        of each year, commencing on       , 2018 to holders of record on the immediately preceding        and       , respectively.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

#### ***Interest on the Floating Rate Notes***

Interest on the Floating Rate Notes will accrue at a rate per annum computed against the principal outstanding on the Floating Rate Notes (the “Applicable Rate”), reset quarterly, equal to EURIBOR plus        %, as determined by an agent appointed by the Issuer to calculate EURIBOR for the purposes of the indenture (the “Calculation Agent”), which shall initially be Elavon Financial Services DAC, UK Branch.

Interest on the Floating Rate Notes will be payable quarterly in arrears on       ,       , and        of each year, commencing on       , 2017. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day. Therefore the Interest Period (as defined below) will be one or more days longer. The Issuer will pay interest to the holders of record on the       ,       , or        immediately preceding the applicable interest payment date, as the case may be. The Floating Rate Notes will bear interest from the Issue Date or, if interest has already been paid, from the date it was most recently paid.

The Calculation Agent will, as soon as practicable after 11:00 a.m., London time, on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the “Interest Amount”). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of the Floating Rate Notes outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 365.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of wilful default, bad faith or manifest error, be binding on all parties. The Trustee and the Paying Agent shall not be responsible for, nor incur any liability in connection with, any loss resulting from any calculation made, or intended to be made, by the Calculation Agent.

The Calculation Agent will, upon the written request of the holder of any Floating Rate Notes, provide the interest rate then in effect with respect to the Floating Rate Notes. The rights of holders of beneficial interests in the Floating Rate Notes to receive the payments of interest on the Floating Rate Notes will be subject to applicable procedures of Euroclear and Clearstream, as applicable.

Interest will be computed on the basis of a 365-day year and the actual number of days elapsed. The Applicable Rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by applicable law.

Set forth below is a summary of certain of the defined terms used in the indenture relating to the calculation of interest on the Floating Rate Notes:

“Determination Date,” with respect to an Interest Period, will be the day that is the first day of such Interest Period.

“EURIBOR” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date; *provided, however*, that EURIBOR shall never be less than 0%. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London office of each of four major banks in the eurozone inter-bank market, as selected by the Issuer, to provide such bank’s offered quotation (expressed as a percentage per annum) as

of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the eurozone inter-bank market for deposits in a Representative Amount in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London, as selected by the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"eurozone" means the region comprised of member states of the European Union that adopt the euro.

"Interest Period" means the period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and exclude .

"Representative Amount" means the greater of (a) €1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"Reuters Page 248" means the display page so designated by Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

### **General**

If the interest payment date in respect of any Notes is not a Business Day, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

### **Additional Notes**

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*Certain Covenants—Limitation on Indebtedness*" and "*Certain Covenants—Limitation on Liens*" the Issuer is permitted to issue additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate (as defined below) supplied to the Trustee ("Additional Notes"):

- (1) the title of such Additional Notes;
- (2) the aggregate principal amount of such Additional Notes;
- (3) the date or dates on which such Additional Notes will be issued;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes.

Such Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the indenture and this “*Description of the Notes*,” references to “Notes” shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the initial Notes, and shall be deemed to form one series and references to the Notes shall be deemed to include the Notes initially issued on the Issue Date as well as any such Additional Notes.

#### **Methods of Receiving Payments on the Notes**

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) will be payable through one or more Paying Agents by wire transfer of immediately available funds to Euroclear or Clearstream, which will credit the account specified by the Holder (being Euroclear and Clearstream or their nominee).

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities (“Definitive Registered Notes”) will be payable at the specified office or agency of one or more Paying Agents (as defined below) maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid at the option of the Issuer by check mailed to the address of the Holder as shown on the register for the Definitive Registered Notes. See “—*Paying Agent, Registrar and Transfer Agent for the Notes*.”

#### **Paying Agent, Registrar and Transfer Agent for the Notes**

The Issuer will maintain one or more paying agents (each a “Paying Agent”) for the Notes for so long as the Notes are held in registered form. The initial Paying Agent will be Elavon Financial Services DAC, UK Branch.

The Issuer will also maintain (i) one or more registrars (each, a “Registrar”) and (ii) a transfer agent (the “Transfer Agent”). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC, UK Branch. The Paying Agent, Registrar and the Transfer Agent, as applicable, will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Transfer Agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the holders of the Notes.

#### **Transfer and Exchange**

The Notes will initially be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Each series of the Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes”).
- The 144A Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.
- Each series of the Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the 144A Global Notes, the “Global Notes”).
- The Regulation S Global Notes will, upon issuance, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and/or Clearstream.



Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through such participants. Ownership of interests in the 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 participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes 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 Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests 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 “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

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 aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the 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 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 to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. 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, as applicable, 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.

Notwithstanding the foregoing, the Registrar is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of such Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of such 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 applicable to such Notes; 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, the Registrar and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

### **Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*," the Company will be permitted to designate Restricted Subsidiaries (other than the Issuer) as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the indenture.

### **Acquisition Proceeds; Special Mandatory Redemption**

Concurrently with the closing of the offering of the Notes on the Issue Date, the Issuer will deposit €200.0 million into a segregated bank account to hold such amounts pending the consummation of the Acquisition.

In the event that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated on or prior to the Longstop Date or the Acquisition Agreement terminates at any time on or prior to the Longstop Date (the date of any such event being the "Special Termination Date"), the Issuer will redeem €200.0 million in aggregate principal amount of its Fixed Rate Notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the aggregate issue price of the Notes, plus accrued but unpaid interest and Additional Amounts, if any, from the Issue Date to (but not including) the Special Mandatory 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).

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Trustee, and will provide that the Notes shall be redeemed on a date that is no later than the fifth Business Day after such notice is given by the Issuer. On the Special Mandatory Redemption Date, the Issuer shall pay to the Paying Agent for payment to each Holder the Special Mandatory Redemption Price for such Holder's Notes.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of The International Stock Exchange (the "Exchange"), and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such special mandatory redemption. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

### **Guarantees**

On the Issue Date, the obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior basis, by the Guarantors (such guarantee, a "Guarantee").

The Guarantors and their respective jurisdictions of incorporation will be as follows:

The Company	The Netherlands
Adria Serbia HoldCo B.V.	The Netherlands
Adria Cable B.V.	The Netherlands
Adria Media B.V.	The Netherlands
Slovenia Broadband S.à r.l.	Luxembourg
Bosnia Broadband S.à r.l.	Luxembourg
Telemach d.o.o.	Slovenia
Telemach Rotovž d.d.	Slovenia
Telemach Tabor d.d.	Slovenia
Telemach d.o.o. Sarajevo	Bosnia

The Guarantors will grant the Guarantees and will also grant a senior guarantee of the Senior Facilities Agreement.

In addition, as described below under "*Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Company (other than the Issuer and any Subsidiary incorporated in Serbia) that guarantees the Senior Facilities Agreement, Public Debt (as defined below) or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules, retention of title claims and similar matters.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor’s obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See *“Risk Factors—Risks Related to the Notes and the Notes Guarantees—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability”* and *“Risk Factors—Risks Related to the Notes and the Notes Guarantees—Our subsidiaries located in Serbia, as well as other subsidiaries representing a significant portion of our revenue and EBITDA, will not guarantee the Notes, and the Notes and each of the Notes Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of our non-Guarantor subsidiaries.”*

The Guarantee of a Guarantor will terminate and be released upon:

- except in the case of the Guarantee by the Company, a sale or other disposition (including by way of consolidation or merger) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary, or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, otherwise permitted by the indenture;
- except in the case of the Guarantee by the Company, the designation in accordance with the indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes, as provided in *“—Defeasance”* and *“—Satisfaction and Discharge;”*
- except in the case of the Guarantee by the Company, with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Facilities Agreement and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement (as defined below);
- as described under *“—Amendments and Waivers;”*
- with respect to any Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by *“—Certain Covenants—Merger and Consolidation—Subsidiary Guarantors”* and the indenture; or
- with respect to any Guarantor, in connection with a solvent liquidation of such Guarantor pursuant to which substantially all of the assets of such Guarantor remain owned by the Issuer or a Guarantor.

Substantially all the operations of the Company (and the Issuer) are conducted through its Subsidiaries. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority 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 Guarantors, including the holders of the Notes. The Notes and each Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Company. For the twelve months ended March 31, 2017, the Issuer and the Guarantors generated 46.2% of the Company’s revenue and 42.9% of the Company’s EBITDA. For the twelve months ended March 31, 2017, the Issuer and the Guarantors had a net loss of €14,225 thousand, compared to a net loss of €9,383 thousand for the Company. For the twelve months ended March 31, 2017, the non-Guarantor subsidiaries of the Company generated 53.8% of the Company’s revenue and 57.1% of the Company’s EBITDA. For

the twelve months ended March 31, 2017, the non-Guarantor Subsidiaries had a net profit of €4,842 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, the Issuer and the Guarantors represented 54.0% of the Company's total assets (excluding goodwill) and the non-Guarantor subsidiaries of the Company represented 46.0% of the Company's total assets (excluding goodwill). See *"Reconciliation of Certain Financial Data Presented Herein."* Our subsidiaries organized in Serbia, Macedonia, Croatia, Montenegro, Malta, Cyprus, Switzerland and Canada will not guarantee the obligations under the Notes. Although the indenture limits the incurrence of Indebtedness, Disqualified Stock and 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, Disqualified Stock or Preferred Stock under the indenture. See *"—Certain Covenants—Limitation on Indebtedness."*

## **The Proceeds Loan**

On or about the Acquisition Completion Date, the Issuer will lend, pursuant to a proceeds loan (the "Proceeds Loan"), a portion of the net proceeds of the issuance of the Notes to Slovenia Broadband S.à r.l. The Proceeds Loan will be subordinated in right of payment to the Notes and the Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a first-priority security interest in respect of the receivables under the Proceeds Loan to secure the Notes and the Senior Facilities Agreement. See *"—Security."*

It is anticipated that funds received by the Issuer as payments of interest under the Proceeds Loan will be used to service a portion of the interest payments under the Notes. As the aggregate principal amount of the Proceeds Loan is lower than that of the Notes, the Proceeds Loan may have a variable interest rate that allows for higher interest payments from time to time and the principal on the Proceeds Loan may be repaid in order to service interest payments on the Notes. In addition, subsidiaries of the Issuer may upstream further funds as needed by means of dividends or loans.

In addition, the existing intercompany loan (the "Serbian Intercompany Loan") from the Issuer to Srpske Broadband Kablovske mreze d.o.o. Beograd (which was made with a portion of the proceeds from the Original Notes) will remain in place. The Serbian Intercompany Loan will be subordinated in right of payment to the Notes and the Guarantees pursuant to the Intercreditor Agreement. The Issuer will grant a first-priority security interest in respect of the receivables under the Serbian Intercompany Loan to secure the Notes and the Senior Facilities Agreement. See *"—Security."* For the twelve months ended March 31, 2017, Srpske Broadband Kablovske mreze d.o.o. Beograd generated 37.1% of the Company's revenue and 48.8% of the Company's EBITDA. For the twelve months ended March 31, 2017, Srpske Broadband Kablovske mreze d.o.o. Beograd had a net profit of €5,230 thousand, compared to a net loss of €9,383 thousand for the Company. As of March 31, 2017, Srpske Broadband Kablovske mreze d.o.o. Beograd represented 33.1% of the Company's total assets (excluding goodwill). See *"Reconciliation of Certain Financial Data Presented Herein."* Under the indenture for the Notes, the Company will procure that Srpske Broadband Kablovske mreze d.o.o. Beograd will not repay any of the principal amount under the Serbian Intercompany Loan, except to the extent that a corresponding reduction is made in the principal amount of the Notes, whether by redemption, repurchase, repayment, defeasance or otherwise.

## **Security**

### ***The Collateral***

Pursuant to the Security Documents, the Issuer and the Guarantors, will grant in favor of the Security Agent, liens and security interests on an equal and ratable first-priority basis, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens, over certain of their assets, as listed below:

On or about the Issue Date, the Issuer and certain of the Guarantors, as applicable, will grant security over:

- shares of the Issuer, Adria Serbia Holdco B.V., Adria Cable B.V., Adria Media B.V., Slovenia Broadband S.à r.l. and Bosnia Broadband S.à r.l.;
- certain bank accounts of the Issuer, the Company, Adria Serbia Holdco B.V., Adria Cable B.V., Adria Media B.V., Slovenia Broadband S.à r.l. and Bosnia Broadband S.à r.l.; and
- certain receivables owing to Adria Cable B.V., Slovenia Broadband S.à r.l. and Bosnia Broadband S.à r.l. in respect of intercompany loans.

In addition, pursuant to Security Documents to be entered into within 120 days following the Issue Date, the Notes and the Guarantees are expected to be secured by the following assets, subject to the operation of the Agreed Security Principles, certain perfection requirements and any Permitted Collateral Liens:

- shares of Telemach d.o.o., Telemach Rotovž d.d., Telemach Tabor d.d. and Telemach d.o.o. Sarajevo;
- shares of Srpske Broadband Kablovske mreze d.o.o. Beograd owned by Adria Serbia Holdco B.V.;
- certain bank accounts of Telemach d.o.o. Sarajevo;
- bills of exchange and bills of exchange authorizations issued by Telemach d.o.o., Telemach Rotovž d.d. and Telemach Tabor d.d.;
- certain receivables owing to Telemach d.o.o. in respect of intercompany loans; and
- certain receivables owing to the Issuer under the Serbian Intercompany Loan to Srpske Broadband Kablovske mreze d.o.o. Beograd,

(together, the “Initial Collateral”).

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each subsidiary of the Company (other than the Issuer) that accedes to the Senior Facilities Agreement as a guarantor after the Issue Date (other than any subsidiary incorporated in Serbia) and grants security in connection with such accession shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted over the ownership interests in such Guarantor and its material operating bank accounts and intercompany receivables (together with the Initial Collateral, the “Collateral”). All Collateral shall be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing, certain assets will not be pledged (or the Liens not perfected), in accordance with the Agreed Security Principles, including:

- if providing such security would be prohibited by general statutory limitations, financial assistance, capital maintenance, corporate benefit, fraudulent preference, “earnings stripping,” “controlled foreign corporation,” “thin capitalization” rules, tax restrictions, retention of title claims and similar matters or providing security would be outside the applicable pledgor’s capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after the use of reasonable endeavors to overcome such obstacle;
- if the cost of providing security is not proportionate to the benefit accruing to the holders of the Notes;
- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if certain security may be provided by the relevant Guarantor granting a promise to pledge coupled with an irrevocable power of attorney as opposed to a definitive legal mortgage or pledge over the relevant asset;
- if it is expressly acknowledged that it may be either impossible or impractical to create security over certain categories of assets, security will not be taken over such assets;
- if providing such security requires consent before such assets may be secured or where providing such security would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of the Company, the Issuer or any of their Subsidiaries in respect of those assets or require any of them to take any action materially adverse to their interests and where (subject to certain conditions being met) such consent cannot be obtained after the use of reasonable endeavors;
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such Subsidiary) on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the indenture and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this principle;



- if the aggregate of notarial costs and all registration and like taxes relating to the provision of security exceeds an agreed amount;
- if the assets are, or the relevant member of the group is, located outside the security jurisdictions, which are Slovenia, Bosnia and Herzegovina, the Netherlands and Luxembourg;
- in the case of security from or over, or over assets of, any joint venture or similar arrangement, any minority interest or any entity (other than the Company) that is not wholly-owned; and
- in the case of assets subject to security in favor of a third party.

The Collateral will also secure the liabilities under the Senior Facilities Agreement, any Operating Facilities, hedging agreements and any Additional Notes; *provided* that lenders under the Senior Facilities Agreement, such Operating Facilities and counterparties to hedging agreements will receive proceeds from the enforcement of the Collateral in priority to holders of the Notes. Pursuant to the Intercreditor Agreement, any liabilities in respect of obligations under the Senior Facilities Agreement, Operating Facilities and any hedging obligations permitted to be incurred under the covenant “—*Certain Covenants—Limitation on Indebtedness*” and permitted to be secured on the Collateral on a super priority basis (see “—*Certain Definitions—Permitted Collateral Liens*”) will receive priority over the holders of the Notes with respect to any proceeds received upon any enforcement action over any Collateral. Subject to certain conditions, including compliance with the covenant described under “—*Certain Covenants—Impairment of Security Interest*,” the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the indenture and the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after all liabilities in respect of obligations under the Senior Facilities Agreement, Operating Facilities and certain hedging obligations that are secured have been discharged from such recoveries, will be applied *pro rata* in payment of all liabilities in respect of obligations under the indenture and the Notes and any other Indebtedness of the Company or its Restricted Subsidiaries permitted to be incurred and secured by the Collateral pursuant to the indenture and the Intercreditor Agreement.

#### ***Administration of Security and Enforcement of Liens***

The Security Documents and the Collateral will be administered by the Security Agent, in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. In addition, in certain jurisdictions, due to the laws and jurisprudence governing the creation and perfection of security interests, the Intercreditor Agreement provides for the creation of a parallel debt which will form part of the secured obligation. The parallel debt construct has not been tested under law in certain of these jurisdictions. The enforcement of the Security Documents will be subject to the procedures set forth in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see “*Description of Certain Indebtedness—Intercreditor Agreement*.”

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 “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—Insolvency laws and other limitations on the Notes Guarantees and the security may adversely affect their validity and enforceability*.” In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer’s obligation under the Notes and a Guarantor’s obligation under its Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*.”

Subject to the terms of the Security Documents, the Issuer, the Guarantors and any other Collateral provider will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. 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, the payment of obligations

under the Senior Facilities Agreement and any hedging obligations. 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 can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement and the Security Documents place limitations on 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 only at a price confirmed by a valuation. See “*Description of Certain Indebtedness—Intercreditor Agreement.*”

The Trustee for the Notes has, and by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed the 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 (as defined below) and each Holder will also be deemed to have authorized the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

### ***Priority***

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Facilities Agreement and other future indebtedness (including the Operating Facilities) (b) the counterparties under certain hedging agreements, and (c) the Trustee and the holders of the Notes under the indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Notes, the Senior Facilities Agreement and such hedging agreements will receive proceeds of enforcement of security over the Collateral equally and ratably on a first priority basis, provided that obligations under the Senior Facilities Agreement, certain other future indebtedness (including the Operating Facilities) and such hedging agreements will be repaid in enforcement prior to the Notes. See “*Description of Certain Indebtedness—Intercreditor Agreement.*” In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. Under certain circumstances, the creditors under such Indebtedness will receive proceeds from an enforcement of the Collateral in priority to the Trustee and the holders of the Notes under the indenture. See “—*Security—Release of Liens,*” “—*Certain Covenants—Impairment of Security Interest*” and “—*Certain Definitions—Permitted Collateral Liens.*”

### ***Release of Liens***

The Security Agent will take any action required to effectuate any release of Collateral required by a Security Document:

- (1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the indenture or discharge or defeasance thereof in accordance with the indenture;
- (2) upon release of a Guarantee (with respect to the Liens securing such Guarantee granted by such Guarantor) in accordance with the indenture;
- (3) in connection with any disposition of Collateral, directly or indirectly, to (a) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation—The Issuer and the Company*”) that is permitted by the indenture (with respect to the Lien on such Collateral) or (b) the Company or any Restricted Subsidiary consistent with the Intercreditor Agreement;
- (4) as described under “—*Amendments and Waivers;*”

- (5) automatically without any action by the Trustee, if the Lien granted in favor of the Senior Facilities Agreement, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above;
- (6) as otherwise provided in the Intercreditor Agreement;
- (7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under “—*Certain Covenants—Merger and Consolidation*;” and
- (8) with respect to assets held by or the Capital Stock of any Restricted Subsidiary, in connection with a solvent liquidation of such Restricted Subsidiary, pursuant to which substantially all of the assets of such Restricted Subsidiary remain owned by the Issuer or a Guarantor.

Each of these releases shall be effected by the Security Agent and, to the extent required or necessary, the Trustee without the consent of the holders of the Notes.

The Company, the Issuer, the other Restricted Subsidiaries and any other Collateral provider may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to the Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

#### **Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements**

In connection with the Incurrence of any Indebtedness by the Company or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an “Additional Intercreditor Agreement”), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the holders of the Notes) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the indenture or the Intercreditor Agreement. In connection with the foregoing, the Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under “—*Certain Covenants—Limitation on Restricted Payments*.”

The indenture will also provide that, at the written direction of the Issuer and without the consent of holders of the Notes, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (provided that such Indebtedness is Incurred in compliance with the indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision to implement any Permitted Collateral Liens in accordance with the terms of the indenture, or (6) make any other change to any such agreement that does not adversely affect the holders of Notes in any material respect.

The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the holders of the Notes of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*” or as permitted by the terms of such Intercreditor Agreement, 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 or any Intercreditor Agreement.

The indenture will also provide that 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 and any Additional Intercreditor Agreement on each Holder's behalf.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the holders of the Notes upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer.

#### **IPO Pushdown**

- (1) On, in contemplation of, or following an IPO Event (as defined herein), the Company shall be entitled to require (by written notice to the Trustee and the Security Agent (a "Pushdown Notice")) that the terms of the indenture and the Intercreditor Agreement (or any Additional Intercreditor Agreement) shall operate (with effect from the date specified in the relevant Pushdown Notice) on the basis that: (i) references to the Company and Restricted Subsidiaries (and all related provisions) shall apply only to the IPO Pushdown Entity and its Restricted Subsidiaries from time to time, although the Issuer shall remain the same entity; (ii) all financial ratio, basket calculations and financial definitions shall exclude any Holding Company of the IPO Pushdown Entity and all reporting obligations shall be assumed at the level of the IPO Pushdown Entity (or the Issuer, if so elected); (iii) each reference in the indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) to the "Company" shall be deemed to be a reference to the IPO Pushdown Entity (to the extent applicable and unless the context requires otherwise, and *provided further* that nothing in this paragraph (1), including the deeming construct contemplated by this sub-paragraph (iii) and any action taken by the IPO Pushdown Entity prior to it being deemed to be the Company, shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the indenture or a Default or an Event of Default); (iv) none of the representations, warranties, undertakings, covenants or Events of Default in the indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents shall apply to any entity of which the IPO Pushdown Entity is a Subsidiary (whether in its capacity as a Guarantor or otherwise); (v) no event, matter or circumstance relating to any Holding Company of the IPO Pushdown Entity (whether in its capacity as a Guarantor or otherwise) shall, or shall be deemed to, directly or indirectly constitute or result in a breach of any covenant or other term in the indenture or a Default or an Event of Default; (vi) each Holding Company of the IPO Pushdown Entity shall be irrevocably and unconditionally released from all obligations under the indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement) and any security granted by any such Holding Company; and (vii) unless otherwise notified by the Company: (A) each person which is party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an "Investor" shall be irrevocably and unconditionally released from the Intercreditor Agreement (or any Additional Intercreditor Agreement) and all obligations and restrictions under the Intercreditor Agreement (or any Additional Intercreditor Agreement) (and from the date specified by the Company that person shall cease to be party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor and shall have no further rights or obligations under the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor); and (B) there shall be no obligation or requirement for any person to become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor; and (viii) in the event that any person is released from or does not become party to the Intercreditor Agreement (or any Additional Intercreditor Agreement) as an Investor as a consequence of this paragraph (1), any term of the indenture and/or the Intercreditor Agreement (or any Additional Intercreditor Agreement) which requires or assumes that any person be an Investor or that any liabilities or obligations to such person be subject to the Intercreditor Agreement (or any Additional Intercreditor Agreement) or otherwise subordinated shall cease to apply. A Pushdown Notice may not be delivered if a Default or Event of Default has occurred and is continuing (disregarding any Default or Event of Default that could be deemed to arise in connection with the transactions contemplated by this provision).



- (2) The Trustee and the Security Agent shall be required to enter into any amendment to the indenture or amendment to or replacement of the Intercreditor Agreement (or any Additional Intercreditor Agreement) or the Security Documents required by the Company and/or take such other action as is required by the Company in order to facilitate or reflect any of the matters contemplated by paragraph (1) above; *provided* that such amendment, replacement or other document or instrument does not impose any personal obligations on the Trustee or the Security Agent or, in the opinion of the Trustee or Security Agent (as applicable), does not affect the rights, duties, liabilities, indemnities or immunities of the Trustee or the Security Agent (as applicable) under such amendment, replacement or other document or instrument. The Trustee and the Security Agent are each irrevocably authorized and instructed by the Holders (without any consent by the Holders) to execute any such amended or replacement documents and/or take other such action on behalf of the Holders (and shall do so on the request of and at the cost of the Company).
- (3) For the purpose of this covenant, the “IPO Pushdown Entity” shall be any Restricted Subsidiary of the Company notified to the Trustee by the Company in writing as the person to be treated as the IPO Pushdown Entity in relation to the relevant IPO Event, *provided* that: (i) the IPO Pushdown Entity shall be a Restricted Subsidiary which will issue shares, or whose shares are to be sold, pursuant to that IPO Event (or a Holding Company of such member of the Group); and (ii) the Company may not designate a Subsidiary of the Issuer as the IPO Pushdown Entity.
- (4) If the Company delivers a Pushdown Notice to the Trustee and Security Agent pursuant to paragraph (1) above in relation to a contemplated IPO Event, it shall be entitled to revoke that Pushdown Notice at any time prior to the occurrence of the relevant IPO Event by written notice to the Trustee and Security Agent. In the event that any Pushdown Notice is revoked in accordance with this paragraph (4): (i) the provisions of sub-paragraphs (1)(i) to (1)(vii) above shall cease to apply in relation to that Pushdown Notice; (ii) if any security has been released pursuant to paragraph (1) above in reliance on that Pushdown Notice, subject to the Agreed Security Principles, the Company or the relevant Restricted Subsidiary shall as soon as reasonably practicable execute a replacement Security Document in respect of that security; and (iii) if any person party to the Intercreditor Deed as an “Investor” has been released from the Intercreditor Deed pursuant to sub-paragraph (1)(vii) above in reliance on that Pushdown Notice, if required by the Trustee by prior written notice to the Company and that person, that person shall as soon as reasonably practicable accede to the Intercreditor Deed as an Investor.

For the avoidance of doubt: (A) nothing in this paragraph (4) shall prohibit or otherwise restrict the Company from delivering a further Pushdown Notice in relation to any actual or contemplated IPO Event; and (B) revocation of a Pushdown Notice shall not, and shall not be deemed to, directly or indirectly constitute or result in a breach of any representation, warranty, undertaking or other term in the indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement) or a Default or an Event of Default (whether by reason of any action or step taken by any person, or any matter or circumstance arising or committed, while that Pushdown Notice was effective or otherwise).

## **Optional Redemption**

### ***Optional Redemption of the 2022 Fixed Rate Notes***

Except as set forth herein and under “—*Redemption for Taxation Reasons*” and “—*Acquisition Proceeds; Special Mandatory Redemption*,” the 2022 Fixed Rate Notes are not redeemable at the option of the Issuer.

At any time prior to \_\_\_\_\_, the Issuer may redeem the 2022 Fixed Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to 100% of the principal amount of such 2022 Fixed Rate Notes plus the relevant Fixed Rate Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time prior to \_\_\_\_\_, the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2022 Fixed Rate Notes (calculated after giving effect to the issuance of any Additional 2022 Fixed Rate Notes) at a redemption price equal to 103% of the principal amount redeemed plus accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time on or after \_\_\_\_\_, the Issuer may redeem the 2022 Fixed Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption



price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

<u>Twelve month period commencing on</u>	<u>in</u>	<u>Percentage</u>
.....	.....	%
.....	.....	%
and thereafter	.....	100.000%

At any time and from time to time prior to \_\_\_\_\_, the Issuer may redeem the 2022 Fixed Rate Notes (i) with the net cash proceeds received by the Issuer from any Equity Offering, upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to \_\_\_\_\_%, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including any Additional Notes of the same series), plus (ii) accrued and unpaid interest to the redemption date *provided that*:

- (1) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and
- (2) not less than 50% of the original principal amount of the 2022 Fixed Rate Notes being redeemed (not including the principal amount of any Additional Notes of the same series) remains outstanding immediately thereafter.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

#### ***Optional Redemption of the 2024 Fixed Rate Notes***

Except as set forth herein and under “—*Redemption for Taxation Reasons*” and “—*Acquisition Proceeds; Special Mandatory Redemption*,” the 2024 Fixed Rate Notes are not redeemable at the option of the Issuer.

At any time prior to \_\_\_\_\_, the Issuer may redeem the 2024 Fixed Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such 2024 Fixed Rate Notes plus the relevant Fixed Rate Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time prior to \_\_\_\_\_, the Issuer may, during each twelve-month period commencing on the Issue Date, redeem up to 10% of the aggregate principal amount of the 2024 Fixed Rate Notes (calculated after giving effect to the issuance of any Additional 2024 Fixed Rate Notes) at a redemption price equal to 103% of the principal amount redeemed plus accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time on or after \_\_\_\_\_, the Issuer may redeem the 2024 Fixed Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days' prior notice at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

<u>Twelve month period commencing on</u>	<u>in</u>	<u>Percentage</u>
.....	.....	%
.....	.....	%
and thereafter	.....	100.000%

At any time and from time to time prior to \_\_\_\_\_, the Issuer may redeem the 2024 Fixed Rate Notes (i) with the net cash proceeds received by the Issuer from any Equity Offering, upon not less than 10 nor more than 60 days' prior notice, at a redemption price equal to \_\_\_\_\_%, in an aggregate principal amount for all such redemptions not to exceed 40% of the original aggregate principal amount of the Notes (including any Additional Notes of the same series), plus (ii) accrued and unpaid interest to the redemption date *provided that*:

- (3) in each case the redemption takes place not later than 180 days after the closing of the related Equity Offering; and
- (4) not less than 50% of the original principal amount of the 2024 Fixed Rate Notes being redeemed (not including the principal amount of any Additional Notes of the same series) remains outstanding immediately thereafter.

### ***Optional Redemption of the Floating Rate Notes***

Except as set forth herein and under “—*Redemption for Taxation Reasons*” and “—*Acquisition Proceeds; Special Mandatory Redemption*,” the Floating Rate Notes are not redeemable at the option of the Issuer.

At any time prior to \_\_\_\_\_, the Issuer may redeem the Floating Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to 100% of the principal amount of such Floating Rate Notes plus the relevant Floating Rate Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

At any time and from time to time on or after \_\_\_\_\_, the Issuer may redeem the Floating Rate Notes in whole or in part, at its option, upon not less than 10 nor more than 60 days’ prior notice at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date:

<u>Twelve month period commencing on _____ in _____</u>	<u>Percentage</u>
.....	%
and thereafter .....	100.000%

### ***General***

Any redemption and notice of redemption may, at the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Issuer’s discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; provided that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

If the Issuer effects an optional redemption of any series of the Notes, it will, if and for so long as the Notes are listed on the Official List of the Exchange, if and to the extent the rules of the Exchange so require, inform the Exchange of such optional redemption and confirm the aggregate principal amount of the applicable series of Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

We may repurchase Notes at any time and from time to time in the open market or otherwise.

### ***Sinking Fund***

Other than the Special Mandatory Redemption, the Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

### ***Selection and Notice***

If less than all of the Notes are to be redeemed at any time, the Paying Agent or the Registrar, as applicable, will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee, the Paying Agent and the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or Euroclear or Clearstream prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

If and for so long as the Notes are listed on the Official List of the Exchange, and if and to the extent the rules of the Exchange so require, the Issuer shall notify the Exchange of such redemption and, in

addition to such publication, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), 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.

### **Redemption for Taxation Reasons**

The Issuer may redeem the Notes of a series in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for 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, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer or a Guarantor determine in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any change in, or amendment to, or the introduction of, an 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) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Offering Memorandum, such Change in Tax Law must become effective on or after the date of the Offering Memorandum. In the case of redemption due to withholding or deduction as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of a Successor Company or the predecessor of a successor of a Guarantor. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Guarantor, or a successor to either, where applicable, will deliver to the Trustee and the Paying Agent (a) an Officer's Certificate stating that the Issuer or Guarantor, or a successor to either, where applicable, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer or Guarantor, or a successor to either, where applicable, has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee and the Paying Agent will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized or otherwise considered to be a resident for tax purposes, or any jurisdiction

from or through which such successor makes any payment on the Notes or any Guarantees, and any political subdivision or taxing authority or agency thereof or therein.

### **Withholding Taxes**

All payments made by the Issuer or a Guarantor (a “Payor”) on the Notes or the Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes 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 imposed or levied by or on behalf of:

- (1) Ireland, the Netherlands or any political subdivision or Governmental Authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on any such Note or Guarantee is made by the Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which the Payor is incorporated or organized, resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “Relevant Taxing Jurisdiction”),

will at any time be required from any payments made by a Payor with respect to any Note or Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received in respect of such payments by the Holders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;
- (2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;
- (3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or any Guarantee;
- (4) any estate, inheritance, gift, value added, sales, excise, transfer, personal property or similar Taxes, assessment or other governmental charge;
- (5) any Taxes imposed pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code and any intergovernmental agreements (and related legislation or official administrative guidance) implemented with respect to the foregoing;
- (6) any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to, or otherwise accepting payment from, another paying agent; or
- (7) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's 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 (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in either the indenture, the Guarantees or this "*Description of the Notes*" there are mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay any present or future stamp, court or documentary Taxes, or any other property or similar taxes, charges or levies, that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, the indenture, the Security Documents or any other document or instrument in relation thereto (other than in connection with a transfer or exchange of the Notes), excluding any such Taxes, charges or levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Issuer agrees to indemnify the Holders for any such Taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all (equal to €100,000 aggregate principal amount, and integral multiples of € 1,000 in excess thereof) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*Change of Control*" section in the event and to the extent that it has unconditionally exercised its right



to redeem all of the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the “Change of Control Offer”) to each Holder of any such Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “Change of Control Payment”);
- (2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) (the “Change of Control Payment Date”);
- (3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (4) describing the procedures determined by the Issuer, consistent with the indenture, that a Holder must follow in order to have its Notes repurchased; and
- (5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all 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 so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the relevant Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require, the Issuer will notify the Exchange of any Change of Control Offer.

The Change of Control provisions described above 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 to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder’s right to require the Issuer to repurchase such Holder’s Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if 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 made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of the applicable series that remain outstanding following such purchase at a price in cash equal to 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest on the Notes that remain outstanding to, but not including, the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date). In determining whether the Holders of at least 90% of the aggregate principal amount of the applicable series of then outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer for all of the Notes of the applicable series, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the indenture by virtue of the conflict.

Under the Senior Facilities Agreement, the occurrence of a change of control would require the repayment of such debt. Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See *"Risk Factors—Risks Related to the Notes and the Notes Guarantees—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of a change of control as required by the Indenture and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events."*

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited 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 a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the indenture.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company and any of its Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving pro

forma effect thereto (including pro forma application of the proceeds thereof), the Consolidated Leverage Ratio for the Company and the Restricted Subsidiaries is less than 5.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and Guarantees in respect of such Indebtedness, in a maximum aggregate principal amount of Indebtedness at any time outstanding not exceeding (i) the greater of (a) €135 million plus the Accordion Amount and (b) 100% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2)
  - (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the indenture; or
  - (b) without limiting the covenant described under "*Certain Covenants—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary, in each case so long as the Incurrence of such Indebtedness is permitted under the terms of the indenture;
- (3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:
  - (a) if any Guarantor or the Issuer is the obligor on any such Indebtedness and the obligee is not a Guarantor or the Issuer, it is unsecured and expressly subordinated in right of payment to prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the indenture to the extent required by the Intercreditor Agreement;
  - (b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;
- (4) Indebtedness represented by (a) the Notes (other than any Additional Notes) and the Notes Guarantees, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) of the Company or any Restricted Subsidiary outstanding on the Issue Date, and the guarantees of and security granted with respect to the Notes, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) the Proceeds Loan;
- (5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) of the Company or any Restricted Subsidiary Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries

and not for speculative purposes (as determined in good faith by the Board of Directors or Senior Management of the Company);

- (7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (A) €20 million and (B) 7.5% of Consolidated EBITDA;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, 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 Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (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; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing, (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;
- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;
- (10)
  - (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 10 Business Days of Incurrence;
  - (b) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;
  - (c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and
  - (d) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €40 million and 15% of Consolidated EBITDA;
- (12) Indebtedness of the Issuer, the Company or another Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or Excluded Amounts) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution or Excluded Amounts) of the

Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6), (10), (13) and (14) of the second paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the second paragraph of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*” in reliance thereon;

- (13) Indebtedness under daylight borrowing facilities incurred in connection with the Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred; and
- (14) Indebtedness consisting of local lines of credit, bilateral facilities, working capital facilities and/or other operating facilities (“Operating Facilities”) not exceeding the greater of €40 million and 15% of Consolidated EBITDA outstanding at one time.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (6) the amount of Indebtedness shall be calculated as described under the definition of “Indebtedness”; and
- (7) for the purposes of determining “Consolidated EBITDA” under the second paragraph of this covenant, (i) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries and (ii) Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is incurred (in the case of term facilities) and for the period of the most recent two consecutive fiscal quarters ending prior to such date for which internal consolidated financial statements of the Company are available, multiplied by two.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to U.S. GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant.



If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, 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 shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euro, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary 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. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in Subordinated Shareholder Funding;
  - (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value); and
  - (c) dividends or distributions paid to any Parent Holding Company in respect of Indebtedness of such Parent Holding Company which is guaranteed by the Company;
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent Holding Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a “Restricted Payment”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the “—*Certain Covenants—Limitation on Indebtedness*” covenant after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (6), (10), (11), (12) and (17) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph) would exceed the sum of (without duplication):

(i) 100% of Consolidated EBITDA for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available, less the product of 1.5 times the Consolidated Interest Expense for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available;

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the next succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

- (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of “Investment”) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company’s option) included under this clause (iv); and
- (v) the amount of the cash and the fair market value (of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:
  - (A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and
  - (B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary;

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company’s option) included under this clause (v); *provided further, however*, that such amount under this clause (v) shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c). Notwithstanding the foregoing, any amounts (such amounts, the “Excluded Amounts”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clauses (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds, property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof were it not a Specified Change of Control Event, (2) the purpose of, or the effect of, the receipt of such Net Cash Proceeds, property or assets or marketable securities was to reduce the Consolidated Leverage Ratio of the Company so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds, property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such event in accordance with the requirements of the indenture.

Upon a Specified Change of Control Event, all amounts calculated pursuant to this clause (c) shall be reset to zero and all references to the Issue Date in this clause (c) shall thereafter refer to the date of such Specified Change of Control Event.

The foregoing provisions will not prohibit any of the following (collectively, “Permitted Payments”):

- (1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange for or out of the proceeds of the substantially concurrent sale of (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary), Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Excluded Amounts) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—Certain Covenants—Limitation on Indebtedness” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the

substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;

- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (a) (i) from Net Available Cash to the extent permitted under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the provisions of the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” have first been complied with and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Issuer shall have first complied with the terms of the covenant described under “—*Change of Control*,” if required, and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or
  - (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;
- (5) (a) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant and (b) any payments associated with the Transactions;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent Holding Company and loans, advances, dividends or distributions by the Company to any Parent Holding Company to permit any Parent Holding Company to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent Holding Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €3 million plus (2) € 2 million multiplied by the number of calendar years that have commenced since the Original Issue Date plus (3) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Original Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Holding Company) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock of any Parent Holding Company, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the preceding paragraph;
- (7) 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 “—*Certain Covenants—Limitation on Indebtedness*” above;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;



- (9) dividends, loans, advances or distributions to any Parent Holding Company or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent Holding Company to pay any Parent Holding Company Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under “—*Certain Covenants—Limitation on Affiliate Transactions*;”
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Holding Company to pay, dividends on the common stock or common equity interests of the Company or any Parent Holding Company following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Excluded Amounts) of the Company or loaned as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that, in the case of clause (A) or (B), after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.25 to 1.00;
- (11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €20 million or, if greater, 7.5% of Consolidated EBITDA;
- (12) payments by the Company, or loans, advances, dividends or distributions to any Parent Holding Company to make payments, to holders of Capital Stock of the Company or any Parent Holding Company in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors of the Company);
- (13) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13);
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Holding Company or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Holding Company issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or Excluded Amounts or, in the case of Designated Preference Shares by Parent Holding Company or an Affiliate, the issuance of Designated Preference Shares) of the Company or loaned as Subordinated Shareholder Funding to the Company, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries;
- (16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment; *provided* that the Consolidated Leverage Ratio on a pro forma basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 3.5 to 1.0.



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 Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith. For the purpose of clause (11) of the second paragraph of this covenant, Consolidated EBITDA shall be calculated for the period of the most recent two consecutive fiscal quarters ending prior to such date for which internal consolidated financial statements of the Company are available, multiplied by two, with the same adjustments as would apply to a calculation of the Consolidated Leverage Ratio.

#### ***Limitation on Liens***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “Initial Lien”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the indenture (or a Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with (or prior to, in the case of Liens with respect to Subordinated Indebtedness) such Indebtedness for so long as such Indebtedness is so secured (*provided* that a Lien to secure Indebtedness pursuant to clauses (1) or (6) of the second paragraph of the “Limitation on Indebtedness” covenant may have priority not materially less favorable to the Holders than that accorded to the Senior Facilities Agreement pursuant to the Intercreditor Agreement), and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph 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.”

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or the Company;
- (B) make any loans or advances to the Issuer or the Company; or
- (C) sell, lease or transfer any of its property or assets to the Issuer or the Company,

*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 requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Finance Documents) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date or on any applicable Post-Closing Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted

Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “Initial Agreement”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);
- (4) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges, charges or other security agreements permitted under the indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person 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) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement and the Intercreditor Agreement, together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Company) or where the Company determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes;
- (12) any encumbrance or restriction existing by reason of any Lien permitted under “—*Certain Covenants—Limitation on Liens*”; or

- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Company, are necessary or advisable to effect such Qualified Receivables Financing.

***Limitation on Sales of Assets and Subsidiary Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and
- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:
  - (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness under the Senior Facilities Agreement (or any Refinancing Indebtedness in respect thereof) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness including, but not limited to, the revolving credit facility made available under the Senior Facilities Agreement) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Company either (A) reduces the aggregate principal amount of the Notes on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (ii) by, at its option, (x) redeeming Notes as provided under “—Optional Redemption” and/or (y) purchasing Notes through open market purchases or in privately negotiated transactions at market prices (which may be below par) and/or (B) makes (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer on an equal or ratable basis with any such Pari Passu Indebtedness repaid pursuant to this clause (ii) (which offer shall be deemed to be an Asset Disposition Offer for purposes hereof); (iii) to purchase Notes through open market purchases or in privately negotiated transactions at market prices (which may be below par); (iv) to make (at such time or subsequently in compliance with this covenant) an offer to the Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer (which offer shall be deemed to be an Asset Disposition Offer for purposes hereof) or (v) to redeem any series of Notes as described under “—Optional Redemption”; or
  - (b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or a Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such investment in Additional Assets made pursuant

to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or

- (c) to make a capital expenditure within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or an Officer of the Company that is executed or approved within such time will satisfy this requirement, so long as such capital expenditure is consummated within 180 days of such 365th day; or

- (d) any combination of the foregoing;

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute “Excess Proceeds” under the indenture. On the 366th day after an Asset Disposition, or at such earlier date that the Company elects, if the aggregate amount of Excess Proceeds under the indenture exceeds €20 million and has not been committed in accordance with clause (3)(b) of the first paragraph of this covenant, the Company will be required to make an offer (“Asset Disposition Offer”) to all Holders of Notes issued under the indenture and, to the extent the Company elects, to all 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 that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, at an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the indenture or the agreements governing such Pari Passu Indebtedness, as applicable, and, in the case of the Notes, in minimum denominations of € 100,000 and in integral multiples of €1,000 in excess thereof.

Any Net Available Cash payable in respect of the Notes pursuant to this covenant will be allocated between the Floating Rate Notes and the Fixed Rate Notes in proportion to the respective aggregate principal amounts of Floating Rate Notes and Fixed Rate Notes validly tendered and not withdrawn.

To the extent that the aggregate principal amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero. 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 relevant 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 Company upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than five Business Days following its commencement (the “Asset Disposition Offer Period”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “Asset Disposition Purchase Date”), the Company will purchase (or procure the purchase of) the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the “Asset Disposition Offer Amount”) or, if less than the Asset Disposition Offer Amount has



been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Company will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the Global Note), and the Trustee (or its authenticating agent), upon delivery of an Officer's Certificate from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions 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 €30 million and 2.0% 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).

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the indenture by virtue of any conflict.

#### ***Limitation on Affiliate Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or



the rendering of any service) with any Affiliate of the Company (an “Affiliate Transaction”) involving aggregate value in excess of €5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €15 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” any Permitted Payments (other than pursuant to clause (9)(b) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments described in paragraphs (1)(b), (2) and (11) of the definition thereof);
- (2) any issuance or sale of Capital Stock, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Holding Company restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent Holding Company (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the Senior Management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the indenture;
- (11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed, in each 12 month period that has commenced since the Issue Date, beginning on the Issue Date, the greater of €1.5 million and 1.5% of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Holding Company) for financial advisory, consulting, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company in good faith;
- (12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and
- (13) any transaction effected as part of a Qualified Receivables Financing.

#### **Reports**

For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

- (1) within 120 days after the end of the fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) 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 of the Company, and a discussion of material commitments and contingencies and critical accounting policies, with a similar scope to that included in the Offering Memorandum; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;
- (2) within 60 days (or, in the case of the fiscal quarter ending June 30, 2017, 90 days) following the end of the first three fiscal quarters of the Company beginning with the quarter ending June 30, 2017, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet of the Company as of the end of such quarter and unaudited condensed statements of income and cash flow of the Company for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period of the Company, together with condensed footnote disclosure; (b) unaudited pro forma income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the

Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

- (3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for in this covenant, no report need include separate financial statements for any Subsidiaries of the Company. The filing of an Annual Report on Form 20-F within the time period specified in (1) will satisfy such provision. At the Company's election it may also include financial statements of a Parent Holding Company in lieu of those for the Company; *provided* that, if the financial statements of a Parent Holding Company are included in such report, a reasonably detailed description of material differences between the financial statements of the Parent Holding Company and the Company shall be included for any period after the Issue Date. Following an IPO on the Capital Stock of the Company or any parent thereof and/or the listing of such Capital Stock on a recognized European stock exchange, the requirements of this covenant shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: turnover, net sales, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports or statement specified in clauses (1), (2) and (3) of the first paragraph or the second paragraph of this covenant, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports or statement on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports or statement available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports or statement to the Holders and, upon request, prospective purchasers of the Notes. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and for so long as the Notes are listed on the Official List of the Exchange and if and to the extent that the rules of the Exchange so require.

In addition, so long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of any information, documents and reports to the Trustee pursuant to this section is for information purposes and the Trustee's receipt shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of its covenants under the indenture.

## ***Merger and Consolidation***

### ***The Issuer and the Company***

Neither the Issuer nor the Company will consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “Successor Company”) will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer or the Company, as the case may be) will expressly assume (in each case subject to any limitations contemplated by the Agreed Security Principles) (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer or the Company, as the case may be, under the Notes or the Guarantee and (b) all obligations of the Issuer or the Company, as the case may be, under the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement);
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) in the case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (b) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer or the Company, as the case may be, shall have delivered to the Trustee an Officer’s Certificate to the effect that such consolidation, merger or transfer complies with the indenture and that all conditions precedent in the indenture relating to such consolidation, merger or transfer have been satisfied and that the indenture, the Notes, the Intercreditor Agreement and the Security Documents constitute legal, valid and binding obligations of the Issuer or the Company enforceable in accordance with their terms. The Trustee shall be entitled to rely conclusively on such Officer’s Certificate without independent verification.

Any Indebtedness that becomes an obligation of the Issuer, the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*.”

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 the Company, as the case may be, which properties and assets, if held by the Issuer or the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or the Company 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 the Company, as the case may be.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Company, as the case may be, under the indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under “—*Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*” (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or the Company, (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (c) the Issuer, the Company and its Restricted Subsidiaries may undertake the Transactions. Notwithstanding the preceding clauses (2), (3) and (4) (which do not apply to the transactions referred to in this sentence), the

Issuer or the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer or the Company, reincorporating the Issuer or the Company in another jurisdiction, or changing the legal form of the Issuer or the Company.

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.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new Subsidiary as a Restricted Subsidiary of the Company.

#### *Subsidiary Guarantors*

No Guarantor that is a Subsidiary of the Issuer (a “Subsidiary Guarantor”) may:

- (1) consolidate with or merge with or into any Person;
- (2) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into such Guarantor,

unless

(A) the other Person is the Company or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor concurrently with the transaction); or

(B)

(1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes (in each case subject to any limitations contemplated by the Agreed Security Principles) all of the obligations of the Guarantor under its Guarantee and the Security Documents (and, to the extent required by the Intercreditor Agreement, the Intercreditor Agreement); and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the indenture.

Notwithstanding the preceding clause (B) and the provisions described above under “—*Certain Covenants—Merger and Consolidation—The Issuer and the Company*” (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor, (b) any Subsidiary Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Subsidiary Guarantor and (c) the Subsidiary Guarantors may undertake the Transactions. Notwithstanding the preceding clause B(2) (which does not apply to the transactions referred to in this sentence), a Subsidiary Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Subsidiary Guarantor reincorporating the Subsidiary Guarantor in another jurisdiction, or changing the legal form of the Subsidiary Guarantor.

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.

#### *Suspension of Covenants on Achievement of Investment Grade Status*

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until the Reversion Date, the provisions of the indenture summarized under the following captions will not apply to such Notes: “—*Certain Covenants—Limitation on Restricted Payments*,”



“—Certain Covenants—Limitation on Indebtedness,” “—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries,” “—Certain Covenants—Limitation on Affiliate Transactions,” “—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock,” “—Certain Covenants—Additional Guarantees,” “—Certain Covenants—Lines of Business,” and the provisions of clause (3) of the first paragraph of the covenant described under “—Certain Covenants—Merger and Consolidation—The Issuer and the Company,” and, in each case, any related default provision of the indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the “—Certain Covenants—Limitation on Restricted Payments” covenant will be interpreted as if it has been in effect since the date of such indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—Certain Covenants—Limitation on Indebtedness” or one of the clauses set forth in the second paragraph of such covenant (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 Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under “—Certain Covenants—Limitation on Indebtedness,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—Certain Covenants—Limitation on Indebtedness.” The Company shall notify the Trustee that the conditions under this covenant have been satisfied, although such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

#### ***Limited Condition Acquisition and Irrevocable Repayment***

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Company, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the Definitive Agreements for such Limited Condition Acquisition or Irrevocable Repayment is entered into after giving pro forma effect to the applicable Limited Condition Acquisition or Irrevocable Repayment. For the avoidance of doubt, if the Company has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the Definitive Agreement for the applicable Limited Condition Acquisition or Irrevocable Repayment was entered into and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

- (1) determining compliance with any provision of the indenture which requires the calculation of the Consolidated Leverage Ratio or the Consolidated Secured Leverage Ratio; or
- (2) testing baskets set forth in the indenture;

in each case, at the option of the Company (the Company’s election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Repayment, an “LCA Election”), the date of determination of whether any such action is permitted hereunder, may be deemed to be the date the Definitive Agreement for such Limited Condition Acquisition or Irrevocable Repayment is entered into (the “LCA Test Date”). If, after giving pro forma effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent four consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Company are available, the Company could have taken such

action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If the Company has made an LCA Election, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Company or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the Definitive Agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated. If the Company has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in Consolidated EBITDA of the Company or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations.

#### ***Additional Guarantees***

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Senior Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), any Public Debt and any refinancing thereof or any other Indebtedness of the Issuer, the Company or a Guarantor exceeding €20 million in principal amount, in whole or in part unless, in each case, such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the indenture pursuant to which such Restricted Subsidiary will provide a Guarantee.

Following the provision of any additional Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material assets (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Guarantee on a first priority basis consistent with the Collateral.

Each additional 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, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes or provide security to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided

through measures reasonably available to the Company or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement or the Agreed Security Principles.

### ***Impairment of Security Interest***

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens, or the confirmation or affirmation of security interests in respect of the Collateral, shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled “—*Certain Covenants—Limitation on Liens*,” *provided*, that the Company and its Restricted Subsidiaries may Incur any Lien over any of the Collateral that is not prohibited by the covenant entitled “—*Limitation on Liens*,” including Permitted Collateral Liens, and the Collateral may be discharged, transferred or released in any circumstances not prohibited by the indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien in accordance with the indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, (except where permitted by the indenture or the Intercreditor Agreement or to effect or facilitate the creation of Permitted Collateral Liens for the benefit of the Security Agent and holders of other Indebtedness Incurred in accordance with the indenture), no Security Document may be amended, extended, renewed, restated or otherwise modified 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, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (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 any such Lien after giving effect to any transactions related to such amendment, extension, renewal, restatement, modification or replacement, or (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, modified or released and 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 or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such actions without the need for instructions from the Holders.

### ***Lines of Business***

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Similar Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

## Events of Default

Each of the following is an Event of Default under the indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with any of the Company's obligations under the covenants described under "*—Change of Control*" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above);
- (4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in aggregate principal amount of the outstanding Notes with its other agreements contained in the indenture;
- (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 Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate 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 €30 million or more;

- (6) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");
- (7) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €30 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final and due (the "judgment default provision");
- (8) any security interest under the Security Documents on any Collateral having a fair market value in excess of €15 million shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement and the indenture) for any reason other than the satisfaction in full of all obligations under the indenture or the release or amendment of any such security interest in accordance with the terms of the indenture, the Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Company or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the "security default provisions"); and
- (9) any Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days (the "guarantee provisions").

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 30% in aggregate principal amount of the outstanding Notes



notify the Company of the default and, with respect to clauses (3), (4), (5) and (7), the Company does not cure such default within the time specified in clauses (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Company and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or cost and fee cover satisfactory to the Trustee against any loss, liability, fees or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the indenture or the Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered in writing the Trustee security and/or indemnity and/or cost and fee cover satisfactory to it against any loss, liability, fees or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity and/or cost and fee cover; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the indenture, the Trustee will be entitled to indemnification and/or security and/or cost and fee cover satisfactory to it against all losses, liabilities, fees and expenses caused or incurred by taking or not taking such action.



The indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or compensated to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity, security and/or cost or fee cover to it, and it will be for Holders to take action directly.

Holders may not enforce the indenture or the Notes except as provided in the indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

### **Amendments and Waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Notes affected, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

- (1) reduce the principal amount of such Notes whose Holders must consent to an amendment;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any such Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Note;
- (4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under “—*Optional Redemption*”;
- (5) make any such Note payable in money other than that stated in such Note;
- (6) amend the contractual right of any Holder to institute suit for the payment of principal or interest on or with respect to such Holder's Notes on or after the due dates thereof;
- (7) make any change in the provision of the indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release (i) the security interest granted for the benefit of the Holders in the Collateral or (ii) any Guarantee, in each case, other than pursuant to the terms of the Security Document or the indenture, as applicable, except as permitted by the Intercreditor Agreement;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

- (10) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to this "Description of the Notes," or reduce the minimum denomination of the Notes;
- (2) provide for the assumption by a successor Person of the obligations of the Company, the Issuer or any Guarantor under any Note Document;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);
- (4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;
- (5) make any change that does not adversely affect the rights of any Holder in any material respect;
- (6) make such provisions as necessary (as determined in good faith by the Company) for the issuance of Additional Notes;
- (7) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the indenture, the Intercreditor Agreement or the Security Documents;
- (8) to evidence and provide for the acceptance and appointment under the indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Senior Facilities Agreement, in any property which is required by the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In formulating its decisions on such matters, the Trustee shall be entitled to receive and rely on such evidence as it deems appropriate including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

#### **Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Company or by any Subsidiary or any Holding Company will be disregarded and deemed not to be outstanding.

#### **Defeasance**

The Issuer at any time may terminate all its and each Guarantor's obligations under any series of the Notes and the indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration 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. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor's obligations under the covenants described under "*Certain Covenants*" (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation—The Issuer and the Company*" and clause (A), (B) and (C) of the covenant described under "*Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*") and "*Change of Control*" and default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Company, the Issuer and its Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the applicable series of Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to any series of the Notes, payment of such Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*Certain Covenants—Merger and Consolidation—The Issuer and the Company*" and clauses (A), (B), (C) of the covenant described under "*Certain Covenants—Merger and Consolidation—Subsidiary Guarantors*"), (4), (5), (6) (with respect only to the Company and Significant Subsidiaries (other than the Issuer)), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the applicable series of Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the issuance of the applicable series of Notes);
- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and
- (5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and Discharge**

The indenture and the rights of the Trustee and the Holders under the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in

the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated or appointed (as agent) by the Trustee for this purpose), euros or euro-denominated European Government Obligations or a combination thereof, as applicable in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the indenture; (4) the Issuer has delivered irrevocable instructions under the indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the indenture relating to the satisfaction and discharge of the indenture have been complied with, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

#### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Company or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Company or any of its Subsidiaries under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

#### **Concerning the Trustee and Certain Agents**

U.S. Bank Trustees Limited is to be appointed as Trustee under the indenture. The indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in such indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the indenture will not be construed as an obligation or duty.

The indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the indenture. Each of the Trustee and the Security Agent shall be entitled to rely solely and conclusively on any Officer's Certificate in formulating its opinion or in taking any action (including, without limitation, release of a Guarantee or Collateral) under the indenture, and may rely on such Officer's Certificate without need for investigation or verification (including for the avoidance of doubt the receipt of Opinions of Counsel), except as may otherwise be provided for under the terms of the indenture.

#### **Notices**

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Exchange and if and for so long as the rules of Exchange shall so require, the Issuer will notify the Exchange of any notice with respect to the Notes. In addition, for so long as any Notes are

represented by Global Notes, all notices to Holders will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

### **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed three years after the applicable due date for payment of interest.

### **Currency Indemnity and Calculation of Euro-Denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and the relevant Guarantees, as the case may be, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

### **Enforceability of Judgments**

Since, as of the Issue Date, substantially all the assets of the Issuer and the Guarantors are held by Subsidiaries located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Guarantees, may not be collectable within the United States.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the indenture and the Notes and the Guarantees, the Issuer and each Guarantor will in the indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.



## Governing Law

The indenture and the Notes, including any Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York.

## Certain Definitions

*“Accordion Amount”* means Indebtedness and other obligations incurred under a Credit Facility provided that the principal amount of Indebtedness so Incurred does not exceed €125 million.

*“Acquired Indebtedness”* means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

*“Acquisition”* means the acquisition of certain assets from CME Media Enterprises B.V. by Slovenia Broadband S.à r.l. pursuant to the Acquisition Agreement.

*“Acquisition Agreement”* means the framework agreement, dated on or around July 9, 2017, by and between Slovenia Broadband S.à r.l. and CME Media Enterprises B.V., as amended from time to time.

*“Acquisition Completion Date”* means the date of the acquisition of certain assets from CME Media Enterprises B.V. by Slovenia Broadband S.à r.l. pursuant to the Acquisition Agreement.

*“Additional Assets”* means:

- (1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

*“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.

*“Agreed Security Principles”* means the Agreed Security Principles as set out in an annex to the Senior Facilities Agreement as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Company.

*“Asset Disposition”* means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Company or any of its Restricted Subsidiaries, including any disposition by means

of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation—The Issuer and the Company*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value of less than €20 million or, if greater, 1.3% of Total Assets;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person;
- (18) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the indenture; and
- (19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business.

“Associate” means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding

Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

“*Board of Directors*” means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“*Bund Rate*” means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to November 15, 2016; *provided, however*, that if the period from the redemption date to the applicable date set forth above is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the applicable date set forth above is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used; *provided, further*, that if such yield would otherwise be less than zero, it shall be assumed to be zero.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Ireland, the Netherlands, London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided, however*, that for any payments to be made under the indenture, such day shall also be a day on which the TARGET2 payment system is open for the settlement of payments.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as of the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of “BBB – ” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

“*Change of Control*” means:

- (1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, provided that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent Holding Company; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than the Company (including, for the avoidance of doubt, any successor thereto pursuant to the provisions described under “—*Certain Covenants—Merger and Consolidation*”) or a Restricted Subsidiary or one or more Permitted Holders;

*provided that*, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

Notwithstanding the preceding or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of the Company beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another person as a result of its ownership of Voting Stock or other securities of such other Person’s Parent Holding Company (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock of such Parent Holding Company. For purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock of the Company is directly or indirectly owned by a Parent Holding

Company of which the Company is a Subsidiary, all references to the Company shall be deemed to refer to its ultimate Parent Holding Company of which the Company is a Subsidiary (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

“*Clearstream*” means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

“*Code*” means the United States Internal Revenue Code of 1986, as amended.

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“*Company*” means Adria Midco B.V.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the indenture (in each case whether or not successful) (including any such fees or charges related to the Transactions) in each case, as determined in good faith by an Officer of the Company;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Company as extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes), trade taxes and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Company and its Restricted Subsidiaries, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount, debt issuance cost and premium;



- (3) non-cash interest expense;
- (4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;
- (5) costs associated with Hedging Obligations;
- (6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company;
- (7) the consolidated interest expense that was capitalized during such period; and
- (8) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

Notwithstanding the foregoing, for the purposes of the definition of Consolidated Interest Expense in clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, Consolidated Interest Expense shall not include (a) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (b) any commissions, discounts, yield and other fees and charges related to Receivables Financings, (c) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (d) any foreign currency gains or losses, (e) any pension liability cost and (f) any interest, costs and charges contained in clauses (2), (4), (5) or (6) of this definition.

“*Consolidated Leverage*” means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), less cash and Cash Equivalents, as of the date of determination.

“*Consolidated Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) two times the aggregate amount of Consolidated EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “Sale”) or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes “discontinued operations” in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;
- (2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “Purchase”), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and cost savings as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto, including anticipated synergies and cost savings, as if such Sale or Purchase occurred on the first day of such period; and

- (4) since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, the Company or any Restricted Subsidiary, that constitutes an event that is contemplated by the definition of “Specified Change of Control Event” (any such transaction, a “Specified Change of Control Transaction”), and solely for the purpose of making the determination pursuant to “Specified Change of Control Event,” Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto (including anticipated synergies and expenses and cost savings expected to be obtained from the Specified Change of Control Transaction) as if such Specified Change of Control Transaction (including such synergies and expenses and cost savings) had occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Consolidated Secured Leverage Ratio, (a) calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Company (including in respect of cost savings and synergies) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by the Company or its Restricted Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period, (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period, (c) pro forma effect shall be given to anticipated acquisitions which have become subject to Definitive Agreements, (d) Indebtedness Incurred in reliance on the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” as of the date of determination shall be excluded, (e) the discharge on the determination date of any Indebtedness to the extent that the discharge of such Indebtedness results from proceeds Indebtedness Incurred in reliance on the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” shall not be given effect, and (f) calculations shall also include the reasonably anticipated full run rate effect of carriage contracts that have been entered into on or prior to the date of determination but which have not yet been fully reflected in the relevant period (as determined and calculated by a responsible financial or accounting officer of the Company) as if entered into on the first day of the period.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such 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 Company or a Guarantor by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the indenture, and (c) restrictions not prohibited by the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” except that the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or a Restricted Subsidiary as a dividend or

other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause));

- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including for the avoidance of doubt, any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, redundancy or severance expense or other costs related to the Transactions, in each case, as determined in good faith by the Company;
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness, and any provisions in respect of working capital;
- (8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;
- (11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (12) any goodwill or other intangible asset impairment charge, amortization, expense or write-off;
- (13) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes;
- (14) consolidated depreciation expense, to the extent in excess of capital expenditure related to tangible assets for the relevant period; and
- (15) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Secured Leverage Ratio*” means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Senior Secured Indebtedness.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Credit Facility*” means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Definitive Agreement*” means any agreement for the consummation of an acquisition, including without limitation by way of tender offer, scheme of arrangement, merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries (*provided* that in the case of a public tender offer, a solicitation of proxies or a proposal for a scheme of arrangement or similar scheme, a Definitive Agreement will be deemed to have been entered into at the time of the public announcement of such transaction).

“*Designated Non-Cash Consideration*” means the fair market value of non-cash consideration received by the Company 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, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. 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 “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preference Shares*” means, with respect to the Company or any Parent Holding Company, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”



“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or purchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Equity Offering*” means (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Excluded Amounts) of, or as Subordinated Shareholder Funding to, the Company.

“*euro*” means the official currency of the European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination.

“*Euroclear*” means Euroclear Bank SA/NV, or any successor securities clearing agency.

“*European Government Obligations*” means any security that is (1) a direct obligation of Belgium, the Netherlands, France, Germany or any Permissible Jurisdiction, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*European Union*” means all members of the European Union as of January 1, 2004.

“*Exchange*” means The International Stock Exchange and its successors and assigns.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Company.



“*fair market value*” may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Fixed Rate Applicable Premium*” means, with respect to any Fixed Rate Note, the greater of:

- (A) 1% of the principal amount of such Fixed Rate Note; and
- (B) on any redemption date, the excess (to the extent positive) of:
  - (a) the present value at such redemption date of (i) the redemption price of such Fixed Rate Note at \_\_\_\_\_, in the case of the 2022 Fixed Rate Notes or \_\_\_\_\_, in the case of the 2024 Fixed Rate Notes (such redemption price (expressed in percentage of principal amount) being set forth in the table under “—*Optional Redemption—Optional Redemption of the 2022 Fixed Rate Notes*” or “—*Optional Redemption—Optional Redemption of the 2024 Fixed Rate Notes*”, as applicable (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Fixed Rate Note to and including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
  - (b) the outstanding principal amount of such Fixed Rate Note,

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. Calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or any Paying Agent.

“*Floating Rate Applicable Premium*” means, with respect to any Floating Rate Note, the greater of:

- (A) 1% of the principal amount of such Floating Rate Note; and
- (B) the excess of:
  - (a) the present value at such redemption date of (x) \_\_\_\_\_ % of the principal amount of the Floating Rate Note, plus (y) all required interest payments due on such Floating Rate Note through \_\_\_\_\_ (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
  - (b) the outstanding principal amount of such Floating Rate Note;

as calculated by the Company or on behalf of the Company by such Person as the Company shall designate. For the avoidance of doubt, calculation of the Floating Rate Applicable Premium shall not be an obligation or duty of the Trustee, the Paying Agent, the Registrar, the Transfer Agent or the Calculation Agent.

“*Governmental Authority*” means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other 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
- (2) entered into primarily for purposes 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” will not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“*Guarantor*” means the Company and any Restricted Subsidiary that Guarantees the Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a “Hedging Agreement”).

“*Holder*” means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Clearstream and Euroclear.

“*Holding Company*” means, in relation to any Person, any Person of which it is a Subsidiary.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) (“IFRS”) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Company may make an irrevocable election to establish that “IFRS” shall mean IFRS as in effect on a date that is on or prior to the date of such election.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (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).

The term “Indebtedness” shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date or any deposit made in relation thereto, any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, any income tax or other payables, any social security, tax or pension obligations or bonds in

relation thereto, or obligations under any Tax Sharing Agreement, or any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings;
- (ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any 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; or
- (iii) for the avoidance of doubt, any 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.

*"Independent Financial Advisor"* means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Company.

*"Initial Investors"* means KKR and any funds or partnerships managed or advised, directly or indirectly, by KKR or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund.

*"Initial Public Offering"* means an Equity Offering of common stock or other common equity interests of the Company or any Parent Holding Company or any successor of the Company or any Parent Holding Company (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

*"Intercreditor Agreement"* means the Intercreditor Agreement dated on or about the Issue Date, among, *inter alios*, the lenders and agent under the Senior Facilities Agreement, the Trustee as well as certain hedging counterparties, as amended from time to time.

*"Interest Rate Agreement"* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

*"Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) 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 the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company 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 Company or any

Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of “—Certain Covenants—Limitation on Restricted Payments:”

- (1) “Investment” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will 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 of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“*Investment Grade*” means (i) BBB– or higher by S&P, (ii) Baa3 or higher by Moody’s, or (iii) the equivalent of such ratings by S&P or Moody’s, or of another Nationally Recognized Statistical Ratings Organization.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “A–” or higher from S&P or “A3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when the Notes receive both of the following:

- (1) a rating of “BBB–” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*IPO Event*” means the occurrence of an Initial Public Offering or a Listing.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests 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 of common stock or common equity interests are sold in such Initial Public Offering.

“*Irrevocable Repayment*” means any repayment, repurchase or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

“*Issue Date*” means , 2017.

“*KKR*” means Kohlberg, Kravis, Roberts & Co. L.P. and its Affiliates, and any fund, partnership and/or other entities represented, managed, advised, owned or controlled by it or any of them.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Limited Condition Acquisition*” means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing.

“*Listing*” means a listing of all or any part of the share capital of the Company or any Subsidiary of the Company on any other recognized investment exchange (as that term is used in the Financial Services and Markets Act 2000) or any other sale or issue by way of flotation or public offering in relation to the Company or any such Subsidiary of the Company in any jurisdiction or country.

“*Management Advances*” means loans or advances made to, or Guarantees with respect to loans or advances made to Management Investors:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent Holding Company with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding €2 million in the aggregate outstanding at any time.

“*Management Investors*” means the officers, directors, employees and other members of the management of or consultants to any Parent Holding Company, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent Holding Company.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests 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 common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net 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 the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing arrangements), as a consequence of such Asset Disposition;
- (2) 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 such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Holding Company, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and



- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

*“Net Cash Proceeds,”* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

*“Note Documents”* means the Notes (including Additional Notes), the indenture and the Security Documents.

*“Offering Memorandum”* means the final offering memorandum in relation to the Notes.

*“Officer”* means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the indenture by the Board of Directors of such Person.

*“Officer’s Certificate”* means, with respect to any Person, a certificate signed by one Officer of such Person.

*“Opinion of Counsel”* means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

*“Original Issue Date”* means November 15, 2013.

*“Parent Holding Company”* means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Holding Company.

*“Parent Holding Company Expenses”* means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, 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 Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent Holding Company 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 the Company and its Subsidiaries;
- (3) obligations of any Parent Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;
- (4) fees and expenses payable by any Parent Holding Company in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holding Company related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent Holding Company;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Holding Company or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed €2 million in any fiscal year; and

- (7) expenses Incurred by any Parent Holding Company in connection with any Public Offering or other sale of Capital Stock or Indebtedness:
- (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;
  - (y) pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or
  - (z) otherwise on an interim basis prior to completion of such offering so long as any Parent Holding Company shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

“*Pari Passu Indebtedness*” means any Indebtedness of the Company or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on the Collateral.

“*Paying Agent*” means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Note on behalf of the Company.

“*Permissible Jurisdiction*” means Serbia, Bosnia and Herzegovina and Slovenia, as well as any member state of the European Union.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; *provided* that 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 Collateral Liens*” means (A) Liens on the Collateral (i) that are “Permitted Liens” described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (17), (18), (19), (20) or (24) of the definition thereof or (ii) that are Liens on bank accounts equally and ratably granted to cash management banks securing cash management obligations, (B) Liens securing Additional Notes (to the extent permitted under clause (C) or (D)), (C) Liens on the Collateral to secure Indebtedness or other obligations of the Company or a Restricted Subsidiary that are permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii) (but only if after giving effect to such Incurrence on that date, the Consolidated Secured Leverage Ratio is either (a) less than 5.0 to 1.0 or (b) not greater than prior to such Incurrence), (6), (7), (11) or (12) (in the case of (12), *provided* that the amount of Indebtedness secured by such Lien on the Collateral shall not exceed 50% of the aggregate Indebtedness incurred under such clause) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and any Refinancing Indebtedness in respect of such Indebtedness; *provided, however*, that such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement; *provided further* that only Liens securing Indebtedness Incurred pursuant to (x) clause (1) or clause (14) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, not exceeding, at the date such commitments are obtained (in the case of revolving facilities) or such Indebtedness is incurred (in the case of term facilities), 100% of Consolidated EBITDA and (y) obligations under clause (6) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” may secure obligations on a basis having priority to the Notes and the Guarantors under the Intercreditor Agreement or Additional Intercreditor Agreement, as the case may be; (D) Liens on the Collateral securing Indebtedness incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” *provided* that, in the case of this clause (D), after giving effect to such incurrence on that date, the Consolidated Secured Leverage Ratio is less than 5.0 to 1.0 and (E) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes, *provided* that the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement. To the extent that Indebtedness relating to an instrument or agreement is permitted to be secured by a Permitted Collateral Lien, other associated obligations under such instrument or agreement not themselves constituting Indebtedness may also be secured by such Permitted Collateral Lien.

“*Permitted Holders*” means, collectively, (1) the Initial Investors and any Affiliate thereof, (2) Senior Management and Related Persons, (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent Holding Company or the Company, acting in such capacity and (4) any “group” (as such term is defined under Section 13(d)(3) of the Exchange Act) of which a Permitted Holder (without giving effect to this clause (4)) is a “Permitted Holder” and where such Permitted Holder is the beneficial owner of more than 50% of the Capital Stock beneficially owned by such group. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the indenture or (ii) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by the Company or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (5) Investments in 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;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;”
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*;”
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €25 million and 3.1% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investment” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*;”

- (13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent Holding Company as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (15) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the indenture;
- (16) guarantees, keepwells and similar arrangements not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” and
- (17) Investments in the Notes.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of the issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of such Person in the ordinary course of its business, *provided* that such letters of credit do not constitute Indebtedness;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, 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, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries 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 the Company and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the indenture, or over assets or property of any Restricted Subsidiary which is not required to provide a Guarantee pursuant to the Agreed Security Principles and which Lien is in favor of obligations under the indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

- (10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;
- (13) (a) Liens existing on the Issue Date, excluding Liens securing the Senior Facilities Agreement, the Hedging Obligations and the Notes; and (b) Liens with respect to Credit Facilities incurred pursuant to clause (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness;*"
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor owing to the Company or another Restricted Subsidiary, or Liens by such Restricted Subsidiary in favor of the Company or any Restricted Subsidiary;
- (16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the indenture; *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 or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;



- (21) Liens on cash accounts securing Indebtedness incurred under clause (10) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” with local financial institutions;
- (22) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens Incurred with respect to obligations which do not exceed €20 million at any one time outstanding;
- (26) Permitted Collateral Liens;
- (27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (28) (a) Liens directly or indirectly securing the Notes; and (b) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to the Intercreditor Agreement or an Additional Intercreditor Agreement, or otherwise is subject to loss-sharing as among the Holders and the creditors of such Indebtedness;
- (29) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (30) Liens securing Indebtedness permitted to be Incurred pursuant to clauses (1) and (14) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” and
- (31) any cash collateral arrangement securing the obligations of an ancillary lender in respect of ancillary facilities of the Company or its Restricted Subsidiaries.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Post-Closing Date*” means a date falling on or prior to 120 days after the Issue Date representing the respective dates on which each of Telemach d.o.o., Telemach Rotovž d.d., Telemach Tabor d.d. and Telemach d.o.o. Sarajevo enter into the relevant Security Documents.

“*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 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.

“*Proceeds Loan*” means the loan of a portion of the proceeds of the Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or a portion thereof.

“*Proceeds Loan Agreement*” means one or more loan agreements made on or about the Acquisition Completion Date of a portion of the net proceeds of the Notes by and among Slovenia Broadband S.a.r.l., as borrower, and the Issuer, as lender.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A 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.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and

- (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Company as of the Issue Date;

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“*Qualified Receivables Financing*” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value, and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“*Receivables Assets*” means any assets that are or will be the subject of a Qualified Receivables Financing.

“*Receivables Fees*” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“*Receivables Financing*” means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

“*Receivables Repurchase Obligation*” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Receivables Subsidiary*” means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard

Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any other Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company or any other Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

- (2) with which neither the Company nor any other Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and
- (3) to which neither the Company nor any other Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"Refinance"* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the indenture shall have a correlative meaning.

*"Refinancing Indebtedness"* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the indenture or Incurred in compliance with the indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, one year after the Stated Maturity of the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided, further*, that the provisions of clause (3) above shall not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the indenture.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

*"Related Person,"* with respect to any Permitted Holder, means:

- (1) any controlling equityholder or Subsidiary of such Person; or

- (2) in the case of an individual, 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 or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders 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; or
- (4) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (1) any Taxes, including 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 Taxes), required to be paid (provided such Taxes are in fact paid) by any Parent Holding Company by virtue of its:
  - (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company’s Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a Parent Holding Company, directly or indirectly, of the Company or any of the Company’s Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company’s Subsidiaries; or
  - (e) having made any payment in respect of any of the items for which the Company is permitted to make payments to any Parent Holding Company pursuant to “—*Certain Covenants—Limitation on Restricted Payments*;” or
- (2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent Holding Company or party to a Tax Sharing Agreement, any Taxes measured by income for which such Parent Holding Company is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company 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 Company and its Subsidiaries.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*Reversion Date*” means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Agent*” means UniCredit Bank AG, London Branch. In addition to UniCredit Bank AG, London Branch, UniCredit Bank Serbia JSC Belgrade is currently acting as Serbian security agent under the Intercreditor Agreement and references to the “Security Agent” herein shall include references to such Serbian security agent to the extent that such Serbian security agent is administering the Collateral for the benefit of Holders.

“*Security Documents*” means the Intercreditor Agreement and each collateral pledge agreement, security assignment agreement or other document under which Collateral is pledged to secure the Notes.

“*Senior Facilities Agreement*” means the senior facilities agreement dated on or about the Issue Date, between, among others, the Company, UniCredit Bank AG, London Branch, as facility agent, UniCredit Bank AG, London Branch, as English security agent, UniCredit Bank Serbia JSC Belgrade, as Serbian security agent, UniCredit Bank Serbia JSC Belgrade, as payment agent and the arrangers named therein, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“*Senior Finance Documents*” means the Senior Facilities Agreement and such other documents identified as “Finance Documents” pursuant to the Senior Facilities Agreement.

“*Senior Management*” means the officers, directors, and other current or former members of senior management of the Company or any of its Subsidiaries, who (or the Related Persons of whom) at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent Holding Company and with an equity investment in excess of €250,000.

“*Senior Secured Indebtedness*” means any Indebtedness Incurred pursuant to the first paragraph or clauses (1), (4), (5), (6), (11) or (14) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” in each case, secured by a Lien on a basis *pari passu* with or senior to the security in favor of the Notes.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Company’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Company’s and its Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date, (b) providing cable and satellite television, broadband internet and fixed-line and mobile technology services, content and programming, OTT services and content and (c) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Specified Change of Control Event*” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that the Consolidated Leverage Ratio would have been less than (x) 5.0 to 1.0 if the date of such occurrence is prior to the 18 month anniversary of the Issue Date or (y) 4.5 to 1.0, if the date of such occurrence is on or after the 18 month anniversary of the Issue Date, and giving pro forma effect to such event; *provided*, that when calculating the Consolidated Leverage Ratio of the Company for the purposes of this definition, the Company shall be entitled at its option to make such calculations as it would if making calculations of baskets or ratios in connection with a Limited Condition Acquisition, and the date of determination of the Consolidated Leverage Ratio of the Company shall, upon such election by the Company, be the date of the Definitive Agreement in respect of such event with such pro forma adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Consolidated Leverage Ratio after giving effect to such event and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability for such event to qualify as a Specified Change of Control Event. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the indenture after the Issue Date.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, including those



relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Guarantees pursuant to a written agreement (and for the avoidance of doubt, for the purposes of the indenture Indebtedness shall not be considered subordinated in right of payment solely because it is unsecured, or secured on a junior basis to or entitled to proceeds from security enforcement after, other Indebtedness).

“*Subordinated Shareholder Funding*” means, collectively, (i) any funds provided to the Company or any Restricted Subsidiary by a Parent Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent Holding Company or a Permitted Holder, or (ii) any investment by a Management Investor pursuant to a management equity plan, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding in each case:

- (1) does not mature or require any amortization, redemption or other repayment 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 funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, 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 Company or any of its Subsidiaries; and
- (5) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Successor Parent Holding Company*” with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that

“beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner,” as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“*TARGET2*” means the second generation trans-European automated real time gross settlement express transfer payment system.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed or levied by any government or other taxing authority.

“*Tax Sharing Agreement*” means any fiscal unity arising under relevant tax laws, and any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent Holding Company or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the indenture.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the Senior Facilities Agreement;
  - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or
  - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,  
  
in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no

rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent consolidated balance sheet of the Company.

"*Transactions*" means the issuance of the Notes, the entry into the indenture and the Senior Facilities Agreement, any repayment or discharge of existing indebtedness of the Company and its subsidiaries, the closing out or replacement of Hedging Obligations pursuant to the foregoing, the Acquisition, distributions to any Parent Holding Company in relation to the foregoing, all other associated transactions taken in relation to any of the foregoing, and the payment or incurrence of any fees, expense or charges associated with any of the foregoing, as described in "*Use of Proceeds*."

"*Trust Indenture Act*" means the U.S. Trust Indenture Act of 1939, as amended.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

- (1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Company or the Issuer) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Company in such Subsidiary complies with "*Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least €1.00 of additional Indebtedness pursuant to the first paragraph of the "*Limitation on Indebtedness*" covenant or (y) the Consolidated Leverage Ratio would not be greater than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the

Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's 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 to vote in the election of directors.

*"Wholly Owned Subsidiary"* means a Restricted Subsidiary of the Company, all of the Voting 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 Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

## **BOOK-ENTRY, DELIVERY AND FORM**

### **General**

The Notes sold to qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Rule 144A Global Note”). The Notes sold outside the United States in reliance on Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note” and, together with the Rule 144A Global Note, the “Global Notes”). The Global Notes will be deposited, on the Issue 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 Notes may only be offered or sold within the United States pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Ownership of interests in the Rule 144A Global Note (“Rule 144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Note (the “Regulation S Book-Entry Interests” and, together with the Rule 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons who hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in the book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not receive physical delivery of the Notes in certificated form and will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or the common depositary’s nominee), will be considered the sole holders of the Global Notes for all purposes under the Indenture governing the Notes. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we, the Trustee, any of the Agents, nor any of their respective agents will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

### **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 distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it 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 and 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 Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements; provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

### **Payments on Global Notes**

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the Paying Agent. The Paying Agent will, in turn, make such payments to



the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. We will make payments of all such amounts 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 Notes*.” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of the Notes*” above, 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, the Issuer, the Trustee, the Agents or any of their respective agents will treat the registered holders of the Global Notes (i.e. the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or Euroclear, Clearstream or any participant or indirect participant;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream, or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants as is now the case with securities held for the accounts of subscribers registered in “stock name.”

#### **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 through Euroclear and/or Clearstream in euro.

#### **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 Notes only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of 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.

#### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Notes will have a legend to the effect set out under “*Transfer Restrictions*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “*Transfer Restrictions*.”

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest 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 Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests denominated in the same currency 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 QIB 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 “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such 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 remains such a Book-Entry Interest.

### **Definitive Registered Notes**

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear or Clearstream notifies the Issuer 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
- if the owner of a Book-Entry Interest requests such an exchange in writing delivered through either Euroclear or Clearstream following an Event of Default under the Indenture and enforcement action is being taken in respect thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the registrar or transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 will be issued. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

We will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, we are not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer. In the event of the transfer of any Definitive Registered Note, the Trustee, the transfer agents and the registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. We may require a holder to pay any taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the registrar or at the office of the transfer agent, we will issue and the Trustee (or an authentication agent appointed by it) will authenticate a replacement Definitive Registered Note if the Trustee’s and our requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the paying agents appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer, pursuant to the provisions of the Indenture, the Issuer in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in the Global Notes only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such notes. Please see “*Transfer Restrictions*.”

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Issuer’s paying agent in London.

To the extent permitted by law, the Issuer, the Trustee, the paying agents, the transfer agents 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 the registered office of the registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the 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 Clearstream.

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the Trustee, the Agents nor the Initial Purchasers are responsible for those operations or procedures.

We understand as follows with respect to 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 or 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 or Clearstream systems, 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 Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, 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 Trustee or the paying agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Initial Settlement**

Initial settlement for the Notes will be made in euro. 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 on 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.

## TAX CONSIDERATIONS

### Dutch Tax Considerations

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Notes and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of this offering to a particular holder of Notes will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of this offering to him, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Issuer is organized, and that its business will be conducted, in the manner outlined in this offering memorandum. A change to such organizational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this offering memorandum. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch taxation section does not address the Dutch tax consequences for a holder of Notes who:

- (i) is a person who may be deemed an owner of Notes for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;
- (ii) is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from Notes;
- (iii) is an investment institution as defined in the Dutch Corporation Tax Act 1969;
- (iv) owns Notes in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role;
- (v) has a substantial interest in the Issuer or a deemed substantial interest in the Issuer for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person—either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes—owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of the Issuer, or rights to acquire, directly or indirectly, such an interest in the shares of the Issuer or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Issuer, or (b) such person's shares, rights to acquire shares or profit participating certificates in the Issuer are held by him following the application of a non-recognition provision;
- (vi) is a corporate entity and a resident of Aruba, Curaçao or Sint Maarten; or
- (vii) is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the Notes and/or the benefits derived from the Notes.

### Withholding tax

All payments under the Notes may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority of or in the Netherlands.



## *Taxes on income and capital gains*

### *Resident holders of Notes*

A holder of Notes who is resident or deemed to be resident in the Netherlands for Dutch tax purposes is fully subject to Dutch income tax if he is an individual or fully subject to Dutch corporation tax if it is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, as described in the summary below.

#### *Individuals deriving profits or deemed to be deriving profits from an enterprise*

Any benefits derived or deemed to be derived from or in connection with Notes that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates up to 52%.

#### *Individuals deriving benefits from miscellaneous activities*

Any benefits derived or deemed to be derived from or in connection with Notes that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 52%.

An individual may, *inter alia*, derive or be deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities if his investment activities go beyond regular active portfolio management.

#### *Other individuals*

If a holder of Notes is an individual whose situation has not been discussed before in this section “*Dutch Tax Considerations—Taxes on income and capital gains—Resident holders of Notes*”, the value of his Notes forms part of the yield basis for purposes of tax on benefits from savings and investments. A deemed benefit, which is determined on the basis of progressive rates starting from 2.87% up to 5.39% per annum of this yield basis is taxed at the rate of 30%. Actual benefits derived from or in connection with his Notes are not subject to Dutch income tax.

#### *Corporate entities*

Any benefits derived or deemed to be derived from or in connection with Notes that are held by a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax.

#### *General*

A holder of Notes will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of the Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

### *Non-resident holders of Notes*

#### *Individuals*

If a holder of Notes is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) he derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his Notes are attributable to such permanent establishment or permanent representative; or
- (ii) he derives benefits or is deemed to derive benefits from or in connection with Notes that are taxable as benefits from miscellaneous activities performed in the Netherlands.

### *Corporate entities*

If a holder of Notes is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with Notes, except if:

- (i) it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and to which permanent establishment or permanent representative its Notes are attributable; or
- (ii) it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its Notes are attributable.

### *General*

If a holder of Notes is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of the Notes or the performance by the Issuer of its obligations under such documents or under the Notes.

### *Gift and inheritance taxes*

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of Notes by way of gift by, or upon the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of Notes becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of Notes made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

### *Registration taxes and duties*

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of the Notes, the performance by the Issuer of its obligations under such documents or under the Notes, or the transfer of the Notes, except that Dutch real property transfer tax may be due upon an acquisition, in connection with Notes, of real property situated in the Netherlands, (an interest in) an asset that qualifies as real property situated in the Netherlands, or (an interest in) a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax.

## **United States Federal Income Taxation**

### *General*

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. Holder (as defined below) who acquires the Notes upon original issuance at their “issue price” (the first price at which a substantial amount of the Notes of a series is sold to investors for cash, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

A “U.S. Holder” means a beneficial owner of Notes that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;

- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations (“Treasury Regulations”) to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below.

This summary does not address all aspects of United States federal income tax or all tax considerations that may be relevant to U.S. Holders in light of their particular circumstances, and it does not address any state, local or foreign tax consequences. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to U.S. Holders that are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who are dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. Holders whose “functional currency” is not the U.S. dollar; or
- alternative minimum tax or Medicare contribution tax consequences, if any.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. U.S. Holders that are partners of a partnership holding the Notes should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

U.S. Holders considering the purchase of Notes should consult their own tax advisors concerning the particular United States federal income tax consequences to them of the purchase, ownership and disposition of the Notes, as well as the consequences to them arising under other United States federal tax laws and the laws of any other taxing jurisdiction.

### ***Payments of Interest***

It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for United States federal income tax purposes.

Subject to the foreign currency rules discussed below, interest on a Note will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder’s method of accounting for United States federal income tax purposes. In addition to interest on the Notes, which includes any foreign tax withheld from the interest payments received, a U.S. Holder will be required to include in income any additional amounts paid in respect of any such tax withheld and without reduction for any foreign tax withheld from any such additional amounts. U.S. Holders may be entitled to deduct or credit foreign withholding tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of the U.S. Holder’s applicable foreign taxes for a particular tax year). Interest income (including any additional amounts) generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. U.S. Holders will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where they do not meet a minimum holding period requirement during which they are not

protected from risk of loss. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Interest on the notes will be payable in euros. A U.S. Holder who uses the cash method of accounting for United States federal income tax purposes will be required to include in income the U.S. dollar value of the euro payment received, determined by translating the euros received at the spot rate on the date of receipt regardless of whether the payment is in fact converted to U.S. dollars. A cash basis U.S. Holder will not recognize exchange gain or loss with respect to the receipt of such payment, but such U.S. Holder may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. Holder who uses the accrual method of accounting for United States federal income tax purposes may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, the U.S. Holder will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year. Under the second method, the U.S. Holder may elect to translate interest income at the spot rate on:

- the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year), or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

If a U.S. Holder elects to use the second method, the election must be applied consistently to all debt obligations the U.S. Holder holds from year to year and cannot be changed without the consent of the Internal Revenue Service (the “IRS”). U.S. Holders should consult their own tax advisors as to the advisability of making the above election.

Upon receipt of an interest payment on a Note (including, upon the disposition of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), U.S. Holders who use the accrual method of accounting for United States federal income tax purposes will recognize exchange gain or loss (taxable as U.S. source ordinary income or loss) in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the euros received at the spot rate on the date of receipt) and the U.S. dollar value of the interest income the U.S. Holder previously included in income with respect to such payment, regardless of whether the payment is in fact converted to U.S. dollars.

#### ***Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes***

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other taxable disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income as discussed above) and the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note will generally be its cost for that Note. If a Note was purchased with euros, a U.S. Holder’s cost generally will be the U.S. dollar value of the euros paid for such Note determined at the spot rate on the date of such purchase (or, in the case of a cash basis taxpayer, or if the Note is treated as traded on an established securities market for United States federal income tax purposes and the U.S. Holder is an accrual basis taxpayer that so elects, the settlement date of the purchase). If a Note is sold, exchanged, redeemed, retired or otherwise disposed of in a taxable transaction for euros, the amount realized generally will be the U.S. dollar value of the euros received based on the spot rate in effect on the date of such sale, exchange, redemption, retirement or other taxable disposition (or, in the case of a cash basis taxpayer, or if the Note is treated as traded on an established securities market for United States federal income tax purposes and the U.S. Holder is an accrual basis taxpayer that so elects, the settlement date of the sale, exchange, redemption, retirement or other disposition). The election available to accrual basis U.S. Holders with respect to Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. Subject to the foreign currency rules discussed below, any gain or loss realized by a U.S. Holder generally will be capital gain or loss and will be treated as long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of

the sale, exchange, redemption, retirement or other taxable disposition of the Note. Long-term capital gains of non-corporate U.S. Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by U.S. Holders on the sale, exchange, redemption, retirement or other taxable disposition of a Note generally would be treated as U.S. source gain or loss.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder may recognize exchange gain or loss with respect to the principal amount of the Note. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Note is a U.S. Holder's purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date of the sale, exchange, redemption, retirement or other taxable disposition of the Note and (ii) the U.S. dollar value of the principal amount determined on the date the U.S. Holder purchased the Note (or, possibly, in the case of a cash basis taxpayer, or if the Note is treated as traded on an established securities market for United States federal income tax purposes and the U.S. Holder is an accrual basis taxpayer that so elects, the settlement dates of such purchase and taxable disposition). The amount of exchange gain or loss realized on the disposition of the Note (with respect to both principal and accrued interest) will be limited to the amount of overall gain or loss realized on the disposition of the Note.

### ***Reportable Transactions***

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 the 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 Note (or euros received in respect of a Note) to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. U.S. Holders should consult their own tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### ***Backup Withholding and Information Reporting***

Generally, information reporting requirements may apply to payments of principal and interest on a Note or the proceeds from the sale of a Note unless a U.S. Holder is an exempt recipient and, when required, demonstrates this fact. Additionally, if a U.S. Holder that is not an exempt recipient fails to provide its accurate taxpayer identification number, or in the case of interest payments fails either to report in full dividend and interest income or to make certain certifications, such U.S. Holder may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938 (Statement of Specified Foreign Financial Assets) to their tax return for each year in which they hold an interest in the Notes. U.S. Holders should consult their own tax advisors regarding information reporting requirements relating to your ownership and disposition of the Notes.

### **Withholding Tax in Certain other Jurisdictions**

#### ***Slovenia***

Any payments made by a Slovenian Guarantor on or under the Notes or the Notes Guarantees will be qualified either as the payment of principal, premium (if any) or interest. Generally, any such payments to a foreign person that qualify as the payment of interest will be subject to withholding tax in Slovenia. No withholding tax is payable on the payment of principal. After a Slovenian Guarantor has settled an obligation on or under the Notes or the Notes Guarantees, the Guarantor must establish a receivable towards the Issuer in the amount of the settled obligation. If a Slovenian Guarantor does not establish a receivable towards the Issuer, the payment made by the Guarantor on or under the Notes or the Notes



Guarantees might be characterized as a hidden distribution of profit (i.e., a payment in the name of the Issuer). In this case, withholding tax would be due on the entire amount of the payment (and not only on the portion representing the payment of interest).

According to Article 70 of the Slovenian Corporate Income Tax Act, withholding tax is imposed on certain income of non-residents from a Slovenian source, including dividends and income similar to dividends, interest (subject to certain exceptions), royalties, rent for Slovenian real estate, income from sports or art performances (through an intermediate entity) or from consulting, marketing, legal and certain other services when payments for such services are made to entities established in black-listed countries (tax havens).

The standard withholding tax rate is 15%. It is the responsibility of the Slovenian payer (e.g., a legal entity, a sole entrepreneur, a business unit of a non-resident, for example, a Slovenian branch of a foreign company or an agent) to withhold the tax at the rate of 15% at the time of payment of Slovenian sourced income.

In certain cases it is, however, possible to apply for a reduced withholding tax rate or even an exemption from withholding tax. Such benefits may be available under double taxation agreements Slovenia has entered into with foreign countries. Moreover, Slovenia has fully transposed the EU Parent-Subsidiary Directive (2011/96/EU) and the EU Interest and Royalty Directive (2003/49/EC) into its national law, which exempt transactions between certain types of companies from withholding tax, if the parties meet the requirements on the volume and the duration of shareholding.

### ***Bosnia and Herzegovina***

Withholding tax in Bosnia and Herzegovina is regulated by entity-level legislation, namely by the Law on corporate income tax of the Federation of Bosnia and Herzegovina (*Official gazette of the Federation of Bosnia and Herzegovina*, No. 15/16) and the Law on corporate income tax of Republika Srpska (*Official gazette of the Republika Srpska*, No. 94/15 and 1/17), under their Articles 38–40, and 44–52, respectively.

Withholding tax may be payable by foreign/non-resident entities (legal or physical persons), for income generated in the Federation of Bosnia and Herzegovina from dividends, interest or financial equivalent based on the financial instruments or arrangements, intellectual property fees, consulting and similar intellectual services, asset leases, entertainment events, insurance and reinsurance, and telecommunication services. The general withholding tax rate is 10%, except for income generated from dividends, which is taxable at 5%. Alternatively, different withholding tax rates may apply, if stipulated by international agreements on avoidance of double taxation.

Income generated by non-resident entities from interest on loans and credits granted to resident entities for the purpose of investment in production equipment, as well as from interest on state issued securities, may be exempt from withholding tax. In addition, in the Federation of Bosnia and Herzegovina, income generated by reinsurance premiums paid by local reinsurers may be exempt from withholding tax, while in Republika Srpska corporate gains returned to the resident country of the non-resident shareholder/founder may be exempt from withholding tax.

Withholding tax is directly calculated and charged by the resident making the payment to a non-resident, prior to the actual payment, with the resident bearing the local tax liability.

### ***Luxembourg***

The comments below are intended as a basic summary of certain withholding tax consequences in relation to the purchase, ownership and disposal of the Notes under Luxembourg law. Persons who are in any doubt as to their tax position should consult a professional tax adviser.

Under Luxembourg tax law currently in effect and subject to the exception below, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest) or repayments of principal.

In accordance with the law of December 23, 2005, as amended, interest payments made by Luxembourg paying agents to individual beneficial owners resident in Luxembourg are currently subject to a 20% withholding tax. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

In addition, pursuant to the law of December 23, 2005, as amended, Luxembourg resident individuals can opt to self declare and pay a 20% tax (the “Levy”) on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20% withholding tax as described above or the Levy will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

### ***Serbia***

According to the Serbian Corporate Income Tax Act (Official Gazette of the Republic of Serbia, No. 25/2001, 80/2002, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015), the following income is subject to taxation by withholding in Serbia:

- (i) dividends
- (ii) royalties
- (iii) interest
- (iv) lease and sublease fees
- (v) service fees
- (vi) capital gains, and
- (vii) entertainment.

The person liable to pay the income tax by withholding is the Serbian resident legal entity (or a Serbian branch of a non-resident legal person). In case the income payer is a natural person or a legal entity without a presence in Serbia and the income is Serbian sourced (e.g., the sale of real estate located in Serbia or shares of companies registered in Serbia), the tax is assessed by the Tax Administration based on a tax return that must be submitted in the name of the income recipient.

The statutory withholding tax rate is 20%, and exceptionally 25% if the income recipient is from a black-listed country.

**The withholding tax rate can be reduced to as low as zero percent if an applicable Double Tax Treaty gives the taxing right to the country of the income recipient.**

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, “Similar Laws”), and entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”).

### *General Fiduciary Matters*

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “ERISA Plan”) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

### *Prohibited Transaction Issues*

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer, the Initial Purchasers, or the Guarantors is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or “PTCEs,” that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of ERISA Plans considering acquiring and/or holdings the Notes in reliance on these or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing “plan assets” of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Each purchaser and subsequent transferee of a Note will be deemed to have given the acknowledgments, representations and warranties as detailed under “Transfer Restrictions.”

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

## **LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE SECURITY INTERESTS**

Set out below is a summary of certain limitations on the enforceability of the Notes Guarantees and the security interests in some of the jurisdictions in which Notes Guarantees or Collateral are being provided. It is a summary only, and bankruptcy or insolvency proceedings or similar events could be initiated in any of these jurisdictions as well as in any jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply to a given situation and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the security interests in the Collateral. Also set forth below is a brief description of certain aspects of insolvency law in the Bosnia and Herzegovina, Serbia and Slovenia.

### **European Union**

The Guarantors in Luxembourg, Slovenia and the Netherlands are organized under the laws of Member States of the European Union.

Pursuant to Regulation (EU) no. 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (which entered into force on 26 June 2017 and applies to insolvency proceedings opened on or after that date) replacing Regulation (EC) 1346/2000 of May 29, 2000, (the "E.U. Insolvency Regulation"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (which according to Article 3(1) of the E.U. Insolvency Regulation is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties") is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Pursuant to Article 3(1) of the E.U. Insolvency Regulation the "centre of main interests" of a company is presumed to be in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption only applies if the registered office has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Furthermore, preamble 30 of the E.U. Insolvency Regulation states that "it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other Member State". Prior to 26 June 2017, the courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition unless (as set forth above) the registered office has been moved within the 3-month period prior to the filing of the insolvency petition.

The E.U. Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the E.U. Insolvency Regulation.

If the "centre of main interests" of a company is in one Member State (other than Denmark), under Article 3(2) of the E.U. Insolvency Regulation the courts of another Member State (other than Denmark) have jurisdiction to open territorial insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non transitory economic activity with human means and assets. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's

law; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or is in connection with the operation of the establishment situated within the territory of the Member State where the opening of territorial proceedings is requested or (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening the main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

## The Netherlands

Under Dutch law, the obligations of the Issuer and the Guarantors which are incorporated under Dutch law (the Dutch Guarantors) may be affected by (a) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*); (b) force majeure (*niet- toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*); and (c) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of the Notes. Other general defenses include claims that a security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwalen*). Other impeding factors include dissolution of contract (*ontbinding*) and set-off (*verrekening*).

The validity and enforceability of the obligations of the Issuer and the Dutch Guarantors under the Notes may be successfully contested by such Dutch company (or its administrator (*bewindvoerder*) in suspension of payments or its receiver (*curator*) in bankruptcy) on the basis of an *ultra vires* claim, which will be successful if both (i) the obligations of the company do not fall within the scope of the objects clause as set out in the company's articles of association (*doeloverschrijding*) and (ii) the company's counterparty knew or ought to have known (without inquiry) of this fact. In determining whether a transaction is in furtherance of the objects and purposes of such Dutch company, a court will consider (i) the text of the objects clause in the company's articles of association and (ii) all relevant circumstances including whether the granting of such security interest is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit and whether the company's subsistence is jeopardized by the granting of such security interest. The mere fact that a certain legal act (*rechtshandeling*) is explicitly reflected in such Dutch company's objects clause may not be conclusive evidence that such legal act is not *ultra vires*.

In connection with the removal of the prohibition on financial assistance for Dutch private companies with limited liability as per October 1, 2012, it was mentioned in Dutch Parliament that the granting of security, providing of a guarantee or accepting of liability with a view to the acquisition (or the refinancing thereof) by any party of shares in the company's share capital or the shares of its (direct or indirect) parent company could, depending on the further circumstances, constitute *ultra vires*. At present, there is no Dutch case law on this subject.

A guarantee granted by a Dutch company and a security interest provided by a Dutch company may be suspended or avoided by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company or shares or depositary receipts issued therefor with a nominal value of €225,000 or more or such lesser amount as provided in the company's articles of association. If the company has an issued share capital of at least €22.5 million, such motion may be made by a holder or holders of 1% or more of the shares in such company or, provided those are listed on a qualifying trading venue, shares or depositary receipts issued therefor with a value of €20 million or more or such lesser amount as provided in the company's articles of association. A trade union and other entities entitled thereto in the articles of association of the relevant Dutch company may also submit a motion to the Enterprise Chamber for this purpose. The guarantee or security itself may further be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or avoided.



Under Dutch law, any creditor of the Issuer or a Dutch Guarantor or its receiver (*curator*) may nullify the issuance of the Notes, or any other transaction or legal act entered into by the Issuer or a Dutch Guarantor in connection with the Notes, under certain circumstances, if (i) the issuance of the Notes, any other transaction or legal act entered into by the Issuer or a Dutch Guarantor in connection with the Notes was conducted without prior existing legal obligation to do so (*onverplicht*), (ii) the creditor(s) concerned or, in the case of its/their bankruptcy, any creditor was prejudiced as a consequence of such transactions or legal act (irrespective of whether a creditor's claim arose prior to or after such transactions) and (iii) at the time of the issuance of the Notes, or any other transaction or legal act entered into by the Issuer or a Dutch Guarantor in connection with the Notes was conducted, both the Issuer or the Dutch Guarantors and, unless the transactions were conducted for no consideration (*om niet*), the counterparty knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*). A receiver (*curator*) may nullify a transaction on behalf of and for the benefit of the joint insolvent debtor's creditors, and the burden of proof of the abovementioned elements of fraudulent conveyance in principle rests on the receiver. Knowledge of prejudice is however presumed by law for certain transactions performed within a "suspect period" of one year prior to an adjudication of bankruptcy. This is applicable for certain transactions only, the most important application being in cases where the obligations of the bankrupt materially exceed those of the other party, the satisfaction of existing obligations of the bankrupt which are not yet due, and acts between the bankrupt and its counterparty when the shares in both are held (indirectly) by the same shareholder or if the bankrupt and its counterparty are part of the same group of companies. The foregoing requirements for invoking fraudulent transfer provisions outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the receiver may challenge a transaction if it was conducted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the transaction was conducted at a time when the counterparty knew that a request for bankruptcy had been filed, or (ii) if such transaction was conducted as a result of deliberation between the debtor and the counterparty with a view to giving preference to the counterparty over the debtor's other creditors. Consequently, the validity of any such transactions conducted by a Dutch legal entity may be challenged and it is possible that such a challenge would be successful.

In the event that any one or more of the Issuer, the Guarantors or any of their subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

### ***Insolvency Laws***

The Issuer and the Dutch Guarantors are incorporated under Dutch law. Accordingly, where the Issuer and the Dutch Guarantors have their "center of main interests" or an "establishment in the Netherlands," they may be subject to Dutch insolvency proceedings governed by Dutch insolvency laws, subject to certain exceptions as provided for in the EU Insolvency Regulation (no. 2015/848/EU).

There are two applicable corporate insolvency regimes under Dutch law in relation to corporations: (a) suspension of payments (*surseance van betaling*), which is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern, and (b) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the debtor's assets to its creditors. Bankruptcy is the most commonly used insolvency regime and may result in the transfer of parts of the company as a going concern. A suspension of payments almost always results in the debtor's bankruptcy. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

Only the debtor can make an application for a suspension of payments, and only if it foresees that it will be unable to continue to pay its payable debts. Once the application has been filed, a court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint one or more administrators (*bewindvoerders*). A meeting of creditors is required to decide on the definitive suspension of payments, but it will generally be granted, unless a qualified minority (i.e., more than one-quarter of the amount of claims held by creditors represented at the creditors' meeting or more than one-third of the number of creditors of the amount of claims held by creditors) of the unsecured, non-preferential, creditors declare against it or if there is a valid fear that the debtor will try to prejudice the creditors during a suspension of payments or if there is no prospect that the debtor will be able to satisfy its creditors in the (near) future. A suspension of payments will only affect unsecured, non-preferential creditors.

Under Dutch law, a debtor can be declared bankrupt when it has ceased to pay its debts. Bankruptcy can be requested by the debtor itself or a creditor of a claim when there is at least one other creditor. At least one of the claims (of the creditor requesting bankruptcy or the other creditor) needs to be due and payable. The debtor can also request the application of bankruptcy proceedings itself. Furthermore, the Public Prosecution Service (*het Openbaar Ministerie*) can request the application of bankruptcy proceedings for reasons of public interest (*openbaar belang*). In Dutch bankruptcy proceedings, a debtor's assets are generally liquidated and the proceeds distributed to the debtor's creditors according to the relative priority of those creditors' claims and, to the extent certain creditors' claims have equal priority, in proportion to the amount of such claims. Certain parties, such as secured creditors, will benefit from special rights. Secured creditors, such as pledgees and mortgagees, may enforce their rights separately from suspension of payments or bankruptcy and do not have to contribute to the liquidation costs; however, enforcement of the security interest might be subject to the following: (a) a statutory stay of execution of up to two months extendable by another period of up to two months imposed by court order pursuant to articles 63a of the Dutch Bankruptcy Act (*Faillissementswet*); (b) a receiver (*curator*) can force a secured party to foreclose its security interest within a reasonable time (as determined by the receiver pursuant to Article 58(1) of the Dutch Bankruptcy Act), failing which the receiver will be entitled to sell the relevant rights or assets and distribute the proceeds to the secured party after a deduction of liquidation costs; and (c) excess proceeds of enforcement must be returned to the company's receiver and may not be offset against an unsecured claim of the company's secured creditor.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, where both secured and unsecured creditors are generally barred from seeking to recover on their claims, suspension of payment and bankruptcy proceedings against the Issuer would allow secured creditors (and in case of suspension of payments also preferential creditors (including tax and social security authorities)) to satisfy their claims by proceeding against the assets (that secure their claims) as if there were no bankruptcy or suspension of payments. However, a statutory stay of execution of up to two months, extendable by another period of up to two months, may be declared applicable. Furthermore, certain preferred creditors have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to foreclose on assets of the bankrupt. They do have priority in the distribution of the proceeds of the bankrupt's assets.

Restrictions on the enforcement of security interests may apply. For instance, higher ranking rights must be respected. These may include secured creditors and tax and social security authorities. A statutory stay of execution of security rights and other rights of up to two months, extendable by another period of up to two months, may be imposed. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time. If such time is not met, the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have a preferred claim in respect of the proceeds, meaning that the secured creditor will have to share in the bankruptcy costs, which may be significant. Excess proceeds of any enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor. Such set-off may be allowed prior to the bankruptcy, although at that time it may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Any pending executions of judgments against the debtor will be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

Both in a definitive suspension of payments and bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding for all unsecured and non-preferential creditors if it is: (i) approved by a simple majority (*gewone meerderheid*) of the number of creditors represented at the creditors' meeting, representing at least 50% of the amount of the claims that are acknowledged and conditionally admitted, and (ii) subsequently ratified (*gehomologeerd*) by the court. Consequently, Dutch insolvency law could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in a Dutch suspension of payments proceeding or bankruptcy. Interest accruing after the date on which a suspension of payments or bankruptcy is granted, cannot be claimed in a composition.

All unsecured and non-preferential pre-bankruptcy claims will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions.

As a general rule, claims of unsecured and non-preferential creditors will have to be submitted to the receiver in bankruptcy to be verified. Any remaining funds will be distributed to the company's shareholders. Creditors of secured claims, such as the holders of the notes, and preferential creditors with respect to certain assets of a debtor, who expect that the proceeds of a future enforcement against the assets subject to the security or their preferred rights, as the case may be, will be insufficient to satisfy their claim in full, may request to receive the same rights as unsecured and non-preferential creditors with respect to the expected remainder of their claim, with preservation of their rights as a secured or preferential creditor in respect of the secured asset or the asset the relevant preferential right relates to. If a secured creditor enforces its security rights prior to the expiry of the period for submitting claims for verification, and the proceeds of such enforcement are insufficient to satisfy its claim in full, the remainder of that claim may be submitted to the receiver in bankruptcy in order to be verified. "Verification" under Dutch law means, in the case of a suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, the unsecured and non-preferential pre-bankruptcy claims are submitted to a receiver for verification, and the receiver then makes a determination as to the claim's existence, ranking and value and whether and to what extent it should be admitted in the bankruptcy proceedings (for voting). In the situation of bankruptcy, creditors that wish to dispute the receiver's verification of their claims will be referred to a claim validation proceeding (*renvooi* procedure) in order to establish the amount and rank of the disputed claim, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These procedures could cause holders of Notes to recover less than the principal amount of their Notes or less than they could recover in a U.S. liquidation proceeding. The *renvooi* proceedings could also cause payments to the holders of Notes to be delayed. Interest on the Notes accruing after the bankruptcy order date cannot be admitted unless secured by a pledge or mortgage, in which case interest will be admitted pro memoria. To the extent that an interest is not covered by the proceeds of the security, the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. As a consequence, the Intercreditor Agreement provides for the creation of parallel debt (Parallel Debt) obligations in favor of the Security Agent mirroring the obligations of the Issuer and the Guarantors towards the holders of the Notes under or in connection with the Indenture (the Principal Obligations). The Dutch law security interests are, and will be, granted to the Security Agent as security for the Parallel Debt and will not directly secure the Principal Obligations. The Parallel Debt will be at all times in the same amount and payable at the same time as 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. In respect of the security interest granted to secure the Parallel Debt, the holders of the Notes will not have direct security and will not be entitled to take enforcement actions in respect of such security except through the Security Agent. As a result, the holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. In addition, the Parallel Debt concept has not been tested under Dutch law and, to the extent that the security interests in the collateral created to secure the Parallel Debt are successfully challenged by other parties, holders of the Notes will not (directly) receive any proceeds from an enforcement of the security interests in the collateral.

## **Slovenia**

### ***Certain Slovenian companies and insolvency law considerations***

The granting of up-stream or cross-stream guarantees and security under Slovenian law is limited.

According to the Slovenian Companies Act (*Zakon o gospodarskih družbah—ZGD-1—Companies Act*), as amended, joint stock companies are prohibited from providing funds to anyone for the purpose of acquiring the companies' shares and from guaranteeing or otherwise securing the repayment of such funds. While the statutory restrictions of financial assistance expressly refer only to joint-stock companies and the acquisition of their shares, it is possible that a court would also apply these rules to the acquisition of shares of a direct or indirect parent of the relevant joint-stock company or for limited liability companies. Given the prohibition on financial assistance, it is not certain if a Slovenian joint-stock company may provide upstream or cross-stream guarantees. Setting aside the financial assistance prohibition, the amount of the guarantee should in any event not exceed whatever amounts the company receives in consideration for providing the guarantee.

Guarantees and other types of security granted by a company for purposes other than the acquisition of its own shares are not covered by the financial assistance rules and instead must be analyzed in light of the capital maintenance provisions of the Companies Act, which apply to limited liability companies and joint-stock companies. Pursuant to these rules, a shareholder is only entitled to participate in a company's distributable profit but has no rights with respect to the company's assets except in the case of the winding-up of the company. Thus, any payment by a company to a shareholder, including any other transfer of economic benefits, that is not profit participation is generally prohibited.

As the grant by a company of a guarantee or other type of security for the benefit of one of its shareholders to secure an obligation of such shareholder towards a third party or to secure the obligation of another company forming part of the same group gives rise to a material benefit to the shareholder, the grant of such guarantee or security is subject to the capital maintenance rules and thus permitted only if certain legal requirements are met.

First, a limited liability company may not pay any portion of its share capital and tied-up reserves to shareholders, either directly or indirectly. This means that the grant of a guarantee or other security by a company for the benefit of a shareholder is permitted only to the extent that the amount covered by the guarantee or security does not endanger the company's share capital and tied-up reserves. To the extent the amount in question does endanger the company's share capital and tied-up reserves, the guarantee or other security is permitted only if the grant of the security is commercially justified based on arm's length principles. This is the case if the benefits to the company outweigh the risks involved and the grant does not affect the company's liquidity, e.g., if adequate security for the potential liability is provided to the company or there are other benefits to the company. Under no circumstances, however, must a company grant a guarantee or other type of security if doing so could reasonably be expected to affect its liquidity or lead to its insolvency (e.g., because the beneficiary of the guarantee has a particularly low degree of creditworthiness)—even if the company receives a monetary equivalent from the shareholder, as in such case the grant of the guarantee or other security is never commercially justified.

If a company grants a guarantee or other type of security to a shareholder in contravention of the capital maintenance rules, the shareholder must pay back the received benefit. If the shareholder was acting *bona fide*, the repayment may only be requested if it is needed for repayment of a company's debt to its creditors. The liable shareholder may not be set free of its repayment obligations. The prescription period for the repayment starts to lapse with the day when the unjustified payment was made.

In addition, any violation of the capital maintenance or financial assistance rules exposes the directors or managers of the Slovenian Guarantor to personal and criminal liability. In addition, the guarantee could itself be held null and void.

### ***Insolvency law***

For Slovenian law purposes, insolvency is defined as a situation where a debtor is unable to settle its obligations as they fall due for a certain period of time. Unless proven otherwise, a debtor is deemed insolvent if:

- the debtor is more than two months late in paying one or more of its obligations that together exceed 20% of all of its obligations, as shown in the debtor's latest published annual report; or
- the monies standing to the credit of the debtor's bank account are not sufficient to pay the whole amount enforceable under a writ of execution (*sklep o izvršbi*) or to pay the enforcement draft (*izvršnica*), and such status continues for 60 consecutive days or for more than 60 days within a period of 90 days, and still exists on the day preceding the filing of the bankruptcy petition; or
- the debtor does not have an account with a payment services provider in Slovenia or in the 60 days following the finality of the writ of execution has not settled its obligations, or
- after the final confirmation of a compulsory settlement or simplified compulsory settlement over the debtor, if the debtor is more than two months late with the payment of its obligations under the (simplified) compulsory settlement or with the payment of obligations towards secured creditors that arose before the (simplified) compulsory settlement proceedings commenced or with any other financial restructuring measures stipulated in the financial restructuring plan; or
- the value of the debtor's obligations exceeds the value of its assets; or



- the debtor's current year loss together with any loss brought forward from previous years is equal to, or greater than, half of its subscribed capital, and that loss cannot be covered by the profit brought forward or reserves.

Further, the debtor is deemed insolvent (and is not allowed to prove otherwise) if it is over two months late in paying its employees their minimum salaries or taxes and contributions that are paid together with salaries, and that delay still exists on the day preceding submission of a petition for the filing of the insolvency petition.

Under Slovenian law, the following types of insolvency proceedings may be opened against a company having its center of main interest in Slovenia within the meaning of the EU Insolvency Regulation:

- bankruptcy proceeding (*stečaj*). The opening of these types of proceedings may be requested by the company, any personally liable shareholder of the company, any of its creditors, or the Public Guarantee and Maintenance Fund of the Republic of Slovenia (this fund provides protection of rights of those workers whose employment was terminated due to employer insolvency). During bankruptcy proceedings, the bankrupt company is administered by a bankruptcy administrator.
- compulsory settlement proceeding (*prisilna poravnava*). The opening of these types of proceedings may be requested by the company, a personally liable shareholder of the company or by creditors of the company whose combined financial claims amount to more than 20 per cent of the company's financial obligations. The purpose of the compulsory settlement procedure is to enable a debtor that became insolvent to financially restructure, providing for its liquidity and solvency, and to ensure the creditors receive more favorable payment conditions for their claims than in the case of bankruptcy proceedings.
- simplified compulsory settlement proceeding (*poenostavljena prisilna poravnava*). Simplified compulsory settlement proceedings are permitted, if the debtor is a micro-sized company (as specified in the Slovenian Companies Act based on the following criteria: the average number of employees in a business year, the net proceeds from sales and the value of the assets) or a sole proprietor who meets the criteria stated in the Slovenian Companies Act for micro or a small-sized companies. The opening of these types of proceedings may be requested only by the debtor (company/sole proprietor) or a personally liable shareholder of the company.

In the event that a company is at risk of becoming insolvent within one year, the company may restructure its financial liabilities in so-called preventive restructuring proceedings (*postopek preventivnega prestrukturiranja*) in order to reduce the risk of insolvency. Preventive restructuring proceedings are not considered to be insolvency proceedings in the technical sense. This is because they enable a company to take financial restructuring measures in order to avoid becoming insolvent by entering into an agreement for a financial restructuring with its creditors.

In relation to secondary proceedings within the meaning of the EU Insolvency Regulation, if an entity has an establishment in Slovenia, the only insolvency proceedings that may be opened are bankruptcy proceedings (*stečaj*).

In the event of a liquidation of a Slovenian Guarantor following bankruptcy, the liability of the Slovenian Guarantor in respect to the Notes will only rank after the cost of the liquidation proceedings (including any debt incurred for the purpose of such liquidation) and any debts of the relevant entity that enjoy a more senior or preferential status under the Slovenian law. Preferential debts may include, among others:

- remuneration owed to employees for the last six months preceding the insolvency proceeding,
- compensation (damages) for work related accidents and occupational diseases,
- redundancy payments for workers dismissed prior to the commencement of insolvency proceedings,
- taxes and social security contributions related to the remuneration (for the period of the last six months) and redundancy payments as well as social security contributions for a period prior to the opening of the insolvency proceeding.

Assets over which a security interest has been granted will, in principle, not be available for distribution to unsecured and un-preferred creditors, unless a surplus is realized.



Certain legal actions of a debtor in an insolvency procedure can be challenged in court if they were concluded or carried out during the twelve-month-period prior to the submission of a petition for beginning of the insolvency procedure.

A legal action of an insolvent debtor may be challenged if such action results in either a decrease in the net value of assets of the debtor, so that the pool of assets available to other creditors is reduced, or a person for the benefit of whom the act has been executed, having obtained more favorable payment conditions for a claim against the debtor in bankruptcy, and a person for the benefit of which the act was executed, at the time when such act was executed, was aware of, or should have been aware of, the fact that the debtor was insolvent.

If the other person did not provide any exchange (consideration) or if the value of such exchange was small, such legal action can be challenged if it was concluded during a period of 36 months prior to the filing of the motion for the commencement of insolvency proceedings and even if the other person was not aware of or did not need to be aware of the fact that the debtor was insolvent.

In general, the opening of insolvency proceedings by a Slovenian court does not result in the automatic termination of contracts; however the insolvency administrator may choose to terminate certain contracts as to avoid the worsening of the financial condition of the company. Any power of attorney terminates upon initiation of bankruptcy proceedings.

Insolvency proceedings may therefore have a material adverse effect on the relevant Slovenian Guarantor's business and assets and the Slovenian Guarantor's respective obligations with respect to the notes.

#### ***Certain Slovenian collateral law considerations***

According to the Slovenian Private International Law and Procedure Act and the Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I), Slovenian courts will apply the *lex rei sitae*, which is the law of the place where the assets or subject matter of the pledge or security interest are situated.

Therefore, the creation, perfection and enforcement of security interests over assets such as registered shares in Slovenian companies, tangible assets located in Slovenia, receivables/claims governed by Slovenian law and having debtors located in Slovenia, bank accounts held in Slovenia, etc. will be subject to Slovenian law.

Under Slovenian law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim that is purported to be secured by such security interests. As a consequence, the Intercreditor Agreement will provide for the creation of parallel debt (Parallel Debt) obligations in favor of the Security Agent mirroring the obligations of the Issuer and the Guarantors towards the holders of the Notes under or in connection with the Indenture (the Principal Obligations). The Slovenian law security interests will be granted to the Security Agent as security for the Parallel Debt and will not directly secure the Principal Obligations. The Parallel Debt will be at all times in the same amount and payable at the same time as 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. In respect of the security interest granted to secure the Parallel Debt, the holders of the Notes will not have direct security and will not be entitled to take enforcement actions in respect of such security except through the Security Agent.

In addition, the Parallel Debt construct has not been tested under Slovenian law and, to the extent that the security interests in the collateral created to secure the Parallel Debt are successfully challenged by other parties, holders of the Notes will not (directly) receive any proceeds from an enforcement of the security interests in the collateral.

#### ***Enforcement proceedings***

Under Slovenian law, depending on the type of security certain perfection requirements must be satisfied in order for a security to become enforceable against third parties. If these perfection requirements are not satisfied a holder of security interest may experience difficulties enforcing its rights

with respect to the collateral against third parties, including administrators in insolvency proceedings or other creditors that claim a security interest in the same collateral.

- In the case of a pledge over the shares of a limited liability company, the agreement must be drawn up in the form of a notarial deed and registration of the security interest in the court register of the relevant Slovenian company as well as a notification to the company's statutory representative is required. If a secured claim is not settled at maturity, the shares may be sold through (i) a court enforced sale or (ii) an out-of-court sale. If the security agreement is concluded between commercial entities, it is presumed that the parties agreed on an out-of-court sale; in all other cases, the parties must conclude an agreement on an out-of-court sale in writing.
- In case of a pledge over the shares of a joint stock company, the security interest must be entered in the central register maintained by the KDD (Slovene Central Securities Clearing Corporation).
- In case of a security over receivables, the pledgor must notify the debtor of the pledged receivable. Upon receipt of the notification, the debtor of the pledged receivable may only validly pay to the pledgee and the pledgee is not required to initiate a procedure against the pledgor, but can demand and enforce the payment directly against the debtor of the pledged receivable. In case of a pecuniary claim, the creditor must, at the request of the pledgor, deposit the collected amount with the court.

Court enforcement proceedings are regulated by the Slovenian Enforcement and Securing of Civil Claims Act (*Zakon o izvršbi in zavarovanju—ZIZ*—Enforcement Act). According to the Enforcement Act, enforcement procedures may be commenced only upon obtaining a valid enforcement title which may be in the form of either (i) an enforceable court decision, (ii) a court settlement, (iii) an enforceable notarial deed, or (iv) another enforceable decision or instrument that is an enforceable title according to the law, a ratified and published international treaty or a legal act of the European Union that is directly applicable in the Republic of Slovenia. Therefore, if an agreement is drawn up in the form of a directly enforceable notarial deed (with all documents and attachments in certified Slovenian translations), the enforcement procedure may be commenced without any further litigation.

The enforcement procedure starts with the creditor filing a proposal for enforcement. In this proposal, the creditor must provide information about the legal title upon which the enforcement is based, the debtor's obligation, the enforcement measure or the relevant debtor's assets that are targeted by the procedure (objects of enforcement). There is no deadline for the court to decide on the enforcement proposal. In practice, in most cases the court reaches a decision within about two weeks. As long as there is a valid enforcement title, courts will generally grant the enforcement. The debtor and any third party with a right to the object of enforcement that prevents enforcement may file an objection against a decision granting enforcement.

Any costs associated with an enforcement procedure (court fees, bailiff fees, etc.) are initially borne by the person filing a proposal for enforcement, however, after the sale of a security interest, any distribution proceeds are first used to reimburse the costs and expenses of the enforcement procedure.

The Enforcement Act regulates in detail the enforcement procedures with respect to different types of assets (e.g., enforcement over real-estate, receivables, movables and similar) as well as the procedures with respect to different types of claims (e.g., monetary claims, claims regarding the handing over of a real-estate or movables and similar).

The means of enforcement of monetary claims under the Enforcement Act are:

- enforcement by seizing movables, appraisal of their value, sale of the movables and repayment of a creditor from the money acquired through the sale of the movables;
- enforcement by seizing a monetary claim of a debtor and transferring the monetary claim to a creditor;
- enforcement by blocking a debtor's assets on bank accounts and transferring the blocked assets to a creditor after the required conditions are met;
- enforcement by seizing a debtor's claim to have certain (im)movables handed over to it, transferring this claim to the creditor and sale of the object;
- enforcement by seizing and monetizing other assets or material rights of a debtor (e.g., a patent, right to usage and similar);
- enforcement over securities; and

- enforcement over real estate with a registration of the enforcement into the real estate register, appraisal of the value of the real estate, sale of the real estate and repayment of a creditor from the money acquired through the sale of the real estate.

## Serbia

### *Serbian company and foreign exchange law related considerations*

According to the Serbian Companies Act, neither limited liability companies nor joint stock companies may provide funds for the acquisition of their own shares or provide security for the repayment of such funds. The company may not, directly or indirectly, provide financial support of any kind to its shareholders, employees or third parties for acquisition of shares in the company, and in particular may not grant loans, guarantees, sureties, security instruments and similar benefits. A legal transaction contrary to this regulation is null and void.

According to the Serbian Law on Foreign Exchange Operations, a Serbian company may not provide a guarantee or security in respect of the obligations of a non-Serbian borrower, unless that non-Serbian borrower is directly majority owned by the Serbian guarantor and provided that certain requirements are met, including registration and the guarantor receiving some form of collateral for the guarantee.

### *Insolvency law*

Under the Serbian Insolvency Law, insolvency proceedings can (but do not have to) be opened if at least one of the following conditions is met:

- Actual insolvency. The debtor is unable to pay its debts within 45 days of the date they become due or has completely ceased all payments for a consecutive period of 30 days; permanent insolvency is presumed if the petition for the opening of insolvency procedures was filed by a creditor who was unable to obtain satisfaction of his monetary claims by any of the means of enforcement in a judicial or tax enforcement proceeding conducted in the Republic of Serbia.
- Pending insolvency. It is apparent that the debtor will not be able to pay its debts as they become due.
- Over-indebtedness. The liabilities of the debtor exceed its assets.
- Failure to comply with the adopted reorganization plan or if the reorganization plan was put into effect in a fraudulent or unlawful manner.

The opening of insolvency proceedings (*stečaj*) may be requested by any of the debtor's creditors, the debtor itself or the liquidation administrator. During the insolvency proceedings, the estate (assets) of a company, including the funds for the company's debts, is administered by the insolvency administrator.

The insolvency proceedings may be conducted as bankruptcy proceedings or as reorganization proceedings. In bankruptcy proceedings, creditors are satisfied through the sale of the debtor's assets, or the sale of the debtor as a legal entity. In reorganization proceedings, creditors are satisfied by redefining relations between the debtor and the creditor or in another manner provided for in the plan. There are two types of procedures for adoption of the reorganization plan (i.e., two types of reorganization): (i) a regular procedure for adoption of the reorganization initiated after formal opening/initiation of the insolvency proceedings and (ii) prepacked reorganization (i.e., reorganization on the basis of a prepacked reorganization plan which is submitted by the debtor jointly with the proposal for initiation of the bankruptcy proceeding (under the assumption that the above-enumerated conditions for opening of an insolvency proceeding are met)). Although the two types of reorganizations are similar, the main difference is, besides the above-mentioned timing of submitting the reorganization plan, that the prepacked reorganization plan includes, inter alia, a signed statement of the majority creditors per value of claims of each class specified in the plan, that they were informed about the contents of the plan of reorganization and are ready to join the hearing to vote on the reorganization plan or vote in writing. Also, another important difference between these reorganizations is that if the prepacked reorganization plan is not adopted, the procedure will simply terminate, while if the reorganization plan was not adopted in a regular procedure, it results in the continuance of bankruptcy proceedings. A prepacked reorganization may be initiated only by the debtor, while the reorganization plan in a regular procedure may be initiated by: (i) debtor, (ii) insolvency administrator, (iii) secured insolvency creditors holding at least 30% of the secured claims in relation to total claims against the debtor, (iv) insolvency creditors holding at least 30%

of the unsecured claims in relation to total claims against the debtor, and (v) shareholders holding at least 30% of the debtor's capital / shares.

The claims are satisfied in the following order:

- expenses associated with the insolvency proceedings, which are settled from the insolvency estate as a matter of priority;
- any obligations incurred by of the insolvency estate;
- the claims of insolvency creditors, which are satisfied according to their rank

Insolvency claims are ranked as follows:

- First-ranking claims comprise (i) unpaid net salaries of employees and former employees in the amount of the yearly minimum wage for the year prior to the opening of insolvency together with interest from the due date to the date of the opening of insolvency and (ii) unpaid contributions for pension and disability insurance for two years prior to the opening of insolvency as well as (iii) claims arising from contracts with companies the subject of which are unpaid contributions for pension and disability insurances for two years before the opening of insolvency (the basis for the calculation of the contributions under (ii) and (iii) is the minimum wage);
- Second ranking claims comprise all public revenue claims that have become due over the last three months prior to the opening of insolvency, except pension and disability insurance contributions for employees;
- Third ranking claims comprise claims of other insolvency creditors;
- Fourth ranking claims comprise claims that arose two years before the opening of the insolvency proceedings under or in connection with loans and other legal actions (that, in economic terms, correspond to loans) to the extent such loans or other legal actions are unsecured and were granted by an affiliate of the debtor and provided that such affiliate is not regularly engaged in the business of providing credits and loans.

Claims of creditors which, prior to the opening of insolvency proceedings, have agreed that their claims will be settled only after the full settlement of claims of one or more creditors, will be settled only after settlement in full of the third ranking claims with accompanying interest(s).

Assets over which security interests have been granted are generally not available for distribution to unsecured and non-preferred creditors, unless a surplus is realized from the sale of such assets, provided that such security interests were created at least 60 days prior to the opening of insolvency proceedings. Under the law the following three types of persons are not considered to be insolvency creditors:

- Secured creditors, i.e., creditors who have a security right, statutory retention right, or a right of settlement on assets and rights being recorded in public records, are entitled to primary settlement from the proceeds of the sale of the assets or the collection of claims over which that right has been granted. If a secured creditor's claim exceeds such proceeds, it is an insolvency creditor with respect to the remaining portion of its claim.
- Pledgees, i.e., persons who have a pledge over property or rights of the debtor that is recorded in the public records, but do not have a monetary claim against the debtor (i.e., the monetary claim secured by that pledge is a claim of a third party), must inform the court about the pledge within a specified deadline and provide evidence of the existence of the relevant pledge together with a statement of the amount of the pledgee's monetary claims (on the day of the opening of the insolvency proceedings) vis-à-vis the party whose claim is secured by the pledge to assume the status of that party.
- Excluding creditors, i.e., persons who on the basis of their property rights or personal rights, have the right to request a certain asset to be excluded from the insolvency estate. However, if the bankruptcy debtor has transferred these assets in the course of insolvency proceedings without being authorized to do so, an excluding creditor shall have the right to request proportional satisfaction of its claim in an amount equal to the market value of the asset, and such request shall be settled as a liability of the insolvency estate.

Legal transactions and other actions entered into or taken before the opening of the insolvency proceedings that interfere with the principle of the equal settlement of insolvency creditors or are

damaging the creditors, as well as transactions and actions putting some creditors in a more favorable position over the others (“favoring creditors”) may be contested by the insolvency administrator or by other creditors:

- Any action providing security or settlement to a creditor in a manner and at a time that corresponds to the substance of such creditor’s right (“regular settlement”) taken within six months before the filing of a petition aimed at initiating insolvency proceedings with respect to a debtor may be contested if the debtor was insolvent at the time of the transaction, and the creditor knew or should have known of its insolvency. Regular settlements after the filing of the petition to open insolvency proceedings may also be contested if the creditor knew or should have known that the debtor was insolvent or if the creditor knew that the petition to initiate insolvency proceedings has been filed.
- Any action benefiting one creditor which he was not entitled to request, or was entitled to request but not in the manner and at the time when it was provided, may be contested if it was carried out within twelve months before filing the petition to open insolvency.

Any action directly damaging the debtor’s creditors may be contested if:

- it was entered into within six months before filing for insolvency, if the insolvency debtor was insolvent at the time and the counterpart knew of its insolvency;
- the transaction was concluded after the filing of the petition aimed at initiating insolvency proceedings, if the insolvency debtor’s counterpart knew or should have known that the insolvency debtor was insolvent or that the filing for the opening the insolvency had been made;
- the debtor’s action results in a waiver of some of its rights or if the failure of the debtor to act results in the inability to exercise that right and the action was taken or failed to have been taken within the last six months before the filing of the petition to open the insolvency proceeding.

Any action, entered into or taken within five years before the filing of the petition for initiating insolvency proceedings or after that, with the intent to damage one or more creditors, may be contested if the insolvent debtor’s counterpart knew of the insolvent debtor’s intent. Knowledge of the debtor’s intent is presumed if the insolvent debtor’s counterpart knew that there was a threat of the insolvent debtor’s insolvency and that the action would damage the insolvency creditors.

In addition, any security the debtor granted under a loan (or under any other legal action that, in economic terms, corresponds to a loan) to an affiliate, provided that such affiliate is not regularly engaged in the business of granting credits or loans, at a time when the debtor was permanently insolvent, or within one year prior to the opening of insolvency proceedings, has no legal effect in the insolvency proceedings. Also, if a debtor has repaid a credit or a loan, in the year immediately preceding the opening of insolvency proceedings to an affiliated person, provided that such affiliated person is not regularly engaged in the business of granting credits or loans, the debtor is deemed to have deliberately jeopardized creditors.

The opening of insolvency proceedings by a Serbian court has certain consequences. For example, insolvency creditors may satisfy their claims against the debtor only through insolvency proceedings. Undue claims shall be deemed to become due as of the date of opening of the insolvency. All judicial proceedings against the insolvent debtor and its assets and all administrative proceedings initiated at the request of the insolvent debtor and the administrative and tax proceedings with respect to establishing the pecuniary obligations of the insolvent debtor are suspended and are resumed only after the fulfillment of certain conditions. No enforcement proceedings may be conducted against the debtor or its assets for the purpose of settling the claims, except for the enforcement of liabilities of the insolvency estate and expenses of the insolvency proceeding. The initiation of insolvency proceedings does not result in the automatic termination of contracts; but the insolvency administrator may choose to terminate certain contracts to avoid the worsening of the financial condition of the company.

#### ***Enforcement procedures in relation to (share) pledges***

The enforcement procedure is initiated by the pledgee upon a continuing “*enforcement event*,” i.e., a failure of the debtor to fulfill the underlying obligation, in accordance with the pledge agreement. The enforcement proceedings may be commenced in court or, if expressly provided for in the pledge agreement, out of court (in accordance with the terms and conditions imposed by the law). In both cases (provided that, in the case of an out of court enforcement, the pledge agreement contains express provisions to that effect) the sale could be performed through a public auction or through direct sale at the



market price or at the assessed value. The enforcement title is the relevant excerpt from the competent Pledge Registry.

### **Bosnia and Herzegovina**

Telemach BH is a company organized in the Federation of Bosnia and Herzegovina (“FBiH”), which is an entity of Bosnia and Herzegovina. Accordingly, the following discussion is limited to the relevant laws and regulations applicable in FBiH.

Pursuant to the Law on Foreign Currency Dealings of FBiH, there are no legal obstacles that would prevent companies from providing cross-border guarantees or other types of security. However, any such guarantee or other security must be registered with the Ministry of Finance of FBiH. The registration must be made within 15 days from the decision on the issuance of the guarantee by the company’s governing body if the underlying transaction is concluded between two non-resident entities, or within 15 days from the execution of the underlying transaction documents if concluded between a resident and a non-resident entity.

If the underlying transaction is concluded between two non-residents, periodic reports on the status of the guarantee must be provided to the Ministry of Finance of FBiH.

In addition, any company based in FBiH that issues a guarantee to a non-resident must obtain a security instrument that hedges the counterparty risk inherent in the guarantee. The Law on Foreign Currency Dealings of FBiH does not contain any further details regarding this hedge, including what type of hedge should be obtained.

### ***Limitation on issuance of guarantees for acquisition***

According to the Law on Business Companies of FBiH, a limited liability company is prohibited from giving loans or providing securities/guarantees that will be used for the acquisition of its own shares.

The scope of this prohibition of financial assistance is not entirely clear when it comes to its application to a company’s indirect shareholders or to the acquisition of shares of one of the company’s shareholder. While it is unlikely that the prohibition would be extended in this manner, there is limited precedent for this type of transaction, and therefore a risk remains that courts could take a different position and would follow a more extensive interpretation. To avoid this risk, it is advisable to include appropriate limitation language in any such guarantee, i.e., language in order to clarify that a guarantee will not be used as a guarantee for any sort of acquisition of shares in the guarantor.

### ***Other noteworthy procedural points regarding guarantees/securities***

Depending on the type of guarantee or security, there may be additional formal requirements. In the case of mortgages, e.g., the agreement must be executed in the form of a notary deed before a local notary, in the local language and governed by the laws of Bosnia and Herzegovina, and the mortgage must be registered with the competent land book in order to be effective. To secure priority for a pledge, a registration with the Pledges Registry, which is maintained by the Ministry of Justice of Bosnia and Herzegovina, should be performed and the pledge agreement must be executed in written form. Furthermore, it is possible to create a pledge over all of a company’s current and future movable (tangible and non-tangible) assets, provided that the subject of pledge is at least determinable.

In addition, it should be noted that the Parallel Debt concept has not been extensively tested under the laws of Bosnia and Herzegovina, therefore any rights arising from such concept may be subject to different interpretations by the competent courts.

### ***Enforcement proceedings***

Enforcement proceedings are regulated by the Enforcement Proceedings Act and are defined as the procedure pursuant to which the courts enforce claims based on enforceable deeds, most commonly for the purpose of debt settlement on behalf of creditors holding the same, by monetizing the debtor’s assets up to the amount proven to be adequate by the creditor.

According to the Enforcement Proceedings Act, enforcement procedures over property in Bosnia and Herzegovina may be commenced only upon obtaining a valid enforcement title which may be in the form of either (i) an enforceable deed or (ii) an authentic deed.

The following documents are recognized by the Enforcement Proceedings Act as valid enforceable deeds, provided they were issued in Bosnia and Herzegovina:

- enforceable court decisions;
- enforceable court settlements;
- enforceable administrative decisions for monetary obligations;
- enforceable administrative settlements for monetary obligations;
- enforceable notarial deeds; and
- other documents defined by the law as enforceable deeds.

The following documents are recognized by the Enforcement Proceedings Act as valid authentic deeds:

- bills of exchange with protest;
- cheques with protest and reverse account; and
- utility invoices and records from the account of such utilities.

The Enforcement Proceedings Act regulates in detail the procedures for enforcement with respect to different types of assets (e.g., enforcement over real estate, receivables, movables and similar) as well as enforcement with respect to different types of claims (e.g., monetary claims, claims regarding handing over of real-estate or movables and similar).

#### ***Overview of the procedure***

The procedure starts with a creditor filing an enforcement motion or the court starting the procedure on its own initiative. The enforcement motion must include information about the enforcement title and the relevant debtor's assets that are targeted by the procedure. Upon filing the enforcement motion the court has eight days to decide on the motion. If the court chooses to recognize the enforcement creditor's motion, the court issues an official decision (which may be issued either in the form of a separate document or by issuing a stamp on the enforcement motion with the relevant prescribed elements). The enforcement creditor and the enforcement debtor may object to the court's decision within eight days from its receipt. If one of the parties files an objection, the other party has three days to submit its response. Upon receipt of the response or the expiration of the three-day-period without a response being submitted, the court may decide on the matter or schedule a hearing. The court decides whether the objection is granted or denied or whether it is refused as untimely, incomplete or inadmissible. If the court accepts the objection it dismisses the enforcement completely or partially and revokes the enforcement actions that have previously been conducted. The parties have a right to appeal the court's decision on the objection within eight days from its receipt, under certain circumstances enumerated in the law.

The enforcement proceedings are designed to be efficient. As a result,

- a failure by one or both parties to attend a hearing does not influence the proceedings;
- if a debtor evades the receipt of procedural documents or submissions, the court is entitled to display the relevant documents on the notice board of the court building and consider them delivered upon the expiry of the relevant deadline;
- objections and appeals do not suspend the enforcement proceedings, however, the settlement of debt, if pending, is postponed until the court decides on the objection. However, there is an exception in case of enforcement titles over the debtor's monetary proceeds i.e. enforcement over the transaction accounts of the debtor, that are not affected by objection or appeal; and
- no legal remedies exist against conclusions that are adopted by the court as procedural decisions aiming to provide more information to the deciding judge.

#### ***Costs of the procedure***

According to the Enforcement Proceedings Act, a creditor who applies for enforcement must pay the estimated costs required for the enforcement proceedings in advance and do so within a certain period determined by the court. The court must dismiss the enforcement proceedings if the costs are not paid within that period. If an enforcement act depends on the costs being paid in advance and the payment is

not made before that date, the relevant enforcement act may not be carried out. If enforcement proceedings are initiated by the court on its own initiative, the costs must be paid in advance out of the court funds. The enforcement debtor must compensate the creditor for the costs incurred by it that are necessary to carry out the enforcement and the enforcement creditor must compensate the debtor for any costs it has caused unnecessarily.

### *Enforcement procedures in relation to pledges*

The enforcement procedure is initiated by the pledgee upon a breach of the pledge agreement by the pledgor. The pledgee must present the pledge contract and the certificate of registration to the competent court. The certificate of registration is the enforcement title, provided that the contents of the registration fully correspond to the contents of the pledge agreement. Upon filing the enforcement motion the court has eight days to decide on the motion. In its enforcement motion the creditor must request either that the judicial executor deducts the security and allows its sale by the pledgee or that the judicial executor seizes the security from the debtor and sells it. If the creditor submits a motion proposing the latter, the judicial executor is required to seize and sell the guarantee within eight days from the issuance of the court's decision.

### *Certain insolvency law considerations*

The Law on Insolvency Proceedings defines insolvency proceedings as proceedings conducted for the purpose of collectively settling all of a debtor's obligations by monetizing the debtor's assets and distributing the proceeds among the creditors. There are two main reasons for initiating insolvency proceedings—insolvency and threatened insolvency. In general, a debtor is insolvent if it is unable to settle its due obligations for a period of 30 consecutive days.

Insolvency proceedings are initiated upon the written petition of an authorized person. Authorized persons include the debtor and all creditors who have a legally recognized interest in the conduct of the proceedings. The creditor is required to demonstrate, by attaching appropriate documentation, that its claim and the inability of the debtor to make payments is probable. Only the insolvency debtor is entitled to initiate insolvency proceedings due to threatened insolvency.

Insolvency proceedings are generally conducted in two phases, a preliminary phase and the insolvency proceedings themselves. The preliminary procedure is conducted by the insolvency court, which can also appoint an interim insolvency trustee. The main purpose of the preliminary procedure is to determine whether the conditions for opening insolvency proceedings are satisfied, i.e., the insolvency of the debtor, whether there is a sufficient basis for the petition, whether there are sufficient funds to cover the costs of the insolvency proceedings and whether the current operations can be maintained. The insolvency proceedings, once opened, are conducted by the insolvency trustee appointed by the court and insolvency judge. An alternative to these two-step proceedings is the direct bankruptcy, in case the valid decision on enforcement issued by a court has not been implemented for a period of 60 days.

The main effect of the opening of insolvency proceedings is the termination of court and arbitral proceedings that relate to the insolvency estate, and the proportional payment of creditors upon realization of the assets, in accordance with their payment rank. Creditors with a separate satisfaction right (mortgagees, pledgees, creditors to which the debtor transferred rights as security, creditors with retention rights) have payment priority in insolvency proceedings, and have the right for separate settlement from the object of the separate satisfaction right.

In addition, the opening of insolvency proceedings has the following effects, among others:

- The debtor's right (and the right of its boards, authorized clerks, representatives and powers of attorney) to administer and dispose of the property that belongs to the insolvency is transferred to the insolvency trustee,
- The disposal of assets of the insolvency estate by the insolvency debtor has no legal effect, except in the case of disposals to which general rules of legitimate expectations on land registers or other appropriate public registers apply.
- If the debtor is in a legal relationship with a third party (e.g., a co-ownership, joint ownership or partnership), the dissolution of the legal entity is accomplished outside of the insolvency proceedings.

- Rights on property that is part of the insolvency estate cannot be legally obtained even if such rights are not based on disposals by the debtor or an execution or a lien for the benefit of a creditor.

In regard to the guarantees, there may be restrictions in light of solvency rules, i.e., certain guarantees issued within a certain period preceding the opening of the insolvency proceedings may be challenged if they can be considered as unusual security or settlement, as follows:

- guarantees given six months prior to the submission of the motion for the opening of the insolvency proceedings, if at that time the debtor was insolvent or the creditor knew of such insolvency or acted with gross negligence,
- guarantees given after the submission of the motion for the opening of the insolvency proceedings if the creditor knew of the debtor's insolvency or the motion for the opening of the insolvency proceedings at the time or did not know due to gross negligence,
- guarantees given in the last month preceding the motion for the opening of the insolvency proceedings or after the submission thereof, and
- guarantees given during the third or the second month preceding the submission of the motion for the opening of the insolvency proceedings if the debtor was insolvent at such time.

If the creditor is a related party, the awareness of the debtor's insolvency is assumed. In addition, with respect to loans granted by shareholders, the Law on Insolvency Procedures provides that claims that relate to the repayment of loans that were extended for the purpose of replacing capital or any equivalent claims are subordinated to all other claims during the insolvency proceedings. Capital-replacing loans are defined as loans that are granted at a critical time for the company, when the company's shareholders could reasonably be expected to contribute their own money to the company, rather than grant loans. This also includes other legally binding transactions that are economically equivalent to the granting of a loan.

Additionally, it states that a legally binding transaction granting security for the claim of a company's shareholder for repayment of a loan that replaces capital, or for some other similar claim, is voidable if the transaction took place out in the five years immediately preceding the opening of insolvency proceedings or after the petition.

A legally binding transaction that has satisfied the claim of a company's shareholder for repayment of a loan shall be voidable if the transaction took place during the year immediately preceding the opening of proceedings or after the petition. Please note that the law does not further specify which claims would be considered equivalent except as it mentioned that such claims are claims that from economical perspective are equivalent to the loans. In practice, this is often considered to be a shareholder loan, however, it is also unclear whether the loans which fall under this provision are only those given by the direct shareholder or also include shareholders by indirect shareholders. However, the courts' practice in this regard is not well-established. In addition, it is unclear what would be considered as a critical time for the company.

### ***Law on Financial Business considerations***

The newly adopted Law on Financial Dealings in FBiH stipulates certain limitations if illiquidity of the company has occurred. Namely, pursuant to this law, illiquidity occurs when the company cannot fulfil its monetary obligations due in the relevant period. It is further specified that the company shall be deemed as illiquid if it cannot settle one or more short-term monetary obligations for a period of 60 days upon maturity, or if the company fails to pay due salaries and corresponding taxes and social contributions for a period of 30 days after they become due for payment.

In case of the above-mentioned illiquidity, the company cannot execute any payments except those necessary for ordinary business activities, which are defined as follows:

- a) Procurement of goods and services for ordinary business activities;
- b) Operational costs of business (energy, water and similar);
- c) Salaries of workers;
- d) VAT, excise duties, social contributions and other taxes that have to be calculated and paid in accordance with the law;
- e) Costs related to procedures before public—legal bodies;
- f) Costs related to documentation needed for commencement and implementation of the financial consolidation and restructuring activities;

In addition, the Law on Financial Dealings prescribes that a company cannot perform any activity that may damage creditor or activities that may put certain creditors into unfavorable position, in particular:

- Diverting cash payments or financial flows to other persons;
- Lending;
- Distributing dividends, profits or payment of profits in advance;
- Transferring rights to third parties, and especially to related companies; and
- Procuring automobiles or spare parts for such vehicles, payments for business entertainment, accommodation expenses and similar.

Accordingly, under the assumption that Telemach BH is financially distressed and provided that such distress would cause illiquidity of this company, payments associated with the guarantee might be considered as contrary to restrictions stipulated by the Law on Financial Dealings in FBiH, and therefore they may have to be “suspended”. However, in our view this does not affect the existence of the liability, but just the ability of the company to service such debt.

In addition, pursuant to the Law on Financial Dealings, companies are obliged to maintain capital adequacy. Capital inadequacy occurs if the financial statements show that the amount of debts and accumulated debts has reached the amount equal to 1/2 of the initial capital. In case of capital inadequacy, the management of the company is obliged to implement measures intended for restoring capital adequacy, such as finding adequate sources of financing, as well as convening a shareholders assembly in order for measures to improve its competence to be undertaken (such as reducing registered capital or otherwise covering losses). Based on the provisions described above, in our view these capital adequacy rules do not affect/restrict the actual obligation/liability of the company. However, this is a very recent piece of legislation (in force as of January 2017) that has not been tested in practice, therefore we are unable to comment on the position authorities may take in this regard.

## **Luxembourg**

### ***Luxembourg insolvency considerations***

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be initiated against a company incorporated in Luxembourg having its center of main interests (within the meaning of the E.U. Insolvency Regulation) or an establishment in Luxembourg (in the latter case assuming that the centre of main interests is located in a jurisdiction where the E.U. Insolvency Regulation is applicable):

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e. is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company’s cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company’s registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers’ / directors’ liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg commercial code.
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see the



below applicable provision of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, as amended (the “Financial Collateral Law 2005”); or

- composition proceedings (*concordat préventif de faillite*), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court’s decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (please see the below applicable provisions of the Financial Collateral Law 2005).
- In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments (*sursis de paiement*) or to put a Luxembourg company into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Law 1915. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of any of the Guarantors existing under the laws of Luxembourg in respect of the relevant Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months’ wages amounting to a maximum of six times the minimum social salary);
- employees’ contributions to social security;
- certain amounts owed to the Luxembourg Revenue;
- employer’s contribution to social security;
- landlord, pledgor not under the Financial Collateral Law 2005; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as valuation and enforcement measures agreed upon by the parties are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If article 24 applies, Luxembourg preference period rules are disapplied (save the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

#### ***Impact of Luxembourg insolvency proceedings on transactions***

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may

also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of any of the relevant Guarantor's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by any of the relevant Guarantors incorporated under the laws of Luxembourg during the preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce (*Code de Commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on any of the relevant Guarantors' business and assets and the relevant Guarantors' respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the E.U. Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the E.U. Insolvency Regulation will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law 2005 as described above and article 16 of the E.U. Insolvency Regulation).

#### ***Luxembourg law collateral considerations***

Under Luxembourg law, contracts are in principle formed by the mere agreement (*consentement*) between the parties thereto. However, additional steps are required to enforce security interests against third parties.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Financial Collateral Law 2005 governs the creation, validity, perfection and enforcement of pledges over securities, bank account balances and receivables located or deemed to be located in Luxembourg.

Security interests such as pledges, and transfer of ownership as a security, granted on financial instruments and claims are governed by the Financial Collateral Law 2005. Pursuant to such law, pledge is effected, not by transfer of title, but by a transfer of possession of the pledged assets to the pledgor or to a third party acting as depository for the pledgor and the pledgor's preference rights over the pledged assets only remain in existence as long as the pledgor or the depository remains in possession of such assets.

A physical transfer of possession not being possible for intangibles such as monetary claims, the Financial Collateral Law 2005 provides for a fictitious transfer of possession which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares, the dispossession is achieved by the entry of the security interest in the share register of the relevant Luxembourg company and/or notification to the issuer. In case of claims, dispossession is effected as against the debtor and any third parties by the execution of the relevant pledge agreement. Nonetheless, the debtor of a pledged claim may validly discharge its obligation by performance rendered to the pledgor as long as it has no knowledge of the pledge. Dispossession of cash collateral is achieved by the security interest thereon being notified by the debtor and the acceptance thereof by the debtor of such claims.

Absent perfection, the holder of the security interest may have difficulty enforcing his/its rights in the collateral with regard to third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same collateral. Finally, since the ranking of pledges is determined by the date on which they became enforceable against third parties, a security interest created on a later date over the same collateral, but which come into force for third parties earlier (by way of registration in the appropriate register or by notification) has priority.

### ***Luxembourg guarantee considerations***

The Law 1915 does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group. A company may give a guarantee provided the giving of the guarantee is covered by the company's corporate purpose, corporate benefit and is in the best interest of the company. Although no statutory definition of corporate benefit (*intérêt social*) exists under Luxembourg law, corporate benefit is widely interpreted and includes any transactions from which the company derives a direct or indirect economic or commercial benefit in return (such as an economic or commercial benefit) and whether the benefit is proportionate to the burden of the assistance. It is generally held that within a group of companies, the corporate interest of each individual corporate entity can include, to a certain extent, the interest of the group, and that the existence of a group interest can in certain cases result in the guarantee being held enforceable even where corporate benefit is not established. In this way, reciprocal assistance from one group company to another does not necessarily conflict with the interest of the assisting company. However, this assistance must be temporary, in proportion to the real financial means of the assisting company (i.e., limited to an aggregate amount not exceeding the assisting company's own funds (*capitaux propres*)), the company must receive some benefit or there must be a balance between the respective commitments of all the affiliates and the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective. As a result, the guarantees/security interests granted by a Luxembourg company may be subject to limitations in order to ensure their enforceability. Further, a guarantee or security interest that substantially exceeds the guarantor's or security provider's ability to meet its obligations to the beneficiary of the guarantee/security provider and to its other creditors, or from which the Luxembourg company derives no or very limited direct benefit in return, or where no direct or indirect consideration is granted to the company in exchange, would expose its directors or managers to personal liability. In addition to any criminal and civil liability incurred by the manager of the Luxembourg company, in extreme circumstances the guarantee or security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*), in the case of facts consisting of a misuse of corporate assets. Any guarantee granted in connection with the Notes by Luxembourg companies may be limited to a certain percentage of, among others, the relevant company's net worth. The Indenture will provide for general limitation language to the effect that each guarantee granted therein and each security interest granted as well as any other obligation, liability or indemnification under a security document will be limited to the maximum amount that can be guaranteed/secured by the relevant guarantor/security provider with respect to the aggregate obligations and exposure of the guarantor/security provider without rendering the relevant guarantee/security interest voidable or otherwise ineffective under Luxembourg and other applicable law. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its guarantee or the security documents to which it is a party.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement (the “Purchase Agreement”) dated \_\_\_\_\_, 2017, each Initial Purchaser has severally agreed to purchase, together with all other Initial Purchasers, and the Issuer has agreed to sell to each Initial Purchaser, Notes in an aggregate principal amount of €1,350 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers propose to offer the Notes to purchasers at the price to investors indicated on the cover page of this offering memorandum. After the initial offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. Sales of the Notes by the Initial Purchasers in the United States may be made through affiliates of the Initial Purchasers. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers’ right to reject any order in whole or in part.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments which the Initial Purchasers may be required to make in respect of any such liabilities. The Issuer will pay the Initial Purchasers a commission and pay certain expenses of the offering of the Notes. The Issuer has agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any securities of, or guaranteed by, the Issuer or any of the Guarantors that have a tenor of more than one year (other than the Notes) during the period from the date of the Purchase Agreement through and including the date that is 90 days after the date of the Purchase Agreement, without the prior written consent of the representatives of the Initial Purchasers.

No action has been or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes and the Notes Guarantees, or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Notes and the Notes Guarantees may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes or the 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 offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about, and to observe, any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resales of the Notes. See “*Transfer Restrictions.*”

The Notes are new issues of securities with no established trading market. The Issuer has been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes. See “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*”

The Stabilizing Manager may engage in over-allotment, stabilizing transactions and covering transactions in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Stabilizing Manager. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.

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 Notes. These stabilizing transactions and covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions.

In connection with the offering of the Notes, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover



positions created by short sales. Short sales involve the sale by the Stabilizing Manager of a greater number of Notes than they are required to purchase in the offering of the Notes. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering of the Notes is in progress.

These activities by the Stabilizing Manager, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes, and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes (including the Notes Guarantees) have not been and will not be registered under the Securities Act, and may not be offered or sold except (i) to QIBs in offers and sales that occur within the United States, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and (ii) in offers and sales that occur outside the United States, in reliance on Regulation S, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Notes (including the Notes Guarantees) as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Regulation S. Transfer of the Notes (including the Notes Guarantees) will be restricted and each purchaser of the Notes (including the Notes Guarantees) in the United States will be required to make certain acknowledgements, representations and agreements, as described under “*Transfer Restrictions*.”

Each 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 Notes in, from or otherwise involving the United Kingdom.

Any offer or sale in the United States will be made by affiliates of the Initial Purchasers who are broker-dealers registered under the Exchange Act.

The Issuer expects that delivery of the Notes will be made to investors on or about the date specified on the cover page of this offering memorandum, which is ten business days following the date of this offering memorandum (such settlement being referred to as “T+10”). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing will be required, by virtue of the fact that the Notes will initially settle ten business days following the date of pricing of the Notes, to specify an alternative settlement cycle at the time of such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer and its affiliates, for which they received or will receive customary fees and expenses. Each of the Initial Purchasers or their respective affiliates are lenders under the Revolving Credit Facility, and the Initial Purchasers and their affiliates may act as counterparties in hedging arrangements for the Issuer in relation to the Revolving Credit Facility and such entities would receive customary fees for their services in such capacities. An affiliate of an Initial Purchaser is the lender under the Serbian Revolving Credit Facility. A portion of the



proceeds from the issuance of the Notes will be used to repay borrowings under the Existing Revolving Credit Facility, the Serbian Revolving Credit Facility and the Existing PIK Facility.

Funds advised by KKR that indirectly own an equity interest in the Issuer are affiliates of KKR Capital Markets Limited, which is acting as an Initial Purchaser in connection with the offering of the Notes. KKR Capital Markets Limited may therefore be deemed to be our affiliate and have a conflict of interest with us.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain members of management have invested in an investment vehicle that has purchased and holds a limited amount of the Existing Notes issued on November 15, 2013, which shall be redeemed from the proceeds of this offering. We expect that certain members of our management will purchase a limited amount of the Notes offered hereby.

## TRANSFER RESTRICTIONS

The Notes 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 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 securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. As used in this section, the terms “United States,” “U.S. person” and “offshore transaction” 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 Notes 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 Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

- (1) It understands and acknowledges that the Notes and the Notes Guarantees have not been registered under the U.S. Securities Act or any other applicable state securities law, and that the Notes 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 Regulation S, 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 paragraphs (4) and (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:
  - (a) a qualified institutional buyer and is aware that any sale of the Notes to it will be made in reliance on Rule 144A and the acquisition of the Notes will be for its own account or for the account of another qualified institutional buyer; or
  - (b) not a U.S. person, nor is it buying for the account of a U.S. person, and is purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.
- (3) It acknowledges that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes.
- (4) It is purchasing the Notes 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 Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.
- (5) Each holder of the Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “Resale Restriction Termination Date”) that is, in the case of Notes sold in reliance on Rule 144A, one year after the later of the date of the Issue Date, the issue date of any additional Notes and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto), in the case of Notes sold in reliance on Regulation S, 40 days after the later of the Issue Date, the issue date of any additional Notes, and the date on which such Notes (or any predecessor thereto) were first

offered to persons other than distributors, only (i) to the Issuer, the Guarantors or any subsidiaries thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer 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 under the U.S. Securities Act; (iv) pursuant to offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S under the U.S. Securities Act and in reliance on Regulation S under the U.S. Securities Act or (v) 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 clauses (iv) or (v) 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 the 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. Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS 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 STATE OF THE UNITED STATES OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, (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 THIS SECURITY IN OFFSHORE TRANSACTIONS PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES, AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES, AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR THERETO) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS] ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT 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 OFFSHORE TRANSACTIONS TO NON-U.S. PERSONS OCCURRING OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANOTHER 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 CLAUSES (D) OR (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 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. [IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON, NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON, AND IS ACQUIRING THIS SECURITY IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT. 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.]

BY ACCEPTANCE OF THIS SECURITY, EACH ACQUIRER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH ACQUIRER OR TRANSFEREE TO ACQUIRE OR HOLD THE SECURITY CONSTITUTES ASSETS OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR PROVISIONS UNDER ANY OTHER FEDERAL, STATE, LOCAL, NON-UNITED STATES OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO THE PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAWS"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN, ACCOUNT AND ARRANGEMENT (EACH, A "PLAN") OR (B) THE ACQUISITION AND HOLDING OF THE SECURITY WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS. ADDITIONALLY, EACH HOLDER USING THE ASSETS OF A PLAN THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (EACH, AN "ERISA PLAN") TO ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED TO REPRESENT THAT (I) NEITHER THE ISSUER OR ANY OF ITS AFFILIATES HAS ACTED AS THE ERISA PLAN'S FIDUCIARY, OR HAS BEEN RELIED UPON FOR ANY ADVICE, WITH RESPECT TO THE ERISA PLAN'S DECISION TO ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN AND NEITHER THE ISSUER OR ANY OF ITS AFFILIATES SHALL AT ANY TIME BE RELIED UPON AS THE ERISA PLAN'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER ITS INTEREST HEREIN, (II) THE ERISA PLAN IS AWARE OF AND ACKNOWLEDGES THAT (A) NONE OF THE ISSUER OR ANY OF ITS AFFILIATES IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE ERISA PLAN'S INVESTMENT HEREIN AND (B) THE ISSUER AND ITS AFFILIATES HAVE A FINANCIAL INTEREST IN THE ERISA PLAN'S INVESTMENT IN THIS SECURITY AND (III) THE DECISION TO INVEST IN THIS SECURITY HAS BEEN MADE AT THE RECOMMENDATION OR DIRECTION OF AN "INDEPENDENT FIDUCIARY" ("INDEPENDENT FIDUCIARY") WITHIN THE MEANING OF THE U.S. CODE OF FEDERAL REGULATIONS 29 C.F.R. SECTION 2510.3-21(C), AS AMENDED FROM TIME TO TIME (THE "FIDUCIARY RULE") WHO (A) IS INDEPENDENT OF THE ISSUER AND ITS AFFILIATES; (B) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES (WITHIN

THE MEANING OF THE FIDUCIARY RULE); (C) IS A FIDUCIARY (UNDER ERISA AND/OR SECTION 4975 OF THE CODE) WITH RESPECT TO THE ERISA PLAN'S INVESTMENT HEREIN AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT HEREIN; (D) IS EITHER (A) A BANK AS DEFINED IN SECTION 202 OF THE U.S. INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "ADVISERS ACT") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY OF THE UNITED STATES; (B) AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE STATE OF THE UNITED STATES TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF SUCH AN ERISA PLAN; (C) AN INVESTMENT ADVISER REGISTERED UNDER THE U.S. INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT") OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) A BROKER DEALER REGISTERED UNDER THE U.S. EXCHANGE ACT OF 1934, AS AMENDED; AND/OR (E) AN INDEPENDENT FIDUCIARY (NOT DESCRIBED IN CLAUSES (A), (B), (C) OR (D) ABOVE) THAT HOLDS OR HAS UNDER MANAGEMENT OR CONTROL TOTAL ASSETS OF AT LEAST \$50 MILLION, AND WILL AT ALL TIMES THAT SUCH ERISA PLAN HOLDS AN INTEREST HEREIN, HOLDS OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST \$50 MILLION; AND (E) IS AWARE OF AND ACKNOWLEDGES THAT (I) NEITHER THE ISSUER OR ANY OF ITS AFFILIATES IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE ERISA PLAN'S INVESTMENT HEREIN, AND (II) THE ISSUER AND ITS AFFILIATES HAVE A FINANCIAL INTEREST IN THE ERISA PLAN'S INVESTMENT HEREIN. NOTWITHSTANDING THE FOREGOING, ANY ERISA PLAN WHICH IS AN INDIVIDUAL RETIREMENT ACCOUNT THAT IS NOT REPRESENTED BY AN INDEPENDENT FIDUCIARY SHALL NOT BE DEEMED TO HAVE MADE THE REPRESENTATION IN SECTION (III) ABOVE.

- (6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such 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 us and the Trustee that the restrictions set forth therein have been complied with.
- (8) It acknowledges that we, the Initial Purchasers 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 Notes are no longer accurate, it will promptly notify the Initial Purchasers. 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 represents and agrees that either (a) no portion of the assets used by such acquirer or transferee to acquire or hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangements that are subject to Section 4975 of the Code, or provisions under any other federal, state, local, non-United States or other laws or regulations that are similar to the provisions of ERISA or the Code (collectively, "Similar Laws"), or any entity whose underlying assets are considered to include "plan assets" of such plan, account and arrangement (each, a "Plan") or (b) the acquisition and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any similar violation under any applicable Similar Laws.



## **LEGAL MATTERS**

Various legal matters will be passed upon for us by Simpson, Thacher & Bartlett LLP, London, as to matters of U.S. federal and New York state law. Certain legal matters will be passed upon for the Initial Purchasers by Linklaters LLP, as to matters of U.S. federal and New York state law.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2016, 2015 and 2014 included elsewhere in this offering memorandum, have been audited by KPMG d.o.o. Beograd, independent auditors, as stated in the reports appearing herein.

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries as of and for the three months ended March 31, 2017 and the comparative financial data for the three months ended March 31, 2016, included elsewhere in this offering memorandum, have been reviewed by KPMG d.o.o. Beograd, independent auditors, as stated in the report appearing herein. The unaudited condensed consolidated interim financial statements of Slovenia Broadband as of and for the two months ended February 28, 2014, included elsewhere in this offering memorandum, have been reviewed by KPMG d.o.o. Beograd, independent auditors. The review report as of and for the two months ended February 28, 2014 contains a qualified conclusion which states that the condensed consolidated interim financial data of the Group does not include the comparative condensed consolidated interim statements of profit and loss and other comprehensive income, changes in equity and cash flows for the two months' period ended February 28, 2013.

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a Dutch company. The Guarantors are entities organized under the laws of the Netherlands, Luxembourg, Bosnia and Herzegovina and Slovenia. All the respective directors and executive officers of the Issuer and the Guarantors reside outside of the United States. All the assets of the Issuer and the Guarantors and their respective directors and officers are located outside the United States. Although the Issuer and the Guarantors have agreed, in accordance with the terms of the Indenture, to accept service of process in the United States through agents designated for such purpose, it may not be possible for holders of the Notes to (a) effect service of process upon the Issuer, the Guarantors or their respective directors or officers, or (b) enforce judgments of courts of the United States predicated upon the civil liability of such entities or persons under the U.S. securities laws and state securities laws or other laws against any such entities or persons in the courts of a foreign jurisdiction.

### The Netherlands

The Issuer and the Dutch Guarantors are incorporated under Dutch law and have their registered seat in the Netherlands. None of the directors of the Issuer and the Dutch Guarantors reside in the United States and a substantial amount of the Issuer's assets, and a substantial amount of the assets of the Dutch Guarantors are located outside of the United States. Civil liabilities based on the securities laws of the United States may not be enforceable in the Netherlands, either in an original action or in an action to enforce a judgment obtained in U.S. courts.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. A Dutch court will, under current practice, generally grant the same judgment without relitigation on the merits if (a) that judgment results from proceedings compatible with the Dutch concept of due process, (b) that judgment does not contravene public policy (*openbare orde*) of the Netherlands, (c) the jurisdiction of the court has been based on an internationally acceptable ground and (d) the judgment by the court is not incompatible with a judgment rendered between the same parties by a Dutch court, or with an earlier judgment rendered between the same parties by a non-Dutch court in a dispute that concerns the same subject and is based on the same cause, provided that the earlier judgment qualifies for recognition in the Netherlands.

Subject to the foregoing and provided that service of process occurs in accordance with applicable treaties, investors may be able to enforce in the Netherlands, judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that such judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

### Slovenia

The United States and Slovenia are not currently party to a treaty for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in accordance with the New York Convention. Therefore, an enforceable judgment for the payment of monies rendered by a U.S. federal or state court based on civil liability would not be directly enforceable in Slovenia. However, a valid and legally binding judgment from a court of competent jurisdiction in the United States may be recognized and enforced by a court of competent jurisdiction in Slovenia, subject to compliance with the enforcement procedures set forth in Articles 94 et seq. of the Slovenian Private International Law and Procedure Act (*Zakon o mednarodnem zasebnem pravu in postopku*). Following such recognition, judgments of non-Slovenian courts have the same status and legal effect as those issued by Slovenian courts.

The Slovenian courts will recognize a U.S. judgment if the judgment is legally binding in the United States and provided that all of the following conditions are met:

- the matter does not fall within the exclusive jurisdiction of a Slovenian court;
- the jurisdiction of the U.S. court was not based solely on the citizenship of the plaintiff, the property of the defendant in the United States or personal service of the claim to the defendant;

- a Slovenian court has not issued a legally binding decision on the same matter and no other foreign court decision has been recognized in Slovenia (*res iudicata*);
- the recognition of the U.S. judgment would not contravene the public policy of Slovenia (*ordre public*);
- reciprocity is established (reciprocity is presumed unless proven otherwise; additionally, absence of reciprocity is irrelevant when recognition or enforcement of a decision by a foreign court is sought by a Slovenian citizen); and
- there were no procedural irregularities in the proceedings before the U.S. court that prevented the party against which the judgment was issued to take part in the procedure (no breach of due process rights).

Subject to the above conditions, Slovenian courts will not review the merits of the foreign judgment. Slovenian courts also do not review whether the foreign court has acted in accordance with its own procedural laws—any such issues have to be resolved through an appeal process in that foreign jurisdiction.

The request for recognition of a U.S. judgment must include the original judgment or a certified copy, a certificate of finality of the judgment, and a certified translation of the judgment.

If, upon recognition of a U.S. judgment in Slovenia, an opposing party does not pay its debt voluntarily, a request for enforcement of the judgment must be made. This request must include a certificate of enforceability of the judgment under the applicable U.S. law.

The international competence of courts and the recognition and enforcement of judgments of competent courts of a EU Member State (other than Slovenia) are governed by Council Regulation (EC) No. 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. In accordance with this regulation, if a court or competent authority so requires in connection with the recognition and the enforcement of a foreign judgment, a translation of the relevant documents must be produced and the translation must be certified by a person qualified to do so in one of the member states. A judgment may not be recognized if its recognition is manifestly contrary to public policy in the Member State in which recognition is sought; where it was given in default of appearance, if 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 him to arrange for his defense, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; if it is irreconcilable with a judgment given in a dispute between the same parties in the Member State in which recognition is sought; if it is irreconcilable with an earlier judgment given in another Member State or in a third state involving the same cause of action and between the same parties, provided that the earlier judgment fulfills the conditions necessary for its recognition in the Member State addressed. Under no circumstances may a foreign judgment be reviewed as to its substance.

In the event of any proceedings being brought in a Slovenian court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Slovenian court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Slovenia would generally be available only in euro and for such purposes all claims or debts would be converted into euro.

## **Serbia**

The enforceability of judgments of U.S. courts in Serbia is doubtful. Serbia is not a party to any multilateral or bilateral treaty pursuant to which the judgments of U.S. courts would be recognized and enforced, and it appears that there are no cases that have established the principle of “factual reciprocity.” Therefore, the Serbian principles of conflict laws will apply directly.

Under these principles, judgments of non-Serbian courts generally have the same status and legal effect as judgments of Serbian courts, but only if they are recognized by a Serbian court. Therefore, the enforcement of a foreign court’s decision is subject to its prior recognition by the courts of the Republic of Serbia.

Such recognition may be refused in accordance with the provisions of the Serbian Law on Conflict of Laws in the following cases:

- the party against whom recognition of a judgment is sought has not been properly served with the summons, or was otherwise prevented from exercising its procedural rights;
- the matter in which the foreign court decision has been rendered is within the exclusive jurisdiction of the court or any other state authority of the Republic of Serbia;
- the matter has already been decided by the court or any other authority in Serbia or the procedure for recognition of another foreign court decision with respect to the same matter has been initiated in Serbia;
- the recognition or enforcement of a foreign court decision is in contravention of the public order of the Republic of Serbia;
- there is no reciprocity (the potential factual reciprocity issue can be checked in Serbia by contacting the Ministry of Justice, which is the competent authority authorized to provide the court with the official opinions on the reciprocity in the matter of recognition of the foreign court decisions, and obtaining its official opinion may require several months); or
- the applicant fails to provide evidence confirming that the foreign court decision has become final according to the applicable laws of the country in which the court decision has been rendered.

From a procedural perspective, a foreign court judgment may be recognized (and further enforced) in Serbia as part of a separate recognition procedure or as a preliminary question in the regular enforcement proceedings.

Serbia is not a party to any multilateral or bilateral treaty pursuant to which the judgments of U.K. courts would be recognized and enforced. However, U.K. court judgments can be recognized and enforced pursuant to the general rules given above. Factual reciprocity between Serbia and the U.K. must be officially confirmed with the competent authority on a case-by-case basis.

The party seeking the recognition/enforcement must submit to the court:

- the request for recognition/enforcement;
- a confirmation by the foreign court that the foreign court's judgment is final (i.e., the judgment cannot be appealed anymore) and enforceable between the parties under the law of the country in which the decision has been enacted;
- the original court decision or its verified copy; and
- a verified Serbian translation of the judgment.

### **Bosnia and Herzegovina**

In Bosnia and Herzegovina, it is possible to enforce foreign court judgments, provided that the relevant decisions have previously been officially recognized by the competent court(s) in Bosnia and Herzegovina. Once the foreign court judgment has been recognized, it has the same legal status as a judgment of a court in Bosnia and Herzegovina. As a rule, the recognizing court does not examine the merits of a foreign judgment. Once recognized, the foreign judgment can be enforced on the basis of the national enforcement procedures in the same manner as a judgment of a court in Bosnia and Herzegovina.

The courts of Bosnia and Herzegovina will recognize a foreign court judgment if such judgment satisfies the following conditions:

- the foreign judgment is legally valid and enforceable in the state where it was rendered; in this connection, the person requesting the recognition must submit a confirmation from the competent foreign body on the enforceability of the judgment;
- the party against which the foreign judgment was rendered was able to participate in the proceedings; if the party was unable to participate due to procedural irregularities, the judgment will not be recognized; the party will be deemed to have been unable to participate in the proceedings if the notification, lawsuit or resolution by which the proceedings were initiated were not personally delivered, or the personal delivery was not even attempted, unless the party engaged in the discussion of the merits of the proceedings;



- the subject matter of the foreign judgment does not fall within the exclusive competence of a court or other body in Bosnia and Herzegovina;
- the competent court in Bosnia and Herzegovina has not already adopted an enforceable judgment on the subject matter of the foreign judgment and/or the competent court in Bosnia and Herzegovina has not already recognized another foreign judgment for the same subject matter;
- the foreign judgment is not contrary to the constitution of Bosnia and Herzegovina and its basic principles, as well as the constitution of the Federation of Bosnia and Herzegovina and the constitution of the Republika Srpska, respectively, and their respective basic principles, and/or to public order; and
- there is reciprocity of recognition of foreign judgments between Bosnia and Herzegovina and the foreign state that rendered the judgment. Reciprocity is presumed until established otherwise; in case the existence of reciprocity is doubtful, the court will request a clarification of the reciprocity from the competent authority. The courts generally request factual, rather than legal, reciprocity; however, no clear case law is available regarding the recognition of foreign judgments.

Foreign arbitral awards must also be recognized by the competent court in Bosnia and Herzegovina before they can be enforced in Bosnia and Herzegovina. Once recognized, a foreign arbitral award has the same legal status as a court judgment of a court in Bosnia and Herzegovina or a domestic arbitral award and can be enforced in the same manner as a domestic court judgment or domestic arbitral award. As a rule, the recognizing court does not examine the merits of the foreign arbitral award.

A foreign arbitral award can be recognized if the following conditions are met:

- the subject matter of the foreign arbitral award is not exempt from arbitration under the laws of Bosnia and Herzegovina;
- the subject matter of the foreign arbitral award does not fall in the exclusive jurisdiction of courts or other bodies in Bosnia and Herzegovina;
- the foreign arbitral award is not contrary to the constitutions of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina or the Republika Srpska or their basic principles, respectively, and/or to public order;
- there is reciprocity of recognition of arbitral awards between Bosnia and Herzegovina and the country of origin of the foreign arbitral award, which reciprocity is presumed until established otherwise; in case the existence of reciprocity is doubtful, the court will request a clarification of the reciprocity from the competent authority; the courts generally request factual, rather than legal, reciprocity; however, no clear case law is available regarding the recognition of foreign arbitral awards;
- the parties have concluded a written arbitration agreement and such agreement is valid and binding;
- the party against which the arbitral award was rendered was properly informed of the appointment of the arbitral tribunal and of the arbitration proceedings and it was not otherwise disabled from using its procedural rights;
- the composition of the arbitral tribunal and the arbitration proceedings were conducted according to the provisions of the arbitration agreement;
- the arbitral tribunal did not exceed its authority determined by the arbitration agreement;
- the foreign arbitral award is final and enforceable and has not been nullified or suspended by the competent body of the state in which it was adopted, or of the state based on whose law it was adopted; and
- the foreign arbitral award is not ambiguous or contradictory.

Bosnia and Herzegovina is a state party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards of 1958, however, it is only applicable to the recognition and enforcement of arbitral awards made in another contracting states, and to disputes arising out of legal relationships that are considered commercial under the law of Bosnia and Herzegovina, whether

contractual or not. Bosnia and Herzegovina is also a state party to the 1961 European Convention on International Commercial Arbitration.

## **Luxembourg**

Each Luxembourg Guarantor is incorporated under the laws of Luxembourg and all of the managers and executive officers of the Guarantors incorporated under the laws of Luxembourg are non-residents of the United States. Furthermore, a substantial portion of the assets of each of the Guarantors incorporated under the laws of Luxembourg is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the relevant Guarantors, or to enforce against any of them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (exequatur) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is final and enforceable (“*exequatur*”) in the United States;
- the U.S. court awarding the judgment must have had jurisdiction to adjudicate the respective matter both under applicable U.S. Federal or state jurisdictions rules, and under applicable Luxembourg international private law conflict of jurisdiction rules and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules, or at least, the order must not contravene the principles underlying those rules;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg or has been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)). Ordinarily an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages, such punitive damages may be considered as a penalty;
- the U.S. court has acted in accordance with its own procedural laws;
- the principles of fair trial and due process have been complied with and in particular the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (“*fraude à la loi luxembourgeoise*”).

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made bona fide and (ii) if its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

## WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum 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 Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the 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 Purchasers.

For so long as any of the Notes are “restricted securities” within the meaning of the Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer, Fred. Roeskestraat 123, 1076 EE Amsterdam, The Netherlands.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See “*Description of the Notes—Certain Covenants—Reports.*”

Copies of the Issuer’s organizational documents, the Indenture and our most recent consolidated financial statements published by us may be inspected and obtained at the registered office of the Issuer for a period of 14 days following the grant of listing of the Notes. See “*Listing and General Information.*”

## LISTING AND GENERAL INFORMATION

### Listing

Application will be made to The International Stock Exchange Authority Limited (the “Authority”) for the listing of the Notes on the Official List of The International Stock Exchange (the “Exchange”) and admission to trade on the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this offering memorandum pursuant to the listing requirements of the Exchange shall constitute a warranty or representation by the Exchange as to the competence of the service providers to, or any other party connected with, the Issuer, the adequacy and accuracy of information contained in this offering memorandum or the suitability of the Issuer for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

### Listing Information

Copies of the following documents will be available for inspection at the registered office of the Issuer during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of 14 days following the grant of listing of the Notes on the Official List of the Exchange:

- the organizational documents of the Issuer and each of the Guarantors;
- the financial statements included in this offering memorandum;
- our most recent audited consolidated financial information, any interim financial information published by us and the most recent audited unconsolidated financial information published by the Issuer; and
- the Indenture.

The Issuer has appointed Carey Olsen Corporate Finance Limited as listing sponsor (the “Listing Sponsor”). The Issuer reserves the right to change this appointment in accordance with the terms of the Indenture. Application may also be made to the Exchange to have the Notes removed from listing on the Official List of the Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

The Issuer accepts responsibility for the information contained in this offering memorandum. The Issuer declares that, having taken all reasonable care to ensure that such is the case, to the best of its knowledge, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect its import. This offering memorandum may only be used for the purposes for which it has been published.

### Clearing Information

The 2022 Fixed Rate Notes sold pursuant to Regulation S and the 2022 Fixed Rate Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes            and           , respectively. The ISIN for the 2022 Fixed Rate Notes sold pursuant to Regulation S is XS            and the ISIN for the 2022 Fixed Rate Notes sold pursuant to Rule 144A is XS           .

The 2024 Fixed Rate Notes sold pursuant to Regulation S and the 2024 Fixed Rate Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes            and           , respectively. The ISIN for the 2024 Fixed Rate Notes sold pursuant to Regulation S is XS            and the ISIN for the 2024 Fixed Rate Notes sold pursuant to Rule 144A is XS           .

The Floating Rate Notes sold pursuant to Regulation S and the Floating Rate Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes            and           , respectively. The ISIN for the Floating Rate Notes sold pursuant to Regulation S is XS            and the ISIN for the Floating Rate Notes sold pursuant to Rule 144A is XS           .

## The Issuer

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands on October 3, 2013, with its registered seat in Amsterdam, the Netherlands. The Issuer is registered with the trade register of the chambers of commerce under the number 58916318. The Issuer's registered office address is Overschiestraat 61-5, 1062 XD, Amsterdam, The Netherlands, telephone number +31 20 760 9710.

## The Guarantors

Slovenia Broadband S.à r.l. is a Luxembourg private limited liability company (*société à responsabilité limitée*), registered with the Luxembourg Register of Commerce and Companies under number B145.882, having its registered office at 61 rue Rollingergrund, L-2440, Luxembourg, and having a share capital of €200,000.

Bosnia Broadband S.à r.l. is a Luxembourg private limited liability company (*société à responsabilité limitée*), registered with the Luxembourg Register of Commerce and Companies under number B153.262, having its registered office at 61 rue Rollingergrund, L-2440, Luxembourg, and having a share capital of €23,493,645.24.

Adria Midco B.V. is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with its registered seat in Amsterdam, the Netherlands. Adria Midco B.V. is registered with the trade register of the chambers of commerce under the number 58913661. Adria Midco B.V.'s registered office address is Overschiestraat 61-5, 1062 XD, Amsterdam, The Netherlands and it has a share capital of €125,000.00.

Adria Cable B.V. is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with its registered seat in Amsterdam, the Netherlands. Adria Cable B.V. is registered with the trade register of the chambers of commerce under the number 34207005. Adria Cable B.V.'s registered office address is Overschiestraat 61-5, 1062 XD, Amsterdam, The Netherlands and it has a share capital of €18,002.00.

Adria Media B.V. is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with its registered seat in Amsterdam, the Netherlands. Adria Media B.V. is registered with the trade register of the chambers of commerce under the number 34296059. Adria Media B.V.'s registered office address is Overschiestraat 61-5, 1062 XD, Amsterdam, The Netherlands and it has a share capital of €18,000.00.

Adria Serbia Holdco B.V. is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, with its registered seat in Amsterdam, the Netherlands. Adria Serbia Holdco B.V. is registered with the trade register of the chambers of commerce under the number 58934014. Adria Serbia Holdco B.V.'s registered office address is Overschiestraat 61-5, 1062 XD, Amsterdam, The Netherlands and it has a share capital of €125,000.00.

Telemach d.o.o. Sarajevo is a private limited liability company (*društvo ograničene odgovornosti*) registered with the register of business entities in the Municipality Court Sarajevo under number 65-01-0620-08, having its registered seat at Džemala Bijedića No. 216, Ilidža, Sarajevo, and having a share capital of BAM 12,284,207.31 (approximately €6,280,815.46).

Telemach, širokopasovne komunikacije, d.o.o., is a Slovenian private limited liability company (*družba z omejeno odgovornostjo*), registered with the Slovenian Business/Companies Register (AJPES) under ID number 5692229000, having its registered office at Cesta Ljubljanske brigade 21, SI-1000 Ljubljana, and having a share capital of €32,824,527.98.

Telemach Rotovž širokopasovne komunikacije, d.d., is a Slovenian private public share company (*delniška družba*), registered with the Slovenian Business/Companies Register (AJPES) under ID number 5420792000, having its registered office at Cankarjeva ulica 6, SI-2000 Maribor, and having a share capital of €7,048,077.31.

Telemach Tabor širokopasovne komunikacije, d.d., is a Slovenian private public share company (*delniška družba*), registered with the Slovenian Business/Companies Register (AJPES) under ID number 5733073000, having its registered office at Cankarjeva ulica 6, SI-2000 Maribor, and having a share capital of €3,048,579.98.



**Corporate Authority**

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

**Persons Responsible**

The Issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Absence of Significant Changes**

There has been no material adverse change to: (a) the Issuer; or (b) the Issuer's group structure; or (c) the Issuer's business or accounting policies; or (d) the financial or trading position of the Issuer, since March 31, 2017.

**Absence of Litigation**

Except as otherwise disclosed in this offering memorandum, we are not involved (and have not been involved in the twelve months preceding the date of this offering memorandum) in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) that may have or have had in the recent past, significant effects on our financial position or profitability.

**Periodic Reporting Under the Exchange Act**

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

## RECONCILIATION OF CERTAIN FINANCIAL DATA PRESENTED HEREIN

The following table provides the revenue per market for the periods presented:

	The Company			
	Year ended	Three months ended	Three months ended	Twelve months ended
	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2017
	(in € thousands)			
<b>Revenue per market</b>				
Slovenia . . . . .	188,907	41,234	46,501	194,174
Serbia (without Croatia and Macedonia) . . . . .	146,646	34,999	40,744	152,391
Bosnia and Herzegovina . . . . .	53,961	12,531	14,760	56,190
Montenegro . . . . .	11,403	2,412	3,354	12,344

The following table provides the Company's revenue by type of service for the periods presented:

	The Company			
	Year ended	Three months ended	Three months ended	Twelve months ended
	December 31, 2016	March 31, 2016	March 31, 2017	March 31, 2017
	(in € thousands)			
<b>Revenue per service</b>				
Cable pay-TV . . . . .	117,384	28,295	31,364	120,453
Broadband internet . . . . .	77,381	18,547	20,587	79,420
Fixed-line telephony . . . . .	24,090	5,673	6,535	24,952
DTH . . . . .	51,854	12,459	13,589	52,984
Mobile telephony . . . . .	80,666	14,705	19,015	84,976
<b>Total</b> . . . . .	<b>351,375</b>	<b>79,680</b>	<b>91,090</b>	<b>362,785</b>

The following table provides the revenue and Adjusted EBITDA for the periods used to calculate revenue and Adjusted EBITDA for the three months ended June 30, 2016 and for the twelve months ended June 30, 2016:

	The Company					
	Year ended	Six months ended	Three months ended	Three months ended	Six months ended	Twelve months ended
	December 31, 2015	June 30, 2015	March 31, 2016	June 30, 2016	June 30, 2016	June 30, 2016
	(in € thousands)					
Revenue . . . . .	377,325	172,447	109,308	110,942	220,250	425,128
Adjusted EBITDA . . . . .	161,026	73,630	46,501	46,050	92,551	179,947

The following table provides a breakdown of revenues, total assets (excluding goodwill) and EBITDA for the Guarantors and the non-Guarantors for the periods presented:

	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017	Twelve months ended March 31, 2017
	(in € thousands, except as otherwise stated)			
<b>Guarantors</b>				
Revenue . . . . .	213,721	50,837	55,208	218,091
Total assets (excluding goodwill) . . . . .	432,061	384,412	452,119	452,119
EBITDA . . . . .	67,550	18,051	24,690	74,189
Net profit (loss) . . . . .	(12,785)	(6,390)	(7,830)	(14,225)
<b>Non-Guarantors</b>				
Revenue . . . . .	245,948	58,471	66,168	253,646
Total assets (excluding goodwill) . . . . .	342,823	334,729	385,603	385,603
EBITDA . . . . .	99,340	25,559	25,165	98,946
Net profit (loss) . . . . .	(3,659)	(4,078)	4,423	4,842
<b>Total (Guarantors and Non-Guarantors)</b>				
Revenue . . . . .	459,669	109,308	121,376	471,737
Total assets (excluding goodwill) . . . . .	774,882	719,141	837,722	837,722
EBITDA . . . . .	166,890	43,610	49,855	173,135
Net profit (loss) . . . . .	(16,444)	(10,468)	(3,407)	(9,383)
<b>Proportion (Guarantors)</b>				
Revenue . . . . .	46.5%	46.5%	45.5%	46.2%
Total assets (excluding goodwill) . . . . .	55.8%	53.5%	54.0%	54.0%
EBITDA . . . . .	40.5%	41.4%	49.5%	42.9%
Net profit (loss) . . . . .	77.7%	61.0%	NM	NM
<b>Proportion (Non-Guarantors)</b>				
Revenue . . . . .	53.5%	53.5%	54.5%	53.8%
Total assets (excluding goodwill) . . . . .	44.2%	46.5%	46.0%	46.0%
EBITDA . . . . .	59.5%	58.6%	50.5%	57.1%
Net profit (loss) . . . . .	22.3%	39.0%	NM	NM

The following table provides a breakdown of revenues, total assets (excluding goodwill) and EBITDA for SBB Serbia and the Company for the periods presented:

	Year ended December 31, 2016	Three months ended March 31, 2016	Three months ended March 31, 2017	Twelve months ended March 31, 2017
	(in € thousands, except as otherwise stated)			
<b>SBB Serbia</b>				
Revenue . . . . .	170,058	42,573	47,423	174,908
Total assets (excluding goodwill) . . . . .	417,122	414,924	277,477	277,477
EBITDA . . . . .	75,493	15,566	24,512	84,439
Net profit (loss) . . . . .	(2,905)	(4,865)	3,270	5,230
<b>The Company</b>				
Revenue . . . . .	459,669	109,308	121,376	471,737
Total assets (excluding goodwill) . . . . .	774,882	719,141	837,722	837,722
EBITDA . . . . .	166,890	43,610	49,855	173,135
Net profit (loss) . . . . .	(16,444)	(10,468)	(3,407)	(9,383)
<b>Proportion (SBB Serbia)</b>				
Revenue . . . . .	37.0%	38.9%	39.1%	37.1%
Total assets (excluding goodwill) . . . . .	53.8%	57.7%	33.1%	33.1%
EBITDA . . . . .	45.2%	35.7%	49.2%	48.8%
Net profit (loss) . . . . .	17.7%	46.5%	NM	NM

The following table provides each segment's and the Company's revenues by type of service for the periods presented:

<u>Year ended December 31, 2016</u>	<u>Telemach Slovenia</u>	<u>SBB Serbia</u>	<u>Telemach BH</u>	<u>Telemach MNE</u>	<u>Company</u>
Cable pay-TV . . . . .	38,416	57,379	20,321	1,269	117,384
DTH . . . . .	5,832	27,308	10,997	7,717	51,854
Broadband internet . . . . .	26,698	36,398	13,642	643	77,381
Fixed-line telephony . . . . .	7,078	9,784	7,275	18	24,156
Mobile telephony . . . . .	80,666	—	—	—	80,666
<u>Three months ended March 31, 2016</u>	<u>Telemach Slovenia</u>	<u>SBB Serbia</u>	<u>Telemach BH</u>	<u>Telemach MNE</u>	<u>Company</u>
Cable pay-TV . . . . .	9,537	14,023	4,721	14	28,295
DTH . . . . .	1,430	6,660	2,533	1,836	12,459
Broadband internet . . . . .	6,499	8,873	3,170	5	18,547
Fixed-line telephony . . . . .	1,815	2,183	1,692	0	5,690
Mobile telephony . . . . .	14,705	—	—	—	14,705
<u>Three months ended March 31, 2017</u>	<u>Telemach Slovenia</u>	<u>SBB Serbia</u>	<u>Telemach BH</u>	<u>Telemach MNE</u>	<u>Company</u>
Cable pay-TV . . . . .	9,584	15,413	5,599	768	31,364
DTH . . . . .	1,581	7,005	3,001	2,003	13,589
Broadband internet . . . . .	6,719	9,658	3,807	404	20,587
Fixed-line telephony . . . . .	1,694	2,938	1,872	26	6,531
Mobile telephony . . . . .	19,015	—	—	—	19,015
<u>Twelve months ended March 31, 2017</u>	<u>Telemach Slovenia</u>	<u>SBB Serbia</u>	<u>Telemach BH</u>	<u>Telemach MNE</u>	<u>Company</u>
Cable pay-TV . . . . .	38,464	58,769	21,199	2,022	120,453
DTH . . . . .	5,982	27,653	11,465	7,884	52,984
Broadband internet . . . . .	26,917	37,183	14,279	1,042	79,420
Fixed-line telephony . . . . .	6,957	10,539	7,456	44	24,997
Mobile telephony . . . . .	84,976	—	—	—	84,976

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**ADRIA MIDCO B.V. GROUP  
CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THREE MONTHS  
ENDED 31 MARCH 2017**

## ADRIA MIDCO B.V. GROUP

### Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

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**Independent Auditors' Report on Review of the Condensed Consolidated Interim Financial Statements**  
**TO THE OWNERS OF**  
**ADRIA MIDCO BV**

*Introduction*

We have reviewed the accompanying March 31, 2017 condensed consolidated interim financial information of Adria Midco BV and its subsidiaries (the Group) which comprises the condensed consolidated statement of financial position as at March 31, 2017, the condensed consolidated statements of profit or loss and other comprehensive income for the three-month period ended March 31, 2017, the condensed consolidated statements of changes in equity for the three-month period ended March 31, 2017, the condensed consolidated statements of cash flows for the three-months period ended March 31, 2017 and notes to the interim financial information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at March 31, 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Belgrade, May 24, 2017



KPMG d.o.o. Beograd

**ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Note</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
Revenue . . . . .	7	121,376	109,308
Other income . . . . .		767	557
Content cost . . . . .		(18,645)	(15,493)
Satellite capacity cost . . . . .		(1,576)	(2,055)
Link and interconnection costs . . . . .	8	(9,329)	(8,217)
Materials cost . . . . .	9	(8,136)	(9,619)
Staff costs . . . . .	10	(12,399)	(11,664)
Depreciation . . . . .		(20,572)	(17,626)
Amortization of intangible assets . . . . .		(13,457)	(11,460)
Other operating expenses . . . . .	11	(22,203)	(19,207)
<b>Operating profit . . . . .</b>		<b>15,826</b>	<b>14,524</b>
Finance income . . . . .		433	383
Finance costs . . . . .		(18,768)	(23,673)
<b>Net finance costs . . . . .</b>	12	<b>(18,335)</b>	<b>(23,290)</b>
<b>Loss before tax . . . . .</b>		<b>(2,509)</b>	<b>(8,766)</b>
Income tax . . . . .	13	(898)	(1,702)
<b>Loss for the period . . . . .</b>		<b>(3,407)</b>	<b>(10,468)</b>
<b>Other comprehensive loss</b>			
Items that are or may be reclassified subsequently to profit and loss			
Currency translation differences . . . . .		(1,378)	(1,413)
<b>Other comprehensive loss for the period . . . . .</b>		<b>(1,378)</b>	<b>(1,413)</b>
<b>Total comprehensive income for the period . . . . .</b>		<b>(4,785)</b>	<b>(11,881)</b>
Loss/profit attributable to:			
Owners of the Company . . . . .		(4,280)	(11,136)
Non-controlling interests . . . . .		873	668
<b>Loss for the period . . . . .</b>		<b>(3,407)</b>	<b>(10,468)</b>
Total comprehensive (loss)/income attributable to:			
Owners of the Company . . . . .		(5,658)	(12,549)
Non-controlling interests . . . . .		873	668
<b>Total comprehensive loss for the period . . . . .</b>		<b>(4,785)</b>	<b>(11,881)</b>

**ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<u>31-Mar-17</u>	<u>31-Dec-16</u>
<b>Assets</b>			
Property, plant and equipment . . . . .	15	357,747	352,168
Goodwill . . . . .	17	653,009	654,048
Intangible assets . . . . .	16	241,448	246,596
Investment property . . . . .		422	435
Loans to related parties . . . . .	28	32,007	32,002
Other financial assets . . . . .	21	5,541	545
Non current prepayments . . . . .	20	30	30
Deferred costs . . . . .		1,329	1,422
Deferred tax assets . . . . .		10,168	10,193
<b>Non-current assets . . . . .</b>		<b>1,301,701</b>	<b>1,297,439</b>
Inventories . . . . .		5,396	5,042
Trade and other receivables . . . . .	19	87,889	83,081
Short term loans receivables and deposits . . . . .	21	5,542	5,473
Prepayments . . . . .	20	20,652	21,048
Income tax receivables . . . . .		3,626	2,906
Cash and cash equivalents . . . . .	22	65,925	13,941
<b>Current assets . . . . .</b>		<b>189,030</b>	<b>131,491</b>
<b>Total assets . . . . .</b>		<b>1,490,731</b>	<b>1,428,930</b>



**ADRIA MIDCO B.V. GROUP**

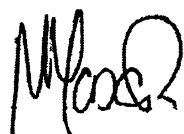
**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (Continued)**

	<u>Note</u>	<u>31-Mar-17</u>	<u>31-Dec-16</u>
Equity			
Issued and fully paid share capital . . . . .	23	125	125
Share premium . . . . .	23	568,592	568,592
Translation reserves . . . . .		(24,882)	(23,504)
Accumulated losses . . . . .		(122,699)	(120,909)
<b>Equity attributable to owners of the Company . . . . .</b>		<b>421,136</b>	<b>424,304</b>
Non-controlling interests . . . . .		10,516	12,522
<b>Total equity . . . . .</b>		<b>431,652</b>	<b>436,826</b>
Liabilities			
Loans and borrowings . . . . .	25	84,058	37,141
Bonds . . . . .	25	775,067	774,969
Long term liabilities . . . . .		94	94
Long term provisions . . . . .	24	8,292	7,219
Deferred revenue . . . . .	26	6,191	6,106
Finance lease liabilities . . . . .	15	4,404	6,011
Deferred tax liabilities . . . . .		27,144	27,829
Employee benefits . . . . .		592	599
<b>Non-current liabilities . . . . .</b>		<b>905,842</b>	<b>859,968</b>
Trade and other payables . . . . .	27	129,606	106,771
Current tax liabilities . . . . .		739	873
Loans and borrowings . . . . .	25	5,369	5,367
Deferred revenue . . . . .	26	8,807	8,613
Finance lease liabilities . . . . .	15	8,716	10,512
<b>Current liabilities . . . . .</b>		<b>153,237</b>	<b>132,136</b>
<b>Total liabilities . . . . .</b>		<b>1,059,079</b>	<b>992,104</b>
<b>Total equity and liabilities . . . . .</b>		<b>1,490,731</b>	<b>1,428,930</b>

These consolidated financial statements have been approved for issue by the Board of Directors on 24 May 2017 and signed on their behalf:



Director  
Murat Yasar



Group CFO  
Janez Živko

**ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	<u>Share Capital</u>	<u>Share premium</u>	<u>Translation reserves</u>	<u>Contribution by the owner</u>	<u>Accumulated losses</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
<b>Balance at 1 January 2016 . . . . .</b>	<u>125</u>	<u>564,592</u>	<u>(14,188)</u>	<u>26,000</u>	<u>(105,296)</u>	<u>471,233</u>	<u>13,295</u>	<u>484,528</u>
<b>Comprehensive income for the period</b>								
(Loss)/profit for the period . . . . .	—	—	—	—	(11,136)	(11,136)	668	(10,468)
Other comprehensive income . . . . .	—	—	(1,413)	—	—	(1,413)	—	(1,413)
<b>Total comprehensive income for the period . . . . .</b>	<u>—</u>	<u>—</u>	<u>(1,413)</u>	<u>—</u>	<u>(11,136)</u>	<u>(12,549)</u>	<u>668</u>	<u>(11,881)</u>
<b>Contributions and distributions</b>								
Transfer to share premium . . . . .	—	26,000	—	(26,000)	—	—	—	—
Distribution . . . . .	—	(20,000)	—	—	—	(20,000)	—	(20,000)
<b>Total Contributions by and distributions to Owners . . . . .</b>	<u>—</u>	<u>6,000</u>	<u>—</u>	<u>(26,000)</u>	<u>—</u>	<u>(20,000)</u>	<u>—</u>	<u>(20,000)</u>
<b>Balance at 31 March 2016 . . . . .</b>	<u>125</u>	<u>570,592</u>	<u>(15,601)</u>	<u>—</u>	<u>(116,432)</u>	<u>438,684</u>	<u>13,963</u>	<u>452,647</u>

	<u>Share Capital</u>	<u>Share premium</u>	<u>Translation reserves</u>	<u>Accumulated losses</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
<b>Balance at 1 January 2017 . . . . .</b>	<u>125</u>	<u>568,592</u>	<u>(23,504)</u>	<u>(120,909)</u>	<u>424,304</u>	<u>12,522</u>	<u>436,826</u>
<b>Comprehensive income for the period</b>							
(Loss)/profit for the period . . . . .	—	—	—	(4,280)	(4,280)	873	(3,407)
Other comprehensive income . . . . .	—	—	(1,378)	—	(1,378)	—	(1,378)
<b>Total comprehensive income for the period . . . . .</b>	<u>—</u>	<u>—</u>	<u>(1,378)</u>	<u>(4,280)</u>	<u>(5,658)</u>	<u>873</u>	<u>(4,785)</u>
<b>Changes in ownership interest</b>							
Acquisition of non-controlling interest without change in control . . . . .	—	—	—	2,490	2,490	(2,879)	(389)
<b>Total changes in ownership interests . . . . .</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,490</u>	<u>2,490</u>	<u>(2,879)</u>	<u>(389)</u>
<b>Balance at 31 March 2017 . . . . .</b>	<u>125</u>	<u>568,592</u>	<u>(24,882)</u>	<u>(122,699)</u>	<u>421,136</u>	<u>10,516</u>	<u>431,652</u>

The Notes on pages 12 to 46 are integral part of these condensed consolidated interim financial statements

**ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

	<u>Note</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
<b>Cash flows from operating activities</b>			
Loss for the period . . . . .		(3,407)	(10,468)
Adjustments for:			
Depreciation . . . . .		20,572	17,626
Amortization . . . . .		13,457	11,460
Impairment of trade and other receivables . . . . .	11	1,040	810
Impairment of property, plant and equipment . . . . .	11	185	166
Impairment of intangible assets . . . . .		—	244
Income tax . . . . .	13	898	1,702
Employee benefits . . . . .		(7)	32
Net finance cost . . . . .	12	18,335	23,290
Changes in:			
Trade and other receivables . . . . .		(6,770)	(649)
Deferred revenue . . . . .		279	1,653
Deferred cost . . . . .		93	718
Inventories . . . . .		(354)	(1,364)
Prepayments . . . . .		396	4,130
Trade and other payables . . . . .		4,673	(15,442)
<b>Cash generated from operations . . . . .</b>		<b>49,390</b>	<b>33,908</b>
Interest paid . . . . .		(493)	(707)
Income tax paid . . . . .		(1,476)	(188)
<b>Net cash from operating activities . . . . .</b>		<b>47,421</b>	<b>33,013</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .		(24,856)	(22,158)
Acquisition of intangible assets . . . . .		(8,380)	(7,473)
Change in short term loan receivables . . . . .		(69)	(861)
Change in other non-current financial assets . . . . .		(5,000)	—
<b>Net cash used in investing activities . . . . .</b>		<b>(38,305)</b>	<b>(30,492)</b>
<b>Cash flows from financing activities</b>			
Distribution of share premium . . . . .		—	(20,000)
Proceeds from borrowings . . . . .		62,500	21,000
Repayment of borrowings . . . . .		(15,717)	—
Aquisition of non-controlling interest . . . . .		(389)	—
Proceeds from finance lease . . . . .		—	5,838
Repayment of finance lease . . . . .		(3,523)	(5,791)
<b>Net cash from financing activities . . . . .</b>		<b>42,871</b>	<b>1,047</b>
<b>Net increase in cash and cash equivalents . . . . .</b>		<b>51,987</b>	<b>3,568</b>
<b>Cash and cash equivalents at 1 January . . . . .</b>		<b>13,941</b>	<b>15,126</b>
Effect of movements in exchange rate on cash in hands . . . . .		(3)	—
<b>Cash and cash equivalents at 31 March . . . . .</b>		<b>65,925</b>	<b>18,694</b>

The Notes on pages 12 to 46 are integral part of these condensed consolidated interim financial statements

# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Reporting entity

Adria Midco B.V. (the Company) is a company domiciled in Netherlands registered on 3 October 2013.

The consolidated financial statements of the Company as at and for the period ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is one of the largest telecommunication operators in South East Europe providing video, data, voice and mobile telephone services to residential and business subscribers. The Group’s activities are based in Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Croatia.

On 15 October 2013, the Company entered into an agreement for the acquisition of Slovenia Broadband S.À.R.L. group. The Company was established as a vehicle of the ultimate acquirer to effect the acquisition of the Slovenia Broadband S.À.R.L. group. The transaction was closed on 6 March 2014, after receiving necessary regulatory approvals. The control was obtained on the same date.

The parent company of the Group is Adria Topco B.V. Netherlands which is controlled by Adria Luxco S.À.R.L. Luxembourg, private company, domiciled in Luxembourg. At the same time, parent company acquired Serbia Broadband—Srpske kablovske mreže d.o.o., private company, domiciled in Serbia. Adria Luxco S.À.R.L. is an investee company owned in the majority by funds advised/managed by US private equity fund Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”). Management holds 26.2% of stakes in the Group.

### List of subsidiaries

The Company Adria Midco B.V. has the following subsidiaries:

Subsidiary	2017	2016
United Group B.V., Netherlands . . .	100.00%	100.00%
Slovenia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Cable B.V., Netherlands . . . . .	100.00%	100.00%
Bosnia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Media B.V., Netherlands . . . . .	100.00%	100.00%
Adria DTH B.V., Netherlands . . . . .	100.00%	100.00%
Adria Serbia Holdco B.V., Netherlands . . . . .	100.00%	100.00%
Absolut Solutions d.o.o., Serbia . . . . .	100.00%	100.00%
Serbia Broadband—Srpske kablovske mreže d.o.o., Serbia . . . . .	100.00%	100.00%
Totalna televizija d.o.o., Croatia . . . . .	100.00%	100.00%
Total TV Montenegro d.o.o., Montenegro . . . . .	100.00%	100.00%
Total TV d.o.o., Bosnia and Herzegovina . . . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina	100.00%
Total TV d.o.o., Macedonia . . . . .	75.00%	75.00%
CAS Media d.o.o., Serbia . . . . .	100.00%	100.00%
Eunet d.o.o., Serbia . . . . .	Merged into Serbia Broadband—Srpske kablovske mreže d.o.o., Serbia	100.00%
Adria News S.à r.l., Luxembourg . . .	100.00%	100.00%
Adria News d.o.o., Serbia . . . . .	100.00%	100.00%
Adria News d.o.o., Croatia . . . . .	100.00%	100.00%

**ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Continued)**

**1. Reporting entity (Continued)**

<u>Subsidiary</u>	<u>2017</u>	<u>2016</u>
Adria News d.o.o., Bosnia . . . . .	100.00%	100.00%
Adria News BH Production d.o.o., Bosnia . . . . .	100.00%	100.00%
United Media Limited, Cyprus . . . . .	100.00%	100.00%
United Media Production d.o.o., Serbia . . . . .	100.00%	100.00%
Orlando klinici d.o.o., Croatia . . . . .	100.00%	100.00%
Ultra Centar Galaktika d.o.o., Serbia	100.00%	100.00%
United Media Network A.G., Switzerland . . . . .	100.00%	100.00%
Cas Media d.o.o., Bosnia . . . . .	100.00%	100.00%
Telemach d.o.o., Slovenia . . . . .	100.00%	100.00%
Telemach Rotovž d.o.o., Slovenia . . .	93.32%	89.52%
Telemach Tabor d.o.o., Slovenia . . . .	79.83%	61.30%
Telemach Tezno d.o.o., Slovenia* . . .	68.79%	34.24%*
Cas media d.o.o., Slovenia . . . . .	100.00%	100.00%
Telemach Pobrežje d.o.o., Slovenia* .	72.26%	44.39%*
Total TV d.o.o., Slovenia . . . . .	Merged into Telemach d.o.o., Slovenia	100.00%
Tušmobil d.o.o., Slovenia . . . . .	Merged into Telemach d.o.o., Slovenia	Merged into Telemach d.o.o., Slovenia
Telemach d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
Maxtel d.o.o., Slovenia . . . . .	100.00%	100.00%
Unitel d.o.o., Slovenia . . . . .	100.00%	100.00%
M&H Company d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
HKB-net d.o.o., Bosnia and Herzegovina (64%) . . . . .	64.00%	64.00%
Kablovska Televizija HS d.o.o., Bosnia and Herzegovina (57,47%) .	57.47%	57.47%
Global internet d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
Velnet d.o.o., Bosnia and Herzegovina . . . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina ny	Merged into Telemach d.o.o., Bosnia and Herzegovina
Vrbaska Kablovska TV—Network d.o.o., Bosnia and Herzegovina . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina	Merged into Telemach d.o.o., Bosnia and Herzegovina
BHB Cable TV d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
Solford Trading Ltd, Cyprus . . . . .	100.00%	100.00%
City Media Plus, Canada . . . . .	100.00%	100.00%
City Media d.o.o., Serbia . . . . .	100.00%	100.00%
Telemach d.o.o., Montenegro . . . . .	64.29%	64.29%
M kabl d.o.o., Montenegro . . . . .	100.00%	100.00%
United Media S.A.R.L., Luxembourg	100.00%	100.00%
TV Kanal Ultra d.o.o., Serbia . . . . .	75.00%	75.00%
Cinemanija d.o.o., Serbia . . . . .	100.00%	100.00%
United Media Malta Ltd, Malta . . . .	100.00%	100.00%
Grand slam d.o.o., Serbia . . . . .	100.00%	100.00%



# ADRIA MIDCO B.V. GROUP

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In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 1. Reporting entity (Continued)

Subsidiary	2017	2016
Grand production d.o.o., Serbia . . . .	51.00%	51.00%
Fortuna E-sports d.o.o., Serbia . . . . .	100.00%	Did not exist in 2016
United Group SI d.o.o., Slovenia . . .	100.00%	100.00%
United Group MC B.V., Netherlands	100.00%	100.00%
United Group RS d.o.o., Serbia . . . .	100.00%	100.00%

\* based on consideration of other factors, primarily Board appointment, control has deemed eventhough ownership was below 51% in 2016.

### 2. Basis of preparation

#### a) Statement of compliance

This condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These do not include all the information required for the full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance for the three months period ended 31 March 2017. Condensed consolidated interim financial report is to be read together with the last annual consolidated financial statements as at and for the year ended 31 December 2016.

The consolidated interim financial statements were authorized for issue by the Board of Directors on 24 May 2017.

#### b) Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for derivative financial instruments at fair value.

#### c) Going concern

The Group has reported a net loss for the period in the amount of EUR 3,407 thousand. The loss was mainly as a result of net finance cost in the amount of EUR 18,335 thousand. This has resulted in interest expenses and net foreign loss in the amount of EUR 17,086 thousand for the three-month period ended 31 March 2017.

The initial Group acquisition in March 2014 and the expansion of the Group is based on a leveraged buyout strategy resulting in an increased finance debt and the associated net finance expenses. One of the Group's key performance indicators is adjusted earnings before interest, tax, depreciation and amortization (EBITDA) (note 14). Adjusted EBITDA for the three month period ended 31 March 2017 has increased by 14.7% comparing to the same period for the 2016 (note 6).

Business plans for the period 2017 - 2021 are based on further growth of the customer base, further growth of EBITDA and adjusted EBITDA and positive operating cash flow. Growth of revenue and adjusted EBITDA results from the growth of our subscriber base via internal growth, external acquisitions and increases in our subscription fees. Historically low churn rates provide us with stable recurring cash flows and stability with respect to future budgeted revenues and budgeted cash flows in order to maintain appropriate levels of liquidity. The Group regularly (daily and monthly) analyses liquidity projections, internal financial reports, availability of financial assets and ability to repay its liabilities through

## **ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

#### **2. Basis of preparation (Continued)**

continuous review of budgeted and actual cash flows and monitoring of maturity of the Group's receivables and liabilities.

Primary sources of the Group's liquidity and funds for capital expenditures, acquisitions and other investments have been operating positive cash flows, revolving credit facilities, ancillary lending facilities and finance leases. The Group has reported positive cash generated from operations in the amount of EUR 49,390 thousand for the three-month period ended 31 March 2017 an increase of EUR 15,482 (46.66%) from the same three-month period ended 31 March 2016. The Group is able to repay its obligations when they fall due in the normal course of business with no noted defaults in repayment of debt, the associated financial interest expenses nor any other liabilities. As at 31 March 2017, the Group has outstanding loans and borrowings, finance lease and bond liabilities in the total amount of EUR 877,614 thousand. Out of total liabilities, EUR 862,278 do not fall for the repayment before March 2020.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through positive cash flows from operations and the ability to draw on its revolving credit facilities, if required. As at 31 March 2017 the Group has an undrawn revolving credit line in the amount of EUR 71,497 thousand (note 25).

Based on the Group's going concern assessment outlined above, the consolidated financial statements are, therefore, prepared on a going concern basis, as management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

These consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euros has been rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

#### **e) Use of estimates and judgments**

The consolidated financial statements require management to make judgments, estimates and 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### **3. Significant accounting policies**

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2016.

#### **a) New Standards, Amendments and Interpretations to existing Standards Mandatory for the First Time for the Financial Year beginning on 1 January 2017**

The application of the following standards, interpretations standards (IFRIC) and amendments to the existing standards mandatory for the first time for the financial year beginning on 1 January 2016 did not

## ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

result in changes to accounting policies and did not have a material impact on the consolidated interim financial statements:

- Annual Improvements to IFRSs 2012–2014 Cycle (Various standards)
- Disclosure Initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The adoption of the amendments has no impact on the recognized assets, liabilities and comprehensive income of the Group.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application permitted. The Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

#### b) Standards issued but not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning after 1 January 2017 and have not been applied in preparing the accompanying consolidated interim financial statements. Those which may be relevant for the Group are set out below. The Group does not plan to adopt these standards early.

##### IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to apply IFRS 9 initially on 1 January 2018. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that will make in the future.

##### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard provides single, principles based five-step model for the determination and recognition of revenue to be applied to all contracts with customers.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The standard may have a material effect on presentation of the Group's results of operations and financial position. The new provisions address following issues in particular:

- Increase in total assets on first-time adoption due to the capitalization of contract assets.
- Deferral i.e., later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.

## ADRIA MIDCO B.V. GROUP

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

- For the purpose of determining whether the Group sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), it is possible that going forward more business models will lead to net revenue presentation.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using modified retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to comparative period presented and adjust its consolidated financial statements.

The Group plans to use the practical expedients for completed contracts which means that completed contracts that began and ended in the same comparative period, as well as will not be

Currently, the effects are analyzed as a part of the Group-wide project for implementation of new standard, through a reliable estimate of the quantitative effects in not possible until the project has been completed.

#### IFRS 16 Leases

IFRS 16 specifies principally require lessees to recognized assets and liabilities for all leases and to present all right and obligations associated with these in the statement of the financial position. Lessees will therefore no longer be required to make distinction between finance and operating leases that was required in the past in accordance with IAS 17. A lessee recognizes a right-of-use assets representing its right to use the underlying assets and lease liability representing its obligation to make lease payments for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors accounting continue remains similar to the current standard IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments.

#### Amendments to IFRS 10 and IAS 28

Amendments are related to the sale or contribution of assets between an Investor and its Associate or Joint Venture. The IASB (International Accounting Standards Board) has decided to postpone the effective date for these amendments indefinitely. Optional adoption is still permitted.

#### Amendments to IAS 40 Transfers of Investments Property

The amendment relates to classification of transfers into or out of investment property. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

#### Amendments to IFRS 2—Classification and measurements of shared-based payment transactions

The amendments relates to classification and measurements of shared-based payment transactions. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

#### Amendments to IFRS 4—Financial instruments with IFRS 4 Insurance Contracts

Applicable for entities falling within scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. The amendment is effective for annual periods beginning on or after 1 January 2018. Not applicable for the Group.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

Amendments to IFRIC 22—Foreign currency transactions and advance consideration

The amendment clarifies what exchange rate is to be applied on initial recognition of the foreign-currency transactions in an entity's functional currency in the cases where entity receives or pays advance consideration before the related asset, expense or income is recognized. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

#### 4. Financial risk management

##### Overview

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

- credit risk,
- liquidity risk, and
- market 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.

##### Risk management framework

The Group's managing board has overall responsibility for the establishment and oversight of the Group's risk management framework, and development and monitoring the Group's risk management policies.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The finance function monitors compliance with the Group's risk management policies and procedures, and provide top management with feedback regarding the performance of the framework in relation to the risk faced by the Group.

##### 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 receivables from customers.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses that it has no significant concentration of credit risk due to its exposure to a broad customer base in each service line. No concentration of credit risk on a geographical basis is assessed as material. The Group has policies that limit the amount of credit exposure for each customer including services disconnection procedure.

The Group's risk procedure limit the credit risk through short credit period available (invoices are due for payment within 8 days from the date of issue) and 3 levels of dunning letters in different time intervals.



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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 4. Financial risk management (Continued)

The first dunning letter which brings the warning about disconnecting the service is being sent 10 days after due date. The second dunning letter is being sent after 40 days after due date. The third letter is being sent after 70 or 110 days (it depends on the area) after the due date and it generates the order for temporary disconnection of the subscriber until the debt had been settled. The credit control procedure assures that an average receivable from one subscriber is from EUR 15 - 80 and limits the credit limit to 4 months of service. The Group outsourced collection activities of all receivables which are overdue more than 6 months to collection company.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific allowance that relates to individually significant exposures, and a general allowance established for mass billing customers in respect of losses that have been incurred but not yet identified. The general allowance is determined based on Group's allowance policy for mass billing customers.

#### *Cash and cash equivalents*

The Group held cash and cash equivalents of 65,925 thousand as 31 March 2017 (31 December 2016: EUR 13,941 thousand) with reputable local commercial banks, which represents its maximum credit exposure on these assets. Management actively monitors credit risk exposure and given that the Group only has invested in bank deposits management does not expect any counterparty to fail to meet its obligations.

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

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

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements (note 25). Typically the Group ensures that it has sufficient cash on demand to meet expected current liabilities as they fall due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Primary sources of liquidity and funds for capital expenditures, acquisitions and other investments have been operating cash flow, our Revolving Credit Facility, ancillary lending facilities and finance leases. As at 31 March 2017 the Group has access to undrawn revolving credit line in the amount of EUR 71,497 thousand (note 25).

#### **c) 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 optimizing the return.

#### **i) Currency risk**

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of the Group entity holding the asset or obligation.

## **ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

#### **4. Financial risk management (Continued)**

The Group is mainly exposed to currency risk on purchases and borrowings which are denominated in Euros and US dollars, while a significant share of the Group's revenue is denominated in Serbian dinars.

The Group has exposure to currency fluctuation (depreciation) of RSD (Serbian dinar) to Euro given that it has significant operations through SBB Serbia for which RSD is the functional currency and that has significant borrowings in Euro. The Group's currency risk policy for this exposure is implemented through regular price adjustments on the Serbian market, following the depreciation of Serbian dinar against euro.

The Group holds derivative financial instruments to mitigate its foreign currency exposures resulting from capital purchases. The commitments are principally denominated in USD. Currency risk is managed with the objective of reducing the risk through use of forward foreign currency contracts. As at 31 March 2017 the Group has entered into several forward currency contracts to mitigate its capital purchases in US dollars against its functional currency.

The Group is not in a position to effectively mitigate all currency risks due to absence of relevant financial products in the countries of operations (e.g. Serbia).

##### **ii) Price risk**

The Group is not exposed to material price risks on its financial instruments.

##### **iii) Interest rate risk**

The Group's interest rate risk arises from long-term borrowings and loans to related parties issued at variable rates. The Group closely monitors current market rates in order to minimize negative effects of significant movements in market rates. The Group does not use these instruments for speculative purposes.

#### **Capital management**

Due to the structure of long-term financing through leveraged buyout arrangement, the management policy is to maintain a stable return on investment so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's performance management is focused on generating budgeted adjusted operating results (EBITDA) as well as maintaining overall liquidity position to repay the financial debt.

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 investors and to maintain an optimal liquidity position.

#### **5. Critical accounting estimates and judgments**

The consolidated financial statements require management to make judgments, estimates and 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 judgments are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The 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 the end for the year ended 31 December 2016.

## ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 5. Critical accounting estimates and judgments (Continued)

##### a) Management of fair values

When measuring the fair value of an assets or liabilities, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in 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 assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).
- Further information about assumptions made in measuring fair values is included in note 18 Financial instruments.

#### 6. Operating segments

Operating segments are components that engage in business activities that may earn revenues or incur expenses as a result of the services provided. Segment information is provided partially on the basis of geographic areas and partially based on an organizational structure, being the basis on which the Group manages its interests. Operating results of segments are regularly reviewed by the chief operating decision maker (CODM) and discrete financial information is available on that level. Revenue is attributed to a country based on the location of the Group's company reporting the revenue.

The functions of CODM are performed by the Managing directors of the Group.

The Group has five reportable segments, four in cable and internet and one in media business line, which are the Group's strategic divisions. Cable strategic divisions for each of key markets, offer similar services and are managed jointly since they have unified service development and marketing strategy. For each of the strategic divisions, the CODM reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Serbia Group includes cable operations in Serbia and DTH (satellite TV) operations in region (Croatia, Serbia and Macedonia). Satellite operations in Croatia and Macedonia account for minor part of the overall operations of Serbia Group segment.
- Slovenia Group includes cable and DTH operations and mobile telephony services in Slovenia,
- Bosnia Group includes cable and DTH operations in Bosnia and Herzegovina
- Montenegro Group includes cable and DTH operations in Montenegro (Montenegro is viewed as segment after acquisition of M-kabl d.o.o. in 2016, as before this acquisition the Group did not have cable operations in Montenegro), and
- Media Group includes content operations in the region. This segment includes the results of our media and content business in the former Yugoslav region including the results of N1 Info, Grand Production, Orlando Kids and Bambino.

Other includes our other operating business, such as Solford and non-operating holding companies (United Group B.V., Adria Cable B.V., Adria Serbia Holdco B.V., Slovenia Broadband S.A.R.L.). Revenue reported in other is mainly generated by Solford.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before net finance cost, tax, depreciation and amortization (EBITDA) and adjusted EBITDA, as included in the internal management reports that are reviewed by

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#### 6. Operating segments (Continued)

the Group's management. Adjusted EBITDA represents EBITDA as per management unaudited report. EBITDA is a supplemental measure of financial performance that is not required by, or presented in accordance with IFRS. "EBITDA" is defined as Profit/(Loss) for the period plus income tax (benefit)/expense, depreciation, amortization of intangible assets and net finance costs. Adjusted EBITDA represents EBITDA, adjusted for certain exceptional items, such as shareholder-related costs, impairment charges, M&A—related costs, group restructuring costs and other, which Group views as non-operating and not recurring to the operations of the Group.

Segment EBITDA and adjusted EBITDA, prepared based on local GAAP in each country adjusted to meet the requirements of internal reporting, is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### (a) Description of products and services from which each reportable segment derives its revenue

The Group's main activities are providing of Video, Data and Voice services to subscribers in the countries of South-East Europe. The Group operates in Serbia providing Video, Data and Voice services, as well as in five other countries: Slovenia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia providing Video and Data services.

Video service include provision of TV channel mix and IP Video streaming services, which is marketed into basic, extended and premium packages. TV mix range from 60 to over 100 TV channels.

Data service comprise internet packages for residential and business customers, as well as various supplementary services for business customers (connectivity and managed services, data center and cloud services).

Voice service relates to fixed line services to residential and business customers.

Mobile phone services relates to post-paid, prepaid, roaming and wholesale services provided to customers.

Media Group includes content operations in the entire former Yugoslav region. Content operations represent carriage fee revenue that relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like "Sport Klub", movie channel "Cinemanian", children channels "Ultra" and "Orlando" and music channel "Grand".

#### (b) Factors that management used to identify the reportable segments

Four of the Group's business segments are mainly based on the Group's geographic regions, Serbia, Slovenia, Bosnia and Herzegovina and Montenegro, and the other business segment is broadly based on product distribution. They are managed separately because each business unit requires different marketing strategies and service level.

#### (c) Measurement of operating segment profit or loss.

The CODM reviews financial information prepared based on local GAAP adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

- i. Management consolidation adjustments can differ from the ones required by IFRS
- ii. non-IFRS profit measures (such as earnings before income tax, depreciation and amortization—EBITDA, adjusted EBITDA and capital expenditure (CAPEX)) are also included in the segment report. EBITDA is adjusted by "exceptional items" that are viewed as non-operating and not recurring. Capital expenditures represents purchases of tangible and intangible assets, consisting

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**6. Operating segments (Continued)**

primarily of set top box purchases and other customer capital expenditure, installations (including capitalized labor costs), cable and mobile network build out, upgrades, maintenance and other investments, computer hardware and software and content rights.

CODM evaluates performance of each segment based on revenue, EBITDA and other key performance indicators (e.g. average revenue per user, CAPEX) and does not regularly review assets and liabilities of the segments.

**(d) Information about reportable segment statement of comprehensive income**

Segment information before elimination of inter-company transactions for the reportable segments for the period ended 31 March 2017 and 31 March 2016 are set out below (Segment information below has been derived from unaudited local GAAP management accounts prepared for CODM evaluation purposes):

	Reportable segments					Total reportable segments	Other	TOTAL
	Serbia Group	Slovenia Group	Bosnia Group	Montenegro Group	Media Group			
<b>31-Mar-17</b>								
External revenue . . . . .	43,021	45,756	14,766	3,390	10,320	117,253	4,123	121,376
Inter-segment revenue . . . . .	7,565	318	160	231	17,032	25,306	1,461	26,767
Segment revenue . . . . .	50,586	46,074	14,926	3,621	27,352	142,559	5,584	148,143
Depreciation . . . . .	9,091	7,125	3,191	629	472	20,508	64	20,572
Amortization . . . . .	2,547	4,773	596	91	5,323	13,330	127	13,457
Segment results from operations . . .	10,090	2,451	1,583	183	1,280	15,587	239	15,826
Segment profit/(loss) before tax . . .	3,273	(1,747)	305	141	150	2,122	(4,631)	(2,509)
EBITDA . . . . .	21,728	14,349	5,370	903	7,075	49,425	430	49,855
Adjusted EBITDA . . . . .	22,019	15,043	5,694	926	8,457	52,139	1,197	53,336
CAPEX . . . . .	16,272	10,224	3,675	533	3,391	34,095	184	34,279

Significant losses before tax in other segment is driven by net finance cost. Other includes holding companies, including United Group B.V., Netherlands, which has issued bonds and bears associated finance expenses.

	Reportable segments					Total reportable segments	Other	TOTAL
	Serbia Group	Slovenia Group	Bosnia Group	Montenegro Group	Media Group			
<b>31-Mar-16</b>								
External revenue . . . . .	37,306	46,078	12,555	2,449	7,198	105,586	3,722	109,308
Inter-segment revenue . . . . .	8,156	302	154	215	8,348	17,175	31	17,206
Segment revenue . . . . .	45,462	46,380	12,709	2,664	15,546	122,761	3,753	126,514
Depreciation . . . . .	7,817	6,089	2,858	338	492	17,594	32	17,626
Amortization . . . . .	2,345	3,718	725	45	4,521	11,354	106	11,460
Segment results from operations . . .	8,271	4,799	210	200	1,101	14,581	(57)	14,524
Segment profit/(loss) before tax . . .	(3,168)	1,979	(637)	210	140	(1,476)	(7,290)	(8,766)
EBITDA . . . . .	18,433	14,606	3,793	583	6,114	43,529	81	43,610
Adjusted EBITDA . . . . .	18,435	15,644	4,265	674	6,132	45,150	1,351	46,501
CAPEX . . . . .	9,786	7,897	4,597	993	3,977	27,250	192	27,442



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### 6. Operating segments (Continued)

As a result of strategic decision to concentrate its business geographically, the Group has in the current period changed its internal organization and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the three months ended 31 March 2017.

#### (e) Major customers

The Group provides its services to individual and corporate customers; each customer does not exceed 10% of the total revenues. Revenue includes operating revenue.

#### (f) Geographical segments

Segment information above is already provided on the basis of geographic areas, being the key basis on which the Group manages its interests.

#### (g) Reconciliation of information on reporting segments to IFRS measures:

	31-Mar-17	31-Mar-16
<b>Revenues</b>		
Total revenue for reportable segments . . . . .	142,559	122,761
Revenue for other segments . . . . .	5,584	3,753
	148,143	126,514
Elimination of inter-segment revenue . . . . .	(26,767)	(17,206)
<b>Consolidated revenue . . . . .</b>	<b>121,376</b>	<b>109,308</b>

### 7. Revenue

	31-Mar-17	31-Mar-16
Subscription fee . . . . .	99,600	90,883
Carriage fee . . . . .	9,117	5,622
Adverting revenue . . . . .	2,138	2,189
Sale of end user equipment . . . . .	6,278	7,723
Sublicences . . . . .	500	440
Other revenue . . . . .	3,743	2,451
<b>Total . . . . .</b>	<b>121,376</b>	<b>109,308</b>

Other operating revenue mainly comprises of revenue from VPN services provided to business users, revenue from royalties and other revenues.

### 8. Link and interconnection costs

	31-Mar-17	31-Mar-16
Mobile link costs . . . . .	5,298	4,789
Internet link and interconnection costs . . . . .	2,085	1,572
Telephony link costs . . . . .	1,946	1,848
Other . . . . .	—	8
<b>Total . . . . .</b>	<b>9,329</b>	<b>8,217</b>

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### 9. Materials cost

	31-Mar-17	31-Mar-16
Installation materials . . . . .	320	300
Office supplies . . . . .	385	321
Energy and fuel costs . . . . .	1,262	1,314
Cost of end-user equipment . . . . .	6,169	7,684
<b>Total . . . . .</b>	<b>8,136</b>	<b>9,619</b>

### 10. Staff costs

	31-Mar-17	31-Mar-16
Salaries and social security . . . . .	11,503	9,960
<i>minus capitalized staff costs . . . . .</i>	<i>(1,209)</i>	<i>(761)</i>
Part-time employment costs . . . . .	451	371
Employee benefit cost . . . . .	697	837
Unused vacation . . . . .	4	—
Other staff costs . . . . .	953	1,257
<b>Total . . . . .</b>	<b>12,399</b>	<b>11,664</b>

During three month period ended 31 March 2017 the Group capitalized staff costs in the carrying value of its property, plant and equipment in the amount of EUR 1,209 thousand (31 March 2016: EUR 761 thousand) which mainly relates to installation services for fixed assets at end user premises.

The total average number of full time equivalent (FTE) employees in the period ended 31 March 2017 is 3,251 (31 March 2016: 2,772).

### 11. Other operating expenses

	31-Mar-17	31-Mar-16
Rent of premises, poles and ducts . . . . .	5,045	5,024
Marketing and promotion expenses . . . . .	3,274	2,810
Maintenance costs . . . . .	2,309	2,028
Management fees . . . . .	1,678	1,104
Trade receivable impairment allowance . . . . .	1,040	810
Phone and postal expenses . . . . .	907	807
Taxes . . . . .	618	687
Legal and advisory fee . . . . .	1,081	659
Customer service costs . . . . .	1,245	645
License fees . . . . .	526	395
Security services . . . . .	386	341
Bank charges . . . . .	337	315
Media buying . . . . .	376	304
Membership fee . . . . .	163	251
Production cost . . . . .	681	186
Impairment of intangible assets . . . . .	—	244
Insurance cost . . . . .	157	234
Impairment of property, plant and equipment . . . . .	185	166
Other expenses . . . . .	2,195	2,197
<b>Total . . . . .</b>	<b>22,203</b>	<b>19,207</b>

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 11. Other operating expenses (Continued)

Other expenses mainly comprise of production, entertainment, travel, subcontractor and other costs.

### 12. Finance income and finance cost

	31-Mar-17	31-Mar-16
Interest expense . . . . .	(16,154)	(14,104)
Net foreign exchange losses . . . . .	(932)	(4,970)
Other finance cost . . . . .	(1,682)	(4,599)
<b>Total finance cost . . . . .</b>	<b>(18,768)</b>	<b>(23,673)</b>
Interest income . . . . .	428	195
Other financial gain . . . . .	5	188
<b>Total finance income . . . . .</b>	<b>433</b>	<b>383</b>
<b>Net cost . . . . .</b>	<b>(18,335)</b>	<b>(23,290)</b>

Other finance cost mainly relates to negative effects of change in fair value of derivative financial instruments (currency forward agreements) as at 31 March 2017 (note 19).

### 13. Income tax

	31-Mar-17	31-Mar-16
Current tax . . . . .	(1,461)	(2,072)
Deferred tax . . . . .	563	370
<b>Total . . . . .</b>	<b>(898)</b>	<b>(1,702)</b>

Tax expense is recognized based on management's best estimate of the annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

### 14. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)

Managing directors of the Group have presented performance measure adjusted EBITDA as they monitor this performance measure at consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance.

"EBITDA" is defined as as Profit/(Loss) for the period plus income tax (benefit)/expense, depreciation, amortization of intangible assets and net finance costs. Adjusted EBITDA represents EBITDA, adjusted for certain exceptional items, such as shareholder-related costs, impairment charges, M&A—related costs, group restructuring costs and other, which Group views as non-operating and not recurring to the operations of the Group.

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 14. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) (Continued)

Adjusted EBITDA is not a defined performance measure per IFRS. The Group's definition of adjusted EBITDA is may not be comparable with similarly titled performance measures and disclosures by other entities.

	31-Mar-17	31-Mar-16
Loss for the period . . . . .	(3,407)	(10,468)
Income tax . . . . .	(898)	(1,702)
<b>Loss before tax . . . . .</b>	<b>(2,509)</b>	<b>(8,766)</b>
Adjustments for:		
Net finance cost . . . . .	18,335	23,290
Depreciation . . . . .	20,572	17,626
Amortisation . . . . .	13,457	11,460
<b>EBITDA . . . . .</b>	<b>49,855</b>	<b>43,610</b>
Management fees . . . . .	1,678	868
Legal and advisory fee . . . . .	696	659
Staff cost . . . . .	85	155
Penalties . . . . .	94	124
Other operating expenses . . . . .	928	1,085
<b>Adjusted EBITDA . . . . .</b>	<b>53,336</b>	<b>46,501</b>

Management fees mainly relates to exceptional items regarding shareholder related costs.

Legal and advisory fee are mainly related to M&A costs and group restructuring costs.

Staff costs mainly relates to one-off performance bonuses awarded to senior management of operating companies within the Group.

### 15. Property, plant and equipment

The majority of property, plant and equipment relates to cable network (backbone, primary and secondary network, coaxial, fiber and optical equipment) and DTH end user equipment.

#### Acquisitions and disposals

During the three months ended 31 March 2017, the Group acquired assets with a cost of EUR 27,065 thousand (31 March 2016: EUR 21,692 thousand).

Assets with carrying value of EUR 355 thousand were disposed during three month period ended 31 March 2017 (31 March 2016: EUR 133 thousand).

#### Leased assets (finance lease)

The Group leases internet protocol equipment and transport and passenger vehicles under a number of finance lease agreements. Majority leases of vehicles provide the Group with the option to purchase the equipment at a beneficial price.

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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 15. Property, plant and equipment (Continued)

Present value of minimum lease payments is as follows:

	31-Mar-17	31-Dec-16
Less than one year . . . . .	8,716	10,512
Between one and five years . . . . .	4,404	6,011
<b>Present value of finance lease liability . . . . .</b>	<b>13,120</b>	<b>16,523</b>

Contractual amounts are as follows:

	31-Mar-17	31-Dec-16
Less than one year . . . . .	8,998	10,896
Between one and five years . . . . .	4,486	6,134
	<b>13,484</b>	<b>17,030</b>
Future finance charges on finance leases . . . . .	(364)	(507)
<b>Present value of finance lease liability . . . . .</b>	<b>13,120</b>	<b>16,523</b>

The total net book value of property, plant and equipment purchased under finance lease as at 31 March 2017 is EUR 12,946 thousand (31 December 2016 EUR 15,894 thousand).

### Assets provided as security for loans

All property, plant and equipment are pledged as security for the Group's loan and borrowings and other financial liabilities.

### Capital commitments

During the period ended 31 March 2017, the Group entered into agreement to buy property, plant and equipment for EUR 7,618 thousand. Delivery is expected during 2017.

### 16. Intangible assets

#### Acquisitions and disposals

Additions to software and licenses relate to SAP ERP information system, Video-On-Demand (VOD) information system and Voice-Over-Internet-protocol (VOIP) information systems software.

During the three months ended 31 March 2017, the Group acquired intangible assets with a cost of EUR 8,380 thousand (31 March 2016: EUR 7,473 thousand).

### Assets provided as security for loans

As at 31 March 2017 revolving facility is guaranteed by pledge on trademarks ("SBB" and "Total TV"). Carrying value of intangible assets under pledge as at 31 March 2017 amounts to EUR 21,761 thousand (31 March 2016: EUR 23,227 thousand).

### Capital commitment

During the period ended 31 March 2017, the Group entered into agreements to buy intangible assets for the amount of EUR 1,630 thousand. Delivery is expected during 2017.



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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 17. Goodwill

The following schedule summarizes the movements in the balance of goodwill:

	31-Mar-17	31-Dec-16
<b>Cost</b>		
Balance at beginning of period . . . . .	654,048	649,094
Acquisition through business combination . . . . .	—	10,326
Translation difference . . . . .	(1,039)	(5,492)
Other changes . . . . .	—	120
<b>Balance at end of period . . . . .</b>	<b>653,009</b>	<b>654,048</b>
<b>Carrying amounts</b>		
Balance at beginning of period . . . . .	654,048	649,094
<b>Balance at end of period . . . . .</b>	<b>653,009</b>	<b>654,048</b>

Allocation of goodwill per operating segment level is shown in following table:

	31-Mar-17	31-Dec-16
SBB Serbia Group . . . . .	258,768	259,807
Telemach Slovenia Group . . . . .	216,919	216,919
Telemach Bosnia Group . . . . .	77,011	77,011
United Media Group . . . . .	88,584	88,584
Telemach Montenegro . . . . .	11,727	11,727
<b>Total . . . . .</b>	<b>653,009</b>	<b>654,048</b>

### Impairment testing for goodwill

The Group has performed impairment testing for the 2016 year end purposes and it was assessed that no impairment of Goodwill is required. As at 31 March 2017, the Group considered indicators of impairment, both external and internal. The Group is of the view that there were no significant changes in the assumptions underlying year end 2016 goodwill impairment analysis which would require reassessment.

The Group has assessed current period performance against to the three month period ended 31 March 2017 and forecasts. Net losses for the three month period in the amount of EUR 3,407 thousand were mainly driven by the increase in net finance cost in the amount of EUR 18,335 thousand. Net finance costs were driven by the Group's outstanding debt. However, the Group's operating performance has increased comparing to the three month period ended 31 March 2016 and forecasts. The Group has reported increase in revenue followed by increased in operating results from EUR 14,524 thousand for the three-month period ended 31 March 2016 comparing to EUR 15,826 thousand for the three-month period ended 31 March 2017. Additionally, the Group has reported positive cash generated from operations in the amount of EUR 49,390 thousand for the three-month period ended 31 March 2017 an increase of EUR 15,482 (45.66%) from the same three-month period ended 31 March 2016. One of the Group's key performance indicators, adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA) for the three month period ended 31 March 2017 has increased by 14.7% comparing to the same period for the 2016.

Based on the above, no impairment indicators were identified and the Group did not test goodwill impairment as at 31 March 2017.

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(Continued)**

**18. Financial instruments**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair values hierarchy. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31-Mar-17	Note	Carrying amount			Total	Fair value			Total
		Fair value— hedging instruments	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
<b>Financial assets not measured at fair value*</b>									
Loans to related parties . . . .	28	—	32,007	—	32,007	—	—	32,007	32,007
Other financial assets . . . . .		—	5,541	—	5,541	—	—	—	—
Trade and other receivables .	19	—	86,383	—	86,383	—	—	—	—
Short term loans receivables and deposits . . . . .	21	—	5,542	—	5,542	—	—	—	—
Cash and cash equivalents . .	22	—	65,925	—	65,925	—	—	—	—
		—	195,398	—	195,398	—	—	32,007	32,007
<b>Financial assets measured at fair value</b>									
Forward exchange contracts used for hedging . . . . .	19	1,506	—	—	1,506	—	1,506	—	1,506
		1,506	—	—	1,506	—	1,506	—	1,506
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings . . . . .	25	—	—	89,427	89,427	—	—	89,427	89,427
Bonds . . . . .	25	—	—	775,067	775,067	—	—	808,419	808,419
Finance lease liabilities . . . .	15	—	—	13,120	13,120	—	—	13,120	13,120
Trade payables* . . . . .	27	—	—	129,606	129,606	—	—	—	—
		—	—	1,007,220	1,007,220	—	—	910,966	910,966

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**18. Financial instruments (Continued)**

31-Dec-16	Note	Carrying amount			Total	Fair value			Total
		Fair value— hedging instruments	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
<b>Financial assets not measured at fair value*</b>									
Loans to related parties . . . . .	28	—	32,002	—	32,002	—	—	32,002	32,002
Other financial assets . . . . .		—	545	—	545	—	—	—	—
Trade and other receivables . . .	19	—	80,653	—	80,653	—	—	—	—
Short term loans receivables and deposits . . . . .	21	—	5,473	—	5,473	—	—	—	—
Cash and cash equivalents . . . .	22	—	13,941	—	13,941	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>132,614</b>	<b>—</b>	<b>132,614</b>	<b>—</b>	<b>—</b>	<b>32,002</b>	<b>32,002</b>
<b>Financial assets measured at fair value</b>									
Forward exchange contracts used for hedging . . . . .	19	2,428	—	—	2,428	—	2,428	—	2,428
<b>Total . . . . .</b>		<b>2,428</b>	<b>—</b>	<b>—</b>	<b>2,428</b>	<b>—</b>	<b>2,428</b>	<b>—</b>	<b>2,428</b>
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings . . . . .	25	—	—	42,508	42,508	—	—	42,508	42,508
Bonds . . . . .	25	—	—	774,969	774,969	—	—	808,695	808,695
Finance lease liabilities . . . . .	15	—	—	16,523	16,523	—	—	16,523	16,523
Trade payables* . . . . .	27	—	—	106,771	106,771	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>—</b>	<b>940,771</b>	<b>940,771</b>	<b>—</b>	<b>—</b>	<b>867,726</b>	<b>867,726</b>

\* The Group has not disclosed the fair values for financial instruments such as financial assets and payables, because their carrying amounts are a reasonable approximation of their fair value.

**Measurement of fair values**

The following table shows the valuation techniques used in measuring Level 3 fair values:

Type	Valuation technique	Significant unobservable inputs	Interrelating between significant unobservable inputs and fair value measurement
Forward exchange contracts used for hedging	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in a active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Other financial liabilities	Discounted cash flows: valuation model considers present value of expected payment, discounted using a risk adjusted discount rate.	/	/

# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 19. Trade and other receivables

	31-Mar-17	31-Dec-16
Trade receivables . . . . .	87,327	81,140
<i>Other receivables</i>		
Forward exchange contracts . . . . .	1,506	2,428
VAT receivable . . . . .	2,812	3,471
Receivables from the state . . . . .	628	959
Receivables from employees . . . . .	467	375
Interest receivable (note 28) . . . . .	873	532
Other . . . . .	1,855	1,344
Total—other receivables . . . . .	8,144	9,109
Allowance for impairment . . . . .	(7,579)	(7,168)
<b>Total</b> . . . . .	<b>87,889</b>	<b>83,081</b>

Trade receivables primarily relate to receivables from cable and DTH operations. The Group's trade receivables were pledged as collateral for loans and bonds.

### 20. Prepayments

	31-Mar-17	31-Dec-16
Non current prepayments . . . . .	30	30
<b>Total</b> . . . . .	<b>30</b>	<b>30</b>
Advance payments and prepaid expenses . . . . .	18,849	18,572
Accrued income . . . . .	1,803	2,476
<b>Total</b> . . . . .	<b>20,652</b>	<b>21,048</b>
<b>Total</b> . . . . .	<b>20,682</b>	<b>21,078</b>

Prepayments primarily relate to advance payments to content providers.

### 21. Other financial assets and short term loan receivables and deposits

Out of total amount of short-term loan receivables and deposits, amount of EUR 4,218 thousands (31 December 2016: EUR 2,118 thousands) relates to deposited additional consideration on escrow account for acquisitions during 2015 and 2016 in Bosnia and Montenegro in 2016. Out of this amount, amount of EUR 2,249 thousand (31 December 2016: EUR 1,100 thousands) is deposited on the escrow account in relation to ongoing litigations against acquired companies in Bosnia which were initiated in the pre-acquisition period (note 30).

Amount of EUR 5,000 thousand included in other financial assets relates to additional consideration on escrow account for acquisitions of Ikom. d.o.o, which is expected to be completed in Q2 2018.

# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 22. Cash and cash equivalents

	31-Mar-17	31-Dec-16
RSD accounts and cash on hand . . . . .	3,140	5,160
EUR accounts and cash on hand . . . . .	18,040	6,308
USD accounts and cash on hand . . . . .	1,040	520
BAM accounts and cash on hand . . . . .	2,585	1,391
Escrow account . . . . .	40,000	—
Other currency accounts . . . . .	1,120	562
<b>Total</b> . . . . .	<b>65,925</b>	<b>13,941</b>

Bank borrowings are secured on the total amount of cash on bank accounts.

Out of total cash and cash equivalents, EUR 40,000 thousand on escrow account is restricted as a security for payment of liabilities for acquisition of Ikom d.o.o., which is expected to be settled in Q2 2017.

### 23. Capital

The issued share capital and share premium of Adria Midco B.V. as at 31 March 2017 amounts to EUR 125 thousand and EUR 568,592 thousand, retrospectively.

As at 11 March 2016 the Company completed legal requirements in order to register share premium in the amount of EUR 26,000 thousand. During 2016, the Group distributed the share premium reserve in the amount of EUR 22,000 thousand.

During first quarter of 2017, the Group acquired non-controlling interest from Telemach Rotovž d.o.o., Slovenia, Telemach Tezno d.o.o., Slovenia, Telemach Tabor d.o.o., Slovenia and Telemach Pobrežje d.o.o., Slovenia. Total consideration amounted to EUR 389 thousands.

### 24. Long term provisions

	31-Mar-17	31-Dec-16
Provision for legal cases (note 30) . . . . .	5,192	4,055
Provisions for decommissioning of base stations . . . . .	2,683	2,730
Other . . . . .	417	434
<b>Total</b> . . . . .	<b>8,292</b>	<b>7,219</b>

### 25. Loans and borrowings and bonds

#### Long-term borrowings

Long-term borrowings per loan facility are as follows:

	31-Mar-17	31-Dec-16
Bond . . . . .	775,000	775,000
Revolving facility (RCF) . . . . .	80,000	33,000
Bank secured loan . . . . .	7,278	7,509
<b>Total</b> . . . . .	<b>862,278</b>	<b>815,509</b>
Current portion for bank secured loan . . . . .	(869)	(867)
Adjustment for amortized cost (bond) . . . . .	67	(31)
Adjustment for amortized cost (RCF) . . . . .	(2,351)	(2,501)
<b>Total</b> . . . . .	<b>859,125</b>	<b>812,110</b>



# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 25. Loans and borrowings and bonds (Continued)

Adjustment to the nominal amount of bond and RCF is necessary because they are recorded at amortized cost. Based on this, upon origination of the bond and RCF, transaction costs were included in the financial liabilities recognized. Interest expense recorded includes amortization of these transaction costs deferred at initial recognition to maturity amount using the effective interest method. Amortized premium (including fees deferred at origination), is not presented separately and is included in the carrying values of the borrowings (as a reducing item).

#### Bonds

As at 15 November 2013 the Group issued bonds in the nominal amount of EUR 475,000 thousand. As at 1 April 2015 and 25 July 2016 the Group issued another two tranche of bonds in the nominal amount of EUR 150,000 thousand each, which were incorporated with previous bonds. The bonds will mature on 15 November 2020. Interest is payable semi-annually on each 15 May and 15 November commencing 15 May 2014. Nominal interest rate is defined at 7.875% p.a. As at 31 March 2017, effective interest rate on bonds is equal to nominal interest rate mainly due to effect of bond premium which is amortized during the repayment period.

#### Revolving credit facility (RCF)

The Group has on 5 November 2013 signed agreement for revolving facility with bank consortium led by Unicredit bank in the total available amount of EUR 135,000 thousand (out of which EUR 80,000 thousand was used through both bank loans as at 31 March 2017). Maturity date of this RCF is 20 March 2020.

The bank loan facilities have been secured by a pledge on 100% of the shares of Adria Midco B.V. and direct subsidiary entities as well as property, plant and equipment, intangible assets and receivables.

As at 9 May 2016, the Group has signed agreement for revolving facility with Raiffeisen bank a.d., Beograd in total available amount of EUR 20,000 thousand. Maturity date of this RCF is 30 September 2020. Loan is non-secured with interest rate 2.90% p.a.

The Group has also available revolving facility with Credit Agricole a.d., Beograd in total available amount of EUR 5,000 thousand. Maturity of this RCF is in November 2017. This facility can be used for guarantees and letters of credit as well. As at 31 March 2017, total amount used for purpose of guaranties and letters of credit amounts to EUR 4,003 thousand.

	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Bonds . . . . .	EUR	7.875%	2020	775,000	775,067
Unicredit Bank (revolving facility) . . . .	EUR	4.25% + 6M Euribor	2020	71,000	68,649
Raiffesen Bank (revolving facility) . . . .	EUR	2.75% + 1M Euribor	2020	9,000	9,000
Nova Ljubljanska Banka A.D., Slovenia	EUR	3.4% + 1M Euribor	2020	7,278	6,409
<b>Total . . . . .</b>					<b><u>859,125</u></b>

#### Loan covenants

Based on the agreement for RCF, the Group is required to comply with a leverage ratio to consolidated adjusted EBITDA for the period most recent four consecutive financial quarters ending prior to the date of determination of the ratio. Leverage ratio is calculated as aggregate outstanding indebtedness of the Group and should not exceed ratio 8:1. Indebtedness is calculated as total financial liabilities decreased by level of cash and cash equivalents as at reporting date. Satisfaction of the covenant is tested quarterly. As at 31 March 2017 the Group is in compliance with this this requirement.

# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 25. Loans and borrowings and bonds (Continued)

#### Short term loans and borrowing

Short-term borrowings per loan facility are as follows:

	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Unicredit Bank A.D., Beograd . . . . .	RSD	Belibor +1.4%	2017	4,500	4,500
Nova Ljubljanska banka A.D., Slovenia . .	EUR	3.4% + 1M Euribor	2020	—	869
<b>Total . . . . .</b>					<b><u>5,369</u></b>

#### Finance lease

The Group has finance lease arrangements which bears an interest rate in the range of 3% to 5%. The lease is repayable in fixed monthly instalments within period of 3-5 years, with the last repayment in November 2020 (refer to note 15).

### 26. Deferred revenue

	31-Mar-17	31-Dec-16
<b>Up to 1 year . . . . .</b>	<b>8,807</b>	<b>8,613</b>
Between 1 and 2 years . . . . .	2,243	2,036
Between 2 and 5 years . . . . .	1,647	1,640
Over 5 years . . . . .	2,301	2,430
<b>Total over 1 year . . . . .</b>	<b><u>6,191</u></b>	<b><u>6,106</u></b>
<b>Total . . . . .</b>	<b><u>14,998</u></b>	<b><u>14,719</u></b>

Deferred revenue refers to subscriber connection fees and network operating lease arrangements with mobile operators.

### 27. Trade and other payables

	31-Mar-17	31-Dec-16
Trade payables . . . . .	74,274	68,579
Accrued liabilities . . . . .	14,669	14,821
Interest payable . . . . .	23,575	8,429
Received advances . . . . .	3,596	3,205
Taxas payable . . . . .	4,222	3,520
Other liabilities . . . . .	9,270	8,217
<b>Total . . . . .</b>	<b><u>129,606</u></b>	<b><u>106,771</u></b>

### 28. Related parties

Generally parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, not merely the legal form.

# ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

### 28. Related parties (Continued)

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related parties' relationships for those parties with whom the Group entered into significant transactions or had significant balances outstanding for the three months period ended as at 31 March 2017 detailed below. Transactions with related parties were entered into during the ordinary course of business on normal commercial terms.

Balances and transactions with related parties of the Group consist of the following:

#### i) Balances with related parties

	Relationship	31-Mar-17	31-Dec-16
<b>Loans to related parties</b>			
Mr. Šolak . . . . .	Related party	30,000	30,000
Adria Topco B.V. . . . .	Parent	2,007	2,002
<b>Total . . . . .</b>		<b>32,007</b>	<b>32,002</b>
<b>Trade and other receivables</b>			
Mr. Šolak . . . . .	Related party	630	330
Adria Topco B.V. . . . .	Parent	243	202
<b>Total . . . . .</b>		<b>873</b>	<b>532</b>

The Group made a loan in an aggregate principal amount of EUR 30,000 thousand to Mr. Šolak, pursuant to a loan agreement dated September 15, 2016 based on arm's length terms, to enable Mr. Šolak to acquire shares of equivalent value in parent company, Adria Luxco S.à r.l. These shares in Adria Luxco S.à r.l. acquired by Mr. Šolak have been pledged in favor of the Group to secure the obligations of Mr. Šolak under the loan agreement.

As is customary in private equity-backed investments, the Group has put in place a management incentive plan that was approved by the board of directors and is being implemented. The management incentive plan is intended to align the long term interests of shareholders and senior management team and is subject to customary vesting and leaver provisions and designed to reward management team upon the successful exit of our current shareholders.

#### ii) Transactions with related parties

	Relationship	31-Mar-17	31-Mar-16
<b>Other operating expense</b>			
Kohlberg Kravis Roberts & Co. L.P. . . . .	Ultimate parent	418	292
Gerrard Enterprises LLC . . . . .	Related party	575	—
Consulting Estrela . . . . .	Related party	360	265
<b>Total . . . . .</b>		<b>1,353</b>	<b>557</b>
<b>Interest income</b>			
Mr. Šolak . . . . .	Related party	300	—
Adria Topco B.V. . . . .	Parent	41	41
<b>Total . . . . .</b>		<b>341</b>	<b>41</b>

## ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 28. Related parties (Continued)

##### iii) Transactions with key management personnel

During the period ended 31 March 2017, total compensation paid to directors for their services is made up of a contractual salary and a performance bonus depending on operating results. Total directors' compensation amounted to EUR 368 thousand (31 March 2016: EUR 447 thousand). There are no post-employment and termination benefits for the members of the management.

#### 29. Operating leases

The Group leases office space and satellite transponders under operating lease for periods of 10 years and more. These contracts are non-cancellable. As at 31 March 2017, the future minimum lease payments under non-cancellable leases were as follows:

	31-Mar-17	31-Mar-16
Less than 1 year . . . . .	10,277	11,304
Between 1 and 5 years . . . . .	38,858	45,216
More than 5 years . . . . .	19,476	38,048
<b>Total . . . . .</b>	<b>68,611</b>	<b>94,568</b>

The Group recognized total amount of EUR 2,513 thousand in profit and loss in three month period ended 31 March 2017 (31 March 2016: EUR 2,370 thousand).

#### 30. Legal matters

As at 31 March 2017, the Group is involved in a number of legal cases in the total amount of EUR 75,720 thousand (31 December 2016: EUR 74,282 thousand).

The Group management recognized provision for legal cases in the amount of EUR 5,192 thousand (note 24). Out of total amount of provisions, amount of EUR 2,943 thousand relates to provision for legal case raised by SOKOJ. Amount of EUR 2,249 thousand relates to provision for legal disputes with minority shareholders for acquisitions in Telemach d.o.o., Bosnia and Herzegovina (note 21, 24).

Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is low probability of negative outcome.

##### *Legal cases in Serbia*

Out of total amount of legal cases, amount of EUR 29,291 thousand relates to legal case which was raised by SOKOJ (Serbian music authors' organization for collective protection of music copyright and related rights). The Group signed contract with SOKOJ only for cable service it provides, and not for the DTH service. SOKOJ claims that although there is no contract signed for DTH services, it has legal right to receive adequate remuneration from users of DTH service based on decision of regulatory body starting from 2012.

In 2016, the company Luxor d.o.o. from which the Group acquired share in TV Kanal Ultra d.o.o. raised legal case against the Group. Subject of the dispute is seller's assurance that value of the TV Kanal Ultra d.o.o. could be higher than determined due to certain assumptions which came up after the share was acquired. Total value of dispute amounts to EUR 6,857 thousand.

In 2016, the Company BS Group d.o.o., Brus raised legal case against the Group. Subject of the dispute is violation of producer's rights. According to the plaintiff, the Group violated territorial restriction of the contract by broadcasting certain movies on territories which were not listed in the contract. Total value of dispute amounts to EUR 25,000 thousand.

## ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 30. Legal matters (Continued)

##### *Legal cases in Slovenia*

The award of 5 MHz on 2100 MHz spectrum license in 2008 to Tušmobil (now Telemach Slovenia) is currently subject to review by the civil courts. Said license was granted by the Agency for Communication Networks and Services of the Republic of Slovenia ("AKOS") with validity through 2023 and is a minor part of the total spectrum holdings of Telemach Slovenija, used for mobile telecommunications. Since its inception, the case arising from this challenge has been through several rounds of review and decisions by AKOS, as well as by the relevant Administrative Court and the Supreme Court in Slovenia. Having previously affirmed its decision regarding the validity of the grant of the license to Tušmobil on three occasions (in 2008, 2010 and 2014), AKOS reopened the procedure for the allotment of the license in July 2015 following a direction to do so from the Administrative Court.

In the worst case the Administrative Court would decide to uphold the Agency's decision, yet the frequencies would remain with Telemach Slovenia until a new Decision on awarding of radio frequencies would be issued, following a public tender (where also Telemach Slovenia could participate).

The management of the Group believe that the 3G license was granted in accordance with the applicable legislation. The Group has not made any provision based on the current best estimate of the outcome of the dispute.

##### *Legal cases in Bosnia*

##### *Minority shareholders of HS d.o.o., HKB d.o.o.*

As a result of acquisition of subsidiaries in Bosnia, the Group assumed significant number of ongoing court disputes. The disputes are initiated by the minority owners of companies HS d.o.o. and HKB d.o.o. which claimed compensation for damages and cancellation of a share purchase transaction.

The earliest case was initiated several years ago and hence forth new cases were initiated almost on annual basis. Cases initiated by minority shareholders for the most part related to allegations of contract being signed by HS d.o.o. and HKB d.o.o. that were to the detriment of these two companies, various violations of minority shareholders' rights by the majority shareholder such as the right of first refusal, right of access to business records of the company. In parallel to initiating court disputes seeking indemnity and termination of certain agreements the minority shareholders have also filed criminal complaint to Office of the Public Prosecutor alleging criminal wrongdoing by majority shareholders and former management. The minority owners have also filed criminal charges against the former owners on the basis of unlawful enrichment.

The provisional quantum of indemnity sought by the minority shareholders is up to EUR 12,200 thousand (including interest rates and costs of the proceedings). Legal advisors of the Group stated that aforementioned amount of indemnity was determined by the claimants and that the final amount of indemnity would be assessed by court appointed experts. The amount in dispute is greater in comparison to the initial amount, because the court has not ruled on the merits yet so that the plaintiff extended the time for which she seeks damages. Also, the plaintiffs extended the claim to another agreement (fixed telephony) and an additional defendant for which they seek additional damages, but the court has not ruled on the extension yet.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow account in the amount of EUR 2,249 thousand it deems sufficient to pay the claims that would be ruled in favor of the claimants (notes 21, 24).



## ADRIA MIDCO B.V. GROUP

Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

#### 30. Legal matters (Continued)

*Cases relating to BHB Cable TV d.o.o.*

As a result of acquisition of subsidiary BHB Cable TV d.o.o., the Group assumed number of ongoing court cases relating to BHB.

Historically there existed a number of agreements between the claimant and the defendant regulating their business relationship, ownership, management and maintenance of the cable infrastructure, future projects and other matters. The initial court case was initiated in 2009. Total value of claims is EUR 434 thousand.

In one of the cases the first instance court has reached a decision in favor of plaintiff and counter claims were rejected. A subsequent ruling by a second instance court reversed this decision and the ruling was reached under which BHB nor plaintiff were entitled to damages. Plaintiff initiated extraordinary legal remedy to have the second instance verdict revised / abolished before the Supreme Court of F BiH and the final decision of the Supreme Court has confirmed the earlier second instance decision.

In all subsequent court cases the first instance court ruled in line with the ruling of the second instance court in previous case.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow it deems sufficient to pay the claims that would, based on legal estimate, be ruled in favor of the claimants.

Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is low probability of negative outcome. However, based on the latest decision of the Communication Regulatory Agency of Bosnia and Herzegovina, the BHB's title over the relevant infrastructure is in question and the parties are now negotiating to extend the escrow period.

#### Guaranties

The Group has guaranteed a loan of the Gerrard Aircraft GMBH in the amount of EUR 5,311 thousand. The guaranty expires on 13 April 2020.

#### Applied exchange rates

Exchange rates applied during the compilation of the condensed consolidated interim financial statements are as follows:

Currency	As at 31 March 2016	As at 31 December 2016	As 31 March 2017	3 months ending 31 March 2016	3 months ending 31 March 2017
RSD . . . . .	122.9245	123.4723	123.9679	122.8697	123.8690
USD . . . . .	1.1319	1.0541	1.0675	1.1034	1.0656
BAM . . . . .	1.9558	1.9558	1.9558	1.9558	1.9558
HRK . . . . .	7.5267	7.5652	7.4497	7.6197	7.4729
MKD . . . . .	61.6942	61.4812	61.6939	61.6794	61.56104

#### 31. Subsequent events

On 29 August 2016, the Group concluded an agreement to acquire the entire stake in the company Ikom d.o.o., Serbia. The acquisition is expected to provide the Group with increased share of the cable market in Serbia through access to Ikom's customer database. Total consideration for the acquisition amounts to EUR 45,000 thousand. As at date of issuance of these financial statements the Group did settle

## **ADRIA MIDCO B.V. GROUP**

**Condensed Consolidated Interim Financial Statements for three months ended 31 March 2017**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**

#### **31. Subsequent events (Continued)**

its liabilities in the amount of EUR 40,000 thousand to shareholder and has taken the control over the company as at 30 April 2017. Amount of EUR 5,000 thousand is deferred consideration payable until Q2 2018. As at date of issuance of these financial statements, PPA has not been complete.

On 28 December 2016, the Group concluded an agreement to acquire the entire stake in the company IDJ Digital Holding Limited, Malta. The acquisition is expected to provide the Group with expansion of activities into digital distribution. The transaction is completed as at 20 April 2017. Total consideration for the acquisition amounts to EUR 551 thousand. Total consideration has been settled in May 2017. As at date of issuance of these financial statements, PPA has not been complete.

On 9 February 2017, the Group concluded an agreement to acquire the entire stake in the company Fight Channel d.o.o., Croatia. The acquisition will provide extension of program content which will contribute to increase of users. The transaction is completed as at 5 April 2017. Total consideration for the acquisition amounts to EUR 2,500 thousand. As at date of issuance of these financial statements the Group did settle its liabilities in the amount of EUR 1,875 thousand. PPA has not been completed as at date of issuance of these financial statements.

The Group's management holds that they are not aware of any other significant post balance sheet events that could affect the financial statements as at 31 March 2017 or require separate disclosure.

**ADRIA MIDCO B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED**  
**31 DECEMBER 2016**

# ADRIA MIDCO B.V. GROUP

## CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

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## **Independent Auditors' Report**

To the Owners of Adria Midco B.V.

### *Opinion*

We have audited the consolidated financial statements of Adria Midco B.V. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 International Financial Reporting Standards (IFRS) 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Serbia 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.

### *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 IFRS 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.

### *Auditors' 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 aggregate, 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 events 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.

Belgrade, 10 April 2017



KPMG d.o.o., Beograd

# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2016

In thousands of EUR

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

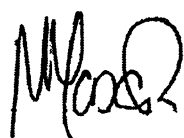
	Note	31-Dec-16	31-Dec-15
Revenue . . . . .	7	459,669	377,325
Other income . . . . .		3,509	5,979
Content cost . . . . .		(65,567)	(60,017)
Satellite capacity cost . . . . .		(7,118)	(7,561)
Link and interconnection cost . . . . .	8	(36,066)	(28,834)
Materials cost . . . . .	9	(44,693)	(10,416)
Staff cost . . . . .	10	(48,337)	(42,780)
Depreciation . . . . .	15	(77,061)	(65,792)
Amortisation of intangible assets . . . . .	16	(49,648)	(41,272)
Other operating expenses . . . . .	11	(94,507)	(92,317)
<b>Operating profit . . . . .</b>		<b>40,181</b>	<b>34,315</b>
Finance income . . . . .		8,547	147
Finance costs . . . . .		(66,718)	(59,864)
<b>Net finance costs . . . . .</b>	12	<b>(58,171)</b>	<b>(59,717)</b>
<b>Loss before tax . . . . .</b>		<b>(17,990)</b>	<b>(25,402)</b>
Income tax credit/(expense) . . . . .	13	1,546	(1,575)
<b>Loss for the period . . . . .</b>		<b>(16,444)</b>	<b>(26,977)</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified subsequently to profit and loss			
Currency translation differences . . . . .		(9,316)	(5,700)
<b>Other comprehensive income for the period . . . . .</b>		<b>(9,316)</b>	<b>(5,700)</b>
<b>Total comprehensive income for the period . . . . .</b>		<b>(25,760)</b>	<b>(32,677)</b>
(Loss)/profit attributable to:			
Owners of the Company . . . . .		(18,297)	(28,167)
Non-controlling interests . . . . .	23	1,853	1,190
<b>Loss for the period . . . . .</b>		<b>(16,444)</b>	<b>(26,977)</b>
Total comprehensive income attributable to:			
Owners of the Company . . . . .		(27,613)	(33,867)
Non-controlling interests . . . . .		1,853	1,190
<b>Total comprehensive income for the period . . . . .</b>		<b>(25,760)</b>	<b>(32,677)</b>

The notes on pages 13 to 79 are an integral part of these consolidated financial statements.

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2016**  
**In thousands of EUR**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Assets</b>			
Property, plant and equipment	15	352,168	323,991
Goodwill	17	654,048	649,094
Intangible assets	16	246,596	253,346
Investment property		435	485
Loans to related parties	30	32,002	2,049
Other financial assets		545	—
Non current prepayments	21	30	5,987
Deferred costs		1,422	767
Deferred tax assets	27	10,193	7,850
<b>Non-current assets</b>		<b>1,297,439</b>	<b>1,243,569</b>
Inventories		5,042	6,217
Trade and other receivables	19	83,081	77,145
Short term loans receivables and deposits	20	5,473	6,138
Prepayments	21	21,048	19,704
Income tax receivables		2,906	1,728
Cash and cash equivalents	22	13,941	15,126
<b>Current assets</b>		<b>131,491</b>	<b>126,058</b>
<b>Total assets</b>		<b>1,428,930</b>	<b>1,369,627</b>
<b>Equity</b>			
Issued and fully paid share capital	23	125	125
Share premium	23	568,592	564,592
Translation reserves		(23,504)	(14,188)
Other capital reserve	23	—	26,000
Accumulated losses		(120,909)	(105,296)
<b>Equity attributable to owners of the Company</b>		<b>424,304</b>	<b>471,233</b>
Non-controlling interests	23	12,522	13,295
<b>Total equity</b>		<b>436,826</b>	<b>484,528</b>
<b>Liabilities</b>			
Loans and borrowings	25	37,141	64,960
Other financial liabilities	25	774,969	619,988
Long term liabilities		94	3,520
Long term provisions	24	7,219	876
Deferred revenue	26	6,106	6,044
Finance lease liabilities	15	6,011	11,194
Deferred tax liabilities	27	27,829	32,014
Employee benefits		599	534
<b>Non-current liabilities</b>		<b>859,968</b>	<b>739,130</b>
Trade and other payables	28	106,771	122,570
Current tax liabilities		873	350
Loans and borrowings	25	5,367	1,627
Deferred revenue	26	8,613	8,190
Finance lease liabilities	15	10,512	13,232
<b>Current liabilities</b>		<b>132,136</b>	<b>145,969</b>
<b>Total liabilities</b>		<b>992,104</b>	<b>885,099</b>
<b>Total equity and liabilities</b>		<b>1,428,930</b>	<b>1,369,627</b>

These consolidated financial statements have been approved for issue by the Board of Directors on 10 April 2017 and signed on their behalf:



Murat Yasar  
Director B



Janez Živko  
Director A  
VP Finance

The notes on pages 13 to 79 are an integral part of these consolidated financial statements

**ADRIA MIDCO B.V. GROUP**

**Consolidated Financial Statements for year ended 31 December 2016**

**In thousands of EUR**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Share premium	Translation reserves	Contribution by the owner	Accumulated losses	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2015</b> . . . . .	125	564,592	(8,488)	—	(78,905)	477,324	12,513	489,837
<b>Comprehensive income for the year</b>								
Profit/(loss) for the year . . . . .	—	—	—	—	(28,167)	(28,167)	1,190	(26,977)
Other comprehensive income . . . . .	—	—	(5,700)	—	—	(5,700)	—	(5,700)
<b>Total comprehensive income for the period</b> . . . . .	—	—	(5,700)	—	(28,167)	(33,867)	1,190	(32,677)
<b>Contributions and distributions</b>								
Contribution by the owner (note 23) . . . . .	—	—	—	26,000	—	26,000	—	26,000
<b>Total Contributions by and distributions to Owners</b> . . . . .	—	—	—	26,000	—	26,000	—	26,000
<b>Changes in ownership interests</b>								
Acquisition of non-controlling interest without change in control . . . . .	—	—	—	—	1,776	1,776	(2,360)	(584)
Acquisition of subsidiary with non-controlling interest (note 18) . . . . .	—	—	—	—	—	—	1,952	1,952
<b>Total changes in ownership interests</b>	—	—	—	—	1,776	1,776	(408)	1,368
<b>Balance at 31 December 2015</b> . . . . .	125	564,592	(14,188)	26,000	(105,296)	471,233	13,295	484,528

	Issued and fully paid share capital	Share premium	Translation reserves	Other capital reserve	Accumulated losses	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2016</b> . . . . .	125	564,592	(14,188)	26,000	(105,296)	471,233	13,295	484,528
<b>Comprehensive income for the period</b>								
(Loss)/profit for the period . . . . .	—	—	—	—	(18,297)	(18,297)	1,853	(16,444)
Other comprehensive income . . . . .	—	—	(9,316)	—	—	(9,316)	—	(9,316)
<b>Total comprehensive income for the period</b>	—	—	(9,316)	—	(18,297)	(27,613)	1,853	(25,760)
<b>Contributions and distributions</b>								
Transfer to share premium (note 23) . . . . .	—	26,000	—	(26,000)	—	—	—	—
Distribution (note 23) . . . . .	—	(22,000)	—	—	—	(22,000)	—	(22,000)
Dividends . . . . .	—	—	—	—	—	—	(845)	(845)
<b>Total Contributions by and distributions to Owners</b> . . . . .	—	4,000	—	(26,000)	—	(22,000)	(845)	(22,845)
<b>Changes in ownership interest</b>								
Acquisition of non-controlling interest without change in control . . . . .	—	—	—	—	2,684	2,684	(1,781)	903
<b>Total changes in ownership interests</b> . . . . .	—	—	—	—	2,684	2,684	(1,781)	903
<b>Balance at 31 December 2016</b> . . . . .	125	568,592	(23,504)	—	(120,909)	424,304	12,522	436,826

The notes on pages 13 to 79 are an integral part of these  
consolidated financial statements

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2016**  
**In thousands of EUR**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>Note</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Cash flows from operating activities</b>			
Loss for the period . . . . .		(16,444)	(26,977)
Adjustments for:			
Depreciation . . . . .		77,061	65,792
Amortisation of intangible assets . . . . .		49,648	41,272
Impairment of trade and other receivables . . . . .	11	4,547	6,039
Impairment of property, plant and equipment . . . . .	11	721	2,736
Provision for legal cases . . . . .	11	—	3,181
Income tax . . . . .	13	(1,546)	1,575
Employee benefits . . . . .		65	(744)
Net finance cost . . . . .	12	58,171	58,684
Changes in:			
Trade and other receivables . . . . .		(7,136)	(13,986)
Deferred revenue . . . . .		485	558
Deferred cost . . . . .		(655)	(767)
Inventories . . . . .		1,175	(1,246)
Prepayments . . . . .		4,620	668
Trade and other payables . . . . .		(15,537)	6,437
<b>Cash generated from operations . . . . .</b>		<b>155,175</b>	<b>143,222</b>
Interest paid . . . . .		(58,155)	(53,415)
Income tax paid . . . . .		(6,394)	(1,685)
<b>Net cash from operating activities . . . . .</b>		<b>90,626</b>	<b>88,122</b>
<b>Cash flows from investing activities</b>			
Dividends . . . . .		(845)	—
Acquisition of property, plant and equipment . . . . .	15	(103,919)	(120,395)
Acquisition of intangible assets . . . . .	16	(38,501)	(29,449)
Acquisition of NCI . . . . .		(903)	(584)
Acquisition of subsidiaries, net of cash acquired . . . . .		(16,210)	(65,149)
Change in short term loan receivables . . . . .		665	(5,411)
Change in other non-current financial assets . . . . .		(30,432)	919
<b>Net cash used in investing activities . . . . .</b>		<b>(190,145)</b>	<b>(220,069)</b>
<b>Cash flows from financing activities</b>			
Distribution of share premium . . . . .	23	(22,000)	—
Proceeds from bond issue . . . . .	25	157,875	159,750
Proceeds from borrowings . . . . .		140,325	161,483
Repayment of borrowings . . . . .		(164,061)	(186,891)
Transaction costs related to loans and borrowings . . . . .		(4,355)	(6,344)
Proceeds from finance lease . . . . .		5,928	16,726
Repayment of finance lease . . . . .		(15,365)	(13,833)
<b>Net cash from financing activities . . . . .</b>		<b>98,347</b>	<b>130,891</b>
<b>Net decrease in cash and cash equivalents . . . . .</b>		<b>(1,172)</b>	<b>(1,056)</b>
<b>Cash and cash equivalents at 1 January . . . . .</b>		<b>15,126</b>	<b>16,182</b>
Effect of movements in exchange rate on cash in hands . . . . .		(13)	—
<b>Cash and cash equivalents at 31 December . . . . .</b>		<b>13,941</b>	<b>15,126</b>

The notes on pages 13 to 79 are an integral part of these consolidated financial statements



**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2016**  
**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting entity**

Adria Midco B.V. (the Company) is a company domiciled in Netherlands registered on 3 October 2013.

On 15 October 2013, the Company entered into an agreement for the acquisition of Slovenia Broadband S.À.R.L. group. The Company was established as a vehicle of the ultimate acquirer to effect the acquisition of the Slovenia Broadband S.À.R.L. group. The transaction was closed on 6 March 2014, after receiving necessary regulatory approvals. The control was obtained on the same date.

The parent company of the Group is Adria Topco B.V. Netherlands which is controlled by Adria Luxco S.A.R.L. Luxembourg, private company, domiciled in Luxembourg. At the same time, parent company acquired Serbia Broadband—Srpske kablovske mreže d.o.o., private company, domiciled in Serbia. Adria Luxco S.À.R.L. is an investee company owned in the majority by funds advised/managed by US private equity fund Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”). Management holds 26.2% of stakes in the Group.

The consolidated financial statements of the Company as at and for the period ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is one of the largest telecommunication operators in South East Europe providing video, data, voice and mobile telephone services to residential and business subscribers. The Group’s activities are based in Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Croatia.

**List of subsidiaries**

The Company—Adria Midco B.V. has the following subsidiaries:

<u>Subsidiary</u>	<u>2016</u>	<u>2015</u>
United Group B.V., Netherlands . . . . .	100.00%	100.00%
Slovenia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Cable B.V., Netherlands . . . . .	100.00%	100.00%
Bosnia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Media B.V., Netherlands . . . . .	100.00%	100.00%
Adria DTH B.V., Netherlands . . . . .	100.00%	100.00%
Adria Serbia Holdco B.V., Netherlands . . . . .	100.00%	100.00%
Absolut Solutions d.o.o., Serbia . . . . .	100.00%	100.00%
Serbia Broadband—Srpske kablovske mreže d.o.o., Serbia (SBB) . . . . .	100.00%	100.00%
Totalna televizija d.o.o., Croatia . . . . .	100.00%	100.00%
Total TV Montenegro d.o.o., Montenegro . . . . .	100.00%	100.00%
Total TV d.o.o., Bosnia and Herzegovina . . . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina	100.00%
Total TV d.o.o., Macedonia . . . . .	75.00%	75.00%
CAS Media d.o.o., Serbia . . . . .	100.00%	100.00%
Eunet d.o.o., Serbia . . . . .	100.00%	99.27%
Adria News S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria News d.o.o., Serbia . . . . .	100.00%	100.00%
Adria News d.o.o., Bosnia . . . . .	100.00%	100.00%
Adria News BH Production d.o.o., Bosnia . . . . .	100.00%	100.00%
United Media Limited, Cyprus . . . . .	100.00%	100.00%
United Media Production d.o.o., Serbia . . . . .	100.00%	100.00%
Orlando klinici d.o.o., Croatia . . . . .	100.00%	100.00%
Ultra Centar Galaktika d.o.o., Serbia . . . . .	100.00%	100.00%
United Media Network A.G., Switzerland . . . . .	100.00%	100.00%

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2016**  
**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. Reporting entity (Continued)**

<u>Subsidiary</u>	<u>2016</u>	<u>2015</u>
Cas Media d.o.o., Bosnia . . . . .	100.00%	100.00%
Telemach d.o.o., Slovenia . . . . .	100.00%	100.00%
Telemach Rotovž d.o.o., Slovenia . . . . .	89.52%	89.16%
Telemach Tabor d.o.o., Slovenia . . . . .	61.30%	60.26%
Telemach Tezno d.o.o., Slovenia* . . . . .	34.24%*	33.65%*
Cas media d.o.o., Slovenia . . . . .	100.00%	100.00%
Telemach Pobrežje d.o.o., Slovenia . . . . .	44.39%*	43.64%*
Total TV d.o.o., Slovenia . . . . .	100.00%	100.00%
Tušmobil d.o.o., Slovenia . . . . .	Merged into Telemach d.o.o., Slovenia	100.00%
Telemach d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
Maxtel d.o.o., Slovenia . . . . .	100.00%	/
Unitel d.o.o., Slovenia . . . . .	100.00%	/
M&H Company d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
HKB-net d.o.o., Bosnia and Herzegovina . . . . .	64.00%	64.00%
Global internet d.o.o., Bosnia and Herzegovina . . . . .	100.00%	/
Kablovska Televizija HS d.o.o., Bosnia and Herzegovina . . . . .	57.47%	57.47%
Velnet d.o.o., Bosnia and Herzegovina . . . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina	100.00%
Vrbaska Kablovska TV—Network d.o.o., Bosnia and Herzegovina . . . . .	Merged into Telemach d.o.o., Bosnia and Herzegovina	100.00%
BHB Cable TV d.o.o., Bosnia and Herzegovina . . . . .	100.00%	100.00%
Solford Trading Ltd, Cyprus . . . . .	100.00%	100.00%
City Media Plus, Canada . . . . .	100.00%	100.00%
City Media d.o.o., Serbia . . . . .	100.00%	100.00%
Telemach d.o.o., Montenegro . . . . .	64.29%	64.29%
M-kabl d.o.o., Montenegro . . . . .	100.00%	/
United Media S.A.R.L., Luxembourg . . . . .	100.00%	100.00%
TV Kanal Ultra d.o.o., Serbia . . . . .	75.00%	75.00%
Cinemanija d.o.o., Serbia . . . . .	100.00%	100.00%
United Media Malta Ltd, Malta . . . . .	100.00%	100.00%
Grand slam d.o.o., Serbia . . . . .	100.00%	100.00%
Grand production d.o.o., Serbia . . . . .	51.00%	51.00%
United Group MC B.V., Netherlands . . . . .	100.00%	Did not exist in 2015
United Group SI d.o.o., Slovenia . . . . .	100.00%	Did not exist in 2015
United Group RS d.o.o., Serbia . . . . .	100.00%	Did not exist in 2015

\* based on consideration of other factors, primarily Board appointment, control is deemed even if ownership is below 51%

**2. Basis of preparation**

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU).

The consolidated financial statements were authorized for issue by the Board of Directors on 10 April 2017.

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2016**  
**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Basis of preparation (Continued)**

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

c) Going concern

The Group has reported a net loss for the period in the amount of EUR 16,444 thousand. The loss was mainly as a result of net finance cost in the amount of EUR 58,171 thousand. Net finance costs were driven mainly by the Group's outstanding debt and net foreign losses. This has resulted in interest expenses and net foreign loss in the amount of EUR 65,422 thousand for the period ended 31 December 2016.

The initial Group acquisition in March 2014 and the expansion of the Group is based on a leveraged buyout strategy resulting in an increased finance debt and the associated net finance expenses. One of the Group's key performance indicators is adjusted earnings before interest, tax, depreciation and amortization (EBITDA). Adjusted EBITDA for the period ended 31 December 2016 has increased by 18.3% comparing to the same period for the 2015 (note 6).

Business plans for the period 2017 - 2021 are based on further growth of the customer base, further growth of EBITDA and adjusted EBITDA and positive operating cash flow. Growth of revenue and adjusted EBITDA results from the growth of our subscriber base via internal growth, external acquisitions and increases in our subscription fees. Historically low churn rates provide us with stable recurring cash flows and stability with respect to future budgeted revenues and budgeted cash flows in order to maintain appropriate levels of liquidity. The Group regularly (daily and monthly) analyses liquidity projections, internal financial reports, availability of financial assets and ability to repay its liabilities through continuous review of budgeted and actual cash flows and monitoring of maturity of the Group's receivables and liabilities.

Primary sources of the Group's liquidity and funds for capital expenditures, acquisitions and other investments have been operating positive cash flows, revolving credit facilities, ancillary lending facilities and finance leases. The Group is able to repay its obligations when they fall due in the normal course of business with no noted defaults in repayment of debt, the associated financial interest expenses nor any other liabilities. As at 31 December 2016, the Group has outstanding loans and borrowings, finance lease and bond liabilities in the total amount of EUR 834,000 thousand. Out of total liabilities, EUR 815,509 do not fall for the repayment before March 2020.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through positive cash flows from operations and the ability to draw on its revolving credit facilities, if required. As at 31 December 2016 the Group has an undrawn revolving credit line in the amount of EUR 119,847 thousand (note 25).

Based on the Group's going concern assessment outlined above, the consolidated financial statements are, therefore, prepared on a going concern basis, as management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

d) Functional and presentation currency

These consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euros has been rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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**2. Basis of preparation (Continued)**

e) Use of estimates and judgments

The consolidated financial statements require management to make judgments, estimates and 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**3. Significant accounting policies**

**a) Basis of consolidation**

***Business combinations***

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the fair value of the aggregate consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquired entity. For each business combination, any non-controlling interest in the acquired entity is measured either at their proportionate share of the acquired entity's identifiable net assets at the acquisition date. Consideration transferred includes any contingent consideration measured at its acquisition date fair value. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the statement of comprehensive income.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that qualifies for classification as equity is not re-measured until it is finally settled. Acquisition costs incurred are expensed.

Any excess of the cost of the acquisition over the identifiable net assets acquired is recognized as goodwill in the consolidated statement of financial position. If the cost is lower than the identifiable net assets acquired, the difference is recognized in profit or loss.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

***Loss of control***

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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**3. Significant accounting policies (Continued)**

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**b) New Standards, Amendments and Interpretations to existing Standards Mandatory for the First Time for the Financial Year beginning on 1 January 2016**

The application of the following standards, interpretations standards (IFRIC) and amendments to the existing standards mandatory for the first time for the financial year beginning on 1 January 2016 did not result in changes to accounting policies and did not have a material impact on the consolidated interim financial statements:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Annual Improvements to IFRSs 2012-2014 Cycle (Various standards)
- Disclosure Initiative (Amendments to IAS 1)

The adoption of the amendments has no impact on the recognized assets, liabilities and comprehensive income of the Group.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application permitted. The Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

**c) Standards issued but not yet adopted**

A number of new standards, amendments to standards and interpretations have been issued but are not effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the accompanying consolidated interim financial statements. Those which may be relevant for the Group are set out below. The Group does not plan to adopt these standards early.

**IFRS 9 Financial instruments**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to apply IFRS 9 initially on 1 January 2018. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that will make in the future.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue,



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**3. Significant accounting policies (Continued)**

IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard provides single, principles based five-step model for the determination and recognition of revenue to be applied to all contracts with customers.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The standard has material effect on presentation of the Group's results of operations and financial position. Depending on business model applied, the new provisions address following issues in particular:

- Increase in total assets on first-time adoption due to the capitalization of contract assets.
- Deferral i.e., later recognition of revenue in cases where "material rights" are granted, such as offering additional discounts for future purchases of further products.
- For the purpose of determining whether the Group sells products for its own account (principal = gross revenue) or for the account of others (agent = net revenue), it is possible that going forward more business models will lead to net revenue presentation.

The effects will be analyzed as a part of the Group-wide project for implementation of new standard, through a reliable estimate of the quantitative effects in not possible until the project has been completed.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using modified retrospective approach.

**IFRS 16 Leases**

IFRS 16 specifies principally require lessees to recognized assets and liabilities for all leases and to present all right and obligations associated with these in the statement of the financial position. Lessees will therefore no longer be required to make distinction between finance and operating leases that was required in the past in accordance with IAS 17. A lessee recognizes a right- of- use assets representing its right to use the underlying assets and lease liability representing its obligation to make lease payments for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors accounting continue remains similar to the current standard IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments.

**Amendments to IFRS 10 and IAS 28**

Amendments are related to the sale or contribution of assets between an Investor and its Associate or Joint Venture. The IASB (International Accounting Standards Board) has decided to postpone the effective date for these amendments indefinitely. Optional adoption is still permitted.

**Amendments to IAS 12**

Amendments relates to the recognition of deferred tax assets for unrealized losses on the debt instruments that are classified as available for sale financial assets. The amendment is effective for annual periods beginning on or after 1 January 2017. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments. So far, the Group does not expect any significant impact

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**3. Significant accounting policies (Continued)**

**Amendments to IAS 7—Disclosure Initiative**

The amendment requires that entities provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financial activities. The amendment is effective for annual periods beginning on or after 1 January 2017. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments. So far, the Group does not expect any significant impact.

**Amendments to IAS 40 Transfers of Investments Property**

The amendment relates to classification of transfers into or out of investment property. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

**Amendments to IFRS 2—Classification and measurements of shared-based payment transactions**

The amendments relates to classification and measurements of shared-based payment transactions. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

**Amendments to IFRS 4—Financial instruments with IFRS 4 Insurance Contracts**

Applicable for entities falling within scope of IFRS 4 and whose predominant activity is issuing insurance contracts may, by way of temporary exemption, defer application of IFRS 9 until such time as the new standard for insurance contracts has come into force. The amendment is effective for annual periods beginning on or after 1 January 2018. Not applicable for the Group.

**Amendments to IFRIC 22—Foreign currency transactions and advance consideration**

The amendment clarifies what exchange rate is to be applied on initial recognition of the foreign-currency transactions in an entity's functional currency in the cases where entity receives or pays advance consideration before the related asset, expense or income is recognized. The amendment is effective for annual periods beginning on or after 1 January 2018. The Group does not expect any significant impact.

**d) Foreign currency**

***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognized in consolidated statement of comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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**3. Significant accounting policies (Continued)**

*Foreign operations*

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date,
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions) and,
- all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity.

**e) Financial instruments**

*Non-derivative financial assets*

The Group initially recognizes loans and receivables and deposits on the date that they are originated.

The Group derecognizes 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 recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated 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 realize the asset and settle the liability simultaneously.

*Loans and receivables*

Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses.

*Trade and other receivables*

Short-term trade and other receivables with no stated interest rate are measured at the original invoice amount. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivables should be impaired. The amount of the allowance is recognized in the statement of profit or loss within 'other operating expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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**3. Significant accounting policies (Continued)**

*Deferred revenues and accrued costs*

Accrued costs include costs incurred for which proper documentation was not received. These relate to the accounting period for which the operating results are to be determined. Revenues may be deferred for short periods when the recognition of revenues remains doubtful at the moment of sale.

*Non-derivative financial liabilities*

The Group initially recognizes financial liabilities on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise loans and borrowings, other long term financial liabilities, bank overdrafts, finance lease liabilities, trade and other payables.

*Borrowings*

Borrowings are recognized initially at fair value (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price). In subsequent periods, borrowings are carried at amortized cost using the effective interest method; any difference between fair value of the proceeds and the redemption amount is recognized as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Trade and other payables*

Short-term payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

*Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to mitigate its foreign currency exposures resulting from capital purchases. These commitments are principally denominated in USD. Currency risk is managed with the objective of reducing the risk through the use of forward foreign currency contracts.

Derivatives are initially measured at fair value; any directly 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 generally recognized in profit or loss. The Group does not apply hedge accounting.

**f) Property, plant and equipment**

*Recognition and measurement*

Property, plant and equipment comprise mainly cable network (coaxial and optical primary and secondary network and backbone) and customer premise equipment (CPE—receivers and modems). Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing

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**3. Significant accounting policies (Continued)**

the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

***Subsequent costs***

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over shorter of remaining useful life of an asset or period until new renovation. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

***Depreciation***

Depreciation is based on the depreciable amount of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	<u>Number of years</u>
Buildings . . . . .	30–40
Cable network . . . . .	10–20
Vehicles . . . . .	4–5
CPE (Head-end and optical equipment) . . . . .	3–5
Computer equipment . . . . .	3

**g) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

**h) Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

***Trademarks***

Trademarks are acquired in a business combination, recognized at fair value at the acquisition date. Trademarks are amortized over their useful lives.

Trademarks include following trade names: "SBB", "Total TV", "Telemach" and "Sport Klub".



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**3. Significant accounting policies (Continued)**

***Contractual customer relationships***

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

***Computer software***

Costs associated with maintaining computer software are recognized as an expense as incurred. Software is recognized at cost less accumulated amortization and accumulated impairment. Cost includes expenditure to acquire software and directly attributable costs to prepare it for its intended use.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the relevant criteria are satisfied.

Directly attributable costs, capitalized as part of the software product, includes software development employee cost and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives.

***Other intangible assets***

Other intangible assets mainly comprise investments in property rights with definite economic life and subscriber acquisition costs. Property rights relates to rights to radio frequencies in Slovenia. The company uses the cost model and thus manages intangible assets at their purchase values less depreciation adjustments following the straight-line depreciation method. Any intangible assets that meet the conditions for recognition are valued at cost upon initial recognition. Property rights are amortized in a period of 10 years.

Subscriber acquisition include costs associated with entering into sales contracts with new customers, for example commissions paid to internal or external sales personnel. Intangible assets are recognized only if they arise from fixed-term contracts that require a minimum consideration.

***Subsequent expenditure***

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

***Amortization***

Amortization is based on the depreciable amount of an asset and is calculated using straight line method to allocate their cost over their estimated useful lives as follows:

	<u>Number of years</u>
Trademark . . . . .	15
Customer relationship—Cable . . . . .	10–12
Customer relationship—DTH . . . . .	10
Radio frequencies . . . . .	10
Software & licenses . . . . .	3–5

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**3. Significant accounting policies (Continued)**

The useful lives of customer relations for cable and DTH are estimated through valuation exercise using the income approach based upon current market conditions.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

**i) Leased assets**

*Finance lease*

Leases of property, plant and equipment, where the Group as the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance costs is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

*Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. The Group leases mainly premises under operating lease contracts.

**j) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase, transport and expenses incurred in bringing the inventory to its present condition and location. The cost is based on the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and management's best judgments regarding future usage plans of inventories.

**k) Impairment of non-financial assets**

Non-financial assets, except deferred tax assets, income tax receivable and inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Impairment losses are recognized in the statement of comprehensive income. Non-financial assets, excluding goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is reviewed annually for impairment.

**l) Employee benefits**

In accordance with the regulations prevailing in the countries where the Group operates, the Group has an obligation to pay contributions to various state social security funds. These obligations involve the

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**3. Significant accounting policies (Continued)**

payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. Entities within the Group are also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

The Group does not operate any private pension scheme or post retirement defined contribution plan except the state mandatory pension scheme in each country of operation.

The calculation of retirement benefits provided by the state mandatory pension schemes is performed annually by a qualified actuary using the projected unit credit method.

Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognized in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the consolidated statement of financial position date.

In the instance of non-accumulating compensated absences no liability or expense is recognized until the time of the absence.

**m) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**n) Revenue**

*i) Subscription based revenues*

Revenue from subscription services is recognized within the profit or loss in proportion to the service period provided (subscription fee) at the reporting date based on contract terms.

The Group generates following main subscription-based service revenue streams which are recognized in the period when the service is provided: Cable TV (CATV), Digital TV (D3), cable and fiber Internet service, satellite TV (Direct to Home—DTH) and mobile telephony service.

Revenue is recognized based on defined price per month.

Corporate and retail telecommunication service revenue (Voice-Over-Internet-Protocol—VOIP) is recognized in the period in which these are provided. Revenue is recognized based on defined price per month or level of service provided in the month, depending on contractual terms.

*Mobile telephone service revenues*

Revenues from the rendered services relate to mobile and earth line telephony services, and contain amounts charged to post-paid plan customers for monthly fees, telephone conversations, SMSs, ADSL

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**3. Significant accounting policies (Continued)**

service, cable internet, leased lines, IP TV and other mobile and earth-line telephony services as well as connection fees.

Monthly fees, connection fees and consumption are charged to post-paid plan customers through monthly accounting cycles and are disclosed as revenues in a particular month. Accrued revenues from services that were already rendered during the time between the calculation and the end of every month are accounted for, while the charged monthly fees are deferred.

*ii) Carriage fee*

Carriage fee revenue relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like “Sport Klub”, movie channel “Cinemania”, children channel “Ultra” and music channel “Grand”.

Revenue is recognized on either on straight line basis over the sales contract period or underlined number of subscribers multiplied by agreed price per user, depending on contracts.

*iii) Advertising revenue*

Advertising revenue is earned by inserting commercials into broadcasts. Advertising revenue is recognized in the period when the service is provided.

*iv) Sale of material*

Revenue from sale of equipment is recognized when the significant risk and rewards of ownership are transferred to the buyer.

*v) Other revenue*

Other revenue mainly arises from lease of cable network and other services provided. Service revenue is recognized in the period when the service is provided to business customers.

The rental of carriage services to local TV stations are charged and recognized in the month when service is provided. Revenue is recognized based on level of service provided in the month, depending on contractual terms.

**Costs**

Content, satellite capacity and internet links costs are recorded as the services are provided.

**Content costs**

Content cost relates to royalty fees paid to broadcasting organizations for their TV content. The Group has separate contracts with broadcasting organizations which define conditions under which programs will be broadcast.

**Satellite capacity, link and interconnection costs**

Satellite capacity, link and interconnection costs are recorded based on the Group’s contractual agreements with its vendors for satellite, internet link capacity and mobile network usage. Costs are recognized on a straight line basis over the contract period.

**o) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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**3. Significant accounting policies (Continued)**

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**p) Finance income and finance costs**

Finance income comprises interest income on funds invested (including short-term bank deposits), and foreign currency gains. Interest income is recognized as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

**q) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized 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 recognized for:

- temporary differences on the initial recognition of assets and 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 joint arrangements 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.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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 realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.



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**3. Significant accounting policies (Continued)**

The prevailing corporate tax rates are:

<u>Country</u>	<u>Tax rate in 2016</u>
Netherlands . . . . .	25%
Luxembourg . . . . .	21%
Serbia . . . . .	15%
Montenegro . . . . .	9%
Slovenia . . . . .	17%
Macedonia . . . . .	10%
Bosnia & Herzegovina . . . . .	10%

**r) Segment reporting**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components,
- reviewed by the Group's chief operating decision makers and
- for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

**4. Financial risk management**

**Overview**

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

- credit risk,
- liquidity risk, and
- market 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.

**Risk management framework**

The Group's managing board has overall responsibility for the establishment and oversight of the Group's risk management framework, and development and monitoring the Group's risk management policies.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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**4. Financial risk management (Continued)**

The finance function monitors compliance with the Group's risk management policies and procedures, and provide top management with feedback regarding the performance of the framework in relation to the risk faced by the Group.

**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 receivables from customers.

***Trade and other receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses that it has no significant concentration of credit risk due to its exposure to a broad customer base in each service line. No concentration of credit risk on a geographical basis is assessed as material. The Group has policies that limit the amount of credit exposure for each customer including services disconnection procedure.

The Group's risk procedure limit the credit risk through short credit period available (invoices are due for payment within 8 days from the date of issue) and 3 levels of dunning letters in different time intervals. The first dunning letter which brings the warning about disconnecting the service is being sent 10 days after due date. The second dunning letter is being sent after 40 days after due date. The third letter is being sent after 70 or 110 days (it depends on the area) after the due date and it generates the order for temporary disconnection of the subscriber until the debt had been settled. The credit control procedure assures that an average receivable from one subscriber is from EUR 15 - 80 and limits the credit limit to 4 months of service. The Group outsourced collection activities of all receivables which are overdue more than 6 months to collection company.

Credit risk exposure is disclosed in note 29.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific allowance that relates to individually significant exposures, and a general allowance established for mass billing customers in respect of losses that have been incurred but not yet identified. The general allowance is determined based on Group's allowance policy for mass billing customers.

***Cash and cash equivalents***

The Group held cash and cash equivalents of EUR 13,941 thousand as 31 December 2016 (31 December 2015: EUR 15,126 thousand) with reputable local commercial banks, which represents its maximum credit exposure on these assets. Management actively monitors credit risk exposure and given that the Group only has invested in bank deposits management does not expect any counterparty to fail to meet its obligations.

**b) Liquidity risk**

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

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements (note 25). Typically the Group

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**4. Financial risk management (Continued)**

ensures that it has sufficient cash on demand to meet expected current liabilities as they fall due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Primary sources of liquidity and funds for capital expenditures, acquisitions and other investments have been operating cash flow, our Revolving Credit Facility, ancillary lending facilities and finance leases. As at 31 December 2016 the Group has access to undrawn revolving credit line in the amount of EUR 119,847 thousand (note 25). Refer to note 29 for the analysis of liquidity risk.

**c) 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 optimizing the return.

**i) Currency risk**

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of the Group entity holding the asset or obligation.

The Group is mainly exposed to currency risk on purchases and borrowings which are denominated in Euros and US dollars, while a significant share of the Group's revenue is denominated in Serbian dinars. The Group has exposure to currency fluctuation (depreciation) of RSD (Serbian dinar) to Euro given that it's most significant operations are with SBB Serbia for which RSD is the functional currency and significant borrowings in Euro. The Group's currency risk policy is implemented through regular price adjustments on the Serbian market, following the depreciation of Serbian dinar against euro.

The Group holds derivative financial instruments to mitigate its foreign currency exposures resulting from capital purchases. The commitments are principally denominated in USD. Currency risk is managed with the objective of reducing the risk through use of forward foreign currency contracts. As at 31 December 2016 the Group has entered into four forward currency contracts to hedge its capital purchases in US dollars against its functional currency with maturity dates until 31 December 2019. Nominal value of the contracts amounts to EUR 81,745 thousand at average strike rate of 1.1382. As at 31 December 2016 spot rate was 1.0534.

The Group is not in a position to effectively mitigate all currency risks due to absence of relevant financial products in the countries of operations (e.g. Serbia).

**ii) Price risk**

The Group is not exposed to material price risks on its financial instruments.

**iii) Interest rate risk**

The Group's interest rate risk arises from long-term borrowings and loans to related parties issued at variable rates. The Group closely monitors current market rates in order to minimize negative effects of significant movements in market rates. The Group does not use these instruments for speculative purposes.

Refer to note 29 for the analysis of interest rate risk.

**Capital management**

Due to the structure of long-term financing through leveraged buyout arrangement, the management policy is to maintain a stable return on investment so as to maintain investor, creditor and market

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**4. Financial risk management (Continued)**

confidence and to sustain future development of the business. The Group's performance management is focused on generating budgeted adjusted operating results (EBITDA) as well as maintaining overall liquidity position to repay the financial debt.

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 investors and to maintain an optimal liquidity position.

**5. Critical accounting estimates and judgments**

The consolidated financial statements require management to make judgments, estimates and 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 judgments are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

- Note 3 (f, g)—Useful life of plant, equipment and intangible assets,
- Note 3 (k)—Impairment of non-financial assets,
- Note 32—Legal matters.

**a) Impairment of goodwill**

The Group tests annually whether goodwill with indefinite useful life, suffer any impairment in accordance with the Group's accounting policy. Discounted cash flow method for annual impairment testing is based on management assumptions on projected revenue growth and liquidity position (note 17).

**b) Useful lives of property, plant and equipment and intangibles**

The management estimates useful lives and related depreciation rates for its plant and equipment and intangibles on an annual basis. These estimates are based on technological development, projected growth in customer base and further development of service lines. They are subject to change and influenced by substitutes available on the market. The management will increase the depreciation charge when useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. There are no residual values on long-term assets. The Group has assessed that the customer relationships for cable and DTH service line as well as for trademarks have a remaining useful life as disclosed in the note 3.

**c) Provision for legal matters**

Provision for legal matters are recognized when the Group has present obligation as a result of past event, 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 obligation. Where any of above mentioned criteria does not exist, or is not accomplished, the Group discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions are updated on the date of the consolidated financial statements, considering the best estimate of the Group's management supported by opinion of its legal team.

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**6. Operating segments**

Operating segments are components that engage in business activities that may earn revenues or incur expenses as a result of the services provided. Segment information is provided partially on the basis of geographic areas and partially based on an organizational structure, being the basis on which the Group manages its interests. Operating results of segments are regularly reviewed by the chief operating decision maker (CODM) and discrete financial information is available on that level. Revenue is attributed to a country based on the location of the Group's company reporting the revenue.

The functions of CODM are performed by the Managing directors of the Group.

The Group has five reportable segments, four in cable and internet and one in media business line, which are the Group's strategic divisions. Cable strategic divisions for each of key markets, offer similar services and are managed jointly since they have unified service development and marketing strategy. For each of the strategic divisions, the CODM reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Serbia Group includes cable operations in Serbia and DTH (satellite TV) operations in region (Croatia, Serbia and Macedonia). Satellite operations in Croatia and Macedonia account for minor part of the overall operations of Serbia Group segment.
- Slovenia Group includes cable and DTH operations and mobile telephony services in Slovenia,
- Bosnia Group includes cable and DTH operations in Bosnia and Herzegovina
- Montenegro Group includes cable and DTH operations in Montenegro (Montenegro is viewed as segment after acquisition of M-kabl d.o.o. in 2016, as before this acquisition the Group did not have cable operations in Montenegro), and
- Media Group includes content operations in the region. This segment includes the results of our media and content business in the former Yugoslav region including the results of N1 Info, Grand Production, Orlando Kids and Bambino.

Other includes our other operating business, such as Solford and non-operating holding companies (United Group B.V., Adria Cable B.V., Adria Serbia Holdco B.V., Slovenia Broadband S.A.R.L.). Revenue reported in other is mainly generated by Solford.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before net finance cost, tax, depreciation and amortization (EBITDA) and adjusted EBITDA, as included in the internal management reports that are reviewed by the Group's management. Adjusted EBITDA represents EBITDA as per management unaudited report. EBITDA is a supplemental measure of financial performance that is not required by, or presented in accordance with IFRS. "EBITDA" is defined as Profit/(Loss) for the period plus income tax (benefit)/expense, depreciation, amortization of intangible assets and net finance costs. Adjusted EBITDA represents EBITDA, adjusted for certain exceptional items, such as shareholder-related costs, impairment charges, M&A-related costs, group restructuring costs and other, which Group views as non-operating and not recurring to the operations of the Group.

Segment EBITDA and adjusted EBITDA, prepared based on local GAAP in each country adjusted to meet the requirements of internal reporting, is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**(a) Description of products and services from which each reportable segment derives its revenue**

The Group's main activities are providing of Video, Data and Voice services to subscribers in the countries of South-East Europe. The Group operates in Serbia providing Video, Data and Voice services,



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**6. Operating segments (Continued)**

as well as in five other countries: Slovenia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia providing Video and Data services.

Video service include provision of TV channel mix and IP Video streaming services, which is marketed into basic, extended and premium packages. TV mix range from 60 to over 100 TV channels.

Data service comprise internet packages for residential and business customers, as well as various supplementary services for business customers (connectivity and managed services, data center and cloud services).

Voice service relates to fixed line services to residential and business customers.

Mobile phone services relates to post-paid, prepaid, roaming and wholesale services provided to customers.

Media Group includes content operations in the entire former Yugoslav region. Content operations represent carriage fee revenue that relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like “Sport Klub”, movie channel “Cinemanía”, children channels “Ultra” and “Orlando” and music channel “Grand”.

**(b) Factors that management used to identify the reportable segments**

Four of the Group’s business segments are mainly based on the Group’s geographic regions, Serbia, Slovenia, Bosnia and Herzegovina and Montenegro, and the other business segment is broadly based on product distribution. They are managed separately because each business unit requires different marketing strategies and service level.

**(c) Measurement of operating segment profit or loss.**

The CODM reviews financial information prepared based on local GAAP adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS. Namely, non-IFRS profit measures (such as earnings before income tax, depreciation and amortization—EBITDA, adjusted EBITDA and capital expenditure (CAPEX)) are also included in the segment report. EBITDA is adjusted by “exceptional items” that are viewed as non-operating and not recurring. Capital expenditures represents purchases of tangible and intangible assets, consisting primarily of set top box purchases and other customer capital expenditure, installations (including capitalized labor costs), cable and mobile network build out, upgrades, maintenance and other investments, computer hardware and software and content rights.

CODM evaluates performance of each segment based on revenue, EBITDA and other key performance indicators (e.g. average revenue per user, CAPEX) and does not regularly review assets and liabilities of the segments.

**(d) Information about reportable segment statements of profit and loss**

Segment information before elimination of inter-company transactions for the reportable segments for the period ended 31 December 2016 and 31 December 2015 are set out below (Segment information

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Operating segments (Continued)

below has been derived from unaudited local GAAP management accounts prepared for CODM evaluation purposes):

31 December 2016	Serbia Group	Slovenia Group	Bosnia Group	Montenegro Group	Media Group	Total reportable segments	Other	Total
External revenue . . . . .	158,725	189,778	54,481	11,551	29,821	444,356	15,313	459,669
Inter-segment revenue . . . . .	25,999	1,314	627	561	44,063	72,564	4,096	76,660
Segment revenue . . . . .	184,724	191,092	55,108	12,112	73,884	516,920	19,409	536,329
Depreciation . . . . .	35,249	26,397	11,449	1,959	1,837	76,891	170	77,061
Amortization . . . . .	9,954	17,534	2,290	192	19,211	49,181	467	49,648
Segment results from operations .	30,151	11,983	2,646	566	(59)	45,287	(5,106)	40,181
Segment profit/(loss) before tax .	(5,338)	(2,156)	(2,395)	278	(4,545)	(14,156)	(3,834)	(17,990)
EBITDA . . . . .	75,354	55,914	16,385	2,717	20,989	171,359	(4,469)	166,890
Adjusted EBITDA . . . . .	76,000	63,129	19,055	2,799	23,679	184,662	5,783	190,445
CAPEX . . . . .	51,329	44,595	20,896	3,418	11,687	131,925	1,060	132,985

Significant losses before tax in other segment is driven by net finance cost. Other includes Solford and holding companies, including United Group B.V., Netherlands, which has issued bonds and bears associated finance expenses.

31 December 2015	Reportable segments					Total reportable segments	Other	Total
	Serbia Group	Slovenia Group	Bosnia Group	Montenegro Group	Media Group			
External revenue . . . . .	140,697	144,265	41,596	9,779	27,453	363,790	13,535	377,325
Inter-segment revenue . . . . .	34,186	3,244	652	8	19,227	57,317	0	57,317
Segment revenue . . . . .	174,883	147,509	42,248	9,787	46,680	421,107	13,535	434,642
Depreciation . . . . .	31,794	20,719	9,630	1,612	1,927	65,682	110	65,792
Amortization . . . . .	9,431	13,436	2,552	240	15,276	40,935	337	41,272
Segment results from operations .	19,094	16,006	2,905	(214)	(1,265)	36,526	(2,211)	34,315
Segment profit/(loss) before tax .	(13,683)	1,827	(755)	(301)	(7,098)	(20,010)	(5,392)	(25,402)
EBITDA . . . . .	60,319	50,161	15,087	1,638	15,938	143,143	(1,764)	141,379
Adjusted EBITDA . . . . .	65,649	56,275	17,320	2,665	14,771	156,680	4,346	161,026
CAPEX . . . . .	58,300	51,882	15,374	4,416	14,317	144,289	681	144,970

Significant losses before tax in other segment is driven by net finance cost. Other includes holding companies, including United Group B.V., Netherlands, which has issued bonds and bears associated finance expenses.

As a result of strategic decision to concentrate its business geographically, the Group has in the current period changed its internal organization and the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the twelve months ended 31 December 2015.

#### (e) Major customers

The Group provides its services to individual and corporate customers; each customer does not exceed 10% of the total revenues. Revenue includes operating revenue.

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**6. Operating segments (Continued)**

(f) Geographical segments

Segment information above is already provided on the basis of geographic areas, being the key basis on which the Group manages its interests.

(g) Other

Significant losses from operations and before tax are driven by high transaction and interest expenses.

(h) Reconciliation of information on reporting segments to IFRS measures:

(i) Reconciliation of information on reporting segments to IFRS measures:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Revenues</b>		
Total revenue for reportable segments . . . . .	516,920	421,107
Revenue for other . . . . .	19,409	13,535
	<u>536,329</u>	<u>434,642</u>
Elimination of inter-segment revenue . . . . .	(76,660)	(57,317)
<b>Consolidated revenue . . . . .</b>	<b><u>459,669</u></b>	<b><u>377,325</u></b>

**7. Revenue**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Subscription fee . . . . .	373,426	326,606
Carriage fee . . . . .	24,576	21,928
Advertising . . . . .	11,509	8,458
Sale of material . . . . .	37,479	3,394
Sublicences . . . . .	1,764	1,991
Other revenues . . . . .	10,915	14,948
<b>Total . . . . .</b>	<b><u>459,669</u></b>	<b><u>377,325</u></b>

**8. Link and interconnection cost**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Mobile link costs . . . . .	21,561	17,144
Internet link and interconnection costs . . . . .	6,617	5,867
Telephony link costs . . . . .	7,542	5,653
Other . . . . .	346	170
<b>Total . . . . .</b>	<b><u>36,066</u></b>	<b><u>28,834</u></b>

Increase in link and interconnection cost is mainly driven by increase in mobile link due to acquisition of Tušmobil d.o.o. in 2015.

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**9. Materials cost**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Installation materials . . . . .	1,488	1,585
Office supplies . . . . .	1,198	1,221
Energy and fuel costs . . . . .	4,575	4,328
Cost of end-user equipment . . . . .	37,432	3,282
<b>Total . . . . .</b>	<b><u>44,693</u></b>	<b><u>10,416</u></b>

**10. Staff costs**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Salaries and social security (gross) . . . . .	42,360	34,764
<i>minus capitalized salaries</i> . . . . .	(3,356)	(3,016)
Part—time employment costs . . . . .	1,681	1,523
Employee benefit cost . . . . .	2,062	2,015
Unused vacations . . . . .	486	893
Other staff costs . . . . .	5,104	6,601
<b>Total . . . . .</b>	<b><u>48,337</u></b>	<b><u>42,780</u></b>

During twelve month period ended 31 December 2016 the Group capitalized staff costs in the carrying value of its property, plant and equipment in the amount of EUR 3,356 thousand which mainly relates to installation services for fixed assets at end user premises.

The total number of full time equivalent (FTE) employees as at 31 December 2016 is 3,069 (2015: 2,822).

**11. Other operating expenses**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Rent of premises, poles and ducts . . . . .	20,520	17,897
Marketing and promotion expenses . . . . .	13,501	12,848
Maintenance costs . . . . .	8,423	6,877
Management fees . . . . .	8,593	7,511
Trade receivable impairment allowance . . . . .	4,547	6,039
Phone and postal expenses . . . . .	3,355	2,697
Taxes . . . . .	3,629	1,583
Legal and advisory fee . . . . .	6,561	3,060
Customer service costs . . . . .	5,222	6,487
License fees . . . . .	1,289	1,548
Security services . . . . .	1,505	1,390
Bank charges . . . . .	1,232	1,218
Media buying . . . . .	3,322	2,704
Membership fee . . . . .	219	—
Production cost . . . . .	2,056	1,050
Insurance cost . . . . .	626	649
Impairment of property, plant and equipment . . . . .	721	2,736
Provision for legal cases . . . . .	—	3,181
Other expenses . . . . .	9,186	12,842
<b>Total . . . . .</b>	<b><u>94,507</u></b>	<b><u>92,317</u></b>

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**11. Other operating expenses (Continued)**

Out of total amount of legal and advisory fees, amount of EUR 1,135 thousand (2015: EUR 2,019 thousand) relate to transaction costs regarding acquired companies during period (note 18).

In the line provision for legal cases, in 2015 the Group reported amount of EUR 3,000 thousand in relation to legal case which was raised by SOKOJ (note 32).

**12. Finance income and finance cost**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Interest expense . . . . .	(59,146)	(49,205)
Net Foreign exchange losses/gains . . . . .	(6,276)	(5,441)
Other finance cost . . . . .	(1,296)	(5,218)
Total finance cost . . . . .	(66,718)	(59,864)
Interest income . . . . .	1,160	147
Other financial gain . . . . .	7,387	—
Total finance income . . . . .	8,547	147
<b>Total . . . . .</b>	<b><u>(58,171)</u></b>	<b><u>(59,717)</u></b>

Other financial gain mainly relates to effect of fair value of forward contracts as at 31 December 2016 (note 19).

**13. Income tax**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Current tax . . . . .	(5,313)	(2,666)
Deferred tax . . . . .	6,859	1,091
<b>Total . . . . .</b>	<b><u>1,546</u></b>	<b><u>(1,575)</u></b>

The reconciliation of the Group's income tax expense is as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Loss for the year before tax . . . . .	(17,990)	(25,402)
Income tax benefit . . . . .	(4,498)	(6,351)
Effect of tax rates in foreign jurisdictions . . . . .	2,738	2,211
Non-deductible expenses . . . . .	579	97
Tax incentives . . . . .	(1,672)	(4,612)
Thin capitalization adjustment . . . . .	1,814	3,868
Recognition of previously unrecognised tax losses . . . . .	(2,184)	(577)
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences . . . . .	597	(514)
Change in tax rate . . . . .	(5,272)	—
Current year losses for which no deferred tax was recognized . . . . .	6,352	7,453
<b>Income tax (benefit)/expense . . . . .</b>	<b><u>(1,546)</u></b>	<b><u>1,575</u></b>

SBB and Telemach d.o.o., Slovenia are entities which primarily uses tax losses and tax credits for investments in plant and equipment. As at 31 December 2015, tax holiday which reduced nominal income tax liability for SBB by 78.78% expired. During 2016, SBB managed to satisfy conditions to apply for another cycle of tax holiday. In 2016, SBB utilises a tax holiday which reduces its nominal income tax liability by 30.22%, and which expires in 2025.



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**13. Income tax (Continued)**

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

**14. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)**

Managing directors of the Group have presented performance measure adjusted EBITDA as they monitor this performance measure at consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance.

"EBITDA" is defined as Profit/(Loss) for the period plus income tax (benefit)/expense, depreciation, amortization of intangible assets and net finance costs. Adjusted EBITDA represents EBITDA, adjusted for certain exceptional items, such as shareholder-related costs, impairment charges, M&A-related costs, group restructuring costs and other, which Group views as non-operating and not recurring to the operations of the Group.

Adjusted EBITDA is not a defined performance measure per IFRS. The Group's definition of adjusted EBITDA is may not be comparable with similarly titled performance measures and disclosures by other entities.

	<u>Note</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Loss for the period . . . . .		(16,444)	(26,977)
Income tax . . . . .	13	1,546	(1,575)
<b>Loss before tax . . . . .</b>		<b><u>(17,990)</u></b>	<b><u>(25,402)</u></b>
Adjustments for:			
Net finance cost . . . . .	12	58,171	59,717
Depreciation . . . . .	15	77,061	65,792
Amortisation . . . . .	16	49,648	41,272
Management fees . . . . .		8,410	7,392
Legal and advisory fee . . . . .		5,667	2,967
Trade receivable impairment allowance . . . . .		853	975
Impairment loss on property, plan and equipment . . . . .		166	2,736
Staff cost . . . . .		1,577	776
Other operating expenses . . . . .		6,882	4,801
<b>Adjusted EBITDA . . . . .</b>		<b><u>190,445</u></b>	<b><u>161,026</u></b>

Management fees mainly relates to exceptional items regarding shareholder related costs.

Legal and advisory fee are mainly related to M&A costs and group restructuring costs.

Staff costs mainly relates to one-off performance bonuses awarded to senior management of operating companies within the Group.

Out of total other operating expenses, amount of EUR 1,779 thousand relates to penalties charged as a result of changed terms with suppliers.

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**15. Property, plant and equipment**

	<u>Buildings</u>	<u>Cable plant and other equipment</u>	<u>Assets under construction</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Year ended 31 December 2015</b>					
<b>Cost</b>					
Balance as at 1 January 2015 . . . . .	6,985	255,299	3,982	1,677	267,943
Acquisitions through business combination (note 18) . . . . .	40	36,288	3,967	—	40,294
Additions . . . . .	8,254	41,559	70,073	509	120,395
Transfers . . . . .	37	60,323	(60,974)	614	—
Disposals . . . . .	—	(21,951)	—	—	(21,951)
Effect of movements in exchange rates . . . .	—	(373)	—	(41)	(414)
<b>Balance as at 31 December 2015 . . . . .</b>	<b><u>15,316</u></b>	<b><u>371,145</u></b>	<b><u>17,048</u></b>	<b><u>2,759</u></b>	<b><u>406,267</u></b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2015 . . . . .	497	34,318	—	293	35,108
Depreciation charge for the period . . . . .	500	64,811	—	481	65,792
Disposals . . . . .	—	(21,328)	—	—	(21,328)
Impairment loss . . . . .	—	2,736	—	—	2,736
Effect of movements in exchange rates . . . .	(1)	(29)	—	(2)	(32)
<b>Balance as at 31 December 2015 . . . . .</b>	<b><u>996</u></b>	<b><u>80,508</u></b>	<b><u>—</u></b>	<b><u>772</u></b>	<b><u>82,276</u></b>
<b>Year ended 31 December 2016</b>					
<b>Cost</b>					
Balance as at 1 January 2016 . . . . .	15,316	371,145	17,048	2,758	406,267
Acquisitions through business combination .	—	3,408	3	—	3,411
Additions . . . . .	800	34,372	67,649	1,429	104,250
Transfers . . . . .	32	63,925	(64,332)	374	(1)
Disposals . . . . .	(31)	(15,563)	—	(2)	(15,596)
Effect of movements in exchange rates . . . .	(7)	(3,831)	(140)	(45)	(4,023)
<b>Balance as at 31 December 2016 . . . . .</b>	<b><u>16,110</u></b>	<b><u>453,456</u></b>	<b><u>20,228</u></b>	<b><u>4,514</u></b>	<b><u>494,308</u></b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2016 . . . . .	996	80,508	—	772	82,276
Depreciation charge for the period . . . . .	644	75,731	—	686	77,061
Disposals . . . . .	(8)	(15,009)	—	(1)	(15,018)
Impairment loss . . . . .	—	721	—	—	721
Effect of movements in exchange rates . . . .	195	(3,071)	—	(24)	(2,900)
<b>Balance as at 31 December 2016 . . . . .</b>	<b><u>1,827</u></b>	<b><u>138,880</u></b>	<b><u>—</u></b>	<b><u>1,433</u></b>	<b><u>142,140</u></b>
<b>Net book value 31 December 2016 . . . . .</b>	<b><u>14,283</u></b>	<b><u>314,576</u></b>	<b><u>20,228</u></b>	<b><u>3,081</u></b>	<b><u>352,168</u></b>
<b>Net book value 31 December 2015 . . . . .</b>	<b><u>14,320</u></b>	<b><u>290,637</u></b>	<b><u>17,048</u></b>	<b><u>1,986</u></b>	<b><u>323,991</u></b>

The majority of property, plant and equipment relates to cable network (backbone, primary and secondary network, coaxial, fiber and optical equipment) and DTH end user equipment.

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**15. Property, plant and equipment (Continued)**

**Leased assets**

The Group leases internet protocol equipment and transport and passenger vehicles under a number of finance lease agreements. Majority leases of vehicles provide the Group with the option to purchase the equipment at a beneficial price.

Present value of minimum lease payments is as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Less than one year . . . . .	10,512	13,232
Between one and five years . . . . .	6,011	11,194
<b>Total . . . . .</b>	<b><u>16,523</u></b>	<b><u>24,426</u></b>

Contractual amounts are as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Less than one year . . . . .	10,896	14,012
Between one and five years . . . . .	6,134	11,449
<b>Total contractual value . . . . .</b>	<b><u>17,030</u></b>	<b><u>25,461</u></b>
Future finance charges on finance leases . . . . .	(507)	(1,035)
<b>Present value of finance lease liability . . . . .</b>	<b><u>16,523</u></b>	<b><u>24,426</u></b>

The total net book value of property, plant and equipment purchased under finance lease as at 31 December 2016 is EUR 15,894 thousand (31 December 2015 EUR 20,888 thousand).

**Sale and lease back**

The Group entered into sale and lease back arrangement. In simple terms, it is a lease arrangement, whereby, the lease company is the finance provided for the Group for a specific international supplier of equipment whereby the lease company and the international supplier do not any working relations. The Group is required to initially buy the equipment from the international supplier, arrange all shipping & import procedures for the equipment. When the equipment is physically in the country the lease company provides finance / lease arrangement for the equipment legally purchasing it, which causes the inflow of cash. During the period ending 31 December 2016, total value of equipment purchased via sale and lease back arrangement amounts to EUR 5,928 thousand.

**Capital commitments**

During the period ended 31 December 2016, the Group entered into agreement to buy property, plant and equipment for EUR 10,510 thousand. Delivery is expected during 2017.

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**16. Intangible assets**

	<u>Software &amp; Licenses</u>	<u>Trademark</u>	<u>Customer Relationship</u>	<u>Radio frequency rights</u>	<u>Other intangibles</u>	<u>Total</u>
<b>Year ended 31 December 2015</b>						
<b>Cost</b>						
Balance as at 1 January 2015 . . . . .	7,742	68,013	122,720	—	23,254	221,729
Acquisitions through business combination (note 18) . . . . .	4,949	—	38,861	24,335	—	68,145
Additions . . . . .	8,370	1	—	—	21,128	29,499
Disposals . . . . .	—	—	—	—	(1,472)	(1,472)
Effect of movements in exchange rates . . . . .	(90)	(515)	(305)	—	(49)	(959)
<b>Balance as at 31 December 2015 . .</b>	<b><u>20,971</u></b>	<b><u>67,499</u></b>	<b><u>161,276</u></b>	<b><u>24,335</u></b>	<b><u>42,861</u></b>	<b><u>316,942</u></b>
<b>Accumulated depreciation</b>						
Balance as at 1 January 2015 . . . . .	2,115	3,642	10,854	—	7,457	24,068
Amortization charge for the period .	4,285	4,510	16,116	1,852	14,509	41,272
Disposals . . . . .	3	—	—	—	(1,472)	(1,469)
Effect of movements in exchange rates . . . . .	(62)	(33)	(157)	—	(23)	(275)
<b>Balance as at 31 December 2015 . .</b>	<b><u>6,341</u></b>	<b><u>8,119</u></b>	<b><u>26,813</u></b>	<b><u>1,852</u></b>	<b><u>20,471</u></b>	<b><u>63,596</u></b>
	<u>Software &amp; Licenses</u>	<u>Trademark</u>	<u>Customer Relationship</u>	<u>Radio frequency rights</u>	<u>Other intangibles</u>	<u>Total</u>
<b>Year ended 31 December 2016</b>						
<b>Cost</b>						
Balance as at 1 January 2016 . . . . .	20,971	67,499	161,276	24,335	42,861	316,942
Acquisitions through business combination (note 17) . . . . .	13	—	4,426	—	—	4,439
Additions . . . . .	5,431	8	—	—	33,062	38,501
Disposals . . . . .	(935)	—	—	—	935	—
Effect of movements in exchange rates . . . . .	(25)	—	—	—	(45)	(70)
<b>Balance as at 31 December 2016 . .</b>	<b><u>25,455</u></b>	<b><u>67,507</u></b>	<b><u>165,702</u></b>	<b><u>24,335</u></b>	<b><u>76,813</u></b>	<b><u>359,812</u></b>
<b>Accumulated depreciation</b>						
Balance as at 1 January 2016 . . . . .	6,341	8,119	26,813	1,852	20,471	63,596
Amortization charge for the period .	5,456	3,113	18,978	1,780	20,321	49,648
Effect of movements in exchange rates . . . . .	(25)	—	(3)	—	—	(28)
<b>Balance as at 31 December 2016 . .</b>	<b><u>11,772</u></b>	<b><u>11,232</u></b>	<b><u>45,788</u></b>	<b><u>3,632</u></b>	<b><u>40,792</u></b>	<b><u>113,216</u></b>
<b>Net book value 31 December 2016 .</b>	<b><u>13,683</u></b>	<b><u>56,275</u></b>	<b><u>119,914</u></b>	<b><u>20,703</u></b>	<b><u>36,021</u></b>	<b><u>246,596</u></b>
<b>Net book value 31 December 2015 .</b>	<b><u>14,630</u></b>	<b><u>59,380</u></b>	<b><u>134,463</u></b>	<b><u>22,483</u></b>	<b><u>22,390</u></b>	<b><u>253,346</u></b>

Other intangible assets mainly relates to programming rights and subscriber acquisition costs.

Additions to software and licenses relate to SAP ERP information system, Video-On-Demand (VOD) information system and Voice-Over-Internet-protocol (VOIP) information systems software.

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**16. Intangible assets (Continued)**

**Capital commitment**

During the period ended 31 December 2016, the Group entered into agreements to buy intangible assets for the amount of EUR 8,193 thousand. Delivery is expected during 2017.

**Assets provided as security for loans**

As at 31 December 2016 revolving facility is guaranteed by pledge on trademarks ("SBB" and "Total TV"). Carrying value of intangible assets under pledge as at 31 December 2016 amounts to EUR 21,706 thousand (31 December 2015 EUR 23,846 thousand).

**17. Goodwill**

The following schedule summarizes the movements in the balance of goodwill:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Cost</b>		
Balance at beginning of period . . . . .	649,094	623,279
Acquisition through business combination . . . . .	10,326	25,815
Translation difference . . . . .	(5,492)	—
Other changes . . . . .	120	—
<b>Balance at end of period . . . . .</b>	<b><u>654,048</u></b>	<b><u>649,094</u></b>
<b>Carrying amounts</b>		
Balance at beginning of period . . . . .	649,094	623,279
<b>Balance at end of period . . . . .</b>	<b><u>654,048</u></b>	<b><u>649,094</u></b>

Allocation of goodwill per operating segment level is shown in following table:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
SBB Serbia Group . . . . .	259,807	265,179
Telemach Slovenia Group . . . . .	216,919	215,729
Telemach Bosnia Group . . . . .	77,011	76,692
United Media Group . . . . .	88,584	88,584
Telemach Montenegro . . . . .	11,727	2,910
<b>Total . . . . .</b>	<b><u>654,048</u></b>	<b><u>649,094</u></b>

**Impairment testing for goodwill**

Due to nature of operations and organization, the Group is divided into following operating subgroups (Serbia or "SBB" Group, Slovenia Group, Bosnia Group and Media Group) which operating segment level (OSL) for the purpose of annual impairment testing.

The recoverable amount of a OSL is determined using value-in-use calculations. These calculations use pre-tax cash flow projections based on five-year financial budget. Cash flow beyond the five-year period is calculated on perpetuity bases.

Based on the results of impairment testing, the management estimates that no impairment of goodwill exists as at 31 December 2016.

Goodwill as allocated per identified OSLs is presented in table above.



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**17. Goodwill (Continued)**

Goodwill amounts were driven by the highly competitive sale process in the industry and number of bidders. Decision on acquisition of the companies is made based on their high growth potential with number of opportunities for cross selling and quad play services. The Group's strategy is to develop quad play (full range of mobile, fixed, internet and dth). Synergies implied by high value of goodwill are realizing through the significant increase of EBITDA, growing customer database and average revenue per customer.

**Key assumptions used for discounted cash flow projections**

Key assumptions used in the calculation of recoverable amounts are weighted average cost of capital, terminal value growth rate and adjusted operating margin. These assumptions are as follows:

	<u>2016</u>	<u>2015</u>
<b>Serbia Group</b>		
Adjusted operating margin . . . . .	47%	46%
Growth rate <sup>(1)</sup> . . . . .	2%	3%
WACC <sup>(2)</sup> . . . . .	9.45%	11.95%
<b>Slovenia Group</b>		
Adjusted operating margin . . . . .	38%	37%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC . . . . .	7.37%	7.30%
<b>Bosnia Group</b>		
Adjusted operating margin . . . . .	40%	46%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC . . . . .	12.10%	11.86%
<b>Montenegro Group</b>		
Adjusted operating margin . . . . .	29%	/
Growth rate <sup>(1)</sup> . . . . .	3%	/
WACC . . . . .	9.80%	/
<b>Media Group</b>		
Adjusted operating margin . . . . .	32%	32%
Growth rate <sup>(1)</sup> . . . . .	2%	3%
WACC . . . . .	9.39%	7.96%

(1) Long term sustainable growth rate used to extrapolate cash flows beyond the budget period

(2) Weighted average cost of capital, calculated on pre-tax basis

Budgeted margins are based on past performance and expectations of market development. Long term sustainable growth rates used are consistent with the forecasts included in the industry reports.

The discount rates are calculated as weighted average of pre-tax cost of equity and pre-tax cost of debt, using peer groups' capital structure as weights used are pre-tax and based on industry reports as of 31 December 2016 and leveraged by the debt margin taken from comparable companies. Assumptions used for value-in-use calculations (refer to the above table) changed to reflect current business environment as more information became available to the Group.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

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**17. Goodwill (Continued)**

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experienced over the past three years and the estimated sales and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.

**Sensitivity analysis**

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Terminal growth rate	WACC
SBB Serbia Group . . . . .	no change in parameters would imply goodwill impairment	no change in parameters would imply goodwill impairment
Telemach Slovenia Group . . . . .	(1.5)	1.62
Telemach Bosnia Group . . . . .	(2.0)	1.37
United Media Group . . . . .	no change in parameters would imply goodwill impairment	no change in parameters would imply goodwill impairment
Telemach Montenegro . . . . .	no change in parameters would imply goodwill impairment	no change in parameters would imply goodwill impairment

Increases in competition as a result of a possible market trends in Slovenia could affect cost pressures and as a result impact the profitability of the Slovenia Group operating segment. The Group has considered this impact on the assumptions used and has conducted sensitivity analysis on the impairment test of the segment's carrying value. This has not resulted in any impairment of the carrying value at 31 December 2016 as the segment's recoverable amount exceeds its carrying value by EUR 45 million. However, if cost pressures were to occur and annual growth rate in terminal period decrease by 1.5%, then this would result in the Slovenia Group operational segment's recoverable amount reducing to a level comparable with its carrying value.

**18. Business combinations**

**Business combination in 2016**

During the year ended 31 December 2016, the Group completed the following acquisitions from third parties:

Company	Consideration	Share of ownership	Control assumed	Country	Industry
Global internet d.o.o. . . . .	859	100%	30-Jun-16	Bosnia and Herzegovina	Cable operator
M-kabl d.o.o. . . . .	12,789	100%	31-Jul-16	Montenegro	Cable operator
Maxtel d.o.o. . . . .	4,273	100%	23-Nov-16	Slovenia	Telecom

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	Global internet d.o.o.	M-kabl d.o.o.	Maxtel d.o.o.	Total
Cash . . . . .	646	11,789	4,273	16,708
Deferred consideration . . . . .	213	1,000	—	1,213
<b>Total consideration transferred . . . . .</b>	<b><u>859</u></b>	<b><u>12,789</u></b>	<b><u>4,273</u></b>	<b><u>17,921</u></b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Business combinations (Continued)

The Group incurred acquisition-related costs in the amount of EUR 1,135 thousand on legal fees and due diligence costs for acquisitions in 2016 which have been included in other operating expenses.

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.

The following schedule summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Global internet d.o.o.	M-kabl d.o.o.	Maxtel d.o.o.	Total
Property, plant and equipment . . . . .	120	1,553	1,738	3,411
Intangible assets . . . . .	363	2,751	1,325	4,439
Other financial assets . . . . .	—	—	66	66
Trade and other receivables . . . . .	86	652	181	919
Prepayments . . . . .	7	—	—	7
Income tax receivables . . . . .	—	—	49	49
Cash and cash equivalents . . . . .	62	135	301	498
Long term provisions . . . . .	—	—	(500)	(500)
Deferred tax liabilities . . . . .	—	(440)	—	(440)
Finance lease liabilities (long term) . . . . .	—	(35)	—	(35)
Trade and other payables . . . . .	(86)	(551)	(67)	(704)
Current tax liabilities . . . . .	(7)	—	(10)	(17)
Loans and borrowings (short term) . . . . .	(5)	(93)	—	(98)
	<u>540</u>	<u>3,972</u>	<u>3,083</u>	<u>7,595</u>

Goodwill arising from the acquisition has been recognized as follows:

	Global internet d.o.o.	M-kabl d.o.o.	Maxtel d.o.o.	Total
Total consideration transferred . . . . .	859	12,789	4,273	17,921
Fair value of identifiable net assets . . . . .	(540)	(3,972)	(3,083)	(7,595)
<b>Goodwill on the acquisition date . . . . .</b>	<b><u>319</u></b>	<b><u>8,817</u></b>	<b><u>1,190</u></b>	<b><u>10,326</u></b>

The acquisitions are expected to provide the Group with increased share of the cable markets in Bosnia, Montenegro and Slovenia through access to their customer databases.

Goodwill amounts were driven by the highly competitive sale process in the industry and number of bidders. Decision on acquisition of the companies is made based on their high growth potential with number of opportunities for cross selling and quad play services. Synergies implied by high value of goodwill are realizing through the significant increase of EBITDA, growing customer database and average revenue per customer.

In the period following their acquisition, the newly acquired companies contributed consolidated revenue of the Group in total amount of EUR 1,953 thousand and consolidated profit in total amount of EUR 271 thousand. Following table summarizes effects of each acquired company on consolidated revenue and profit:

	Global internet d.o.o.	M-kabl d.o.o.	Maxtel d.o.o.	Total
Revenue . . . . .	319	1,540	94	1,953
Profit . . . . .	102	144	25	271

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Business combinations (Continued)

If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue would have been EUR 462,888 thousand, and consolidated loss for the period would have been EUR 14,668 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2016.

#### Business combination in 2015

During the year ended 31 December 2015, the Group completed the following acquisitions from third parties:

Company	Consideration	Share of ownership	Control assumed	Country	Industry
Tušmobil d.o.o. . . .	68,164	100%	1-Apr-15	Slovenia	Mobile phone service
M&H Company d.o.o. Sarajevo . .	12,682	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
HKB-net d.o.o. Sarajevo . . . . .	4,131	64%	30-Jun-15	Bosnia and Herzegovina	Cable operator
KTV HS d.o.o. Sarajevo . . . . .	2,428	57%	30-Jun-15	Bosnia and Herzegovina	Cable operator
Velnet d.o.o. Mostar	2,946	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
VKT-net d.o.o. Bugojno . . . . .	2,249	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
BHB Cable TV d.o.o. Lukavac . . .	5,805	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
Eunet d.o.o. Beograd . . . . .	600	99%	1-May-15	Serbia	Cable operator

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	Tušmobil d.o.o.	M&H, KTV HS, HKB-net, Velnet, VKT-net	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Cash . . . . .	42,164	19,935	4,566	600	67,265
Deferred consideration . . . . .	26,000	4,501	1,239	—	31,740
<b>Total consideration transferred . . . . .</b>	<b>68,164</b>	<b>24,436</b>	<b>5,805</b>	<b>600</b>	<b>99,005</b>

Total consideration for the acquisition of Tušmobil amounts to EUR 68,164 thousand and comprises of a cash consideration of EUR 42,164 thousand and deferred consideration of EUR 26 million payable in several installments over the next 3 years by the Group's parent Company, Adria Topco B.V.

Total amount of deferred payment by Adria Topco B.V. was reported as other equity reserves by the parent of the Group (note 23). As per share purchase agreement, parent company will pay total amount of deferred consideration of EUR 26,000 thousand in three years from acquisition.

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**18. Business combinations (Continued)**

The Group has agreed to pay to the selling shareholders for acquired companies in Bosnia additional consideration which has been deposited on an escrow account controlled by the Group under following terms and conditions and circumstances as at 31 December 2016:

<u>Disbursement schedule</u>	<u>M&amp;H, HKB-net, KTV HS, Velnet, VKT-net</u>	<u>BHB Cable TV d.o.o</u>	<u>Terms and conditions to be fulfilled</u>
	<u>In EUR thousand</u>		
In twenty four months' time following the acquisition date . . . . .	1,145	760	Related to occurrence of contingent liabilities which were not provided for in the acquired subsidiaries' stand-alone financial statements prior to acquisition date and also including selling shareholders' guarantee against removal of network infrastructure following official decision of a competent authority expressed as a fixed fee per subscriber affected by the removal of the network infrastructure
Disbursement of funds dependant upon court's ruling . . . . .	1,100	—	Related to ongoing litigations against acquired companies which were initiated in the pre-acquisition period
	<u>2,245</u>	<u>760</u>	
<b>Total . . . . .</b>	<b>EUR 3,005 thousand</b>		

The Group incurred acquisition-related costs in the amount of EUR 2,947 thousand on legal fees and due diligence costs for acquisitions in 2015. Out of total acquisition costs, amount of EUR 2,019 thousand costs have been included in the other operating expenses in 2015 and amount of EUR 928 thousand the other operating expenses in 2014.

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**18. Business combinations (Continued)**

The following schedule summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Note	Tušmobil d.o.o.	M&H Company d.o.o. Sarajevo	HKB-net d.o.o. Sarajevo	KTV HS d.o.o. Sarajevo	Velnet d.o.o. Mostar	VKT-net d.o.o. Bugojno	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Property, plant and equipment . . . . .	15	25,233	7,827	1,347	2,027	1,076	511	1,872	401	40,294
Intangible assets . . . . .	16	61,360	2,250	724	1,224	604	506	1,477	—	68,145
Investment property . . .		—	—	—	—	—	—	—	13	13
Other financial assets . .		2,563	—	—	—	—	—	—	—	2,563
Deferred tax assets . . . .	27	1,603	14	38	91	2	1	78	—	1,827
Programming rights held for sale . . . . .		—	—	—	—	—	—	—	74	74
Inventories . . . . .		1,129	—	3	—	—	—	—	—	1,132
Trade and other receivables . . . . .		12,970	1,089	491	173	153	104	393	18	15,391
Prepayments . . . . .		7,726	24	8	13	5	5	21	98	7,900
Income tax receivables .		—	126	17	13	9	4	6	20	195
Cash and cash equivalents . . . . .		1,365	383	78	202	47	28	14	—	2,117
Loans and borrowings . .		(19,493)	—	—	—	(22)	(51)	(997)	—	(20,563)
Long term provisions . .		(1,726)	(9)	(7)	(6)	(3)	(2)	(9)	(54)	(1,816)
Deferred tax liabilities .		—	(385)	(72)	(115)	(82)	(59)	(117)	—	(830)
Finance lease liabilities (long term) . . . . .		(2,181)	—	—	—	—	—	(6)	—	(2,187)
Deferred revenue (long term) . . . . .		(14)	—	—	—	—	—	—	—	(14)
Employee benefits . . . .		(273)	(45)	(33)	(30)	(14)	(17)	(48)	—	(460)
Trade and other payables . . . . .		(23,600)	(611)	(355)	(898)	(189)	(228)	(294)	(1)	(26,176)
Current tax liabilities . .		—	(134)	—	—	(6)	(5)	—	(214)	(359)
Loans and borrowings (short term) . . . . .		(11,047)	—	—	—	(6)	—	—	—	(11,053)
Finance lease liabilities (short term) . . . . .		(549)	—	—	—	—	—	(6)	(3)	(558)
Deferred revenue (short term) . . . . .		(493)	—	—	—	—	—	—	—	(493)
<b>Total identifiable net assets acquired . . . . .</b>		<b>54,573</b>	<b>10,529</b>	<b>2,239</b>	<b>2,694</b>	<b>1,574</b>	<b>797</b>	<b>2,384</b>	<b>352</b>	<b>75,142</b>

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Business combinations (Continued)

Goodwill arising from the acquisition has been recognized as follows:

	Tušmobil d.o.o.	M&H Company d.o.o. Sarajevo	HKB-net d.o.o. Sarajevo	KTV HS d.o.o. Sarajevo	Velnet d.o.o. Mostar	VKT-net d.o.o. Bugojno	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Total consideration transferred . . . . .	68,164	12,682	4,131	2,428	2,946	2,249	5,805	600	99,005
Non controlling interest . . . .	—	—	806	1,146	—	—	—	—	1,952
Fair value of identifiable net assets . . . . .	(54,573)	(10,529)	(2,239)	(2,694)	(1,574)	(797)	(2,384)	(352)	(75,142)
<b>Goodwill on the acquisition date . . . . .</b>	<b>13,591</b>	<b>2,153</b>	<b>2,698</b>	<b>880</b>	<b>1,372</b>	<b>1,452</b>	<b>3,421</b>	<b>248</b>	<b>25,815</b>

In the period following their acquisition, the newly acquired companies contributed consolidated revenue of the Group in total amount of EUR 60,826 thousand and consolidated profit in total amount of EUR 1,212 thousand. Following table summarizes effects of each acquired company on consolidated revenue and profit:

	Tušmobil d.o.o.	M&H Company d.o.o. Sarajevo	HKB-net d.o.o. Sarajevo	KTV HS d.o.o. Sarajevo	Velnet d.o.o. Mostar	VKT-net d.o.o. Bugojno	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Revenue . . . . .	53,490	2,951	626	1,269	409	296	1,088	697	<b>60,826</b>
Profit . . . . .	23	593	56	407	9	54	86	(16)	<b>1,212</b>

If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been EUR 435,848 thousand, and consolidated loss for the period would have been EUR 24,190 thousand. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

#### 19. Trade and other receivables

	31-Dec-16	31-Dec-15
Trade receivables . . . . .	81,140	77,938
Other receivables		
Forward exchange contracts . . . . .	2,428	—
VAT receivable . . . . .	3,471	1,955
Receivables from the state . . . . .	959	706
Receivables from employees . . . . .	375	357
Interest receivable (note 30) . . . . .	532	27
Other . . . . .	1,344	385
Total—other receivables . . . . .	9,109	3,430
Provision for impairment . . . . .	(7,168)	(4,223)
<b>Total . . . . .</b>	<b>83,081</b>	<b>77,145</b>

Trade receivables primarily relate to receivables from cable, mobile and DTH operations. The Group's trade receivables were pledged as collateral for loans and bond.

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**20. Short term loan receivables and deposits**

Out of total amount of short term loan receivables and deposits, amount of EUR 2,118 thousands relates to deposited additional consideration on escrow account for acquisitions during 2015 and 2016 in Bosnia (note 28). Amount of EUR 1,100 thousand is deposited on the escrow account in relation to ongoing litigations against acquired companies in Bosnia which were initiated in the pre-acquisition period (notes 18, 32).

**21. Prepayments**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Non current prepayments . . . . .	30	5,987
<b>Total . . . . .</b>	<b>30</b>	<b>5,987</b>
Advance payments and prepaid expenses . . . . .	18,572	18,315
Accrued income . . . . .	2,476	1,389
<b>Total . . . . .</b>	<b>21,048</b>	<b>19,704</b>
<b>Total . . . . .</b>	<b><u>21,078</u></b>	<b><u>25,691</u></b>

Prepayments primarily relate to advance payments to content providers.

**22. Cash and cash equivalents**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
RSD accounts and cash on hand . . . . .	5,160	2,326
EUR accounts and cash on hand . . . . .	6,308	9,278
USD accounts and cash on hand . . . . .	520	1,183
BAM accounts and cash on hand . . . . .	1,391	1,821
Other currency accounts . . . . .	562	518
<b>Total . . . . .</b>	<b><u>13,941</u></b>	<b><u>15,126</u></b>

Bank borrowings are secured on the total amount of cash on bank accounts.

As at 31 December 2016 the Group does not have restricted cash.

**23. Capital and non-controlling interest**

The issued share capital and share premium of Adria Midco B.V. as at 31 December 2016 amounts to EUR 125 thousand and EUR 568,592 thousand, retrospectively.

As at 11 March 2016 the Company completed legal requirements in order to register share premium in the amount of EUR 26,000 thousand.

During 2016, the Group distributed the share premium reserve in the amount of EUR 22,000 thousand.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Capital and non-controlling interest (Continued)

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intragroup eliminations.

31-Dec-16	Telemach Rotovz d.o.o.	Telemach Tabor d.o.o.	Telemach Pobrezje d.o.o.	Telemach Tezno d.o.o.	Grand Production d.o.o.	TV Kanal Ultra d.o.o.	HKB-net	KTV HS	Telemach d.o.o. Montenegro	Total TV d.o.o. Macedonia	Total
NCI percentage . . . . .	9.13%	37.08%	55.06%	63.39%	49.00%	25.00%	36.00%	42.53%	35.71%	25.00%	
Non-current assets . . . . .	17,615	6,570	1,768	882	1,986	856	4,025	3,954	4,101	1,275	43,032
Current assets . . . . .	3,078	2,393	755	526	4,214	4,769	905	609	1,482	514	19,245
Non-current liabilities . . . . .	260	144	38	32	—	—	20	35	2,396	—	2,925
Current liabilities . . . . .	2,640	986	276	179	460	256	2,489	1,245	2,866	3,867	15,264
Net assets . . . . .	17,793	7,833	2,209	1,197	5,740	5,369	2,421	3,283	321	(2,078)	44,088
Carrying amount of NCI . . . . .	<b>1,625</b>	<b>2,904</b>	<b>1,216</b>	<b>759</b>	<b>2,813</b>	<b>1,342</b>	<b>872</b>	<b>1,396</b>	<b>115</b>	<b>(520)</b>	<b>12,522</b>
Revenue . . . . .	8,113	5,107	1,397	1,144	9,472	2,088	2,548	2,656	2,732	1,946	37,203
Profit . . . . .	605	271	85	61	2,850	1,201	179	290	(673)	(127)	4,742
OCI . . . . .	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income . . . . .	—	—	—	—	—	—	—	—	—	—	—
Profit allocated to NCI . . . . .	<b>55</b>	<b>100</b>	<b>47</b>	<b>39</b>	<b>1,397</b>	<b>300</b>	<b>64</b>	<b>123</b>	<b>(240)</b>	<b>(32)</b>	<b>1,853</b>
OCI allocated to NCI . . . . .	—	—	—	—	—	—	—	—	—	—	—

31-Dec-15	Telemach Rotovz d.o.o.	Telemach Tabor d.o.o.	Telemach Pobrezje d.o.o.	Telemach Tezno d.o.o.	Grand Production d.o.o.	Telemach d.o.o. Montenegro	HKB-net	KTV HS	Other	Total
NCI percentage . . . . .	10.84%	39.74%	56.36%	66.35%	49.00%	36.00%	36.00%	42.53%	—	
Non-current assets . . . . .	17,349	6,865	1,832	928	2,168	2,597	1,981	3,039	—	36,759
Current assets . . . . .	2,791	1,774	599	459	2,702	2,739	848	725	—	12,637
Non-current liabilities . . . . .	224	144	37	36	—	2,235	88	144	—	2,908
Current liabilities . . . . .	2,731	931	270	215	491	1,929	410	898	—	7,875
Net assets . . . . .	17,185	7,564	2,124	1,136	4,379	1,172	2,331	2,722	—	38,613
Carrying amount of NCI . . . . .	<b>1,863</b>	<b>3,006</b>	<b>1,197</b>	<b>754</b>	<b>2,146</b>	<b>422</b>	<b>839</b>	<b>1,158</b>	<b>1,910</b>	<b>13,295</b>
Revenue . . . . .	8,792	5,583	1,539	1,255	7,684	3,454	283	568	—	29,158
Profit . . . . .	629	325	97	73	1,775	(353)	93	29	—	2,668
OCI . . . . .	—	—	—	—	—	—	—	—	—	—
Total comprehensive income . . . . .	629	325	97	73	1,775	(353)	93	29	—	2,668
Profit allocated to NCI . . . . .	<b>68</b>	<b>129</b>	<b>55</b>	<b>48</b>	<b>870</b>	<b>(127)</b>	<b>33</b>	<b>12</b>	<b>102</b>	<b>1,190</b>
OCI allocated to NCI . . . . .	—	—	—	—	—	—	—	—	—	—

#### 24. Long term provisions

	31-Dec-16	31-Dec-15
Provision for legal cases (note 32) . . . . .	4,055	—
Provisions for decommissioning of base stations (note 28) . . . . .	2,730	—
Other . . . . .	434	876
<b>Total . . . . .</b>	<b>7,219</b>	<b>876</b>

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**25. Loans and borrowings and bonds**

**Long-term borrowings**

Long-term borrowings per loan facility are as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Bond . . . . .	775,000	625,000
Revolving facility (RCF) . . . . .	33,000	59,675
Bank secured loan . . . . .	7,509	7,870
<b>Total</b> . . . . .	<b>815,509</b>	<b>692,545</b>
Current portion for bank secured loan . . . . .	(867)	(361)
Adjustment for amortized cost (bond) . . . . .	(31)	(5,012)
Adjustment for amortized cost (RCF) . . . . .	(2,501)	(2,224)
<b>Total</b> . . . . .	<b>812,110</b>	<b>684,948</b>

Adjustment to the nominal amount of bond and RCF is necessary because they are recorded at amortized cost. Based on this, upon origination of the bond and RCF, transaction costs were included in the financial liabilities recognized. Interest expense recorded includes amortization of these transaction costs deferred at initial recognition to maturity amount using the effective interest method. Amortized premium (including fees deferred at origination), is not presented separately and is included in the carrying values of the borrowings (as a reducing item).

**Bonds**

As at 15 November 2013 the Group issued bonds in the nominal amount of EUR 475,000 thousand. As at 1 April 2015 and 25 July 2016 the Group issued another two tranche of bonds in the nominal amount of EUR 150,000 thousand each, which were incorporated with previous bonds. The bonds will mature on 15 November 2020. Interest is payable semi-annually on each 15 May and 15 November commencing 15 May 2014. Nominal interest rate is defined at 7.875% p.a. As at 31 December 2016, effective interest rate on bonds is equal to nominal interest rate mainly due to effect of bond premium which is amortized during the repayment period.

**Revolving credit facility (RCF)**

The Group has on 5 November 2013 signed agreement for revolving facility with bank consortium led by Unicredit bank in the total available amount of EUR 135,000 thousand (out of which EUR 33,000 thousand was used through both bank loans as at 31 December 2016). Maturity date of this RCF is 20 March 2020.

The bank loan facilities have been secured by a pledge on 100% of the shares of Adria Midco B.V. and direct subsidiary entities as well as property, plant and equipment, intangible assets and receivables.

As at 9 May 2016, the Group has signed agreement for revolving facility with Raiffeisen bank a.d., Beograd in total available amount of EUR 20,000 thousand. Maturity date of this RCF is 30 September 2020. Loan is non secured with interest rate 2.90% p.a.

The Group has also available revolving facility with Credit Agricole a.d., Beograd in total available amount of EUR 5,000 thousand. Maturity of this RCF is in November 2017. This facility can be used for



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 25. Loans and borrowings and bonds (Continued)

guarantees and letters of credit as well. As at 31 December 2016, total amount used for purpose of guaranties and letters of credit amounts to EUR 2,653 thousand.

	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Bonds . . . . .	EUR	7.875%	2020	775,000	774,969
Unicredit Bank (revolving facility) . . . . .	EUR	4.25% + 6M Euribor	2020	26,000	30,499
Nova Ljubljanska Banka A.D., Slovenia . . .	EUR	3.4% + 1M Euribor	2020	7,509	6,642
<b>Total . . . . .</b>					<b><u>812,110</u></b>

#### Loan covenants

Based on the agreement for RCF, the Group is required to comply with a leverage ratio to consolidated adjusted EBITDA for the period most recent four consecutive financial quarters ending prior to the date of determination of the ratio. Leverage ratio is calculated as aggregate outstanding indebtedness of the Group and should not exceed ratio 8:1. Indebtedness is calculated as total financial liabilities decreased by level of cash and cash equivalents as at reporting date. Satisfaction of the covenant is tested quarterly. As at 31 December 2016 the Group is in compliance with this requirement.

#### Finance leases

The Group has finance lease arrangements which bears an interest rate in the range of 3% to 5%. The lease is repayable in fixed monthly instalments within period of 3–5 years, with the last repayment in November 2020 (refer to note 15).

#### Short term borrowings

Short term debt by category of loan consists of following:

	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Unicredit Bank A.D., Beograd . . . . .	EUR	6M euribor + 5.35%	2017	4,500	4,500
Current portion of long term loan (Nova Ljubljanska banka A.D., Slovenia) . . .	EUR	3.4% + 1M Euribor	2020	—	867
<b>Total . . . . .</b>					<b><u>5,367</u></b>

#### 26. Deferred revenue

	31-Dec-16	31-Dec-15
<b>Up to 1 year . . . . .</b>	<b>8,613</b>	<b>8,190</b>
Between 1 and 2 years . . . . .	2,036	1,785
Between 2 and 5 years . . . . .	1,640	1,843
Over 5 years . . . . .	2,430	2,416
<b>Total over 1 year . . . . .</b>	<b>6,106</b>	<b>6,044</b>
<b>Total . . . . .</b>	<b><u>14,719</u></b>	<b><u>14,234</u></b>

Deferred revenue mainly refers to subscriber connection fees and prepaid network operating lease arrangements with mobile operators.

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**27. Deferred tax assets and liabilities**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is presented in the following table:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Deferred tax assets . . . . .	10,193	7,850
Deferred tax liabilities . . . . .	(27,829)	(32,014)
<b>Total . . . . .</b>	<b><u>(17,636)</u></b>	<b><u>(24,164)</u></b>

The net movement of the deferred income tax is as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Opening balance . . . . .	(24,164)	(26,661)
Exchange differences . . . . .	109	409
Recognized in profit or loss (note 13) . . . . .	6,859	1,091
Acquired in business combination . . . . .	(440)	997
<b>Total . . . . .</b>	<b><u>(17,636)</u></b>	<b><u>(24,164)</u></b>

Movement of deferred tax liabilities and deferred tax assets is shown in tables below:

<u>Deferred tax liability</u>	<u>Trademark &amp; Customer base</u>	<u>Property, plant and equipment</u>	<u>Total</u>
At 1 January 2015 . . . . .	(27,006)	(5,111)	(32,117)
Charged/(credited) to statement of comprehensive income . . . . .	1,153	(639)	514
Acquired in business combination . . . . .	(830)	—	(830)
Exchange differences . . . . .	350	69	419
<b>At 31 December 2015 . . . . .</b>	<b><u>(26,333)</u></b>	<b><u>(5,681)</u></b>	<b><u>(32,014)</u></b>
At 1 January 2016 . . . . .	(26,333)	(5,681)	(32,014)
Charged/(credited) to statement of comprehensive income . . . . .	6,270	(1,753)	4,517
Acquired in business combination . . . . .	(440)	—	(440)
Exchange differences . . . . .	—	108	108
<b>At 31 December 2016 . . . . .</b>	<b><u>(20,503)</u></b>	<b><u>(7,326)</u></b>	<b><u>(27,829)</u></b>

<u>Deferred tax assets</u>	<u>Property, plant and equipment</u>	<u>Non-current liabilities</u>	<u>Current assets</u>	<u>Tax loss / credit carried forward</u>	<u>Total</u>
At 1 January 2015 . . . . .	2,180	93	10	3,173	5,456
Charged/(credited) to statement of comprehensive income . . . . .	—	—	—	577	577
Acquired in business combination . . . . .	224	—	—	1,603	1,827
Exchange differences . . . . .	(10)	—	—	—	(10)
<b>At 31 December 2015 . . . . .</b>	<b><u>2,394</u></b>	<b><u>93</u></b>	<b><u>10</u></b>	<b><u>5,353</u></b>	<b><u>7,850</u></b>
At 1 January 2016 . . . . .	2,394	93	10	5,353	7,850
Charged/(credited) to statement of comprehensive income . . . . .	114	44	—	2,184	2,342
Exchange differences . . . . .	—	—	—	1	1
<b>At 31 December 2016 . . . . .</b>	<b><u>2,508</u></b>	<b><u>137</u></b>	<b><u>10</u></b>	<b><u>7,538</u></b>	<b><u>10,193</u></b>

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**28. Trade and other payables**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Trade payables . . . . .	68,579	84,943
Provision for legal cases (note 11) . . . . .	—	3,181
Accrued liabilities . . . . .	14,821	9,761
Interest payable . . . . .	8,429	7,026
Received advances . . . . .	3,205	3,482
Taxas payable . . . . .	3,520	3,002
Provisions for decommissioning of base stations . . . . .	—	2,686
Forward exchange contracts . . . . .	—	2,614
Other liabilities . . . . .	8,217	5,875
<b>Total . . . . .</b>	<b><u>106,771</u></b>	<b><u>122,570</u></b>

Out of total amount of other liabilities, amount of EUR 2,180 thousand relates to liabilities for purpose of acquisition of entities in Bosnia in 2015 and 2016 (2015: EUR 5,740 thousand; notes 18, 20).

As at 31 December 2016 the Group reclassified provisions for decommissioning of base stations in the amount of EUR 2,730 thousand to long term provision (note 24).

**29. Financial instruments**

**Credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Loans to related parties . . . . .	32,002	2,049
Other financial assets . . . . .	545	—
Short term loans receivables and deposits . . . . .	5,473	6,138
Trade and other receivables . . . . .	83,081	77,145
Cash and cash equivalents . . . . .	13,941	15,126
<b>Total . . . . .</b>	<b><u>135,042</u></b>	<b><u>100,458</u></b>

The maximum exposure to credit risk for gross trade receivables at the reporting date by revenue stream generated was:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Provision of service . . . . .	81,138	77,938
Other receivables . . . . .	9,111	3,430
Allowance for impairment . . . . .	(7,168)	(4,223)
<b>Total . . . . .</b>	<b><u>83,081</u></b>	<b><u>77,145</u></b>

The aging and impairment of gross trade receivables as at 31 December 2016 and 31 December 2015 is presented in the following schedule:

	<u>31-Dec-16</u>		<u>31-Dec-15</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Up to 3 months and not due . . . . .	73,204	—	60,256	—
3 to 6 months . . . . .	8,344	—	11,310	—
Over 6 months . . . . .	8,701	(7,168)	9,802	(4,223)
<b>Total . . . . .</b>	<b><u>90,249</u></b>	<b><u>(7,168)</u></b>	<b><u>81,368</u></b>	<b><u>(4,223)</u></b>

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**29. Financial instruments (Continued)**

The movement in the allowance for impairment in respect with trade receivables during period ending 31 December 2016 was as follows:

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Opening balance . . . . .	(4,223)	(1,092)
Impairment loss recognized (note 11) . . . . .	(4,547)	(5,325)
Write off of previously impaired receivables . . . . .	1,357	2,204
Effect of movements in exchange rates . . . . .	245	(10)
<b>Total . . . . .</b>	<b><u>(7,168)</u></b>	<b><u>(4,223)</u></b>

**Liquidity risk**

The following are the undiscounted contractual maturities of financial liabilities:

	<b>Carrying value</b>	<b>Up to 1 year</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31-Dec-16</b>					
Loans and borrowings . . . . .	42,508	2,179	49,327	—	51,506
Other financial liabilities . . . . .	774,969	61,031	953,686	—	1,014,717
Finance lease liabilities . . . . .	16,523	10,896	6,134	—	17,030
Trade and other payables . . . . .	103,566	103,566	—	—	103,566
<b>Total . . . . .</b>	<b><u>937,566</u></b>	<b><u>177,672</u></b>	<b><u>1,009,147</u></b>	<b><u>—</u></b>	<b><u>1,186,819</u></b>
<b>31-Dec-15</b>					
Loans and borrowings . . . . .	66,587	2,893	77,247	—	80,140
Other financial liabilities . . . . .	619,988	49,219	793,302	—	842,521
Finance lease liabilities . . . . .	24,426	14,012	11,449	—	25,461
Trade and other payables . . . . .	119,088	119,088	—	—	119,088
<b>Total . . . . .</b>	<b><u>830,089</u></b>	<b><u>185,212</u></b>	<b><u>881,998</u></b>	<b><u>—</u></b>	<b><u>1,067,210</u></b>

**Currency risk**

Group's overview of financial instruments by currency denomination was as follows:

	<b>EUR</b>	<b>RSD</b>	<b>USD</b>	<b>BAM</b>	<b>Other</b>	<b>Total</b>
<b>31-Dec-16</b>						
Loans to related parties . . . . .	32,002	—	—	—	—	32,002
Other financial assets . . . . .	493	52	—	—	—	545
Trade and other receivables . . . . .	45,268	17,521	5,673	10,038	2,153	80,653
Short term loans receivables and deposits . . . .	1,067	948	—	3,458	—	5,473
Cash and cash equivalents . . . . .	6,366	5,160	462	1,391	562	13,941
<b>Total . . . . .</b>	<b><u>85,196</u></b>	<b><u>23,681</u></b>	<b><u>6,135</u></b>	<b><u>14,887</u></b>	<b><u>2,715</u></b>	<b><u>132,614</u></b>
Loans and borrowings . . . . .	42,508	—	—	—	—	42,508
Other financial liabilities . . . . .	774,969	—	—	—	—	774,969
Finance lease liabilities . . . . .	16,523	—	—	—	—	16,523
Trade and other payables . . . . .	55,852	27,089	7,937	11,581	1,107	103,566
<b>Total . . . . .</b>	<b><u>889,852</u></b>	<b><u>27,089</u></b>	<b><u>7,937</u></b>	<b><u>11,581</u></b>	<b><u>1,107</u></b>	<b><u>937,566</u></b>
<b>Forward exchange contracts . . . . .</b>	<b><u>(81,745)</u></b>	<b><u>—</u></b>	<b><u>87,203</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>5,458</u></b>
<b>Net exposure . . . . .</b>	<b><u>(886,401)</u></b>	<b><u>(3,408)</u></b>	<b><u>85,401</u></b>	<b><u>3,306</u></b>	<b><u>1,608</u></b>	<b><u>(799,494)</u></b>

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**29. Financial instruments (Continued)**

	<u>EUR</u>	<u>RSD</u>	<u>USD</u>	<u>BAM</u>	<u>Other</u>	<u>Total</u>
<b>31-Dec-15</b>						
Loans to related parties . . . . .	2,049	—	—	—	—	2,049
Trade and other receivables . . . . .	41,950	25,702	—	6,736	2,757	77,145
Short term loans receivables and deposits . . . .	6,138	—	—	—	—	6,138
Cash and cash equivalents . . . . .	9,280	2,326	1,183	1,821	516	15,126
<b>Total . . . . .</b>	<b>59,417</b>	<b>28,028</b>	<b>1,183</b>	<b>8,557</b>	<b>3,273</b>	<b>100,458</b>
Loans and borrowings . . . . .	66,521	—	66	—	—	66,587
Other financial liabilities . . . . .	619,988	—	—	—	—	619,988
Finance lease liabilities . . . . .	24,426	—	—	—	—	24,426
Trade and other payables . . . . .	65,953	29,661	11,536	8,416	908	116,474
<b>Total . . . . .</b>	<b>776,888</b>	<b>29,661</b>	<b>11,602</b>	<b>8,416</b>	<b>908</b>	<b>827,475</b>
<b>Forward exchange contracts . . . . .</b>	<b>(113,675)</b>	<b>—</b>	<b>114,985</b>	<b>—</b>	<b>—</b>	<b>1,310</b>
<b>Net exposure . . . . .</b>	<b>(831,146)</b>	<b>(1,633)</b>	<b>104,566</b>	<b>141</b>	<b>2,365</b>	<b>(725,707)</b>

Exchange rates applied during the compilation of the consolidated financial statements are as follows:

<u>Currency</u>	<u>As at 31 December 2015</u>	<u>As at 31 December 2016</u>	<u>12 months ending 31 December 2015</u>	<u>12 months ending 31 December 2016</u>
RSD . . . . .	121.6261	123.4723	120.7450	123.1015
USD . . . . .	1.0933	1.0541	1.1112	1.1072
BAM . . . . .	1.9558	1.9558	1.9558	1.9558
HRK . . . . .	7.6381	7.5652	7.6130	7.5376
MKD . . . . .	61.5947	61.4779	61.6107	61.5424

**Sensitivity analysis**

*Currency risk*

Currency risk mainly arises from operations in Serbia for which functional currency is Serbian Dinar and which have significant EUR borrowings. Sensitivity analysis reflects the risk of foreign exchange losses on translation of Euro and USD denominated trade receivables, trade payables and borrowings into RSD.

As at 31 December 2016, if the currency had weakened/strengthened by a further 10% against the RSD with all the variables held constant, net loss for the year would have been EUR 21,990 thousand higher / lower (2015: EUR 31,446 thousand), mainly as a result of foreign exchange effects of translation of RSD denominated trade receivables and trade payables.

As at 31 December 2016, if the currency had weakened/strengthened by a further 10% against the USD with all the variables held constant, net loss for the year would have been EUR 6,405 thousand higher / lower (2015: EUR 8,888 thousand), mainly as a result of foreign exchange effects of translation of RSD denominated trade receivables and trade payables.



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**29. Financial instruments (Continued)**

*Interest rate risk*

As at 31 December 2016, if interest rates on currency denominated borrowings (with floating rate) had been 1% higher with all other variables held constant, net profit for the year would have been EUR 218 thousand lower (2015: EUR 683 thousand) (note 25).

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Fixed rate instruments</b>		
Financial assets . . . . .	2,547	2,049
Financial liabilities . . . . .	(774,969)	(619,988)
<b>Total . . . . .</b>	<b>(772,422)</b>	<b>(617,939)</b>
<b>Variable rate instruments</b>		
Financial assets . . . . .	30,000	—
Financial liabilities . . . . .	(59,031)	(91,013)
<b>Total . . . . .</b>	<b>(29,031)</b>	<b>(91,013)</b>

**Fair values and risk management**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair values hierarchy. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		<u>Carrying amount</u>				<u>Fair value</u>			
<u>31-Dec-16</u>	<u>Note</u>	<u>Fair value— hedging instruments</u>	<u>Loans and receivables</u>	<u>Other financial liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets not measured at fair value*</b>									
Loans to related parties . . .	30	—	32,002	—	32,002	—	—	—	—
Other financial assets . . . . .		—	545	—	545	—	—	—	—
Trade and other receivables	19	—	80,653	—	80,653	—	—	—	—
Short term loans receivables and deposits . . . . .	20	—	5,473	—	5,473	—	—	—	—
Cash and cash equivalents . .	22	—	13,941	—	13,941	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>132,614</b>	<b>—</b>	<b>132,614</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial assets measured at fair value</b>									
Forward exchange contracts used for hedging . . . . .	19	2,428	—	—	2,428	—	2,428	—	2,428
<b>Total . . . . .</b>		<b>2,428</b>	<b>—</b>	<b>—</b>	<b>2,428</b>	<b>—</b>	<b>2,428</b>	<b>—</b>	<b>2,428</b>
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings . . . . .	25	—	—	42,508	42,508	—	—	42,508	42,508
Bonds . . . . .	25	—	—	774,969	774,969	—	—	808,695	808,695
Finance lease liabilities . . . .	15	—	—	16,523	16,523	—	—	16,523	16,523
Trade payables* . . . . .	28	—	—	106,771	106,771	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>—</b>	<b>940,771</b>	<b>940,771</b>	<b>—</b>	<b>—</b>	<b>867,726</b>	<b>867,726</b>

\* The Group has not disclosed the fair values for financial instruments such as financial assets and payables, because their carrying amounts are a reasonable approximation of their fair value.

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**29. Financial instruments (Continued)**

31-Dec-15	Note	Carrying amount				Fair value			
		Fair value— hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value* . .</b>									
Loans to related parties . . .	30	—	2,049	—	2,049	—	—	—	—
Trade and other receivables	19	—	77,145	—	77,145	—	—	—	—
Short term loans receivables and deposits . . . . .	20	—	6,138	—	6,138	—	—	—	—
Cash and cash equivalents .	22	—	15,126	—	15,126	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>100,458</b>	<b>—</b>	<b>100,458</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts used for hedging . . . . .	28	2,614	—	—	2,614	—	2,614	—	2,614
<b>Total . . . . .</b>		<b>2,614</b>	<b>—</b>	<b>—</b>	<b>2,614</b>	<b>—</b>	<b>2,614</b>	<b>—</b>	<b>2,614</b>
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings . . . .	25	—	—	66,587	66,587	—	—	66,587	66,587
Bonds . . . . .	25	—	—	619,988	619,988	—	—	664,470	664,470
Finance lease liabilities . . . .	15	—	—	24,426	24,426	—	—	24,426	24,426
Trade payables* . . . . .	28	—	—	119,956	119,956	—	—	—	—
<b>Total . . . . .</b>		<b>—</b>	<b>—</b>	<b>830,957</b>	<b>830,957</b>	<b>—</b>	<b>—</b>	<b>755,483</b>	<b>755,483</b>

\* The Group has not disclosed the fair values for financial instruments such as financial assets and payables, because their carrying amounts are a reasonable approximation of their fair value.

**Measurement of fair values**

The following table shows the valuation techniques used in measuring Level 3 fair values:

Type	Valuation technique	Significant unobservable inputs	Interrelating between significant unobservable inputs and fair value measurement
Forward exchange contracts used for hedging	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in a active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Other financial liabilities	Discounted cash flows: valuation model considers present value of expected payment, discounted using a risk adjusted discount rate.	/	/

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**30. Related parties**

Generally parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related parties' relationships for those parties with whom the Group entered into significant transactions or had significant balances outstanding as at 31 Decembers 2016 and 31 Decembers 2015 detailed below. Transactions with related parties were entered into during the ordinary course of business on normal commercial terms.

Balances and transactions with related parties of the Group consist of the following:

**i) Balances with related parties**

	<u>Relationship</u>	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Loans to related parties</b>			
Mr. Šolak . . . . .	Related party	30,000	—
Adria Topco B.V. . . . .	Parent	<u>2,006</u>	<u>2,049</u>
<b>Total</b> . . . . .		<b><u>32,006</u></b>	<b><u>2,049</u></b>
<b>Trade and other receivables</b>			
Mr. Šolak . . . . .	Related party	330	—
Adria Topco B.V. . . . .	Parent	<u>202</u>	<u>27</u>
<b>Total</b> . . . . .		<b><u>532</u></b>	<b><u>27</u></b>

As is customary in private equity-backed investments, the Group has put in place a management incentive plan that was approved by the board of directors and is being implemented. The management incentive plan is intended to align the long term interests of shareholders and senior management team and is subject to customary vesting and leaver provisions and designed to reward management team upon the successful exit of our current shareholders. In connection with the implementation of management incentive plan, the Group made a loan in an aggregate principal amount of EUR 30,000 thousand to Mr. Šolak, pursuant to a loan agreement dated September 15, 2016 based on arm's length terms, to enable Mr. Šolak to acquire shares of equivalent value in parent company, Adria Luxco S.à r.l. These shares in Adria Luxco S.à r.l. acquired by Mr. Šolak have been pledged in favor of the Group to secure the obligations of Mr. Šolak under the loan agreement.

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**30. Related parties (Continued)**

**ii) Transactions with related parties**

	<u>Relationship</u>	<u>2016</u>	<u>2015</u>
<b>Other operating expense</b>			
Kohlberg Kravis Roberts & Co. L.P. ....	Ultimate parent	2,364	1,363
Gerrard Enterprises LLC .....	Related party	5,182	5,241
Consulting Estrela .....	Related party	911	529
Cable Management Company Ltd .....	Related party	136	83
<b>Total</b> .....		<u><b>8,593</b></u>	<u><b>7,216</b></u>
<b>Interest income</b>			
Mr. Šolak .....	Related party	330	—
Adria Topco B.V. ....	Parent	167	41
<b>Total</b> .....		<u><b>497</b></u>	<u><b>41</b></u>

Other operating expenses relate to fees under transaction fee and advisory service agreements.

**iii) Transactions with key management personnel**

During the period ended 31 December 2016, total compensation paid to key management personnel for their services is made up of a contractual salary and a performance bonus depending on operating results. Total compensation for key management personnel amounted to EUR 2,446 thousand (2015: EUR 1,882 thousand). There are no post-employment and termination benefits for key management personnel.

**31. Operating leases**

The Group leases office space and satellite transponders under operating lease for periods of 10 years and more. These contracts are non-cancellable.

As at 31 December 2016, the future minimum lease payments under non-cancellable leases were as follows:

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Up to 1 year .....	9,916	11,064
Between 2 and 5 years .....	37,414	44,256
Over 5 years .....	24,857	37,088
<b>Total</b> .....	<u><b>72,187</b></u>	<u><b>92,408</b></u>

The Group recognized total amount of EUR 10,789 thousand in profit and loss in 2016 (2015: EUR 10,285 thousand).

**32. Legal matters**

As at 31 December 2016, the Group is involved in a number of legal cases in the total amount of EUR 74,282 thousand (2015: EUR 26,393 thousand).

The Group management recognized provision for legal cases in the amount of EUR 4,055 thousand (note 24). Out of total amount of provisions, amount of EUR 2,955 thousand relates to provision for legal case raised by SOKOJ. Amount of EUR 1,100 thousand relates to provision for legal disputes with minority shareholders for acquisitions in Telemach d.o.o., Bosnia and Herzegovina (note 20, 24).

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**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**32. Legal matters (Continued)**

Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is low probability of negative outcome.

*Legal cases in Serbia*

Out of total amount of legal cases, amount of EUR 29,409 thousand relates to legal case which was raised by SOKOJ (Serbian music authors' organization for collective protection of music copyright and related rights). The Group signed contract with SOKOJ only for cable service it provides, and not for the DTH service. SOKOJ claims that although there is no contract signed for DTH services, it has legal right to receive adequate remuneration from users of DTH service based on decision of regulatory body starting from 2012.

In 2016, the company Luxor d.o.o. from which the Group acquired share in TV Kanal Ultra d.o.o. raised legal case against the Group. Subject of the dispute is seller's assurance that value of the TV Kanal Ultra d.o.o. could be higher than determined due to certain assumptions which came up after the share was acquired. Total value of dispute amounts to EUR 6,884 thousand.

In 2016, the Company BS Group d.o.o., Brus raised legal case against the Group. Subject of the dispute is violation of producer's rights. According to the plaintiff, the Group violated territorial restriction of the contract by broadcasting certain movies on territories which were not listed in the contract. Total value of dispute amounts to EUR 25,000 thousand.

*Legal cases in Slovenia*

The award of 5 MHz on 2100 MHz spectrum license in 2008 to Tušmobil (now Telemach Slovenia) is currently subject to review by the civil courts. Said license was granted by the Agency for Communication Networks and Services of the Republic of Slovenia ("AKOS") with validity though 2023 and is a minor part of the total spectrum holdings of Telemach Slovenija, used for mobile telecommunications. Since its inception, the case arising from this challenge has been through several rounds of review and decisions by AKOS, as well as by the relevant Administrative Court and the Supreme Court in Slovenia. Having previously affirmed its decision regarding the validity of the grant of the license to Tušmobil on three occasions (in 2008, 2010 and 2014), AKOS reopened the procedure for the allotment of the license in July 2015 following a direction to do so from the Administrative Court.

In the worst case the Administrative Court would decide to uphold the Agency's decision, yet the frequencies would remain with Telemach Slovenia until a new Decision on awarding of radio frequencies would be issued, following a public tender (where also Telemach Slovenia could participate).

The management of the Group believe that the 3G license was granted in accordance with the applicable legislation. The Group has not made any provision based on the current best estimate of the outcome of the dispute.

*Legal cases in Bosnia*

*Minority shareholders of HS d.o.o. and HKB d.o.o.*

As a result of acquisition of subsidiaries in Bosnia, the Group assumed significant number of ongoing court disputes. The disputes are initiated by the minority owners of companies HS d.o.o. and HKB d.o.o. which claimed compensation for damages and cancellation of a share purchase transaction.

The earliest case was initiated several years ago and hence forth new cases were initiated almost on annual basis. Cases initiated by minority shareholders for the most part related to allegations of contract being signed by HS d.o.o. and HKB d.o.o. that were to the detriment of these two companies, various violations of minority shareholders' rights by the majority shareholder such as the right of first refusal, right of access to business records of the company In parallel to initiating court disputes seeking indemnity



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**32. Legal matters (Continued)**

and termination of certain agreements the minority shareholders have also filed criminal complaint to Office of the Public Prosecutor alleging criminal wrongdoing by majority shareholders and former management. The minority owners have also filed criminal charges against the former owners on the basis of unlawful enrichment.

The provisional quantum of indemnity sought by the minority shareholders is up to EUR 10,513 thousand. Legal advisors of the Group stated that aforementioned amount of indemnity was determined by the claimants and that the final amount of indemnity would be assessed by court appointed experts.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow account in the amount of EUR 1,100 thousand it deems sufficient to pay the claims that would be ruled in favor of the claimants (notes 20, 24).

*Cases relating to BHB Cable TV d.o.o.*

As a result of acquisition of subsidiary BHB Cable TV d.o.o., the Group assumed number of ongoing court cases relating to BHB.

Historically there existed a number of agreements between the claimant and the defendant regulating their business relationship, ownership, management and maintenance of the cable infrastructure, future projects and other matters. The initial court case was initiated in 2009. Total value of claims is EUR 434 thousand.

In one of the cases the first instance court has reached a decision in favor of plaintiff and counter claims were rejected. A subsequent ruling by a second instance court reversed this decision and the ruling was reached under which BHB nor plaintiff were entitled to damages. Plaintiff initiated extraordinary legal remedy to have the second instance verdict revised / abolished before the Supreme Court of FbiH and the final decision of the Supreme Court has confirmed the earlier second instance decision.

In all subsequent court cases the first instance court ruled in line with the ruling of the second instance court in previous case.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow it deems sufficient to pay the claims that would, based on legal estimate, be ruled in favor of the claimants.

Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is low probability of negative outcome. However, based on the latest decision of the Communication Regulatory Agency of Bosnia and Herzegovina, the BHB's title over the relevant infrastructure is in question and the parties are now negotiating to extend the escrow period.

**33. Guaranties**

The Group has guaranteed a loan of the Gerrard Aircraft GMBH in the amount of EUR 5,600 thousand. The guaranty expires on 13 April 2020.

**34. Subsequent events**

On 29 August 2016, the Group concluded an agreement to acquire the entire stake in the company Ikom d.o.o., Serbia. On 14 March 2017 the Group has received approval from local competition authorities in Serbia, which was condition for closing the transaction. Ikom d.o.o. is Serbian provider of cable TV, internet and fixed telephony with more than 10 years of presence in local market. The acquisition is

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**34. Subsequent events (Continued)**

expected to provide the Group with increased share of the cable market in Serbia through access to Ikom's customer database. Total consideration for the acquisition amounts to EUR 45,000 thousand. As at date of issuance of these financial statements the Group did not settled its liabilities to shareholder and has not taken control over the company. This is expected to be completed in Q2 2017.

As at 1 January 2017 Total TV d.o.o. merged into Telemach d.o.o., Slovenia.

As at 1 February 2017 Eunet d.o.o. merged into SBB d.o.o., Serbia.

On 28 December 2016, the Group concluded an agreement to acquire the entire stake in the company IDJ Digital Holding Limited, Malta. The transaction is subject to customary regulatory approvals by the competition authorities in Serbia, which is the sole condition to closing, and is expected to be completed by the end of year March 2017. Total consideration for the acquisition amounts to EUR 537 thousand.

On 9 February 2017, the Group concluded an agreement to acquire the entire stake in the company Fight Channel d.o.o., Croatia. The transaction is expected to be completed by the end of year March 2017. Total consideration for the acquisition amounts to EUR 2,500 thousand.

The Group's management holds that they are not aware of any other significant post balance sheet events that could affect the financial statements for 2016 or require separate disclosure.

**ADRIA MIDCO B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED**  
**31 DECEMBER 2015**

# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2015

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## **Independent Auditors' Report on Financial Information**

TO THE OWNERS

ADRIA MIDCO B.V.

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Adria Midco B.V. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the periods then ended, and notes, comprising 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 consolidated 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Belgrade, 22 April 2016

KPMG d.o.o. Beograd



KPMG d.o.o. Beograd



# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2015

In thousands of EUR

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31-Dec-15	31-Dec-14
Revenue . . . . .	7	377,325	240,587
Other income . . . . .	8	5,979	4,995
Content cost . . . . .		(60,017)	(48,320)
Satellite capacity cost . . . . .		(7,561)	(6,090)
Link and interconnection costs . . . . .		(28,834)	(10,807)
Materials cost . . . . .	9	(10,416)	(5,601)
Staff costs . . . . .	10	(42,780)	(24,444)
Depreciation . . . . .	14	(65,792)	(41,677)
Amortization of intangible assets . . . . .	15	(41,272)	(23,669)
Other operating expenses . . . . .	11	(92,317)	(83,345)
<b>Operating profit . . . . .</b>		<b>34,315</b>	<b>1,629</b>
Finance income . . . . .		147	485
Finance costs . . . . .		(59,864)	(72,839)
<b>Net finance costs . . . . .</b>	12	<b>(59,717)</b>	<b>(72,354)</b>
<b>Loss before tax . . . . .</b>		<b>(25,402)</b>	<b>(70,725)</b>
Income tax . . . . .	13	(1,575)	388
<b>Loss for the year . . . . .</b>		<b>(26,977)</b>	<b>(70,337)</b>
Other comprehensive income			
Currency translation differences . . . . .		(5,700)	(8,419)
<b>Other comprehensive loss for the year . . . . .</b>		<b>(5,700)</b>	<b>(8,419)</b>
<b>Total comprehensive income for the year . . . . .</b>		<b>(32,677)</b>	<b>(78,756)</b>
Loss attributable to:			
Owners of the Company . . . . .		(28,167)	(70,739)
Non-controlling interests . . . . .		1,190	402
<b>Loss for the year . . . . .</b>		<b>(26,977)</b>	<b>(70,337)</b>
Total comprehensive income attributable to:			
Owners of the Company . . . . .		(33,867)	(79,227)
Non-controlling interests . . . . .		1,190	471
<b>Total comprehensive income for the year . . . . .</b>		<b>(32,677)</b>	<b>(78,756)</b>

The accompanying notes on pages F-42 to F-86 are an integral part of these Consolidated financial statements.

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2015**  
**In thousands of EUR**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Assets</b>			
Property, plant and equipment . . . . .	14	323,991	232,835
Goodwill . . . . .	16	649,094	623,279
Intangible assets . . . . .	15	253,346	197,661
Investment property . . . . .		485	635
Other financial assets . . . . .	18	2,049	405
Non current prepayments . . . . .	21	5,987	—
Deferred costs . . . . .		767	—
Deferred tax assets . . . . .	25	7,850	5,456
<b>Non-current assets</b> . . . . .		<b>1,243,569</b>	<b>1,060,271</b>
Inventories . . . . .		6,217	3,602
Trade and other receivables . . . . .	19	77,145	53,093
Short term loans receivables and deposits . . . . .	20	6,138	727
Prepayments . . . . .	21	19,704	19,173
Income tax receivables . . . . .		1,728	2,782
Cash and cash equivalents . . . . .	22	15,126	16,182
<b>Current assets</b> . . . . .		<b>126,058</b>	<b>95,559</b>
<b>Total assets</b> . . . . .		<b>1,369,627</b>	<b>1,155,830</b>
<b>Equity</b>			
Issued and fully paid share capital . . . . .	23	125	125
Share premium . . . . .	23	564,592	564,592
Translation reserves . . . . .		(14,188)	(8,488)
Other capital reserve . . . . .	23	26,000	—
Accumulated losses . . . . .		(105,296)	(78,905)
<b>Equity attributable to owners of the Company</b> . . . . .		<b>471,233</b>	<b>477,324</b>
Non-controlling interests . . . . .	23	13,295	12,513
<b>Total equity</b> . . . . .		<b>484,528</b>	<b>489,837</b>
<b>Liabilities</b>			
Loans and borrowings . . . . .	24	64,960	46,845
Bonds . . . . .	24	619,988	465,580
Long term liabilities . . . . .		3,520	—
Long term provisions . . . . .		876	995
Deferred revenue . . . . .	25	6,044	7,620
Finance lease liabilities . . . . .	15	11,194	10,103
Deferred tax liabilities . . . . .	26	32,014	32,117
Employee benefits . . . . .		534	818
<b>Non-current liabilities</b> . . . . .		<b>739,130</b>	<b>564,078</b>
Trade and other payables . . . . .	27	122,570	81,083
Current tax liabilities . . . . .		350	1,349
Loans and borrowings . . . . .	24	1,627	6,303
Deferred revenue . . . . .	25	8,190	5,550
Finance lease liabilities . . . . .	15	13,232	7,630
<b>Current liabilities</b> . . . . .		<b>145,969</b>	<b>101,915</b>
<b>Total liabilities</b> . . . . .		<b>885,099</b>	<b>665,993</b>
<b>Total equity and liabilities</b> . . . . .		<b>1,369,627</b>	<b>1,155,830</b>

These consolidated financial statements have been approved for issue by the Board of Directors on 22 April 2016 and signed on their behalf:

/s/ MURAT YASAR

Director  
Murat Yasar

/s/ VICTORIYA BOKLAG

Director  
Victoriya Boklag

The accompanying notes on pages F-42 to F-86 are an integral part of these  
Consolidated financial statements.

**ADRIA MIDCO B.V. GROUP**

**Consolidated Financial Statements for year ended 31 December 2015**

**In thousands of EUR**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Share premium	Translation reserves	Accumulated losses	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2014</b> . . . . .	—	—	—	(8,166)	(8,166)	—	(8,166)
<b>Comprehensive income for the year</b>							
Profit for the year . . . . .	—	—	—	(70,739)	(70,739)	402	(70,337)
Other comprehensive income . . . . .	—	—	(8,488)	—	(8,488)	69	(8,419)
<b>Total comprehensive income for the period</b> . . . . .	—	—	(8,488)	(70,739)	(79,227)	471	(78,756)
<b>Contributions and distributions</b>							
Increase in shareholder capital and premium (note 23) . . . . .	125	564,592	—	—	564,717	—	564,717
<b>Total Contributions by and distributions to Owners</b>	<b>125</b>	<b>564,592</b>	<b>—</b>	<b>—</b>	<b>564,717</b>	<b>—</b>	<b>564,717</b>
<b>Changes in ownership interests</b>							
Acquisition of subsidiary with non-controlling interest (note 17) . . . . .	—	—	—	—	—	12,042	12,042
<b>Total changes in ownership interests</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>12,042</b>	<b>12,042</b>
<b>Balance at 31 December 2014</b> . . . . .	<b>125</b>	<b>564,592</b>	<b>(8,488)</b>	<b>(78,905)</b>	<b>477,324</b>	<b>12,513</b>	<b>489,837</b>

	Share Capital	Share premium	Translation reserves	Contribution by the owner	Accumulated losses	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2015</b> . . . . .	125	564,592	(8,488)	—	(78,905)	477,324	12,513	489,837
<b>Comprehensive income for the year</b>								
Profit/(loss) for the year . . . . .	—	—	—	—	(28,167)	(28,167)	1,190	(26,977)
Other comprehensive income . . . . .	—	—	(5,700)	—	—	(5,700)	—	(5,700)
<b>Total comprehensive income for the period</b> . . . . .	<b>—</b>	<b>—</b>	<b>(5,700)</b>	<b>—</b>	<b>(28,167)</b>	<b>(33,867)</b>	<b>1,190</b>	<b>(32,677)</b>
<b>Contributions and distributions</b>								
Contribution by the owner (note 23) . . . . .	—	—	—	26,000	—	26,000	—	26,000
<b>Total Contributions by and distributions to Owners</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>26,000</b>	<b>—</b>	<b>26,000</b>	<b>—</b>	<b>26,000</b>
<b>Changes in ownership interests</b>								
Acquisition of non-controlling interest without change in control . . . . .	—	—	—	—	1,776	1,776	(2,360)	(584)
Acquisition of subsidiary with non-controlling interest (note 18) . . . . .	—	—	—	—	—	—	1,952	1,952
<b>Total changes in ownership interests</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,776</b>	<b>1,776</b>	<b>(408)</b>	<b>1,368</b>
<b>Balance at 31 December 2015</b> . . . . .	<b>125</b>	<b>564,592</b>	<b>(14,188)</b>	<b>26,000</b>	<b>(105,296)</b>	<b>471,233</b>	<b>13,295</b>	<b>484,528</b>

The accompanying notes on pages F-42 to F-86 are an integral part of these  
Consolidated financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>Note</u>	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Cash flows from operating activities</b>			
Loss .....		(26,977)	(70,337)
Adjustments for:			
Depreciation .....	14	65,792	41,677
Amortization .....	15	41,272	23,669
Impairment of trade and other receivables .....	11	5,325	2,245
Impairment of prepayments .....	11	714	—
Impairment of property, plant and equipment .....	11	2,736	2,403
Impairment of intangible assets .....		—	285
Provision for legal cases .....	11	3,181	—
Income tax .....	13	1,575	(388)
Employee benefits .....		(744)	—
Net finance cost .....		58,684	68,957
<b>Operating cash flows before working capital changes .....</b>		<b>151,558</b>	<b>68,511</b>
Changes in:			
Trade and other receivables .....		(13,986)	(9,773)
Deferred revenue .....		558	(822)
Deferred cost .....		(767)	—
Inventories .....		(1,246)	1,213
Programming rights .....		—	3,227
Prepayments .....		668	(1,766)
Trade and other payables .....		6,437	(19,893)
<b>Cash generated from operations .....</b>		<b>143,222</b>	<b>40,697</b>
Interest paid .....		(53,415)	(38,586)
Income tax paid .....		(1,685)	(1,869)
<b>Net cash from operating activities .....</b>		<b>88,122</b>	<b>242</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment .....	14	(120,395)	(64,398)
Acquisition of intangible assets .....	15	(29,449)	(11,358)
Change in short term loan receivables .....		(5,411)	2,712
Change in other non-current financial assets .....		919	5,937
Acquisition of NCI .....		(584)	—
Acquisition of subsidiaries, net of cash acquired .....	17	(65,149)	(555,965)
<b>Net cash used in investing activities .....</b>		<b>(220,069)</b>	<b>(623,072)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bond issue .....		159,750	—
Increase in share capital and share premium .....		—	418,267
Proceeds from borrowings .....		161,483	61,985
Repayment of borrowings .....		(186,891)	(315,058)
Transaction costs related to loans and borrowings .....		(6,344)	(6,421)
Proceeds from finance lease .....		16,726	16,724
Repayment of finance lease .....		(13,833)	(6,735)
<b>Net cash from financing activities .....</b>		<b>130,891</b>	<b>168,762</b>
<b>Net increase/(decrease) in cash and cash equivalents .....</b>		<b>(1,056)</b>	<b>(454,068)</b>
<b>Cash and cash equivalents at 1 January .....</b>		<b>16,182</b>	<b>470,250</b>
<b>Cash and cash equivalents at 31 December .....</b>		<b>15,126</b>	<b>16,182</b>

The accompanying notes on pages F-42 to F-86 are an integral part of these  
Consolidated financial statements.

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2015**  
**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting entity**

Adria Midco B.V. (the Company) is a company domiciled in Netherlands registered on 3 October 2013.

On 15 October 2013, the Company entered into an agreement for the acquisition of Slovenia Broadband S.à R.L. group. The Company was established as a vehicle of the ultimate acquirer to effect the acquisition of the Slovenia Broadband S.à R.L. group. The transaction was closed on 6 March 2014, after receiving necessary regulatory approvals. The control was obtained on the same date.

The parent company of the Group is Adria Topco B.V. Netherlands which is controlled by Adria Luxco S.A.R.L. Luxembourg, private company, domiciled in Luxembourg. Adria Luxco S.à R.L. is an investee company owned in the majority by funds advised/managed by US private equity fund Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”). Management holds 26.2% of stakes in the Group.

The consolidated financial statements of the Company as at and for the period ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is one of the largest telecommunication operators in South East Europe providing video, data, voice and mobile telephone services to residential and business subscribers. The Group’s activities are based in Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Croatia.

**List of subsidiaries**

The Company—Adria Midco B.V. has the following subsidiaries:

<u>Subsidiary</u>	<u>2015</u>	<u>2014</u>
United Group B.V., Netherlands . . . . .	100.00%	100.00%
Slovenia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Cable B.V., Netherlands . . . . .	100.00%	100.00%
Bosnia Broadband S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria Media B.V., Netherlands . . . . .	100.00%	100.00%
Adria DTH B.V., Netherlands . . . . .	100.00%	100.00%
Adria Serbia Holdco B.V., Netherlands . . . . .	100.00%	100.00%
Absolut Solutions d.o.o., Serbia . . . . .	100.00%	100.00%
Serbia Broadband—Srpske kablovske mreže d.o.o, Serbia . . . . .	100.00%	100.00%
Totalna televizija d.o.o. Croatia . . . . .	100.00%	100.00%
Total TV d.o.o. Slovenia . . . . .	100.00%	100.00%
Total TV Montenegro d.o.o. . . . .	100.00%	100.00%
Total TV d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
Total TV d.o.o. Macedonia . . . . .	75.00%	75.00%
CAS Media d.o.o. Serbia . . . . .	100.00%	100.00%
Eunet d.o.o., Serbia . . . . .	99.27%	0.00%
Adria News S.à r.l., Luxembourg . . . . .	100.00%	100.00%
Adria News d.o.o., Serbia . . . . .	100.00%	100.00%
Adria News d.o.o., Croatia . . . . .	100.00%	100.00%
Adria News d.o.o., Bosnia . . . . .	100.00%	100.00%
Adria News BH Production d.o.o., Bosnia . . . . .	100.00%	100.00%
United Media Limited, Cyprus . . . . .	100.00%	100.00%
United Media Production d.o.o., Serbia . . . . .	100.00%	100.00%
Orlando klinici d.o.o., Croatia . . . . .	100.00%	100.00%
Ultra Centar Galaktika d.o.o, Serbia . . . . .	100.00%	100.00%
United Media Distribution s.r.l., Romania . . . . .	0.00%	100.00%
United Media Network A.G., Switzerland . . . . .	100.00%	0.00%



# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2015

In thousands of EUR

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 1. Reporting entity (Continued)

Subsidiary	2015	2014
Telemach d.o.o. Slovenia . . . . .	100.00%	100.00%
Telemach Rotovž d.o.o. Slovenia . . . . .	89.16%	78.00%
Telemach Tabor d.o.o. Slovenia . . . . .	60.26%	57.00%
Telemach Tezno d.o.o. Slovenia* . . . . .	33.65%*	32.00%*
Cas media d.o.o. Slovenia . . . . .	100.00%	100.00%
Telemach Pobrežje d.o.o. Slovenia . . . . .	43.64%*	41.00%*
Tušmobil d.o.o. Slovenia . . . . .	100.00%	100.00%
Telemach d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
M&H Company d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
HKB-net d.o.o. Bosnia and Herzegovina (64%) . . . . .	64.00%	0.00%
Kablovska Televizija HS d.o.o. Bosnia and Herzegovina (57,47%) . . . . .	57.47%	0.00%
Velnet d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
Vrbaska Kablovska TV—Network d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
BHB Cable TV d.o.o. Bosnia and Herzegovina . . . . .	100.00%	100.00%
Solford Trading Ltd, Cyprus . . . . .	100.00%	100.00%
City Media Plus, Canada . . . . .	100.00%	100.00%
City Media Belgrade, Serbia . . . . .	100.00%	100.00%
Telemach d.o.o., Montenegro . . . . .	64.29%	64.29%
United Media S.A.R.L., Luxembourg . . . . .	100.00%	100.00%
TV Kanal Ultra d.o.o. Serbia . . . . .	75.00%	75.00%
Cinemanija d.o.o. Serbia . . . . .	100.00%	100.00%
United Media Malta Ltd, Malta . . . . .	100.00%	100.00%
Grand slam d.o.o., Serbia . . . . .	100.00%	100.00%
Grand production d.o.o., Serbia . . . . .	51.00%	51.00%

\* based on consideration of other factors, primarily Board appointment, control is deemed even if ownership is below 51%

#### 2. Basis of preparation

##### a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU).

The consolidated financial statements were authorized for issue by the Board of Directors on 22 April 2016.

##### b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

##### c) Going concern

The Group has reported loss for the year in the amount of EUR 26,977 thousand. Loss was mainly driven by significant finance cost. Significant outstanding debt balance denominated in Euros has resulted in net finance losses due to interest expenses and foreign exchange losses driven by the Group's exposure to the Serbian dinar which has depreciated against Euro.

The expansion of the Group is based on the leveraged buyout strategy resulting in high finance cost. The Group is focused on adjusted earnings before interest, tax, depreciation and amortization (EBITDA) which has reported strong historical development over the last three of years.

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**2. Basis of preparation (Continued)**

Business plans for the period 2016–2020 are based on further growth of the customer base, further growth of EBITDA and adjusted EBITDA and positive operating cash flow.

The Group's current liabilities exceed current assets by EUR 19,236 thousand. The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through access to the revolving credit facilities. As at 31 December 2015 the Group has access to undrawn revolving credit line in the amount of EUR 59,875 thousand (note 24).

The consolidated financial statements are, therefore, prepared on a going concern basis, as management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

**d) Functional and presentation currency**

These consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euros has been rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

**3. Significant accounting policies**

**a) Basis of consolidation**

***Business combinations***

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the fair value of the aggregate consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquired entity. For each business combination, any non-controlling interest in the acquired entity is measured either at their proportionate share of the acquired entity's identifiable net assets at the acquisition date. Consideration transferred includes any contingent consideration measured at its acquisition date fair value. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the statement of comprehensive income.

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that qualifies for classification as equity is not re-measured until it is finally settled. Acquisition costs incurred are expensed.

Any excess of the cost of the acquisition over the identifiable net assets acquired is recognized as goodwill in the consolidated statement of financial position. If the cost is lower than the identifiable net assets acquired, the difference is recognized in profit or loss.

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

***Loss of control***

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the

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**3. Significant accounting policies (Continued)**

previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**b) Standards issued but not yet adopted**

The following new or amended standards are not expected to have significant impact of the Company's financial statements:

***IFRS 9 Financial instruments***

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing potential impact on its financial statements resulting from the application of IFRS 9.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing potential impact on its financial statements resulting from the application of IFRS 15.

***IFRS 16 Leases***

IFRS 16 Leases, published in January 2016 replaces the existing guidance, IAS 17 Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these standards and amendments.

The following new or amended standards are not expected to have significant impact of the Company's financial statements:

- Accounting for acquisition of interests in joint operations (amendments to IFRS 11);

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**3. Significant accounting policies (Continued)**

- Classification of acceptable methods of depreciation and amortization (amendments for IAS 16 and IAS 38);
- Investment Entities: Applying the consolidation Exceptions (Amendments to IFRS 10, IFRS 12 and IAS 28);
- Disclosure initiative (Amendments to IAS 1);
- Defined benefit plans: Employee contributions (amendments to IAS 19);
- Annual improvements to IFRSs 2012–2014 Cycle.

**c) Foreign currency**

***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognized in consolidated statement of comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

***Foreign operations***

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date,
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions) and,
- all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity.

**d) Financial instruments**

***Non-derivative financial assets***

The Group initially recognizes loans and receivables and deposits on the date that they are originated.

The Group derecognizes 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 recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated 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 realize the asset and settle the liability simultaneously.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

*Loans and receivables*

Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses.

*Trade and other receivables*

Short-term trade and other receivables with no stated interest rate are measured at the original invoice amount. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivables should be impaired. The amount of the allowance is recognized in the statement of profit or loss within 'other operating expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

*Deferred revenues and accrued costs*

Accrued costs include costs incurred for which proper documentation was not received. These relate to the accounting period for which the operating results are to be determined. Revenues may be deferred for short periods when the recognition of revenues remains doubtful at the moment of sale.

*Non-derivative financial liabilities*

The Group initially recognizes financial liabilities on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise loans and borrowings, other long term financial liabilities, bank overdrafts, finance lease liabilities, trade and other payables.

*Borrowings*

Borrowings are recognized initially at fair value (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price). In subsequent periods, borrowings are carried at amortized cost using the effective interest method; any difference between fair value of the proceeds and the redemption amount is recognized as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Trade and other payables*

Short-term payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

***Derivative financial instruments and hedge accounting***

The Group holds derivative financial instruments to mitigate its foreign currency exposures resulting from capital purchases. These commitments are principally denominated in USD. Currency risk is managed with the objective of reducing the risk through the use of forward foreign currency contracts.

Derivatives are initially measured at fair value; any directly 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 generally recognized in profit or loss. The Group does not apply hedge accounting.

**e) Property, plant and equipment**

***Recognition and measurement***

Property, plant and equipment comprise mainly cable network (coaxial and optical primary and secondary network and backbone) and customer premise equipment (CPE—receivers and modems). Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

***Subsequent costs***

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over shorter of remaining useful life of an asset or period until new renovation. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

***Depreciation***

Depreciation is based on the depreciable amount of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain

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**3. Significant accounting policies (Continued)**

ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	<u>Number of years</u>
Buildings . . . . .	30–40
Cable network . . . . .	10–20
Vehicles . . . . .	4–5
CPE (Head-end and optical equipment) . . . . .	3–5
Computer equipment . . . . .	3

**f) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

**g) Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

**Trademarks**

Trademarks are acquired in a business combination, recognized at fair value at the acquisition date. Trademarks are amortized over their useful lives.

Trademarks include following trade names: "SBB", "Total TV", "Telemach" and "Sport Klub".

**Contractual customer relationships**

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

**Computer software**

Costs associated with maintaining computer software are recognized as an expense as incurred. Software is recognized at cost less accumulated amortization and accumulated impairment. Cost includes expenditure to acquire software and directly attributable costs to prepare it for its intended use.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the relevant criteria are satisfied.

Directly attributable costs, capitalized as part of the software product, includes software development employee cost and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives.

**Other intangible assets**

Other intangible assets mainly comprise investments in property rights with definite economic life and subscriber acquisition costs. Property rights relates to rights to radio frequencies in Slovenia. The company

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**3. Significant accounting policies (Continued)**

uses the cost model and thus manages intangible assets at their purchase values less depreciation adjustments following the straight-line depreciation method. Any intangible assets that meet the conditions for recognition are valued at cost upon initial recognition. Property rights are amortized in a period of 10 years.

Subscriber acquisition include costs associated with entering into sales contracts with new customers, for example commissions paid to internal or external sales personnel. Intangible assets are recognized only if they arise from fixed-term contracts that require a minimum consideration.

***Subsequent expenditure***

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

***Amortization***

Amortization is based on the depreciable amount of an asset and is calculated using straight line method to allocate their cost over their estimated useful lives as follows:

	<b>Number of years</b>
Trademark . . . . .	15
Customer relationship—Cable . . . . .	10–12
Customer relationship—DTH . . . . .	10
Software & licenses . . . . .	3–5

The useful lives of customer relations for cable and DTH are estimated through valuation exercise using the income approach based upon current market conditions.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

**h) Leased assets**

***Finance lease***

Leases of property, plant and equipment, where the Group as the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance costs is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

***Operating lease***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. The Group leases mainly premises under operating lease contracts.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

**i) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase, transport and expenses incurred in bringing the inventory to its present condition and location. The cost is based on the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and management's best judgments regarding future usage plans of inventories.

**j) Impairment of non-financial assets**

Non-financial assets, except deferred tax assets, income tax receivable and inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Impairment losses are recognized in the statement of comprehensive income. Non-financial assets, excluding goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is reviewed annually for impairment.

**k) Employee benefits**

In accordance with the regulations prevailing in the countries where the Group operates, the Group has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. Entities within the Group are also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

The Group does not operate any private pension scheme or post retirement defined contribution plan except the state mandatory pension scheme in each country of operation.

The calculation of retirement benefits provided by the state mandatory pension schemes is performed annually by a qualified actuary using the projected unit credit method.

Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognized in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the consolidated statement of financial position date.

In the instance of non-accumulating compensated absences no liability or expense is recognized until the time of the absence.

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**3. Significant accounting policies (Continued)**

**l) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**m) Revenue**

*i) Subscription based revenues*

Revenue from subscription services is recognized within the profit or loss in proportion to the service period provided (subscription fee) at the reporting date based on contract terms.

The Group generates following main subscription-based service revenue streams which are recognized in the period when the service is provided: Cable TV (CATV), Digital TV (D3), cable and fiber Internet service, satellite TV (Direct to Home—DTH) and mobile telephony service.

Revenue is recognized based on defined price per month.

Corporate and retail telecommunication service revenue (Voice-Over-Internet-Protocol—VOIP) is recognized in the period in which these are provided. Revenue is recognized based on defined price per month or level of service provided in the month, depending on contractual terms.

*Mobile telephone service revenues*

Revenues from the rendered services relate to mobile and earth line telephony services, and contain amounts charged to post-paid plan customers for monthly fees, telephone conversations, SMSs, ADSL service, cable internet, leased lines, IP TV and other mobile and earth-line telephony services as well as connection fees.

Monthly fees, connection fees and consumption are charged to post-paid plan customers through monthly accounting cycles and are disclosed as revenues in a particular month. Accrued revenues from services that were already rendered during the time between the calculation and the end of every month are accounted for, while the charged monthly fees are deferred.

*ii) Carriage fee*

Carriage fee revenue relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like “Sport Klub”, movie channel “Cinemanía”, children channel “Ultra” and music channel “Grand”.

Revenue is recognized on either on straight line basis over the sales contract period or underlined number of subscribers multiplied by agreed price per user, depending on contracts.

*iii) Advertising revenue*

Advertising revenue is earned by inserting commercials into broadcasts. Advertising revenue is recognized in the period when the service is provided.

*iv) Sale of material*

Revenue from sale of equipment is recognized when the significant risk and rewards of ownership are transferred to the buyer.



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**3. Significant accounting policies (Continued)**

*v) Other revenue*

Other revenue mainly arises from lease of cable network and other services provided. Service revenue is recognized in the period when the service is provided to business customers.

The rental of carriage services to local TV stations are charged and recognized in the month when service is provided. Revenue is recognized based on level of service provided in the month, depending on contractual terms.

**Costs**

Content, satellite capacity and internet links costs are recorded as the services are provided.

**Content costs**

Content cost relates to royalty fees paid to broadcasting organizations for their TV content. The Group has separate contracts with broadcasting organizations which define conditions under which programs will be broadcast.

**Satellite capacity, link and interconnection costs**

Satellite capacity, link and interconnection costs are recorded based on the Group's contractual agreements with its vendors for satellite, internet link capacity and mobile network usage. Costs are recognized on a straight line basis over the contract period.

**n) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**o) Finance income and finance costs**

Finance income comprises interest income on funds invested (including short-term bank deposits), and foreign currency gains. Interest income is recognized as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

**p) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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**3. Significant accounting policies (Continued)**

Deferred tax is recognized 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 recognized for:

- temporary differences on the initial recognition of assets and 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 joint arrangements 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.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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 realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

The prevailing corporate tax rates are:

<u>Country</u>	<u>Tax rate in 2015</u>
Netherlands . . . . .	25%
Luxembourg . . . . .	29.22%
Serbia . . . . .	15%
Montenegro . . . . .	9%
Slovenia . . . . .	17%
Macedonia . . . . .	10%
Bosnia & Herzegovina . . . . .	10%

**q) Segment reporting**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components,
- reviewed by the Group's chief operating decision makers and
- for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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#### **4. Financial risk management**

##### **Overview**

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

- credit risk,
- liquidity risk, and
- market 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.

##### **Risk management framework**

The Group's managing board has overall responsibility for the establishment and oversight of the Group's risk management framework, and development and monitoring the Group's risk management policies.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The finance function monitors compliance with the Group's risk management policies and procedures, and provide top management with feedback regarding the performance of the framework in relation to the risk faced by the Group.

##### **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 receivables from customers.

##### ***Trade and other receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses that it has no significant concentration of credit risk due to its exposure to a broad customer base in each service line. No concentration of credit risk on a geographical basis is assessed as material. The Group has policies that limit the amount of credit exposure for each customer including services disconnection procedure.

The Group's risk procedure limit the credit risk through short credit period available (invoices are due for payment within 8 days from the date of issue) and 3 levels of dunning letters in different time intervals. The first dunning letter which brings the warning about disconnecting the service is being sent 10 days after due date. The second dunning letter is being sent after 40 days after due date. The third letter is being sent after 70 or 110 days (it depends on the area) after the due date and it generates the order for temporary disconnection of the subscriber until the debt had been settled. The credit control procedure assures that an average receivable from one subscriber is from EUR 15 - 80 and limits the credit limit to 4 months of service. The Group outsourced collection activities of all receivables which are overdue more than 6 months to collection company.

Credit risk exposure is disclosed in note 18.

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**4. Financial risk management (Continued)**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific provision that relates to individually significant exposures, and a general provision established for mass billing customers in respect of losses that have been incurred but not yet identified. The general allowance is determined based on Group's provisioning policy for mass billing customers.

***Cash and cash equivalents***

The Group held cash and cash equivalents of EUR 15,126 thousand as 31 December 2015 (31 December 2014: EUR 16,182 thousand) with reputable local commercial banks, which represents its maximum credit exposure on these assets. Management actively monitors credit risk exposure and given that the Group only has invested in bank deposits management does not expect any counterparty to fail to meet its obligations.

**b) Liquidity risk**

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

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements (note 24). Typically the Group ensures that it has sufficient cash on demand to meet expected current liabilities as they fall due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group use ancillary and revolving facilities for working capital purposes. Refer to note 18 for the analysis of liquidity risk.

**c) Market risk**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**i) Currency risk**

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of the Group entity holding the asset or obligation.

The Group is mainly exposed to currency risk on purchases and borrowings which are denominated in Euros and US dollars, while the major share of the Group's revenue is denominated in Serbian dinars. The Group has exposure to currency fluctuation (depreciation) of RSD (Serbian dinar) to Euro given that it's most significant operations are with SBB Serbia for which RSD is the functional currency and significant borrowings in Euro. The Group's currency risk policy is implemented through regular price adjustments on the Serbian market, following the depreciation of Serbian dinar against euro.

The Group holds derivative financial instruments to mitigate its foreign currency exposures resulting from capital purchases. The commitments are principally denominated in USD. Currency risk is managed with the objective of reducing the risk through use of forward foreign currency contracts. As at 31 December 2015 the Group has entered into four forward currency contracts to hedge its capital purchases in US dollars against its functional currency.

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**4. Financial risk management (Continued)**

The Group is not in a position to effectively mitigate all currency risks due to absence of relevant financial products in the countries of operations (Serbia, Slovenia and Bosnia).

ii) Price risk

The Group is not exposed to material price risks on its financial instruments.

iii) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows relating to financial assets are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings issued at variable rates. The Group closely monitors current market rates in order to minimize negative effects of significant movements in market rates. The Group does not use these instruments for speculative purposes.

Refer to note 18 for the analysis of interest rate risk.

**Capital management**

Due to the structure of long-term financing through leveraged buyout arrangement, the management policy is to maintain a stable return on investment so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's performance management is focused on generating budgeted adjusted operating results (EBITDA) as well as maintaining overall liquidity position to repay the financial debt.

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 investors and to maintain an optimal liquidity position.

**5. Critical accounting estimates and judgments**

The consolidated financial statements require management to make judgments, estimates and 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 judgments are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

- Note 3 (e, g)—Useful life of plant, equipment and intangible assets,
- Note 3 (j)—Impairment of non-financial assets,
- Note 30—Legal matters.

**a) Impairment of goodwill and trademark**

The Group tests annually whether goodwill with indefinite useful life, suffer any impairment in accordance with the Group's accounting policy. Discounted cash flow method for annual impairment testing is based on management assumptions on projected revenue growth and liquidity position (note 16).



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**5. Critical accounting estimates and judgments (Continued)**

**b) Useful lives of property, plant and equipment and intangibles**

The management estimates useful lives and related depreciation rates for its plant and equipment and intangibles on an annual basis. These estimates are based on technological development, projected growth in customer base and further development of service lines. They are subject to change and influenced by substitutes available on the market. The management will increase the depreciation charge when useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. There are no residual values on long-term assets.

**c) Provision for legal matters**

Provision for legal matters are recognized when the Group has present obligation as a result of past event, 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 obligation. Where any of above mentioned criteria does not exist, or is not accomplished, the Group discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions are updated on the date of the consolidated financial statements, considering the best estimate of the Group's management supported by opinion of its legal team.

**6. Operating segments**

Operating segments are components that engage in business activities that may earn revenues or incur expenses as a result of the services provided. Segment information is provided partially on the basis of geographic areas and partially based on an organizational structure, being the basis on which the Group manages its interests. Operating results of segments are regularly reviewed by the chief operating decision maker (CODM) and discrete financial information is available on that level. Revenue is attributed to a country based on the location of the Group's company reporting the revenue.

The functions of CODM are performed by the Managing directors of the Group.

The Group has four reportable segments, three in cable and internet and one in media business line, which are the Group's strategic divisions. Cable strategic divisions for each of key markets, offer similar services and are managed jointly since they have unified service development and marketing strategy. For each of the strategic divisions, the CODM reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Serbia Group includes cable operations in Serbia and DTH (satellite TV) operations in region (Slovenia, Croatia, Bosnia, Serbia, Montenegro and Macedonia),
- Slovenia Group includes cable operations and mobile telephony services in Slovenia,
- Bosnia Group includes cable operations in Bosnia and Herzegovina and
- Media Group includes content operations in the region. This segment includes the results of our media and content business in the former Yugoslav region including the results of N1 Info, Grand Production, Orlando Kids and Bambino.

Other includes our other operating business, such as Solford, Telemach Montenegro, and non-operating holding companies (United Group B.V., Adria Cable B.V., Adria Serbia Holdco B.V., Slovenia Broadband S.A R.L.).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax, depreciation and amortization (EBITDA) and adjusted EBITDA, as included in the internal management reports that are reviewed by the Group's management. Adjusted EBITDA represents EBITDA as per management unaudited report. Segment

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**6. Operating segments (Continued)**

EBITDA and adjusted EBITDA, prepared based on local GAAP in each country adjusted to meet the requirements of internal reporting, is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(a) Description of products and services from which each reportable segment derives its revenue

The Group's main activities are providing of Video, Data and Voice services to subscribers in the countries of South-East Europe. The Group operates in Serbia providing Video, Data and Voice services, as well as in five other countries: Slovenia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia providing Video and Data services.

Video service include provision of TV channel mix and IP Video streaming services, which is marketed into basic, extended and premium packages. TV mix range from 60 to over 100 TV channels.

Data service comprise internet packages for residential and business customers, as well as various supplementary services for business customers (connectivity and managed services, data center and cloud services).

Voice service relates to fixed line services to residential and business customers.

Media Group includes content operations in the entire former Yugoslav region. Content operations represent carriage fee revenue that relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like "Sport Klub", movie channel "Cinemanian", children channels "Ultra" and "Orlando" and music channel "Grand".

Revenue is recognized on either on straight line basis over the sales contract period or underlined number of subscribers multiplied by agreed price per user, depending on contracts.

(b) Factors that management used to identify the reportable segments

Three of the Group's business segments are mainly based on the Group's geographic regions, Serbia, Slovenia and Bosnia and Herzegovina, and the other business segment is broadly based on product distribution. They are managed separately because each business unit requires different marketing strategies and service level.

(c) Measurement of operating segment profit or loss.

The CODM reviews financial information prepared based on local GAAP adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

- i. Management consolidation adjustments can differ from the ones required by IFRS
- ii. non-IFRS profit measures (such as earnings before income tax, depreciation and amortization—EBITDA, adjusted EBITDA and capital expenditure (CAPEX)) are also included in the segment report. EBITDA is adjusted by "exceptional items" that are viewed as non-operating and not recurring.

CODM evaluates performance of each segment based on revenue, EBITDA and other key performance indicators (e.g. average revenue per user, CAPEX) and does not regularly review assets and liabilities of the segments.

(d) Information about reportable segment statements of profit and loss

Segment information before elimination of inter-company transactions for the reportable segments for the period ended 31 December 2015 and 31 December 2014 are set out below (Segment information

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Operating segments (Continued)

below has been derived from unaudited local GAAP management accounts prepared for CODM evaluation purposes):

31-Dec-2015	Reportable segments				Other	TOTAL
	Serbia Group	Slovenia Group	Bosnia Group	Media Group		
External revenue	162,308	138,340	32,235	27,453	16,989	377,325
Inter-segment revenue	16,224	3,241	652	19,227	—	39,344
Segment revenue	178,532	141,581	32,887	46,680	16,989	416,669
Depreciation	34,866	20,264	7,999	1,927	736	65,792
Amortization	9,912	13,307	2,318	15,276	459	41,272
Segment results from operations	20,908	14,016	3,193	(1,265)	(2,537)	34,315
Segment profit/(loss) before tax	(11,628)	(447)	(425)	(7,098)	(5,804)	(25,402)
EBITDA	65,686	47,587	13,510	15,938	(1,342)	141,379
Adjusted EBITDA	71,788	53,391	15,001	14,771	6,075	161,026
CAPEX	60,580	50,301	11,602	14,317	8,170	144,970

31-Dec-2014	Reportable segments				Other	TOTAL
	Serbia Group	Slovenia Group	Bosnia Group	Media Group		
External revenue	119,687	69,686	18,893	22,190	10,131	240,587
Inter-segment revenue	15,134	996	918	9,330	—	26,378
Segment revenue	134,821	70,682	19,811	31,520	10,131	266,965
Depreciation	22,570	13,015	5,244	756	92	41,677
Amortization	7,503	6,920	1,574	7,503	169	23,669
Segment results from operations	15,617	15,994	2,172	2,149	(34,303)	1,629
Segment profit/(loss) before tax	(17,540)	5,263	405	(1,507)	(57,346)	(70,725)
EBITDA	45,690	35,929	8,990	10,408	(34,042)	66,975
Adjusted EBITDA	47,405	37,454	9,777	10,227	4,690	109,553
CAPEX	33,270	19,668	6,643	11,062	3,177	73,820

#### (e) Major customers

The Group provides its services to individual and corporate customers; each customer does not exceed 10% of the total revenues. Revenue includes operating revenue.

#### (f) Geographical segments

Segment information above is already provided on the basis of geographic areas, being the key basis on which the Group manages its interests.

#### (g) Other

Significant losses from operations and before tax are driven by high transaction and interest expenses.

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**6. Operating segments (Continued)**

(h) Reconciliation of information on reporting segments to IFRS measures:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Revenues</b>		
Total revenue for reportable segments . . . . .	399,680	256,834
Revenue for other segments . . . . .	16,989	10,131
	416,669	266,965
Elimination of inter-segment revenue . . . . .	(39,344)	(26,378)
<b>Consolidated revenue . . . . .</b>	<b><u>377,325</u></b>	<b><u>240,587</u></b>

**7. Revenue**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Subscription fee . . . . .	326,606	206,134
Carriage fee . . . . .	21,928	19,200
Advertising . . . . .	8,458	7,215
Sale of material . . . . .	3,394	3,821
Other revenue . . . . .	16,939	4,217
<b>Total . . . . .</b>	<b><u>377,325</u></b>	<b><u>240,587</u></b>

**8. Other income**

Other non operating revenue is derived from activities which are not related to core operations of the Group. Out of total amount of other non operating, amount of 1,440 thousand relates to collected receivable from acquired companies.

**9. Materials cost**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Installation materials . . . . .	1,585	1,718
Office supplies . . . . .	1,221	566
Energy and fuel costs . . . . .	4,328	1,975
Cost of end-user equipment . . . . .	3,282	1,342
<b>Total . . . . .</b>	<b><u>10,416</u></b>	<b><u>5,601</u></b>

**10. Staff costs**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Salaries and social security . . . . .	33,567	21,687
Part-time employment costs . . . . .	1,523	857
Employee benefit cost . . . . .	2,015	839
Unused vacations . . . . .	893	224
Other staff costs . . . . .	6,601	3,867
<i>minus</i> capitalized salaries . . . . .	(1,819)	(3,030)
<b>Total . . . . .</b>	<b><u>42,780</u></b>	<b><u>24,444</u></b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 10. Staff costs (Continued)

During twelve month period ended 31 December 2015 the Group capitalized staff costs in the carrying value of its property, plant and equipment in the amount of EUR 1,819 thousand which mainly relates to installation services for fixed assets at end user premises.

The total average number of full time equivalent (FTE) employees in the period ended 31 December 2015 is 2,822 (2014: 2,187).

#### 11. Other operating expenses

	31-Dec-15	31-Dec-14
Rent of premises, poles and ducts . . . . .	17,897	8,815
Marketing and promotion expenses . . . . .	12,848	4,956
Management fees . . . . .	7,511	21,115
Maintenance costs . . . . .	6,877	4,551
Customer service costs . . . . .	6,487	3,142
Trade receivable impairment allowance . . . . .	6,039	2,245
Provision for legal cases (note 30) . . . . .	3,181	—
Legal and advisory fees . . . . .	3,060	19,870
Impairment of property, plant and equipment (note 14) . . . . .	2,736	2,403
Media buying . . . . .	2,704	2,138
Phone and postal expenses . . . . .	2,697	2,076
Taxes . . . . .	1,583	1,765
License fees . . . . .	1,548	634
Security services . . . . .	1,390	750
Bank charges . . . . .	1,218	966
Impairment of intangible assets . . . . .	—	285
Other expenses . . . . .	14,541	7,634
<b>Total</b> . . . . .	<b>92,317</b>	<b>83,345</b>

Other expenses mainly comprise of insurance cost, representation, membership fees and other costs.

Out of total amount of legal and advisory fees, amount of EUR 2,019 thousand (2014: EUR 33,506 thousand) relate to transaction costs regarding acquired companies during period (note 17).

In the line provision for legal cases, the Group reported amount of EUR 3,000 thousand in relation to legal case which was raised by SOKOJ (note 30).

#### 12. Finance income and finance cost

Out of total amount of other finance cost, the amount of EUR 3,182 thousand relate to bridge loan commitment fee (31 December 2014: EUR 2,603 thousand). Bridge loan was used for closing the transaction of acquisition of Tušmobil until the Group received funds from bonds.

	31-Dec-15	31-Dec-14
Interest expense . . . . .	49,205	43,251
Net foreign exchange losses . . . . .	5,441	24,176
Other finance cost . . . . .	5,218	5,412
Interest income . . . . .	(147)	(485)
<b>Total</b> . . . . .	<b>59,717</b>	<b>72,354</b>



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**13. Income tax**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Current tax expense . . . . .	(2,666)	(1,013)
Deferred tax income . . . . .	1,091	1,401
<b>Total . . . . .</b>	<b><u>(1,575)</u></b>	<b><u>388</u></b>

The reconciliation of the Group's income tax expense is as follows:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Loss for the year before tax . . . . .	(25,402)	(70,725)
Tax using the Company's domestic tax rate . . . . .	(6,351)	(17,682)
Effect of tax rates in foreign jurisdictions . . . . .	2,211	557
Non-deductible expenses . . . . .	(97)	192
Tax incentives . . . . .	(4,612)	(126)
Thin capitalization adjustment . . . . .	3,868	—
Recognition of tax effect of previously unrecognised tax losses . . . . .	—	(4)
Changes in recognised deductible tax differences . . . . .	—	539
Current year losses for which no deferred tax was recognized . . . . .	3,406	16,136
<b>Income tax benefit . . . . .</b>	<b><u>(1,575)</u></b>	<b><u>(388)</u></b>

SBB and Telemach Slovenia are entities which primarily uses tax losses and tax credits for investments in plant and equipment. In addition, SBB utilises a tax holiday which reduces its nominal income tax liability by 78.78%, and which expired in 2015.

**14. Property, plant and equipment**

	<u>Buildings</u>	<u>Cable plant and other equipment</u>	<u>Assets under construction</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Year ended 31 December 2014</b>					
<b>Cost</b>					
Balance as at 1 January 2014 . . . . .	—	—	—	—	—
Acquisitions through business combination . . . . .	6,706	206,409	4,873	1,501	219,489
Additions . . . . .	318	29,059	31,424	—	60,801
Transfers . . . . .	—	31,931	(32,205)	274	—
Disposals . . . . .	(29)	(3,117)	(94)	—	(3,240)
Effect of movements in exchange rates . . . . .	(10)	(8,983)	(16)	(98)	(9,107)
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>6,985</u></b>	<b><u>255,299</u></b>	<b><u>3,982</u></b>	<b><u>1,677</u></b>	<b><u>267,943</u></b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2014 . . . . .	—	—	—	—	—
Depreciation charge for the period . . . . .	529	40,813	—	335	41,677
Disposals . . . . .	(29)	(1,930)	—	—	(1,959)
Impairment loss . . . . .	—	(2,403)	—	—	(2,403)
Effect of movements in exchange rates . . . . .	(3)	(2,162)	—	(42)	(2,207)
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>497</u></b>	<b><u>34,318</u></b>	<b><u>—</u></b>	<b><u>293</u></b>	<b><u>35,108</u></b>

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**14. Property, plant and equipment (Continued)**

	<u>Buildings</u>	<u>Cable plant and other equipment</u>	<u>Assets under construction</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Year ended 31 December 2015</b>					
<b>Cost</b>					
Balance as at 1 January 2015 . . . . .	6,985	255,299	3,982	1,677	267,943
Acquisitions through business combination . . . . .	40	36,288	3,967	—	40,294
Additions . . . . .	8,254	41,559	70,073	509	120,395
Transfers . . . . .	37	60,323	(60,974)	614	—
Disposals . . . . .	—	(21,951)	—	—	(21,951)
Effect of movements in exchange rates . . . . .	—	(373)	—	(41)	(414)
<b>Balance as at 31 December 2015 . . . . .</b>	<b><u>15,316</u></b>	<b><u>371,145</u></b>	<b><u>17,048</u></b>	<b><u>2,759</u></b>	<b><u>406,267</u></b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2015 . . . . .	497	34,318	—	293	35,108
Depreciation charge for the period . . . . .	500	64,811	—	481	65,792
Disposals . . . . .	—	(21,328)	—	—	(21,328)
Impairment loss . . . . .	—	2,736	—	—	2,736
Effect of movements in exchange rates . . . . .	(1)	(29)	—	(2)	(32)
<b>Balance as at 31 December 2015 . . . . .</b>	<b><u>996</u></b>	<b><u>80,508</u></b>	<b><u>—</u></b>	<b><u>772</u></b>	<b><u>82,276</u></b>
<b>Net book value 31 December 2015 . . . . .</b>	<b><u>14,320</u></b>	<b><u>290,637</u></b>	<b><u>17,048</u></b>	<b><u>1,987</u></b>	<b><u>323,991</u></b>
<b>Net book value 31 December 2014 . . . . .</b>	<b><u>6,488</u></b>	<b><u>220,981</u></b>	<b><u>3,982</u></b>	<b><u>1,384</u></b>	<b><u>232,835</u></b>

The majority of property, plant and equipment relates to cable network (backbone, primary and secondary network, coaxial, fiber and optical equipment) and DTH end user equipment.

**Leased assets**

The Group leases internet protocol equipment and transport and passenger vehicles under a number of finance lease agreements. Majority leases of vehicles provide the Group with the option to purchase the equipment at a beneficial price.

Present value of minimum lease payments is as follows:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Less than one year . . . . .	13,232	7,630
Between one and five years . . . . .	11,194	10,103
	<b><u>24,426</u></b>	<b><u>17,733</u></b>

Contractual amounts are as follows:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Less than one year . . . . .	14,012	8,231
Between one and five years . . . . .	11,449	10,444
	<b><u>25,461</u></b>	<b><u>18,675</u></b>
Future finance charges on finance leases . . . . .	(1,035)	(942)
<b>Present value of finance lease liability . . . . .</b>	<b><u>24,426</u></b>	<b><u>17,733</u></b>

The total net book value of property, plant and equipment purchased under finance lease as at 31 December 2015 is EUR 20,888 thousand.

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**14. Property, plant and equipment (Continued)**

**Capital commitments**

During the period ended 31 December 2015, the Group entered into agreement to buy property, plant and equipment for EUR 21,850 thousand. Delivery is expected during 2016.

**15. Intangible assets**

	Software & Licenses	Trademark	Customer Relationship	Other intangibles	Total	
Year ended 31 December 2014						
Cost						
Balance as at 1 January 2014 . . . . .	—	—	—	—	—	
Acquisitions through business combination (note 17) . . . . .	5,919	69,801	122,455	17,824	215,999	
Additions . . . . .	2,467	5	2,581	6,305	11,358	
Disposals . . . . .	(29)	—	—	(17)	(46)	
Effect of movements in exchange rates . . . . .	(615)	(1,793)	(2,316)	(858)	(5,582)	
Balance as at 31 December 2014 . . . . .	<u>7,742</u>	<u>68,013</u>	<u>122,720</u>	<u>23,254</u>	<u>221,729</u>	
Accumulated depreciation						
Balance as at 1 January 2014 . . . . .	—	—	—	—	—	
Amortization charge for the period . . . . .	1,837	3,642	10,854	7,336	23,669	
Impairment loss . . . . .	285	—	—	—	285	
Disposals . . . . .	(7)	—	—	121	114	
Balance as at 31 December 2014 . . . . .	<u>2,115</u>	<u>3,642</u>	<u>10,854</u>	<u>7,457</u>	<u>24,068</u>	
	Software & Licenses	Trademark	Customer Relationship	Radio frequency rights	Other intangibles	Total
Year ended 31 December 2015						
Cost						
Balance as at 1 January 2015 . . . . .	7,742	68,013	122,720	—	23,254	221,729
Acquisitions through business combination (note 17) . . . . .	4,949	—	38,861	24,335	—	68,145
Additions . . . . .	8,370	1	—	—	21,128	29,499
Disposals . . . . .	—	—	—	—	(1,472)	(1,472)
Effect of movements in exchange rates . . . . .	(90)	(515)	(305)	—	(49)	(959)
Balance as at 31 December 2015 . .	<u>20,971</u>	<u>67,499</u>	<u>161,276</u>	<u>24,335</u>	<u>42,861</u>	<u>316,942</u>
Accumulated depreciation						
Balance as at 1 January 2015 . . . . .	2,115	3,642	10,854	—	7,457	24,068
Amortization charge for the period .	4,285	4,510	16,116	1,852	14,509	41,272
Disposals . . . . .	3	—	—	—	(1,472)	(1,469)
Effect of movements in exchange rates . . . . .	(62)	(33)	(157)	—	(23)	(275)
Balance as at 31 December 2015 . .	<u>6,341</u>	<u>8,119</u>	<u>26,813</u>	<u>1,852</u>	<u>20,471</u>	<u>63,596</u>
Net book value 31 December 2015 .	<u>14,630</u>	<u>59,380</u>	<u>134,463</u>	<u>22,483</u>	<u>22,390</u>	<u>253,346</u>
Net book value 31 December 2014 .	5,627	64,371	111,866	—	15,797	197,661

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**15. Intangible assets (Continued)**

Additions to software and licenses relate to SAP ERP information system, Video-On-Demand (VOD) information system and Voice-Over-Internet-protocol (VOIP) information systems software.

**Assets provided as security for loans**

As at 31 December 2015 revolving facility is guaranteed by pledge on trademarks (“SBB” and “Total TV”). Carrying value of intangible assets under pledge as at 31 December 2015 amounts to EUR 23,846 thousand.

**16. Goodwill**

The following schedule summarizes the movements in the balance of goodwill:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Cost</b>		
Balance at beginning of period . . . . .	623,279	—
Acquisition through business combination (note 17) . . . . .	25,815	623,279
<b>Balance at end of period . . . . .</b>	<b>649,094</b>	<b>623,279</b>
<b>Impairment losses</b>		
Balance at beginning of period . . . . .	—	—
Impairment losses . . . . .	—	—
<b>Balance at end of period . . . . .</b>	<b>—</b>	<b>—</b>
<b>Carrying amounts</b>		
Balance at beginning of period . . . . .	623,279	—
<b>Balance at end of period . . . . .</b>	<b>649,094</b>	<b>623,279</b>

Allocation of goodwill per cash generating units is shown in following table:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
SBB Serbia Group . . . . .	265,179	267,931
Telemach Slovenia Group . . . . .	215,729	200,505
Telemach Bosnia Group . . . . .	76,692	63,612
United Media Group . . . . .	80,660	80,660
Other . . . . .	10,834	10,571
<b>Total . . . . .</b>	<b>649,094</b>	<b>623,279</b>

In December 2015, the SBB sold its subsidiaries Total TV d.o.o., Slovenia, Total TV d.o.o., Bosnia and Herzegovina and Total TV d.o.o., Montenegro to companies in respective countries, as management of the Group followed strategic decision to concentrate its business geographically.

**Impairment testing for goodwill**

Due to nature of operations and organization, the Group is divided into following operating subgroups (Serbia or “SBB” Group, Slovenia Group, Bosnia Group and Media Group) which reflect cash generating units (CGU) for the purpose of annual impairment testing.

The recoverable amount of a CGU is determined using value-in-use calculations. These calculations use pre-tax cash flow projections based on five-year financial budget. Cash flow beyond the five-year period is calculated on perpetuity bases.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**16. Goodwill (Continued)**

Based on the results of impairment testing, the management estimates that no impairment of goodwill exists as at 31 December 2015.

Goodwill as allocated per identified CGUs is presented in table above.

**Key assumptions used for discounted cash flow projections**

Key assumptions used in the calculation of recoverable amounts are weighted average cost of capital, terminal value growth rate and adjusted operating margin. These assumptions are as follows:

	<u>2015</u>	<u>2014</u>
<b>Serbia Group</b>		
Adjusted operating margin . . . . .	45.76%	45.80%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC <sup>(2)</sup> . . . . .	11.95%	11.4%
<b>Slovenia Group</b>		
Adjusted operating margin . . . . .	37.40%	47.90%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC . . . . .	7.3%	7.8%
<b>Bosnia Group</b>		
Adjusted operating margin . . . . .	46.39%	51.00%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC . . . . .	11.86%	12.0%
<b>Media Group</b>		
Adjusted operating margin . . . . .	31.55%	33.1%
Growth rate <sup>(1)</sup> . . . . .	3%	3%
WACC . . . . .	7.96%	8.3%

(1) Long term sustainable growth rate used to extrapolate cash flows beyond the budget period

(2) Weighted average cost of capital, calculated on pre-tax basis

Budgeted margins are based on past performance and expectations of market development. Long term sustainable growth rates used are consistent with the forecasts included in the industry reports.

The discount rates are calculated as weighted average of pre-tax cost of equity and pre-tax cost of debt, using peer groups' capital structure as weights used are pre-tax and based on industry reports as of 31 December 2015 and leveraged by the debt margin taken from comparable companies.. Assumptions used for value-in-use calculations (refer to the above table) changed to reflect current business environment as more information became available to the Group.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Business combinations

##### Business combination in 2015

During the year ended 31 December 2015, the Group completed the following acquisitions from third parties:

Company	Consideration	Share of ownership	Control assumed	Country	Industry
Tušmobil d.o.o. . . . .	68,164	100%	1-Apr-15	Slovenia	Mobile phone service
M&H Company d.o.o. Sarajevo . . . . .	12,682	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
HKB-net d.o.o. Sarajevo . . .	4,131	64%	30-Jun-15	Bosnia and Herzegovina	Cable operator
KTV HS d.o.o. Sarajevo . . .	2,428	57%	30-Jun-15	Bosnia and Herzegovina	Cable operator
Velnet d.o.o. Mostar . . . . .	2,946	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
VKT-net d.o.o. Bugojno . . . .	2,249	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
BHB Cable TV d.o.o. Lukavac . . . . .	5,805	100%	30-Jun-15	Bosnia and Herzegovina	Cable operator
Eunet d.o.o. Beograd . . . . .	600	99%	1-May-15	Serbia	Cable operator

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	Tušmobil d.o.o.	M&H, KTV HS, HKB-net, Velnet, VKT-net	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Cash . . . . .	42,164	19,935	4,566	600	67,265
Deferred consideration . . . . .	26,000	4,501	1,239	—	31,740
<b>Total consideration transferred . . . . .</b>	<b>68,164</b>	<b>24,436</b>	<b>5,805</b>	<b>600</b>	<b>99,005</b>

Total consideration for the acquisition of Tušmobil amounts to EUR 68,164 thousand and comprises of a cash consideration of EUR 42,164 thousand and deferred consideration of EUR 26 million payable in several installments over the next 3 years by the Group's parent Company, Adria Topco B.V..

Total amount of deferred payment by Adria Topco B.V. was reported as other equity reserves by the parent of the Group (note 23). As per share purchase agreement, parent company will pay total amount of deferred consideration of EUR 26,000 thousand in three years from acquisition.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Business combinations (Continued)**

The Group has agreed to pay to the selling shareholders for acquired companies in Bosnia additional consideration which has being deposited on a escrow account controlled by the Group under following terms and conditions:

<u>Disbursement schedule</u>	<u>M&amp;H, HKB-net, KTV HS, Velnet, VKT-net</u>	<u>BHB Cable TV</u>	<u>Terms and conditions to be fulfilled</u>
	<u>In EUR thousand</u>		
In six months' time following the acquisition date	895	n/a	Related to occurrence of contingent liabilities which were not provided for in the acquired subsidiaries' stand-alone financial statements prior to acquisition date and also including selling shareholders' guarantee against removal of network infrastructure following official decision of a competent authority expressed as a fixed fee per subscriber affected by the removal of the network infrastructure
In twelve months' time following the acquisition date	2,478	900	
In fifteen months' time following the acquisition date	n/a	60	
Disbursement of funds dependant upon court's ruling	1,100	307	Related to ongoing litigations against acquired companies which were initiated in the pre-acquisition period
	<u>4,473</u>	<u>1,267</u>	
<b>Total</b>	<u><b>EUR 5,740 thousand</b></u>		

The Group incurred acquisition-related costs in the amount of EUR 2,947 thousand on legal fees and due diligence costs for acquisitions in 2015. Out of total acquisition costs, amount of EUR 2,019 thousand costs have been included in the other operating expenses in 2015 and amount of EUR 928 thousand the other operating expenses in 2014.

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Business combinations (Continued)**

The following schedule summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Note	Tušmobil d.o.o.	M&H Company d.o.o. Sarajevo	HKB-net d.o.o. Sarajevo	KTV HS d.o.o. Sarajevo	Velnet d.o.o. Mostar	VKT-net d.o.o. Bugojno	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Property, plant and equipment . .	14	25,233	7,827	1,347	2,027	1,076	511	1,872	401	40,294
Intangible assets . . . . .	15	61,360	2,250	724	1,224	604	506	1,477	—	68,145
Investment property . . . . .		—	—	—	—	—	—	—	13	13
Other financial assets . . . . .		2,563	—	—	—	—	—	—	—	2,563
Deferred tax assets . . . . .	26	1,603	14	38	91	2	1	78	—	1,827
Programming rights held for sale		—	—	—	—	—	—	—	74	74
Inventories . . . . .		1,129	—	3	—	—	—	—	—	1,132
Trade and other receivables . . .		12,970	1,089	491	173	153	104	393	18	15,391
Prepayments . . . . .		7,726	24	8	13	5	5	21	98	7,900
Income tax receivables . . . . .		—	126	17	13	9	4	6	20	195
Cash and cash equivalents . . . .		1,365	383	78	202	47	28	14	—	2,117
Loans and borrowings . . . . .		(19,493)	—	—	—	(22)	(51)	(997)	—	(20,563)
Long term provisions . . . . .		(1,726)	(9)	(7)	(6)	(3)	(2)	(9)	(54)	(1,816)
Deferred tax liabilities . . . . .		—	(385)	(72)	(115)	(82)	(59)	(117)	—	(830)
Finance lease liabilities (long term) . . . . .		(2,181)	—	—	—	—	—	(6)	—	(2,187)
Deferred revenue (long term) . .		(14)	—	—	—	—	—	—	—	(14)
Employee benefits . . . . .		(273)	(45)	(33)	(30)	(14)	(17)	(48)	—	(460)
Trade and other payables . . . .		(23,600)	(611)	(355)	(898)	(189)	(228)	(294)	(1)	(26,176)
Current tax liabilities . . . . .		—	(134)	—	—	(6)	(5)	—	(214)	(359)
Loans and borrowings (short term) . . . . .		(11,047)	—	—	—	(6)	—	—	—	(11,053)
Finance lease liabilities (short term) . . . . .		(549)	—	—	—	—	—	(6)	(3)	(558)
Deferred revenue (short term) . .		(492)	—	—	—	—	—	—	—	(492)
<b>Total identifiable net assets acquired . . . . .</b>		<b>54,573</b>	<b>10,529</b>	<b>2,239</b>	<b>2,694</b>	<b>1,574</b>	<b>797</b>	<b>2,384</b>	<b>352</b>	<b>75,142</b>

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts. Fair values have been determined on provisional basis.

Goodwill arising from the acquisition has been recognized as follows:

	Tušmobil d.o.o.	M&H Company d.o.o. Sarajevo	HKB-net d.o.o. Sarajevo	KTV HS d.o.o. Sarajevo	Velnet d.o.o. Mostar	VKT-net d.o.o. Bugojno	BHB Cable TV d.o.o. Lukavac	Eunet d.o.o. Beograd	Total
Total consideration transferred . . . . .	68,164	12,682	4,131	2,428	2,946	2,249	5,805	600	99,005
Non controlling interest . . . .	—	—	806	1,146	—	—	—	—	1,952
Fair value of identifiable net assets . . . . .	(54,573)	(10,529)	(2,239)	(2,694)	(1,574)	(797)	(2,384)	(352)	(75,142)
<b>Goodwill on the acquisition date . . . . .</b>	<b>13,591</b>	<b>2,153</b>	<b>2,698</b>	<b>880</b>	<b>1,372</b>	<b>1,452</b>	<b>3,421</b>	<b>248</b>	<b>25,815</b>

In the period following their acquisition, the newly acquired companies contributed consolidated revenue of the Group in total amount of EUR 60,826 thousand and consolidated profit in total amount of

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Business combinations (Continued)**

EUR 1,212 thousand. Following table summarizes effects of each acquired company on consolidated revenue and profit:

	<u>Tušmobil d.o.o.</u>	<u>M&amp;H Company d.o.o. Sarajevo</u>	<u>HKB-net d.o.o. Sarajevo</u>	<u>KTV HS d.o.o. Sarajevo</u>	<u>Velnet d.o.o. Mostar</u>	<u>VKT-net d.o.o. Bugojno</u>	<u>BHB Cable TV d.o.o. Lukavac</u>	<u>Eunet d.o.o. Beograd</u>	<u>Total</u>
Revenue . . . . .	53,490	2,951	626	1,269	409	296	1,088	697	<b>60,826</b>
Profit . . . . .	23	593	56	407	9	54	86	(16)	<b>1,212</b>

If the acquisition had occurred on 1 January 2015, management estimates that consolidated revenue would have been EUR 435,848 thousand, and consolidated loss for the period would have been EUR 24,190 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2015.

**Business combination in 2014**

During the year ended 31 December 2014, the Group completed the following acquisitions from third parties:

<u>Company</u>	<u>Consideration</u>	<u>Share of ownership</u>	<u>Control assumed</u>
Slovenia Broadband S.À R.L. . . . .	704,162	100.00%	6-Mar-14
Orlando klinci d.o.o . . . . .	6,281	100.00%	11-Nov-14
Grand slam d.o.o. . . . .	4,081	51.00%	3-Dec-14
Broadband Montenegro A.D. . . . .	3,371	64.29%	1-Oct-14

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	<u>Slovenia Broadband Group</u>	<u>Grand Slam Group</u>	<u>Orlando Klinci d.o.o.</u>	<u>Broadband Montenegro A.D.</u>	<u>Total</u>
Cash . . . . .	557,712	4,081	6,281	3,371	571,445
Equity instruments (note 23) . . . . .	146,450	—	—	—	146,450
<b>Total consideration transferred . . . . .</b>	<b><u>704,162</u></b>	<b><u>4,081</u></b>	<b><u>6,281</u></b>	<b><u>3,371</u></b>	<b><u>717,895</u></b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Business combinations (Continued)

The following schedule summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Note	Slovenia Broadband Group	Grand Slam Group	Orlando Klinci d.o.o.	Broadband Montenegro A.D.	Total
Property, plant and equipment . . . . .	14	216,408	2,235	20	826	219,489
Intangible assets . . . . .	15	214,431	22	470	1,076	215,999
Investment property . . . . .		575	104	—	—	679
Long term loans . . . . .		6,484	—	—	—	6,484
Other financial assets . . . . .		935	—	—	3	938
Deferred tax assets . . . . .		4,025	153	—	—	4,178
Programming rights held for sale . . . . .		3,549	—	—	—	3,549
Inventories . . . . .		4,596	143	2	554	5,295
Trade and other receivables . . . . .		56,432	1,625	412	1,039	59,508
Allowance for impairment . . . . .		(11,070)	—	—	(872)	(11,942)
Prepayments . . . . .		18,836	71	—	—	18,907
Income tax receivables . . . . .		2,129	—	—	—	2,129
Other current assets . . . . .		4,359	—	—	77	4,436
Cash and cash equivalents . . . . .		15,090	98	329	4	15,521
Loans and borrowings . . . . .		(294,751)	—	—	(512)	(295,263)
Long term provisions . . . . .		(513)	—	—	—	(513)
Deferred tax liabilities . . . . .		(34,449)	—	—	—	(34,449)
Finance lease liabilities . . . . .		(4,792)	—	—	(194)	(4,986)
Deferred revenue . . . . .		(7,250)	—	—	—	(7,250)
Employee benefits . . . . .		(444)	—	—	—	(444)
Trade and other payables . . . . .		(80,994)	(1,119)	(134)	(877)	(83,124)
Current tax liabilities . . . . .		(1,074)	(7)	—	—	(1,081)
Loans and borrowings ST . . . . .		(11,605)	(730)	—	—	(12,335)
Finance lease liabilities ST . . . . .		(2,705)	—	—	—	(2,705)
Deferred revenue ST . . . . .		(5,497)	—	—	—	(5,497)
<b>Total identifiable net assets acquired . . . . .</b>		<b>92,705</b>	<b>2,595</b>	<b>1,099</b>	<b>1,124</b>	<b>97,523</b>

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.

The Group incurred acquisition-related costs in the amount of EUR 33,506 thousand on legal fees and due diligence costs for acquisitions in 2014. These costs have been included in the other operating expenses.

Goodwill arising from the acquisition has been recognized as follows:

	Slovenia Broadband Group	Grand Slam Group	Orlando Klinci d.o.o.	Broadband Montenegro A.D.	Total
Total consideration transferred . . . . .	704,162	4,082	6,281	3,371	717,896
NCI . . . . .	10,387	1,254	—	401	12,042
Fair value of identifiable net assets . . . . .	(92,705)	(2,592)	(1,101)	(1,125)	(97,523)
Goodwill on the acquisition date . . . . .	621,844	2,744	5,180	2,647	632,415
Translation difference . . . . .					(9,136)
Goodwill on the reporting date . . . . .					623,279



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 17. Business combinations (Continued)

The goodwill of EUR 632,415 thousand arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities that are part of the acquired group and a number of opportunities for cross selling and quad play services.

#### 18. Financial instruments

##### Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31-Dec-15	31-Dec-14
Other financial assets . . . . .	2,049	405
Short term loans receivables, including derivatives . . . . .	6,138	727
Trade and other receivables . . . . .	77,145	53,093
Cash and cash equivalents . . . . .	15,126	16,182
<b>Total . . . . .</b>	<b>100,458</b>	<b>70,407</b>

The maximum exposure to credit risk for gross trade receivables at the reporting date by revenue stream generated was:

	31-Dec-15	31-Dec-14
Provision of service . . . . .	77,938	48,160
Other receivables . . . . .	3,430	6,025
Allowance for impairment . . . . .	(4,223)	(1,092)
<b>Total . . . . .</b>	<b>77,145</b>	<b>53,093</b>

The aging and impairment of gross trade receivables as at 31 December 2015 and 31 December 2014 is presented in the following schedule:

	31-Dec-15		31-Dec-14	
	Gross	Impairment	Gross	Impairment
Up to 3 months and not due . . . . .	60,256	—	46,349	(504)
3 to 6 months . . . . .	11,310	—	3,857	(81)
Over 6 months . . . . .	9,802	(4,223)	3,979	(507)
<b>Total . . . . .</b>	<b>81,368</b>	<b>(4,223)</b>	<b>54,185</b>	<b>(1,092)</b>

The movement in the allowance for impairment in respect with trade receivables during period ending 31 December 2015 was as follows:

	31-Dec-15	31-Dec-14
Opening balance . . . . .	(1,092)	—
Impairment loss recognized (note 11) . . . . .	(5,325)	(2,245)
Write off of previously impaired receivables . . . . .	2,204	1,133
Effect of movements in exchange rates . . . . .	(10)	20
<b>Total . . . . .</b>	<b>(4,223)</b>	<b>(1,092)</b>

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**18. Financial instruments (Continued)**

**Liquidity risk**

The following are the undiscounted contractual maturities of financial liabilities:

	Carrying value	Up to 1 year	Between 2 and 5 years	Over 5 years	Total
<b>31-Dec-15</b>					
Loans and borrowings . . . . .	66,587	2,893	77,247	—	80,140
Bond . . . . .	619,988	49,219	793,302	—	842,521
Finance lease liabilities . . . . .	24,426	14,012	11,449	—	25,461
Trade and other payables . . . . .	122,570	122,570	—	—	122,570
<b>Total . . . . .</b>	<b>833,571</b>	<b>188,694</b>	<b>881,998</b>	<b>—</b>	<b>1,070,692</b>
<b>31-Dec-14</b>					
Loans and borrowings . . . . .	53,148	8,647	9,389	50,223	68,259
Bond . . . . .	465,580	37,406	149,625	510,952	697,983
Finance lease liabilities . . . . .	17,733	8,231	10,444	—	18,675
Trade and other payables . . . . .	81,083	81,083	—	—	81,083
<b>Total . . . . .</b>	<b>617,544</b>	<b>135,367</b>	<b>169,458</b>	<b>561,175</b>	<b>866,000</b>

**Currency risk**

Group's overview of financial instruments by currency denomination was as follows:

	EUR	RSD	USD	Other	Total
<b>31-Dec-15</b>					
Other financial assets . . . . .	2,049	—	—	—	2,049
Trade and other receivables . . . . .	41,950	25,702	—	9,493	77,145
Short term loans receivables, including derivatives . . .	6,138	—	—	—	6,138
Cash and cash equivalents . . . . .	9,675	2,326	1,183	1,942	15,126
<b>Total . . . . .</b>	<b>59,812</b>	<b>28,028</b>	<b>1,183</b>	<b>11,435</b>	<b>100,458</b>
Loans and borrowings . . . . .	66,521	—	66	—	66,587
Bond . . . . .	619,988	—	—	—	619,988
Finance lease liabilities . . . . .	24,426	—	—	—	24,426
Trade and other payables . . . . .	71,320	33,934	11,536	5,780	122,570
<b>Total . . . . .</b>	<b>782,255</b>	<b>33,934</b>	<b>11,602</b>	<b>5,780</b>	<b>833,571</b>
<b>Net exposure . . . . .</b>	<b>(722,443)</b>	<b>(5,906)</b>	<b>(10,419)</b>	<b>5,655</b>	<b>(733,112)</b>
<b>31-Dec-14</b>					
Other financial assets . . . . .	375	29	—	1	405
Trade and other receivables . . . . .	21,639	20,623	1,404	9,427	53,093
Short term loan receivables . . . . .	397	—	324	6	727
Cash and cash equivalents . . . . .	11,717	1,558	624	2,283	16,182
<b>Total . . . . .</b>	<b>34,128</b>	<b>22,210</b>	<b>2,352</b>	<b>11,717</b>	<b>70,407</b>
Loans and borrowings . . . . .	52,354	436	—	358	53,148
Bond . . . . .	465,580	—	—	—	465,580
Finance lease liabilities . . . . .	17,551	—	—	182	17,733
Trade and other payables . . . . .	40,133	26,398	8,153	6,399	81,083
<b>Total . . . . .</b>	<b>575,618</b>	<b>26,834</b>	<b>8,153</b>	<b>6,939</b>	<b>617,544</b>
<b>Net exposure . . . . .</b>	<b>(541,490)</b>	<b>(4,624)</b>	<b>(5,801)</b>	<b>4,778</b>	<b>(547,137)</b>

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**18. Financial instruments (Continued)**

Exchange rates applied during the compilation of the consolidated financial statements are as follows:

<u>Currency</u>	<u>As at 31-Dec-15</u>	<u>As at 31-Dec-14</u>
RSD . . . . .	121.6261	120.9583
USD . . . . .	1.0859	1.2161
BAM . . . . .	1.9558	1.95583
HRK . . . . .	7.6381	7.6622
MKD . . . . .	61.5000	61.4814

**Sensitivity analysis**

*Currency risk*

Currency risk mainly arises from operations in Serbia for which functional currency is Serbian Dinar and which have significant EUR borrowings. Sensitivity analysis reflects the risk of foreign exchange losses on translation of Euro and USD denominated trade receivables, trade payables and borrowings into RSD.

As at 31 December 2015, if the currency had weakened/strengthened by a further 10% against the RSD with all the variables held constant, net loss for the year would have been EUR 31,446 thousand higher / lower (2014: EUR 37,615 thousand), mainly as a result of foreign exchange effects of translation of RSD denominated trade receivables and trade payables.

As at 31 December 2015, if the currency had weakened/strengthened by a further 10% against the USD with all the variables held constant, net loss for the year would have been EUR 886 thousand higher / lower (2014: EUR 493 thousand), mainly as a result of foreign exchange effects of translation of RSD denominated trade receivables and trade payables.

*Interest rate risk*

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Fixed rate instruments</b>		
Financial assets . . . . .	2,049	320
Financial liabilities . . . . .	619,988	465,580
<b>Total</b> . . . . .	<b>(617,939)</b>	<b>(465,260)</b>
<b>Variable rate instruments</b>		
Financial assets . . . . .	—	—
Financial liabilities . . . . .	91,013	70,880
<b>Total</b> . . . . .	<b>(91,013)</b>	<b>(70,880)</b>

As at 31 December 2015, if interest rates on currency denominated borrowings (with floating rate) had been 1% higher with all other variables held constant, net profit for the year would have been EUR 683 thousand lower (2014: EUR 445 thousand) (note 24).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**18. Financial instruments (Continued)**

**Fair values and risk management**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair values hierarchy. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31-Dec-15	Note	Carrying amount			Total	Fair value			Total
		Fair value— hedging instruments	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
<b>Financial assets not measured at fair value*</b>									
Other financial assets		—	2,049	—	2,049	—	—	—	—
Trade and other receivables	19	—	77,145	—	77,145	—	—	—	—
Short term loans receivables and deposits	20	—	6,138	—	6,138	—	—	—	—
Cash and cash equivalents	22	—	15,126	—	15,126	—	—	—	—
		—	100,458	—	100,458	—	—	—	—
<b>Financial liabilities measured at fair value</b>									
Forward exchange contracts used for hedging	27	2,614	—	—	2,614	—	2,614	—	2,614
		2,614	—	—	2,614	—	2,614	—	2,614
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings	24	—	—	66,587	66,587	—	66,587	—	66,587
Bonds	24	—	—	619,988	619,988	—	664,470	—	664,470
Finance lease liabilities	14	—	—	24,426	24,426	—	24,426	—	24,426
Trade payables*	27	—	—	122,570	122,570	—	—	—	—
		—	—	833,571	833,571	—	755,483	—	755,483

31-Dec-14	Note	Carrying amount			Total	Fair value			Total
		Fair value— hedging instruments	Loans and receivables	Other financial liabilities		Level 1	Level 2	Level 3	
<b>Financial assets not measured at fair value*</b>									
Other financial assets . . . . .		—	405	—	405	—	—	—	—
Trade and other receivables . . . . .	19	—	53,093	—	53,093	—	—	—	—
Short term loans receivables and deposits . . . . .	20	—	727	—	727	—	—	—	—
Cash and cash equivalents . . . . .	22	—	16,182	—	16,182	—	—	—	—
		—	70,407	—	70,407	—	—	—	—
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings . . . . .	24	—	—	53,148	53,148	—	53,148	—	53,148
Bonds . . . . .	24	—	—	465,580	465,580	—	495,904	—	495,904
Finance lease liabilities . . . . .	14	—	—	17,733	17,733	—	17,733	—	17,733
Trade payables* . . . . .	27	—	—	81,083	81,083	—	—	—	—
		—	—	617,544	617,544	—	566,785	—	566,785

\* The Group has not disclosed the fair values for financial instruments such as financial assets and payables, because their carrying amounts are a reasonable approximation of their fair value.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**18. Financial instruments (Continued)**

**Measurement of fair values**

The following table shows the valuation techniques used in measuring Level 2 fair values:

Type	Valuation technique	Significant unobservable inputs	Interrelating between significant unobservable inputs and fair value measurement
Forward exchange contracts used for hedging	Market comparison technique: Fair values are based on broker quotes. Similar contracts are traded in a active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Other financial liabilities	Discounted cash flows: valuation model considers present value of expected payment, discounted using a risk adjusted discount rate.		

**19. Trade and other receivables**

	31-Dec-15	31-Dec-14
Trade receivables . . . . .	77,938	48,627
Other receivables . . . . .	3,430	5,558
Allowance for impairment . . . . .	(4,223)	(1,092)
<b>Total . . . . .</b>	<b>77,145</b>	<b>53,093</b>

Trade receivables primarily relate to receivables from cable and DTH operations. The Group's trade receivables were pledged as collateral for loans and bond.

**20. Short term loan receivables and deposits**

Out of total amount of short term loan receivables and deposits, amount of EUR 5,740 thousands relates to deposited additional consideration on escrow account for acquisitions in Bosnia (note 17).

**21. Prepayments**

	31-Dec-15	31-Dec-14
Non current prepayments . . . . .	5,987	—
<b>Total . . . . .</b>	<b>5,987</b>	<b>—</b>
Advance payments and prepaid expenses . . . . .	18,315	17,694
Accrued income . . . . .	1,389	1,479
<b>Total . . . . .</b>	<b>19,704</b>	<b>19,173</b>
<b>Total . . . . .</b>	<b>25,691</b>	<b>19,173</b>

Prepayments primarily relate to advance payments to content providers.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 22. Cash and cash equivalents

	31-Dec-15	31-Dec-14
EUR accounts and cash on hand . . . . .	9,284	11,217
Other currency accounts . . . . .	5,842	4,465
Escrow account EUR . . . . .	—	500
<b>Total</b> . . . . .	<b>15,126</b>	<b>16,182</b>

Bank borrowings are secured on the total amount of cash on bank accounts.

As at 31 December 2015 the Group does not have restricted cash.

#### 23. Capital and non-controlling interest

The issued share capital and share premium of Adria Midco B.V. as at 31 December 2015 amounts to EUR 564,717 thousand. The amount of EUR 418,267 thousand was paid up, while the amount of EUR 146,450 thousand relates to issued equity instruments as a part of consideration for the acquisition of Slovenia Broadband S.À R.L group.

Equity instruments in the amount of EUR 146,450 thousand relate to issues shares to management vehicle companies (Gerrard Enterprises LLC and Cable Management Company LTD) at fair value.

Owner of the Group contributed as consideration total amount of EUR 26,000 thousand which was part of total consideration for acquisition of the Tušmobil (note 17).

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intragroup eliminations.

31-Dec-15	Telemach Rotovz d.o.o.	Telemach Tabor d.o.o.	Telemach Pobrezje d.o.o.	Telemach Tezno d.o.o.	Grand Production d.o.o.	Telemach d.o.o. Montenegro	HKB-net	KTV HS	Other	Total
NCI percentage . . . .	10.84%	39.74%	56.36%	66.35%	49.00%	36.00%	36.00%	42.53%	—	—
Non-current assets . .	17,349	6,865	1,832	928	2,168	2,597	1,981	3,039	—	36,759
Current assets . . . . .	2,791	1,774	599	459	2,702	2,739	848	725	—	12,637
Non-current liabilities	224	144	37	36	—	2,235	88	144	—	2,908
Current liabilities . . .	2,731	931	270	215	491	1,929	410	898	—	7,875
Net assets . . . . .	17,185	7,564	2,124	1,136	4,379	1,172	2,331	2,722	—	38,613
<b>Carrying amount of</b>										
NCI . . . . .	<b>1,863</b>	<b>3,006</b>	<b>1,197</b>	<b>754</b>	<b>2,146</b>	<b>422</b>	<b>839</b>	<b>1,158</b>	<b>1,910</b>	<b>13,295</b>
Revenue . . . . .	8,792	5,583	1,539	1,255	7,684	3,454	283	568	—	29,158
Profit . . . . .	629	325	97	73	1,775	(353)	93	29	—	2,668
OCI . . . . .	—	—	—	—	—	—	—	—	—	—
Total comprehensive income . . . . .	629	325	97	73	1,775	(353)	93	29	—	2,668
<b>Profit allocated to</b>										
NCI . . . . .	<b>68</b>	<b>129</b>	<b>55</b>	<b>48</b>	<b>870</b>	<b>(127)</b>	<b>33</b>	<b>12</b>	<b>102</b>	<b>1,190</b>
OCI allocated to NCI	—	—	—	—	—	—	—	—	—	—

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**23. Capital and non-controlling interest (Continued)**

<b>31-Dec-14</b>	<b>Telemach Rotovz d.o.o.</b>	<b>Telemach Tabor d.o.o.</b>	<b>Telemach Pobrezje d.o.o.</b>	<b>Telemach Tezno d.o.o.</b>	<b>Grand Production d.o.o.</b>	<b>Other</b>	<b>Total</b>
NCI percentage . . . . .	22.03%	43.00%	59.00%	68.00%	49.00%	—	—
Non-current assets . . . . .	17,581	7,038	1,872	920	2,413	—	29,824
Current assets . . . . .	1,960	1,358	481	438	1,486	—	5,723
Non-current liabilities . . . . .	(227)	(138)	(39)	(33)	—	—	(437)
Current liabilities . . . . .	(1,618)	(1,026)	(287)	(262)	(1,449)	—	(4,642)
Net assets . . . . .	17,696	7,232	2,027	1,063	2,450	—	30,468
<b>Carrying amount of NCI . . . . .</b>	<b>3,898</b>	<b>3,110</b>	<b>1,196</b>	<b>723</b>	<b>1,201</b>	<b>2,385</b>	<b>12,513</b>
Revenue . . . . .	5,512	1,441	1,199	1,524	5,017	—	14,693
Profit . . . . .	189	81	60	45	587	—	962
OCI . . . . .	—	—	—	—	—	—	—
Total comprehensive income . . . . .	189	81	60	45	587	—	962
<b>Profit allocated to NCI . . . . .</b>	<b>42</b>	<b>35</b>	<b>35</b>	<b>31</b>	<b>288</b>	<b>(29)</b>	<b>402</b>
<b>OCI allocated to NCI . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>69</b>	<b>69</b>

**24. Loans and borrowings and bonds**

**Long-term borrowings**

Long-term borrowings per loan facility are as follows:

	<b>31-Dec-15</b>	<b>31-Dec-14</b>
Bond . . . . .	625,000	475,000
Revolving facility (RCF) . . . . .	59,675	49,625
Bank secured loan . . . . .	7,870	—
<b>Total . . . . .</b>	<b>692,545</b>	<b>524,625</b>
Current portion for bank secured loan . . . . .	(361)	—
Adjustment for amortized cost (bond) . . . . .	(5,012)	(9,420)
Adjustment for amortized cost (RCF) . . . . .	(2,224)	(2,780)
<b>Total . . . . .</b>	<b>684,948</b>	<b>512,425</b>

Adjustment to the nominal amount of bond and RCF is necessary because they are recorded at amortized cost. Based on this, upon origination of the bond and RCF, transaction costs were included in the financial liabilities recognized. Interest expense recorded includes amortization of these transaction costs deferred at initial recognition to maturity amount using the effective interest method. Accrued interest expense, including both accrued coupon and amortized premium (including fees deferred at origination), is not presented separately and is included in the carrying values of the borrowings (as a reducing item).

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**24. Loans and borrowings and bonds (Continued)**

**Bonds**

As at 15 November 2013 the Group issued bonds in the nominal amount of EUR 475,000 thousand. As at 1 April 2015 the Group issued another tranche of bonds in the nominal amount of EUR 150,000 thousand which were incorporated with previous bonds. The notes will mature on 15 November 2020. Interest is payable semi-annually on each 15 May and 15 November commencing 15 May 2014. Interest rate is defined at 7.875% p.a.

**Revolving credit facility (RCF)**

The Group has on 5 November 2013 signed agreement for revolving facility with bank consortium led by Unicredit bank in the total available amount of EUR 100,000 thousand (out of which EUR 59,875 thousand was used through both bank loans and letter of credit). Maturity date of this RCF is 20 March 2020.

The bank loan facilities have been secured by a pledge on 100% of the shares of Adria Midco B.V. and direct subsidiary entities.

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Bond . . . . .	EUR	7.875%	2020	625,000	625,000
Unicredit Bank (revolving facility) . . . .	EUR	4.25% + 6M Euribor	2020	51,000	51,000
Raiffeisen bank A.D., Serbia (revolving facility) . . . . .	EUR	5.35% + 6M Euribor	2020	12,000	8,675
Nova Ljubljanska Banka A.D., Slovenia	EUR	3.4% + 1M Euribor	2020	7,870	7,870
<b>Total . . . . .</b>					<b><u>692,545</u></b>

**Loan covenants**

Based on the agreement for RCF, the Group is required to comply with a leverage ratio to consolidated adjusted EBITDA for the period most recent four consecutive financial quarters ending prior to the date of determination of the ratio. Leverage ratio is calculated as aggregate outstanding indebtedness of the Group and should not exceed ratio 8.10:1. Indebtedness is calculated as total financial liabilities decreased by level of cash and cash equivalents as at reporting date. Satisfaction of the covenant is tested quarterly. As at 31 December 2015 the Group is in compliance with this requirement.

The other covenant that the Group is required to comply is that the Group's indebtedness (net debt) should not exceed 4.25 times the Group's annualized last two quarters adjusted EBITDA. As at 31 December 2015 the Group is in compliance with this requirement.

**Finance leases**

The Group has finance lease arrangements which bears an interest rate in the range of 4% to 5%. The leases are repayable in fixed monthly instalments within period of 3–5 years, with the last repayment in 2019 (note 14).

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2015**  
**In thousands of EUR**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**24. Loans and borrowings and bonds (Continued)**

**Short term borrowings**

Short term debt by category of loan consists of following:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Bluenet L.L.C., USA .....	USD	3%	2016	59	66
Unicredit Bank A.D., Slovenia (RCF) .....	EUR	4.07%–4.27%	2016	1,200	1,200
Current portion of long term loan (Nova Ljubljanska banka A.D., Slovenia) .....					361
<b>Total .....</b>					<b><u>1,627</u></b>

**25. Deferred revenue**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Up to 1 year .....</b>	<b>8,190</b>	<b>5,550</b>
Between 1 and 2 years .....	1,785	2,416
Between 2 and 5 years .....	1,843	4,615
Over 5 years .....	2,416	589
<b>Total over 1 year .....</b>	<b>6,044</b>	<b>7,620</b>
<b>Total .....</b>	<b><u>14,234</u></b>	<b><u>13,170</u></b>

Deferred revenue mainly refers to subscriber connection fees and prepaid network operating lease arrangements with mobile operators.

**26. Deferred tax assets and liabilities**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is presented in the following table:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Deferred tax assets .....	7,850	5,456
Deferred tax liabilities .....	(32,014)	(32,117)
<b>Total .....</b>	<b><u>(24,164)</u></b>	<b><u>(26,661)</u></b>

The net movement of the deferred income tax is as follows:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Opening balance .....	26,661	—
Exchange differences .....	(409)	(2,209)
Recognized in profit or loss .....	(1,091)	(1,401)
Acquired in business combination .....	(997)	30,271
<b>Total .....</b>	<b><u>24,164</u></b>	<b><u>26,661</u></b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**26. Deferred tax assets and liabilities (Continued)**

<u>Deferred tax liability</u>	<u>Trademark &amp; Customer base</u>	<u>Property, plant and equipment</u>	<u>Total</u>
At 1 January 2014 . . . . .	—	—	—
Charged/(credited) to statement of comprehensive income . . . . .	(59)	(722)	(781)
Acquired in business combination . . . . .	28,283	6,166	34,449
Exchange differences . . . . .	(1,218)	(333)	(1,551)
<b>At 31 December 2014 . . . . .</b>	<b>27,006</b>	<b>5,111</b>	<b>32,117</b>
At 1 January 2015 . . . . .	27,006	5,111	32,117
Charged/(credited) to statement of comprehensive income . . . . .	(1,153)	639	(514)
Acquired in business combination . . . . .	830	—	830
Exchange differences . . . . .	(350)	(69)	(419)
<b>At 31 December 2015 . . . . .</b>	<b>26,333</b>	<b>5,681</b>	<b>32,014</b>

<u>Deferred tax assets</u>	<u>Property, plant and equipment</u>	<u>Non-current liabilities</u>	<u>Current assets</u>	<u>Tax loss / credit carried forward</u>	<u>Total</u>
At 1 January 2014 . . . . .	—	—	—	—	—
Charged/(credited) to statement of comprehensive income . . . . .	(256)	(6)	4	878	620
Acquired in business combination . . . . .	2,221	87	6	1,864	4,178
Exchange differences . . . . .	215	12	—	431	658
<b>At 31 December 2014 . . . . .</b>	<b>2,180</b>	<b>93</b>	<b>10</b>	<b>3,173</b>	<b>5,456</b>
At 1 January 2015 . . . . .	2,180	93	10	3,173	5,456
Charged/(credited) to statement of comprehensive income . . . . .	—	—	—	577	577
Acquired in business combination (note 17) . . . . .	224	—	—	1,603	1,827
Exchange differences . . . . .	(10)	—	—	—	(10)
<b>At 31 December 2015 . . . . .</b>	<b>2,394</b>	<b>93</b>	<b>10</b>	<b>5,353</b>	<b>7,850</b>

**27. Trade and other payables**

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Trade payables . . . . .	90,810	53,768
Accrued liabilities . . . . .	9,761	13,732
Interest payable . . . . .	7,026	5,663
Received advances . . . . .	3,482	3,321
Taxes payable . . . . .	3,002	2,475
Forward exchange contracts . . . . .	2,614	—
Other liabilities . . . . .	5,875	2,124
<b>Total . . . . .</b>	<b>122,570</b>	<b>81,083</b>

Out of total amount of other liabilities, amount of EUR 3,000 thousand relates to provision for legal case raised by SOKOJ (note 30).

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**28. Related parties**

Generally parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related parties' relationships for those parties with whom the Group entered into significant transactions or had significant balances outstanding as at 31 Decembers 2015 detailed below. Transactions with related parties were entered into during the ordinary course of business on normal commercial terms.

Balances and transactions with related parties of the Group consist of the following:

**i) Balances with related parties**

	<u>Relationship</u>	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Other financial assets</b>			
Adria Topco B.V. ....	Parent	2,049	—
<b>Total</b> .....		<u>2,049</u>	<u>—</u>
<b>Trade and other receivables</b>			
Adria Topco B.V. ....	Parent	27	—
<b>Total</b> .....		<u>27</u>	<u>—</u>
<b>Prepayments</b>			
Adria Topco B.V. ....	Parent	—	9
<b>Total</b> .....		<u>—</u>	<u>9</u>

**ii) Transactions with related parties**

	<u>Relationship</u>	<u>31-Dec-15</u>	<u>31-Dec-14</u>
<b>Other operating expense</b>			
Kohlberg Kravis Roberts & Co. L.P. ....	Ultimate parent	1,363	13,911
Gerrard Enterprises LLC .....	Related party	5,241	4,569
Cable Management Company ltd .....	Related party	83	765
<b>Total</b> .....		<u>6,687</u>	<u>19,245</u>
<b>Interest income</b>			
Adria Topco B.V. ....	Parent	41	—
<b>Total</b> .....		<u>41</u>	<u>—</u>

Other operating expenses relate to fees under transaction fee and advisory service agreements.

**iii) Transactions with key management personnel**

During the period ended 31 December 2015, total compensation paid to key management personnel for their services is made up of a contractual salary and a performance bonus depending on operating results. Total compensation for key management personnel amounted to EUR 1,882 thousand



**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**28. Related parties (Continued)**

(2014: EUR 1,870 thousand). There are no post-employment and termination benefits for key management personnel.

**29. Operating leases**

The Group leases office space and satellite transponders under operating lease for periods of 10 years and more. These contracts are non-cancellable.

As at 31 December 2015, the future minimum lease payments under non-cancellable leases were as follows:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Less than 1 year . . . . .	11,064	9,922
Between 1 and 5 years . . . . .	44,256	40,138
More than 5 years . . . . .	37,088	49,448
<b>Total . . . . .</b>	<b><u>92,408</u></b>	<b><u>99,508</u></b>

The Group recognized total amount of EUR 10,285 thousand in profit and loss in 2015 (2014: EUR 7,328 thousand).

**30. Legal matters**

As at 31 December 2015, the Group is involved in a number of legal cases in the total amount of EUR 26,393 thousand (2014: EUR 3,151 thousand).

*Legal cases in Serbia*

Out of total amount of legal cases, amount of EUR 24,666 thousand relates to legal case which was raised by SOKOJ (Serbian music authors' organization for collective protection of music copyright and related rights). The Group signed contract with SOKOJ only for cable service it provides, and not for the DTH service. SOKOJ claims that although there is no contract signed for DTH services, it has legal right to receive adequate remuneration from users of DTH service based on decision of regulatory body starting from 2012.

The Group management recognized provision for legal cases in the amount of EUR 3,181 thousand (note 11). Out of total amount of provision, amount of EUR 3,000 thousand relates to provision for legal case raised by SOKOJ.

*Legal cases in Bosnia*

*Minority shareholders of HS d.o.o. and HKB d.o.o.*

As a result of acquisition of subsidiaries in Bosnia, the Group assumed significant number of ongoing court disputes. The disputes are initiated by the minority owners of companies HS d.o.o. and HKB d.o.o. which claimed compensation for damages and cancellation of a share purchase transaction.

The earliest case was initiated several years ago and hence forth new cases were initiated almost on annual basis. Cases initiated by minority shareholders for the most part related to allegations of contract being signed by HS d.o.o. and HKB d.o.o. that were to the detriment of these two companies, various violations of minority shareholders' rights by the majority shareholder such as the right of first refusal, right of access to business records of the company In parallel to initiating court disputes seeking indemnity and termination of certain agreements the minority shareholders have also filed criminal complaint to Office of the Public Prosecutor alleging criminal wrongdoing by majority shareholders and former

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**30. Legal matters (Continued)**

management. The minority owners have also filed criminal charges against the former owners on the basis of unlawful enrichment.

The provisional quantum of indemnity sought by the minority shareholders is up to EUR 10,513 thousand. Legal advisors of the Group stated that aforementioned amount of indemnity was determined by the claimants and that the final amount of indemnity would be assessed by court appointed experts.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow it deems sufficient to pay the claims that would, based on legal estimate, be ruled in favor of the claimants (note 20).

Subsequently to the acquisition the minority shareholders also sued Telemach Bosnia and the ultimate owners KKR requesting nullification of the transaction and compensation for damages of EUR 10 million. This is linked to previous cases and legal advisors have assessed that all the risks come from underlying cases referred to above, and any adverse ruling in in previous cases may have an effect on these cases as well.

*Cases relating to BHB Cable TV d.o.o.*

As a result of acquisition of subsidiary BHB Cable TV d.o.o., the Group assumed number of ongoing court cases relating to BHB.

Historically there existed a number of agreements between the claimant and the defendant regulating their business relationship, ownership, management and maintenance of the cable infrastructure, future projects and other matters. The initial court case was initiated in 2009. Total value of claims is EUR 434 thousand.

In one of the cases the first instance court has reached a decision in favor of plaintiff and counter claims were rejected. A subsequent ruling by a second instance court reversed this decision and the ruling was reached under which BHB nor plaintiff were entitled to damages. Plaintiff initiated extraordinary legal remedy to have the second instance verdict revised / abolished before the Supreme Court of FBiH; no final decision has been reached to date (we understand that the Supreme Court may take up to two years for the final decision).

In subsequent three court cases the first instance court ruled in line with the ruling of the second instance court in previous case.

The legal advisor of the Group provided legal opinion as to likelihood of winning or losing individual cases. Management of the Group concurred with views of the legal advisor and has set aside funds in escrow it deems sufficient to pay the claims that would, based on legal estimate, be ruled in favor of the claimants.

Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is low probability of negative outcome.

**31. Guaranties**

The Group has guaranteed a loan of the Gerrard Aircraft GMBH in the amount of EUR 6,474 thousand. The guaranty expires on 13 April 2020.

**32. Subsequent events**

Subsequent to reporting date EUR 896 thousand was released to the selling shareholders of subsidiaries acquired in Bosnia and the amount of liability was decreased in the same amount.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**32. Subsequent events (Continued)**

As at 3 February 2016 Telemach d.o.o. merged into Telemach Mobil d.o.o., Slovenia. Subsequently, Telemach Mobil d.o.o. was renamed into Telemach d.o.o.

On 16 March 2016, the Group concluded an agreement to acquire the entire stake in the company Maxtel d.o.o., Slovenia. The transaction is subject to customary regulatory approvals by the local competition authorities in Slovenia, which is the sole condition to closing, and is expected to be completed in June 2016. Total consideration for the acquisition amounts to EUR 4,000 thousand.

The Group's management holds that they are not aware of any other significant post balance sheet events that could affect the financial statements for 2015 or require separate disclosure.

**ADRIA MIDCO B.V. GROUP**  
**CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED**  
**31 DECEMBER 2014**

# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2014

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## **Independent Auditors' Report on Financial Information**

TO THE OWNERS

ADRIA MIDCO B.V.

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Adria Midco B.V. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and as at 31 December 2013, the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the periods then ended, and notes, comprising 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 consolidated 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2014 and as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Belgrade, 16 April 2015





**ADRIA MIDCO B.V. GROUP**

**Consolidated Financial Statements for year ended 31 December 2014**

**In thousands of EUR**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Note</u>	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Revenue . . . . .	8	240,587	—
Other income . . . . .	9	4,995	—
Content cost . . . . .		(48,320)	—
Satellite capacity cost . . . . .		(6,090)	—
Link and interconnection costs . . . . .		(10,807)	—
Materials cost . . . . .	10	(5,601)	—
Staff costs . . . . .	11	(24,444)	—
Depreciation . . . . .	15	(41,677)	—
Amortization of intangible assets . . . . .	16	(23,669)	—
Other operating expenses . . . . .	12	(83,345)	(693)
<b>Operating profit/(loss) . . . . .</b>		<b>1,629</b>	<b>(693)</b>
Finance income . . . . .		5,790	—
Finance costs . . . . .		(78,144)	(7,473)
<b>Net finance costs . . . . .</b>	13	<b>(72,354)</b>	<b>(7,473)</b>
<b>Loss before tax . . . . .</b>		<b>(70,725)</b>	<b>(8,166)</b>
Income tax . . . . .	14	388	—
<b>Loss for the year . . . . .</b>		<b>(70,337)</b>	<b>(8,166)</b>
Other comprehensive income			
Currency translation differences . . . . .		(8,419)	—
<b>Other comprehensive loss for the year . . . . .</b>		<b>(8,419)</b>	<b>—</b>
<b>Total comprehensive loss for the year . . . . .</b>		<b>(78,756)</b>	<b>(8,166)</b>
(Loss)/profit attributable to:			
Owners of the Company . . . . .		(70,739)	(8,166)
Non-controlling interests . . . . .		402	—
<b>Loss for the year . . . . .</b>		<b>(70,337)</b>	<b>(8,166)</b>
Total comprehensive loss attributable to:			
Owners of the Company . . . . .		(79,227)	(8,166)
Non-controlling interests . . . . .		471	—
<b>Total comprehensive loss for the year . . . . .</b>		<b>(78,756)</b>	<b>(8,166)</b>

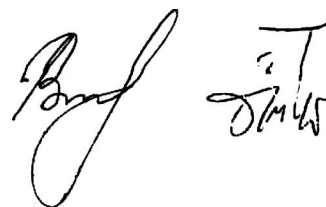
**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2014**  
**In thousands of EUR**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	31-Dec-14	31-Dec-13
<b>Assets</b>			
Property, plant and equipment	15	232,835	—
Goodwill	17	623,279	—
Intangible assets	16	197,661	—
Investment property		635	—
Other financial assets		405	—
Deferred tax assets	26	5,456	—
<b>Non-current assets</b>		<b>1,060,271</b>	<b>—</b>
Programming rights held for sale		21	—
Inventories		3,581	—
Trade and other receivables	20	53,093	—
Short term loans receivables		727	—
Prepayments	21	19,173	—
Income tax receivables		2,782	—
Cash and cash equivalents	22	16,182	470,250
<b>Current assets</b>		<b>95,559</b>	<b>470,250</b>
<b>Total assets</b>		<b>1,155,830</b>	<b>470,250</b>
<b>Equity</b>			
Issued and fully paid share capital	23	125	—
Share premium	23	564,592	—
Translation reserves		(8,488)	—
Accumulated losses		(78,905)	(8,166)
<b>Equity attributable to owners of the Company</b>		<b>477,324</b>	<b>(8,166)</b>
Non-controlling interests	23	12,513	—
<b>Total equity</b>		<b>489,837</b>	<b>(8,166)</b>
<b>Liabilities</b>			
Loans and borrowings	24	46,845	—
Bond	24	465,580	464,372
Long term provisions		995	—
Deferred revenue	25	7,620	—
Finance lease liabilities	15	10,103	—
Deferred tax liabilities	26	32,117	—
Employee benefits		818	—
<b>Non-current liabilities</b>		<b>564,078</b>	<b>464,372</b>
Trade and other payables	27	81,083	14,044
Current tax liabilities		1,349	—
Loans and borrowings	24	6,303	—
Deferred revenue	25	5,550	—
Finance lease liabilities	15	7,630	—
<b>Current liabilities</b>		<b>101,915</b>	<b>14,044</b>
<b>Total liabilities</b>		<b>665,993</b>	<b>478,416</b>
<b>Total equity and liabilities</b>		<b>1,155,830</b>	<b>470,250</b>

These consolidated financial statements have been approved for issue by the Board of Directors on 16 April 2015 and signed on their behalf:



Director  
Eduard Johannes Hoozeboom



Director  
Victoriya Boklag

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2014**  
**In thousands of EUR**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Share premium	Translation reserves	Accumulated losses	Total	Non- controlling interest	Total equity
<b>Balance at 1 January 2013</b>							
<b>Comprehensive income for the period</b>							
Profit for the period . . . . .	—	—	—	(8,166)	(8,166)		(8,166)
Other comprehensive income . . . . .	—	—	—	—	—	—	—
<b>Total comprehensive income for the period . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(8,166)</b>	<b>(8,166)</b>	<b>—</b>	<b>(8,166)</b>
<b>Contributions and distributions</b>							
Total Contributions by and distributions to Owners . . . . .	—	—	—	—	—	—	—
<b>Changes in ownership interests</b>							
Total changes in ownership interests . . . . .	—	—	—	—	—	—	—
<b>Balance at 31 December 2013 . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(8,166)</b>	<b>(8,166)</b>	<b>—</b>	<b>(8,166)</b>
<b>Balance at 1 January 2014 . . . . .</b>				<b>(8,166)</b>	<b>(8,166)</b>	<b>—</b>	<b>(8,166)</b>
<b>Comprehensive income for the year</b>							
Profit for the year . . . . .	—	—	—	(70,739)	(70,739)	402	(70,337)
Other comprehensive income . . . . .	—	—	(8,488)	—	(8,488)	69	(8,419)
<b>Total comprehensive income for the period . . . . .</b>	<b>—</b>	<b>—</b>	<b>(8,488)</b>	<b>(70,739)</b>	<b>(79,227)</b>	<b>471</b>	<b>(78,756)</b>
<b>Contributions and distributions</b>							
Increase in shareholder capital and premium (note 23) . . . . .	125	564,592	—	—	564,717	—	564,717
<b>Total Contributions by and distributions to Owners . . . . .</b>	<b>125</b>	<b>564,592</b>	<b>—</b>	<b>—</b>	<b>564,717</b>	<b>—</b>	<b>564,717</b>
<b>Changes in ownership interests</b>							
Acquisition of subsidiary with non-controlling interest (note 18) . . . . .	—	—	—	—	—	12,042	12,042
<b>Total changes in ownership interests . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>12,042</b>	<b>12,042</b>
<b>Balance at 31 December 2014 . . . . .</b>	<b>125</b>	<b>564,592</b>	<b>(8,488)</b>	<b>(78,905)</b>	<b>477,324</b>	<b>12,513</b>	<b>489,837</b>

**ADRIA MIDCO B.V. GROUP**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<u>Note</u>	<u>31-Dec-14</u>	<u>31-Dec-13</u>
<b>Cash flows from operating activities</b>			
Loss . . . . .		(70,337)	(8,166)
Adjustments for:			
Depreciation . . . . .	15	41,677	—
Amortization . . . . .	16	23,669	—
Impairment of trade and other receivables . . . . .	12	2,245	—
Impairment of property, plant and equipment . . . . .	12	2,403	—
Impairment of intangible assets . . . . .		285	—
Income tax . . . . .		(388)	—
Net finance cost . . . . .		68,957	7,473
Operating cash flows before working capital changes . . . . .		68,511	(693)
Changes in:			
Trade and other receivables . . . . .		(9,773)	—
Provision . . . . .			5
Deferred revenue . . . . .		(822)	—
Inventories . . . . .		1,213	—
Programming rights . . . . .		3,227	—
Prepayments . . . . .		(1,766)	—
Trade and other payables . . . . .		(19,893)	1,816
<b>Cash generated from operations . . . . .</b>		<b>40,697</b>	<b>1,128</b>
Interest paid . . . . .		(38,586)	—
Income tax paid . . . . .		(1,869)	—
<b>Net cash from operating activities . . . . .</b>		<b>242</b>	<b>1,128</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .	15	(64,398)	—
Acquisition of intangible assets . . . . .	16	(11,358)	—
Change in short term loan receivables . . . . .		2,712	—
Change in other non-current financial assets . . . . .		5,937	—
Acquisition of subsidiaries, net of cash acquired . . . . .	18	(555,965)	—
<b>Net cash used in investing activities . . . . .</b>		<b>(623,072)</b>	<b>—</b>
<b>Cash flows from financing activities</b>			
Proceeds from bond issue . . . . .		—	475,000
Increase in share capital and share premium . . . . .	23	418,267	—
Proceeds from borrowings . . . . .		61,985	—
Repayment of borrowings . . . . .		(315,058)	—
Transaction costs related to loans and borrowings . . . . .		(6,421)	(5,878)
Proceeds from finance lease . . . . .		16,724	—
Repayment of finance lease . . . . .		(6,735)	—
<b>Net cash from financing activities . . . . .</b>		<b>168,762</b>	<b>469,122</b>
<b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>		<b>(454,068)</b>	<b>470,250</b>
<b>Cash and cash equivalents at 1 January . . . . .</b>		<b>470,250</b>	<b>—</b>
<b>Cash and cash equivalents at 31 December . . . . .</b>		<b>16,182</b>	<b>470,250</b>

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting entity**

Adria Midco B.V. (the Company) is a company domiciled in Netherlands registered on 3 October 2013.

On 15 October 2013, the Company entered into an agreement for the acquisition of Slovenia Broadband S.À R.L. group. The Company was established as a vehicle of the ultimate acquirer to effect the acquisition of the Slovenia Broadband S.À R.L. group. The transaction was closed on 6 March 2014, after receiving necessary regulatory approvals. The control was obtained on the same date.

The consolidated financial statements of the Company as at and for the period ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group is one of the largest telecommunication operators in South East Europe providing Video, Data and Voice services to residential and business subscribers. The Group’s activities are based in Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Croatia.

Parent company of the Group is Adria Topco B.V. Netherlands which is controlled by Adria Luxco S.À.R.L. Luxembourg, private company, domiciled in Luxembourg. Adria Luxco S.À.R.L. is an investee company owned in the majority by funds advised/managed by US private equity fund Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”). Management holds 26.2% of stakes in the Group.

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. Reporting entity (Continued)**

**List of subsidiaries**

The Company—Adria Midco B.V. has the following subsidiaries:

- |   |  |
|---|--|
| • United Group B.V., Netherlands (100%)                               | • Adria DTH B.V., Netherlands (100%)               |
| • Slovenia Broadband S.à r.l., Luxembourg (100%)                      | • TV Kanal Ultra d.o.o Serbia (75%)                |
| • Adria Cable B.V., Netherlands (100%)                                | • Cinemania d.o.o. Serbia (100%)                   |
| • Bosnia Broadband S.à r.l., Luxembourg (100%)                        | • Telemach d.o.o. Slovenia (100%)                  |
| • Adria Media B.V., Netherlands (100%)                                | • Telemach Rotovž d.o.o. Slovenia (77.69%)         |
| • United Media Limited, Cyprus (100%)                                 | • Telemach Tabor d.o.o. Slovenia (60.91%)          |
| • KDS NS d.o.o., Serbia (100%)  | • Telemach Tezno d.o.o. Slovenia (46.52%)*         |
| • Absolut Solutions d.o.o., Serbia (100%)                             | • Cas media d.o.o. Slovenia (100%)                 |
| • Beogrid d.o.o., Serbia (100%)                                       | • Telemach Pobrežje d.o.o. Slovenia (62.06%)       |
| • Adria Serbia Holdco B.V., Netherlands (100%)                        | • Telemach d.o.o. Bosnia and Herzegovina (100%)    |
| • Serbia Broadband—Srpske kablovske mreže d.o.o, (SBB), Serbia (100%) | • Teleinvest d.o.o. Slovenia (100%)                |
| • Totalna televizija d.o.o. Croatia (100%)                            | • Elektro Turnšek d.o.o., Slovenia (100%)          |
| • Total TV d.o.o. Slovenia (100%)                                     | • Solford Trading Ltd, Cyprus (100%)               |
| • Total TV Montenegro d.o.o (100%)                                    | • City Media Plus, Canada (100%)                   |
| • Total TV d.o.o. Bosnia and Herzegovina (100%)                       | • City Media Belgrade, Serbia (100%)               |
| • Total TV d.o.o. Macedonia (75%)                                     | • IP Mreže D1, Serbia (100%)                       |
| • CAS Media d.o.o. Serbia (100%)                                      | • United Media Distribution S.R.L., Romania (100%) |
| • JET TV d.o.o. Serbia (100%)   | • IKO Media Pro Slovenia (100%)                    |
| • Adria News S.à r.l., Luxembourg (100%)                              | • IKO Media d.o.o., Croatia (100%)                 |
| • Adria News d.o.o., Serbia (100%)                                    | • United Media Production d.o.o., Serbia (100%)    |
| • Adria News d.o.o., Croatia (100%)                                   | • Broadband Montenegro a.d., Montenegro (64.29%)   |
| • Adria News d.o.o., Bosnia (100%)                                    | • Orlando klinici d.o.o., Croatia (100%)           |
| • Adria News BH Production d.o.o., Bosnia (100%)                      | • United Media Malta Ltd, Malta (100%)             |
| • Telekabel d.o.o. Bosnia and Herzegovina (100%)                      | • Grand slam d.o.o., Serbia (100%)                 |
| • Ultra Centar Galaktika d.o.o, Serbia (100%)                         | • Grand production d.o.o., Serbia (51%)            |
| • United Media S.A.R.L., Luxembourg (100%)                            | • IHPC d.o.o., Serbia (85%)                        |

\* based on consideration of other factors, such as Board appointment, control is deemed even if ownership is 46.52%

**2. Basis of preparation**

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU).

Consolidated financial report is to be read together with the last annual consolidated financial statements as at and for the year ended 31 December 2013 of Slovenia Broadband S.À R.L. group (predecessor). Predecessor annual consolidated financial statements can be used as annual reference



**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. Basis of preparation (Continued)**

statements and comparatives as there are no significant differences in the accounting policies. Key differences relate to the fair valuation of the identifiable assets acquired, the liabilities assumed and recognition of goodwill on the acquisition date (note 18).

The consolidated financial statements were authorized for issue by the Board of Directors on 16 April 2015.

**b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention.

**c) Going concern**

The Group has reported loss for the year in the amount of EUR 70,337 thousand. Loss was mainly driven by significant transaction costs in relation to acquisitions in 2014 (notes 12 and 18). In addition, significant outstanding debt balance denominated in Euros has resulted in net finance losses due to interest expenses and foreign exchange losses driven by the Group's exposure to the Serbian dinar which has depreciated against Euro. The Group is not in a position to effectively hedge currency risks due to absence of relevant financial products in the countries of operations (Serbia, Slovenia and Bosnia).

Business plans for the period 2015–2019 is based on further growth of the customer base, further growth of earnings before interest, tax, depreciation and amortization (EBITDA) and adjusted EBITDA and positive operating cash flow.

The Group's current liabilities exceed current assets by EUR 6,356 thousand. The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements (note 24) and access to the revolving credit facilities (note 24).

The consolidated financial statements are, therefore, prepared on a going concern basis, as management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

**d) Functional and presentation currency**

These consolidated financial statements are presented in Euros, which is the Company's functional currency. All financial information presented in Euros has been rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

**3. Significant accounting policies**

**a) Basis of consolidation**

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the fair value of the aggregate consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquired entity. For each business combination, any non-controlling interest in the acquired entity is measured either at their proportionate share of the acquired entity's identifiable net assets at the acquisition date.

Consideration transferred includes any contingent consideration measured at its acquisition date fair value. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the statement of comprehensive income.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that qualifies for classification as equity is not re-measured until it is finally settled. Acquisition costs incurred are expensed.

Any excess of the cost of the acquisition over the identifiable net assets acquired is recognized as goodwill in the consolidated statement of financial position. If the cost is lower than the identifiable net assets acquired, the difference is recognized in profit or loss.

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**Loss of control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**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.

**b) Standards issued but not yet adopted**

The following new or amended standards are not expected to have significant impact of the Company's financial statements:

- Defined benefit plans: Employee contributions (amendments to IAS 19)
- Annual improvements to IFRSs 2010–2012 Cycle
- Annual improvements to IFRSs 2011–2013 Cycle

**c) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in consolidated statement of comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

**ADRIA MIDCO B.V. GROUP**  
**Consolidated Financial Statements for year ended 31 December 2014**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**Foreign operations**

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date,
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions) and,
- all resulting exchange differences are recognised in other comprehensive income and presented as a separate component of equity.

**d) Financial instruments**

**Non-derivative financial assets**

The Group initially recognises loans and receivables and deposits on the date that they are originated.

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 consolidated 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.

*Loans and receivables*

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses.

*Trade and other receivables*

Short-term trade and other receivables with no stated interest rate are measured at the original invoice amount. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables should be impaired. The amount of the allowance is recognised in the statement of profit or loss within 'other operating expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of comprehensive income.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

*Deferred revenues and accrued costs*

Accrued costs include costs incurred for which proper documentation was not received. These relate to the accounting period for which the operating results are to be determined. Revenues may be deferred for short periods when the recognition of revenues remains doubtful at the moment of sale.

**Non-derivative financial liabilities**

The Group initially recognises financial liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans and borrowings, other long term financial liabilities, bank overdrafts, finance lease liabilities, trade and other payables.

*Borrowings*

Borrowings are recognised initially at fair value (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price). In subsequent periods, borrowings are carried at amortised cost using the effective interest method; any difference between fair value of the proceeds and the redemption amount is recognised as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

*Trade and other payables*

Short-term payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

**e) Property, plant and equipment**

**Recognition and measurement**

Property, plant and equipment comprise mainly cable network (coaxial and optical primary and secondary network and backbone) and customer premise equipment (CPE—receivers and modems). Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

**Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over shorter of remaining useful life of an asset or period until new renovation. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

**Depreciation**

Depreciation is based on the depreciable amount of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	<u>Number of years</u>
Buildings . . . . .	30–40
Cable network . . . . .	10–20
Vehicles . . . . .	4–5
CPE (Head-end and optical equipment) . . . . .	3–5
Computer equipment . . . . .	3

**f) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is measured at cost less accumulated impairment losses.

**g) Intangible assets**

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

**Trademarks**

Trademarks are acquired in a business combination, recognised at fair value at the acquisition date. Trademarks are amortised over their useful lives.

Trademarks include four trade names: "SBB", "Total TV", "Telemach" and "Sport Klub".

**Contractual customer relationships**

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

**Computer software**

Costs associated with maintaining computer software are recognised as an expense as incurred. Software is recognised at cost less accumulated amortisation and accumulated impairment. Cost includes expenditure to acquire software and directly attributable costs to prepare it for its intended use.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the relevant criteria are satisfied.

Directly attributable costs, capitalised as part of the software product, includes software development employee cost and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives.

**Subsequent expenditure**

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

**Amortisation**

Amortisation is based on the depreciable amount of an asset and is calculated using straight line method to allocate their cost over their estimated useful lives as follows:

	<u>Number of years</u>
Trademark . . . . .	15
Customer relationship—Cable . . . . .	10–12
Customer relationship—DTH . . . . .	10
Software & licenses . . . . .	3–5

The useful lives of customer relations for cable and DTH are estimated through valuation exercise using the income approach based upon current market conditions.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

**h) Leased assets**

**Finance lease**

Leases of property, plant and equipment, where the Group as the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance costs is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.



**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Significant accounting policies (Continued)**

**Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. The Group leases mainly premises under operating lease contracts.

**i) Programming rights**

Programming rights relate to content rights for sport events acquired. These rights are expensed at the moment of sale.

**j) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes the cost of purchase, transport and expenses incurred in bringing the inventory to its present condition and location. The cost is based on the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and management's best judgments regarding future usage plans of inventories.

**k) Impairment of non-financial assets**

Non-financial assets, except deferred tax assets, income tax receivable and inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Impairment losses are recognised in the statement of comprehensive income. Non-financial assets, excluding goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is reviewed annually for impairment.

**l) Employee benefits**

In accordance with the regulations prevailing in the countries where the Group operates, the Group has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. Entities within the Group are also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

The Group does not operate any private pension scheme or post retirement defined contribution plan except the state mandatory pension scheme in each country of operation.

The calculation of retirement benefits provided by the state mandatory pension schemes is performed annually by a qualified actuary using the projected unit credit method.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

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**3. Significant accounting policies (Continued)**

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognised in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the consolidated statement of financial position date.

In the instance of non-accumulating compensated absences no liability or expense is recognised until the time of the absence.

**m) Equity**

The Group's equity consists of share capital, share premium, translation reserves and retained earnings.

**n) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**o) Revenue**

*i. Subscription based revenues*

Revenue from services rendered is recognised within the profit or loss in proportion to the service period provided (subscription fee) at the reporting date based on contract terms.

The Group generates four main subscription-based service revenue streams which are recognised in the period when the service is provided: Cable TV (CATV), Digital TV (D3), cable and fibre Internet service and satellite TV (Direct to Home—DTH). Revenue is recognized based on defined price per month.

Corporate and retail telecommunication service revenue (Voice-Over-Internet-Protocol—VOIP) is recognised in the period in which these are provided. Revenue is recognized based on defined price per month or level of service provided in the month, depending on contractual terms.

The rental of carriage services to local TV stations are charged and recognised in the month when service is provided. Revenue is recognized based on level of service provided in the month, depending on contractual terms.

*ii. Carriage fee*

Carriage fee revenue relates to sales of pay-TV channel to other cable operators. The Group is the owner of pay-TV channels including brands like “Sport Klub”, movie channel “Cinemanía”, children channel “Ultra” and music channel “Grand”.

Revenue is recognised on straight line basis over the sales contract period.

*iii. Advertising revenue*

Advertising revenue is recognised in the month when the service is provided.

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**3. Significant accounting policies (Continued)**

*iv. Other revenue*

Other revenue mainly arises from lease of cable network and sale of equipment. Service revenue is recognised in the month when the service is provided. Revenue from sale of equipment is recognised when the significant risk and rewards of ownership are transferred to the buyer.

**p) Costs**

Content, satellite capacity and internet links costs are recorded as the services are provided.

**Content costs**

Content cost relates to royalty fees paid to broadcasting organisations for their TV content. The Group has separate contracts with broadcasting organisations which define conditions under which programs will be broadcasted.

**Satellite capacity and internet link costs**

Satellite capacity and internet link costs are recorded based on the Group's contractual agreements with its vendors for satellite and internet link capacity. Costs are recognized on a straight line basis over the contract period.

**q) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**r) Finance income and finance costs**

Finance income comprises interest income on funds invested (including short-term bank deposits), and foreign currency gains. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings and foreign currency losses. 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.

**s) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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**3. Significant accounting policies (Continued)**

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 and 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 joint arrangements 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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, 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.

The prevailing corporate tax rates are:

<u>Country</u>	<u>Tax rate in 2014</u>
Netherlands . . . . .	25%
Luxembourg . . . . .	29.22%
Serbia . . . . .	15%
Montenegro . . . . .	9%
Slovenia . . . . .	17%
Macedonia . . . . .	10%
Bosnia & Herzegovina . . . . .	10%

**t) Segment reporting**

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components,
- reviewed by the Group's chief operating decision makers and
- for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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#### **4. Financial risk management**

##### **Overview**

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

- credit risk
- liquidity risk
- market 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.

##### **Risk management framework**

The Group's top management has overall responsibility for the establishment and oversight of the Group's risk management framework, and development and monitoring the Group's risk management policies.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The finance function monitors compliance with the Group's risk management policies and procedures, and provide top management with feedback regarding the performance of the framework in relation to the risk faced by the Group.

##### **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 receivables from customers.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assesses that it has no significant concentration of credit risk due to its exposure to a broad customer base in each service line. No concentration of credit risk on a geographical basis is assessed as material. The Group has policies that limit the amount of credit exposure for each customer including services disconnection procedure.

The Group's risk procedure limit the credit risk through short credit period available (invoices are due for payment within 8 days from the date of issue) and 3 levels of dunning letters in different time intervals. The first dunning letter which brings the warning about disconnecting the service is being sent 10 days after due date. The second dunning letter is being sent after 40 days after due date. The third letter is being sent after 70 or 110 days (it depends on the area) after the due date and it generates the order for temporary disconnection of the subscriber until the debt had been settled. The credit control procedure assures that an average receivable from one subscriber is from EUR 15–80 and limits the credit limit to 4 months of service. The Group outsourced collection activities of all receivables which are overdue more than 6 months to collection company.

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**4. Financial risk management (Continued)**

Credit risk exposure is disclosed in Note 18.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific provision that relates to individually significant exposures, and a general provision established for mass billing customers in respect of losses that have been incurred but not yet identified. The general allowance is determined based on Group's provisioning policy for mass billing customers.

*Cash and cash equivalents*

The Group held cash and cash equivalents of EUR 16,182 thousand as 31 December 2014 (31 December 2013: EUR 470,250 thousand) with reputable local commercial banks, which represents its maximum credit exposure on these assets. The Group reduces its exposure to credit risk by making short term deposits. Management actively monitors credit risk exposure and given that the Group only has invested in bank deposits management does not expect any counterparty to fail to meet its obligations.

**b) Liquidity risk**

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

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements (note 24). Typically the Group ensures that it has sufficient cash on demand to meet expected current liabilities as they fall due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group use ancillary and revolving facilities for working capital purposes. Refer to Note 19 for the analysis of liquidity risk.

**c) Market risk**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**i. Currency risk**

Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of the Group entity holding the asset or obligation.

The Group is mainly exposed to currency risk on purchases and borrowings which are denominated in Euros and US dollars, while the major share of the Group's revenue is denominated in Serbian dinars. The Group has exposure to currency fluctuation (depreciation) of RSD (Serbian dinar) to Euro given that it's most significant operations are with SBB Serbia for which RSD is the functional currency and significant borrowings in Euro. The Group's currency risk policy is implemented through regular price adjustments on the Serbian market, following the depreciation of Serbian dinar against euro.

**ii. Price risk**

The Group is not exposed to material price risks on its financial instruments.



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**4. Financial risk management (Continued)**

iii. Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows relating to financial assets are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings issued at variable rates. The Group closely monitors current market rates in order to minimise negative effects of significant movements in market rates. The Group does not use these instruments for speculative purposes.

Refer to Note 18 for the analysis of interest rate risk.

**Capital management**

Due to the structure of long-term financing through leveraged buyout arrangement, the management policy is to maintain a stable return on investment so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's performance management is focused on generating budgeted adjusted operating results (EBITDA) as well as maintaining overall liquidity position to repay the financial debt.

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 investors and to maintain an optimal liquidity position.

**5. Critical accounting estimates and judgments**

The consolidated financial statements require management to make judgments, estimates and 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 judgments are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Note 3 (e, g)—Useful life of plant, equipment and intangible assets,

Note 3 (k)—Impairment of non-financial assets

Note 30—Legal matters.

**a) Impairment of goodwill and trademark**

The Group tests annually whether goodwill with indefinite useful life, suffer any impairment in accordance with the Group's accounting policy. Discounted cash flow method for annual impairment testing is based on management assumptions on projected revenue growth and liquidity position (note 17).

**b) Useful lives of property, plant and equipment and intangibles**

The management estimates useful lives and related depreciation rates for its plant and equipment and intangibles on an annual basis. These estimates are based on technological development, projected growth in customer base and further development of service lines. They are subject to change and influenced by substitutes available on the market. The management will increase the depreciation charge when useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. There are no residual values on long-term assets.

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**5. Critical accounting estimates and judgments (Continued)**

**c) Provision for legal matters**

Provision for legal matters are recognized when the Group has present obligation as a result of past event, 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 obligation. Where any of above mentioned criteria does not exist, or is not accomplished, the Group discloses the event as a contingent liability, unless the cash outflow is remote.

Provisions are updated on the date of the consolidated financial statements, considering the best estimate of the Group's management supported by opinion of its legal team.

**6. Operating segments**

Operating segments are components that engage in business activities that may earn revenues or incur expenses as a result of the services provided. Segment information is provided partially on the basis of geographic areas and partially based on an organizational structure, being the basis on which the Group manages its interests. Operating results of segments are regularly reviewed by the chief operating decision maker (CODM) and discrete financial information is available on that level. Revenue is attributed to a country based on the location of the Group's company reporting the revenue.

The functions of CODM are performed by the Board of Managers of the Group.

The Group has four reportable segments, three in cable and internet and one in media business line, which are the Group's strategic divisions. Cable strategic divisions for each of key markets, offer similar services and are managed jointly since they have unified service development and marketing strategy. For each of the strategic divisions, the CODM reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Serbia Group includes cable operations in Serbia and DTH (satellite TV) operations in region (Slovenia, Croatia, Bosnia, Serbia, Montenegro and Macedonia),
- Slovenia Group includes cable operations in Slovenia,
- Bosnia Group includes cable operations in Bosnia and Herzegovina and
- Media Group includes content operations in the region. This segment includes the results of our media and content business in the former Yugoslav region including the results of N1 Info, Grand Production, Orlando Kids and Bambino

Other includes our other operating business, such as Solford, Broadband Montenegro A.D. and non-operating holding companies (United Group B.V., Adria Cable B.V., Adria Serbia Holdco B.V., Slovenia Broadband S.A.R.L.).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax, depreciation and amortisation (EBITDA) and adjusted EBITDA, as included in the internal management reports that are reviewed by the Group's management. Adjusted EBITDA represents EBITDA as per management unaudited report. Segment EBITDA and adjusted EBITDA, prepared based on local GAAP in each country adjusted to meet the requirements of internal reporting, is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**(a) Description of products and services from which each reportable segment derives its revenue**

The Group's main activities are providing of Video, Data and Voice services to subscribers in the countries of South-East Europe. The Group operates in Serbia providing Video, Data and Voice services,

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**6. Operating segments (Continued)**

as well as in five other countries: Slovenia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia providing Video and Data services.

Video service include provision of TV channel mix and IP Video streaming services, which is marketed into basic, extended and premium packages. TV mix range from 60 to over 100 TV channels.

Data service comprise internet packages for residential and business customers, as well as various supplementary services for business customers (connectivity and managed services, data center and cloud services).

Voice service relates to fixed services to residential and business customers.

Media Group includes content operations in the entire former Yugoslav region.

**(b) Factors that management used to identify the reportable segments**

Three of the Group's business segments are mainly based on the Group's geographic regions, Serbia, Slovenia and Bosnia and Herzegovina, and the other business segment is broadly based on product distribution. They are managed separately because each business unit requires different marketing strategies and service level.

**(c) Measurement of operating segment profit or loss.**

The CODM reviews financial information prepared based on local GAAP adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

- i. Management consolidation adjustments can differ from the ones required by IFRS
- ii. non-IFRS profit measures (such as earnings before income tax, depreciation and amortization—EBITDA, adjusted EBITDA and capital expenditure (CAPEX)) are also included in the segment report. EBITDA is adjusted by “exceptional items” that are viewed as non-operating and not recurring, the most significant such items relate to transaction cost of EUR 34,298 thousand (note 18).

CODM evaluates performance of each segment based on revenue, EBITDA and other key performance indicators (e.g. average revenue per user, CAPEX) and does not regularly review assets and liabilities of the segments.

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**6. Operating segments (Continued)**

(d) Information about reportable segment statements of profit and loss

Segment information before elimination of inter-company transactions for the reportable segments for the period ended 31 December 2014 is set out below (Segment information below has been derived from unaudited local GAAP management accounts prepared for CODM evaluation purposes):

	Reportable segments				Other	TOTAL
	Serbia Group	Slovenia Group	Bosnia Group	Media Group		
External revenue . . . . .	119,687	69,686	18,893	22,190	10,131	240,587
Inter-segment revenue . . . .	15,134	996	918	9,330	—	26,378
Segment revenue . . . . .	134,821	70,682	19,811	31,520	10,131	266,965
Depreciation . . . . .	22,570	13,015	5,244	756	92	41,677
Amortization . . . . .	7,503	6,920	1,574	7,503	169	23,669
Segment results from operations . . . . .	15,617	15,994	2,172	2,149	(34,303)	1,629
Segment profit/(loss) before tax . . . . .	(17,540)	5,263	405	(1,507)	(57,346)	(70,725)
EBITDA . . . . .	45,690	35,929	8,990	10,408	(34,042)	66,975
Adjusted EBITDA . . . . .	47,405	37,454	9,777	10,227	4,690	109,553
CAPEX . . . . .	33,270	19,668	6,643	11,062	3,177	73,820

(e) Major customers

The Group provides its services to individual and corporate customers; each customer does not exceed 10% of the total revenues. Revenue includes operating revenue.

(f) Geographical segments

Segment information above is already provided on the basis of geographic areas, being the key basis on which the Group manages its interests.

(g) Other

Significant losses from operations and before tax are driven by high transaction and interest expenses.

(h) Reconciliation of information on reporting segments to IFRS measures:

	<u>31-Dec-14</u>
<b>Revenues</b>	
Total revenue for reportable segments . . . . .	256,834
Revenue for other segments . . . . .	10,131
Elimination of inter-segment revenue . . . . .	(26,378)
<b>Consolidated revenue . . . . .</b>	<b><u>240,587</u></b>

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**7. Quarterly movements**

Due to significant acquisition in March 2014, the Group disclosed information for certain items of statement of profit and loss. Summary is shown in table below:

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total for twelve month period ended 31 December 2014</b>
Revenue . . . . .	23,529	70,576	70,957	75,525	240,587
Other income . . . . .	112	1,042	3,164	677	4,995
Content cost . . . . .	(4,591)	(14,301)	(14,728)	(14,700)	(48,320)
Depreciation cost . . . . .	(4,005)	(12,318)	(12,445)	(12,909)	(41,677)
Amortization of intangible assets . . . . .	(2,337)	(7,072)	(7,172)	(7,088)	(23,669)
Other operating expenses . . . . .	(40,557)	(28,768)	(26,614)	(34,348)	(130,287)
<b>Operating result . . . . .</b>	<b>(27,849)</b>	<b>9,159</b>	<b>13,162</b>	<b>7,157</b>	<b>1,629</b>
Net finance cost . . . . .	(17,673)	(13,288)	(21,708)	(19,685)	(72,354)
Income tax expense . . . . .	148	74	(315)	481	388
<b>Loss for the period . . . . .</b>	<b>(45,374)</b>	<b>(4,055)</b>	<b>(8,861)</b>	<b>(12,047)</b>	<b>(70,337)</b>

Significant losses in the Q1 were driven mainly by transaction cost regarding acquisition of Slovenia Broadband S.A R.L group (EUR 33,191 thousand). Transaction costs mainly relate to external legal fees and due diligence costs. These costs have been included in 'other operating expenses' in the consolidated statement of profit or loss and other comprehensive income (note 12).

**8. Revenue**

	<b>31-Dec-14</b>	<b>31-Dec-13</b>
Subscription fee . . . . .	206,134	—
Carriage fee . . . . .	19,200	—
Advertising . . . . .	7,215	—
Other revenue . . . . .	8,038	—
<b>Total . . . . .</b>	<b>240,587</b>	<b>—</b>

Out of total amount of other operating revenue, amount of EUR 3,821 thousand relate to revenue from sale of material.

**9. Other income**

Other non-operating revenue is derived from activities which are not related to core operations of the Group. Out of total amount of other non-operating revenue, the amount of EUR 1,942 thousand relates to reassessment of the original decision of the Serbian tax authorities in relation to the higher tax payments. Namely, in May 2014 SBB, one of the Group's subsidiaries in Serbia paid total amount of EUR 10,077 thousand, composed of EUR 8,980 thousand in taxes and EUR 1,097 thousand in interest based on tax decision of Serbian tax authorities and their assessment of additional tax liability. Shortly after, the decision was reassessed and amount of EUR 1,942 thousand was repaid back to the Group.

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**10. Materials cost**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Installation materials . . . . .	1,718	—
Office supplies . . . . .	566	—
Energy and fuel costs . . . . .	1,975	—
Cost of end-user equipment . . . . .	1,342	—
Total . . . . .	<u>5,601</u>	<u>—</u>

**11. Staff costs**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Salaries and social security . . . . .	21,687	—
Part—time employment costs . . . . .	857	—
Employee benefit cost . . . . .	839	—
Unused vacations . . . . .	224	—
Other staff costs . . . . .	3,867	—
<i>minus</i> capitalized salaries . . . . .	<u>(3,030)</u>	<u>—</u>
Total . . . . .	<u>24,444</u>	<u>—</u>

During twelve month period ended 31 December 2014 the Group capitalized staff costs in the carrying value of its property, plant and equipment in the amount of EUR 3,030 thousand.

The total average number of full time equivalent (FTE) employees in the period ended 31 December 2014 is 2,187.

**12. Other operating expenses**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Legal and advisory fees . . . . .	38,747	693
Rent of premises, poles and ducts . . . . .	8,815	—
Maintenance costs . . . . .	4,551	—
Marketing and promotion expenses . . . . .	4,956	—
Customer service costs . . . . .	3,142	—
Impairment of property, plant and equipment . . . . .	2,403	—
Trade receivable impairment allowance . . . . .	2,245	—
Management fees . . . . .	2,238	—
Media buying . . . . .	2,138	—
Phone and postal expenses . . . . .	2,076	—
Taxes . . . . .	1,765	—
Bank charges . . . . .	966	—
Security services . . . . .	750	—
License fees . . . . .	634	—
Impairment of intangible assets . . . . .	285	—
Other expenses . . . . .	<u>7,634</u>	<u>—</u>
Total . . . . .	<u>83,345</u>	<u>693</u>

Other expenses mainly comprise of insurance cost, entertainment, membership fees and other costs.

Legal and advisory fees mainly consist of transaction related costs (EUR 34,298 thousand) regarding acquisition of Slovenia Broadband S.À R.L. group and other entities during the period (note 18).



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**13. Finance income and finance cost**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Interest expense . . . . .	43,251	4,676
Net foreign exchange losses . . . . .	24,176	—
Other finance cost . . . . .	5,412	2,797
Interest income . . . . .	(485)	—
Total . . . . .	<u>72,354</u>	<u>7,473</u>

Out of total amount of other finance cost, the amount of EUR 3,022 thousand relate to bridge loan commitment fee (31 December 2013: EUR 2,603 thousand).

**14. Income tax**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Current tax expense . . . . .	(1,013)	—
Deferred tax income . . . . .	1,401	—
Total . . . . .	<u>388</u>	<u>—</u>

The reconciliation of the Group's income tax expense is as follows:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Loss for the year before tax . . . . .	(70,725)	(8,166)
Tax using the Company's domestic tax rate . . . . .	(17,682)	(2,042)
Effect of tax rates in foreign jurisdictions . . . . .	557	—
Non-deductible expenses . . . . .	192	—
Tax incentives . . . . .	(126)	—
Recognition of tax effect of previously unrecognised tax losses . . . . .	(4)	—
Changes in recognised deductible tax differences . . . . .	539	—
Current year losses for which no deferred tax was recognized . . . . .	16,136	2,042
Income tax benefit . . . . .	<u>(388)</u>	<u>—</u>

SBB and Telemach Slovenia are entities which primarily uses tax losses and tax credits for investments in plant and equipment. In addition, SBB utilises tax holiday which reduces its nominal income tax liability by 81.64%, and which expires in 2015.

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**15. Property, plant and equipment**

	<u>Buildings</u>	<u>Cable plant and other equipment</u>	<u>Assets under construction</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Year ended 31 December 2014</b>					
<b>Cost</b>					
Balance as at 1 January 2014 . . . . .	—	—	—	—	—
Acquisitions through business combination . . . . .	6,706	206,409	4,873	1,501	219,489
Additions . . . . .	318	29,059	31,424	—	60,801
Transfers . . . . .	—	31,931	(32,205)	274	—
Disposals . . . . .	(29)	(3,117)	(94)	—	(3,240)
Effect of movements in exchange rates .	(10)	(8,983)	(16)	(98)	(9,107)
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>6,985</u></b>	<b><u>255,299</u></b>	<b><u>3,982</u></b>	<b><u>1,677</u></b>	<b><u>267,943</u></b>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2014 . . . . .	—	—	—	—	—
Depreciation charge for the period . . .	529	40,813	—	335	41,677
Disposals . . . . .	(29)	(1,930)	—	—	(1,959)
Impairment loss . . . . .	—	(2,403)	—	—	(2,403)
Effect of movements in exchange rates .	(3)	(2,162)	—	(42)	(2,207)
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>497</u></b>	<b><u>34,318</u></b>	<b><u>—</u></b>	<b><u>293</u></b>	<b><u>35,108</u></b>
<b>Net book value 31 December 2014 . . . . .</b>	<b><u>6,488</u></b>	<b><u>220,981</u></b>	<b><u>3,982</u></b>	<b><u>1,384</u></b>	<b><u>232,835</u></b>
<b>Net book value 31 December 2013 . . . . .</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

The majority of property, plant and equipment relates to cable network (backbone, primary and secondary network, coaxial, fiber and optical equipment) and DTH end user equipment.

**Leased assets**

The Group leases internet protocol equipment, office premises, and transport and passenger vehicles under a number of finance lease agreements. Majority leases of vehicles provide the Group with the option to purchase the equipment at a beneficial price.

Present value of minimum lease payments is as follows:

	<b><u>31-Dec-14</u></b>
Less than one year . . . . .	7,630
Between one and five years . . . . .	10,103
	<u>17,733</u>

Contractual amounts are as follows:

	<b><u>31-Dec-14</u></b>
Less than one year . . . . .	8,231
Between one and five years . . . . .	10,444
	18,675
Future finance charges on finance leases . . . . .	(942)
Present value of finance lease liability . . . . .	<u>17,733</u>

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**15. Property, plant and equipment (Continued)**

The total net book value of property, plant and equipment purchased under finance lease as at 31 December 2014 is EUR 15,455 thousand.

**Capital commitments**

During the period ended 31 December 2014, the Group entered into agreement to buy property, plant and equipment for EUR 9,290 thousand. Delivery is expected during 2015.

**16. Intangible assets**

<u>Cost</u>	<u>Software &amp; Licenses</u>	<u>Trademark</u>	<u>Customer Relationship</u>	<u>Other intangibles</u>	<u>Total</u>
<b>Year ended 31 December 2014</b>					
<b>Cost</b>					
Balance at 1 January 2014 . . . . .	—	—	—	—	—
Acquisitions through business combination (note 18) . . . . .	5,919	69,801	122,455	17,824	215,999
Additions . . . . .	2,467	5	2,581	6,305	11,358
Disposals . . . . .	(29)	—	—	(17)	(46)
Effect of movements in exchange rates . . . . .	(615)	(1,793)	(2,316)	(858)	(5,582)
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>7,742</u></b>	<b><u>68,013</u></b>	<b><u>122,720</u></b>	<b><u>23,254</u></b>	<b><u>221,729</u></b>
<b>Accumulated amortization</b>					
Balance as at 1 January 2014 . . . . .	—	—	—	—	—
Amortization charge for the period . . . . .	1,837	3,642	10,854	7,336	23,669
Impairment loss . . . . .	285	—	—	—	285
Disposals . . . . .	(7)	—	—	121	114
<b>Balance as at 31 December 2014 . . . . .</b>	<b><u>2,115</u></b>	<b><u>3,642</u></b>	<b><u>10,854</u></b>	<b><u>7,457</u></b>	<b><u>24,068</u></b>
<b>Net book value 31 December 2014 . . . . .</b>	<b><u>5,627</u></b>	<b><u>64,371</u></b>	<b><u>111,866</u></b>	<b><u>15,797</u></b>	<b><u>197,661</u></b>
<b>Net book value 31 December 2013 . . . . .</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

Additions to software and licenses relate to SAP ERP information system, Video-On-Demand (VOD) information system and Voice-Over-Internet-protocol (VOIP) information systems software.

**Assets provided as security for loans**

As at 31 December 2014 revolving facility is guaranteed by pledge on trademarks (“SBB” and “Total TV”). Carrying value of intangible assets under pledge as at 31 December 2014 amounts to EUR 11,539 thousand.

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**17. Goodwill**

The following schedule summarizes the movements in the balance of goodwill:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
<b>Cost</b>		
Balance at beginning of period . . . . .	—	—
Acquisition through business combination (note 18) . . . . .	632,415	—
Translation difference . . . . .	(9,136)	—
<b>Balance at end of period . . . . .</b>	<b>623,279</b>	<b>—</b>
<b>Impairment losses</b>		
Balance at beginning of period . . . . .	—	—
Impairment losses . . . . .	—	—
<b>Balance at end of period . . . . .</b>	<b>—</b>	<b>—</b>
<b>Carrying amounts</b>		
Balance at beginning of period . . . . .	—	—
<b>Balance at end of period . . . . .</b>	<b><u>623,279</u></b>	<b><u>—</u></b>

**Impairment testing for goodwill**

Due to nature of operations and organization, the Group is divided into following operating subgroups (Serbia or “SBB” Group, Slovenia Group, Bosnia Group and Media Group) which reflect cash generating units (CGU) for the purpose of annual impairment testing.

The recoverable amount of a CGU is determined using value-in-use calculations. These calculations use pre-tax cash flow projections based on five-year financial budget. Cash flow beyond the five-year period is calculated on perpetuity bases.

Based on the results of impairment testing, the management estimates that no impairment of goodwill exists as at 31 December 2014.

Goodwill as allocated per identified CGUs is presented in note 18.

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**17. Goodwill (Continued)**

**Key assumptions used for discounted cash flow projections**

Key assumptions used in the calculation of recoverable amounts are weighted average cost of capital, terminal value growth rate and adjusted operating margin. These assumptions are as follows:

<u>Serbia Group</u>	<u>2014</u>
Adjusted operating margin . . . . .	45.80%
Growth rate <sup>(1)</sup> . . . . .	3%
WACC <sup>(2)</sup> . . . . .	11.4%
<u>Slovenia Group</u>	
Adjusted operating margin . . . . .	47.90%
Growth rate <sup>(1)</sup> . . . . .	3%
WACC . . . . .	7.8%
<u>Bosnia Group</u>	
Adjusted operating margin . . . . .	51.00%
Growth rate <sup>(1)</sup> . . . . .	3%
WACC . . . . .	12.0%
<u>Media Group</u>	
Adjusted operating margin . . . . .	33.1%
Growth rate <sup>(1)</sup> . . . . .	3%
WACC . . . . .	8.3%

(1) Long term sustainable growth rate used to extrapolate cash flows beyond the budget period

(2) Weighted average cost of capital, calculated on pre-tax basis

Budgeted margins are based on past performance and expectations of market development. Long term sustainable growth rates used are consistent with the forecasts included in the industry reports.

The discount rates are calculated as weighted average of pre-tax cost of equity and pre-tax cost of debt, using peer groups' capital structure as weights used are pre-tax and based on industry reports as of 31 December 2014 and leveraged by the debt margin taken from comparable companies.. Assumptions used for value-in-use calculations (refer to the above table) changed to reflect current business environment as more information became available to the Group.

**18. Business combinations**

During the year ended 31 December 2014, the Group completed the following acquisitions from third parties:

<u>Company</u>	<u>Consideration</u>	<u>Share of ownership</u>	<u>Control assumed</u>
Slovenia Broadband S.À R.L. . . . .	704,162	100.00%	6-Mar-14
Orlando klinci d.o.o . . . . .	6,281	100.00%	11-Nov-14
Grand slam d.o.o. . . . .	4,081	51.00%	3-Dec-14
Broadband Montenegro A.D. . . . .	3,371	64.29%	1-Oct-14

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 18. Business combinations (Continued)

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	Slovenia Broadband Group	Grand Slam Group	Orlando Klinci d.o.o.	Broadband Montenegro A.D.	Total
Cash . . . . .	557,712	4,081	6,281	3,371	571,445
Equity instruments (note 23) . . . . .	146,450	—	—	—	146,450
<b>Total consideration transferred . . . . .</b>	<b>704,162</b>	<b>4,081</b>	<b>6,281</b>	<b>3,371</b>	<b>717,895</b>

The following schedule summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Note	Slovenia Broadband Group	Grand Slam Group	Orlando Klinci d.o.o.	Broadband Montenegro A.D.	Total
Property, plant and equipment . . . . .	15	216,408	2,235	20	826	219,489
Intangible assets . . . . .	16	214,431	22	470	1,076	215,999
Investment property . . . . .		575	104	—	—	679
Long term loans . . . . .		6,484	—	—	—	6,484
Other financial assets . . . . .		935	—	—	3	938
Deferred tax assets . . . . .		4,025	153	—	—	4,178
Programming rights held for sale . . . . .		3,549	—	—	—	3,549
Inventories . . . . .		4,596	143	2	554	5,295
Trade and other receivables . . . . .		56,432	1,625	412	1,039	59,508
Allowance for impairment . . . . .		(11,070)	—	—	(872)	(11,942)
Prepayments . . . . .		18,836	71	—	—	18,907
Income tax receivables . . . . .		2,129	—	—	—	2,129
Other current assets . . . . .		4,359	—	—	77	4,436
Cash and cash equivalents . . . . .		15,090	98	329	4	15,521
Loans and borrowings . . . . .		(294,751)	—	—	(512)	(295,263)
Long term provisions . . . . .		(513)	—	—	—	(513)
Deferred tax liabilities . . . . .		(34,449)	—	—	—	(34,449)
Finance lease liabilities . . . . .		(4,792)	—	—	(194)	(4,986)
Deferred revenue . . . . .		(7,250)	—	—	—	(7,250)
Employee benefits . . . . .		(444)	—	—	—	(444)
Trade and other payables . . . . .		(80,994)	(1,119)	(134)	(877)	(83,124)
Current tax liabilities . . . . .		(1,074)	(7)	—	—	(1,081)
Loans and borrowings ST . . . . .		(11,605)	(730)	—	—	(12,335)
Finance lease liabilities ST . . . . .		(2,705)	—	—	—	(2,705)
Deferred revenue ST . . . . .		(5,497)	—	—	—	(5,497)
<b>Total identifiable net assets acquired . . . . .</b>		<b>92,705</b>	<b>2,595</b>	<b>1,099</b>	<b>1,124</b>	<b>97,523</b>

The identification and valuation of identifiable intangible assets and property, plant and equipment involved management judgment and was performed with the assistance of valuation experts.

The Group incurred acquisition-related costs in the amount of EUR 33,506 thousand on legal fees and due diligence costs for acquisitions in 2014. These costs have been included in the other operating expenses.



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**18. Business combinations (Continued)**

Goodwill arising from the acquisition has been recognized as follows:

	<u>Slovenia Broadband Group</u>	<u>Grand Slam Group</u>	<u>Orlando Klinici d.o.o.</u>	<u>Broadband Montenegro A.D.</u>	<u>Total</u>
Total consideration transferred . . . . .	704,162	4,082	6,281	3,371	717,896
NCI . . . . .	10,387	1,254	—	401	12,042
Fair value of identifiable net assets . . . . .	(92,705)	(2,592)	(1,101)	(1,125)	(97,523)
Goodwill on the acquisition date . . . . .	<u>621,844</u>	<u>2,744</u>	<u>5,180</u>	<u>2,647</u>	<u>632,415</u>

The goodwill of EUR 632,415 thousand arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities that are part of the acquired group and a number of opportunities for cross selling and quad play services.

Allocation of goodwill per cash generating units is shown in following table:

	<u>31-Dec-14</u>
SBB Serbia Group . . . . .	277,067
Telemach Slovenia Group . . . . .	200,505
Telemach Bosnia Group . . . . .	63,612
United Media Group . . . . .	80,660
Other . . . . .	10,571
Translation reserves on goodwill . . . . .	(9,136)
Total . . . . .	<u>623,279</u>

In the period following their acquisition, the newly acquired companies, Slovenia Broadband, Grand Slam Group, Orlando Klinici d.o.o. and Broadband Montenegro A.D., contributed consolidated revenue of the Group EUR 238,734 thousand (profit of EUR 1,064 thousand), EUR 748 thousand (profit of EUR 121 thousand), EUR 234 thousand (profit of EUR 140 thousand) and EUR 872 thousand (loss of 91 thousand), respectively.

If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been EUR 292,295 thousand, and consolidated loss for the period would have been EUR 66,516 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

**19. Financial instruments**

**Credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Other financial assets . . . . .	405	—
Short term loan receivables . . . . .	727	—
Trade and other receivables . . . . .	53,093	—
Cash and cash equivalents . . . . .	16,182	470,250
<b>Total</b> . . . . .	<u>70,407</u>	<u>470,250</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**19. Financial instruments (Continued)**

The maximum exposure to credit risk for gross trade receivables at the reporting date by revenue stream generated was:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Provision of service . . . . .	48,160	—
Other receivables . . . . .	6,025	—
Allowance for impairment . . . . .	(1,092)	—
<b>Total . . . . .</b>	<u><u>53,093</u></u>	<u><u>—</u></u>

The aging and impairment of gross trade receivables as at 31 December 2014 is presented in the following schedule:

	<u>31-Dec-14</u>		<u>31-Dec-13</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Up to 3 months . . . . .	46,349	(504)	—	—
3 to 6 months . . . . .	3,857	(81)	—	—
Over 6 months . . . . .	3,979	(507)	—	—
<b>Total . . . . .</b>	<u><u>54,185</u></u>	<u><u>(1,092)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

The movement in the allowance for impairment in respect with trade receivables during period ending 31 December 2014 was as follows:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Opening balance . . . . .	—	—
Impairment loss recognized (note 12) . . . . .	(2,245)	—
Write off of previously impaired receivables . . . . .	1,133	—
Effect of movements in exchange rates . . . . .	20	—
	<u><u>(1,092)</u></u>	<u><u>—</u></u>

**Liquidity risk**

The following are the undiscounted contractual maturities of financial liabilities:

	<u>Carrying value</u>	<u>Up to 1 year</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>31-Dec-14</b>					
Loans and borrowings . . . . .	53,148	8,647	9,389	50,223	68,259
Bond . . . . .	465,580	37,406	149,625	510,952	697,983
Finance lease liabilities . . . . .	17,733	8,231	10,444	—	18,675
Trade and other payables . . . . .	81,083	81,083	—	—	81,083
<b>Total . . . . .</b>	<u><u>617,544</u></u>	<u><u>135,367</u></u>	<u><u>169,458</u></u>	<u><u>561,175</u></u>	<u><u>866,000</u></u>
<b>31-Dec-13</b>					
Loans and borrowings . . . . .	—	—	—	—	—
Bond . . . . .	464,372	37,406	149,624	548,877	735,907
Finance lease liabilities . . . . .	—	—	—	—	—
Trade and other payables . . . . .	14,044	14,044	—	—	14,044
<b>Total . . . . .</b>	<u><u>478,416</u></u>	<u><u>51,450</u></u>	<u><u>149,624</u></u>	<u><u>548,877</u></u>	<u><u>749,951</u></u>

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**19. Financial instruments (Continued)**

**Currency risk**

Group's overview of financial instruments by currency denomination was as follows:

	<u>EUR</u>	<u>RSD</u>	<u>USD</u>	<u>Other</u>	<u>Total</u>
31-Dec-14					
Other financial assets . . . . .	375	29	—	1	405
Trade and other receivables . . . . .	21,639	20,623	1,404	9,427	53,093
Short term loan receivables . . . . .	397	—	324	6	727
Cash and cash equivalents . . . . .	11,717	1,558	624	2,283	16,182
Total . . . . .	34,128	22,210	2,352	11,717	70,407
Loans and borrowings . . . . .	52,354	436	—	358	53,148
Bond . . . . .	465,580	—	—	—	465,580
Finance lease liabilities . . . . .	17,551	—	—	182	17,733
Trade and other payables . . . . .	40,133	26,398	8,153	6,399	81,083
Total . . . . .	575,618	26,834	8,153	6,939	617,544
Net exposure . . . . .	<u>(541,490)</u>	<u>(4,624)</u>	<u>(5,801)</u>	<u>4,778</u>	<u>(547,137)</u>
	<u>EUR</u>	<u>RSD</u>	<u>USD</u>	<u>Other</u>	<u>Total</u>
31-Dec-13					
Other financial assets . . . . .	—	—	—	—	—
Trade and other receivables . . . . .	—	—	—	—	—
Short term loan receivables . . . . .	—	—	—	—	—
Cash and cash equivalents . . . . .	470,250	—	—	—	470,250
Total . . . . .	470,250	—	—	—	470,250
Loans and borrowings . . . . .	—	—	—	—	—
Bond . . . . .	464,372	—	—	—	464,372
Finance lease liabilities . . . . .	—	—	—	—	—
Trade and other payables . . . . .	14,044	—	—	—	14,044
Total . . . . .	478,416	—	—	—	478,416
Net exposure . . . . .	<u>(8,166)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,166)</u>

**Sensitivity analysis**

*Currency risk*

Currency risk mainly arises from operations in Serbia for which functional currency is Serbian Dinar and which have significant EUR borrowings. Sensitivity analysis reflects the risk of foreign exchange losses on translation of Euro and USD denominated trade receivables, trade payables and borrowings into RSD.

As at 31 December 2014, if the RSD had weakened by 10% against the Euro with all the variables held constant, net loss for the year would have been EUR 37,615 thousand higher and equity would have been EUR 452,222 thousand.

As at 31 December 2014, if the RSD had weakened by 10% against the USD with all the variables held constant, net loss for the year would have been EUR 493 thousand higher and equity would have been EUR 489,344 thousand.

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**19. Financial instruments (Continued)**

As at 31 December 2014, if the EUR had weakened by 10% against the USD with all the variables held constant, net loss for the year would have been EUR 393 thousand higher and equity would have been EUR 489,444 thousand.

*Interest rate risk*

As at 31 December 2014, if interest rates on currency denominated borrowings (with floating rate) had been 1% higher with all other variables held constant, net profit for the year would have been EUR 445 thousand lower (note 24).

**20. Trade and other receivables**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Trade receivables . . . . .	48,627	—
Other receivables . . . . .	5,558	—
Allowance for impairment . . . . .	(1,092)	—
Total . . . . .	<u>53,093</u>	<u>—</u>

Trade receivables primarily relate to receivables from cable and DTH operations. The Group's trade receivables were pledged as collateral for loans and Bond.

**21. Prepayments**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Advance payments and prepaid expenses . . . . .	17,694	—
Accrued income . . . . .	1,479	—
Total . . . . .	<u>19,173</u>	<u>—</u>

Prepayments primarily relate to advance payments to content providers.

**22. Cash and cash equivalents**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
EUR accounts and cash on hand . . . . .	11,217	—
Other currency accounts . . . . .	4,465	—
Escrow account EUR . . . . .	500	470,250
Total . . . . .	<u>16,182</u>	<u>470,250</u>

Bank borrowings are secured on the total amount of cash on bank accounts.

As at 31 December 2014, total amount of EUR 500 thousand deposited on Escrow account will be used for acquisition purposes.

As at 31 December 2013, proceeds from the issue of the bond notes were deposited and restricted on the Escrow account.

# ADRIA MIDCO B.V. GROUP

## Consolidated Financial Statements for year ended 31 December 2014

In thousands of EUR

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 23. Capital and non-controlling interest

The issued share capital and share premium of Adria Midco B.V. as at 31 December 2014 amounts to EUR 564,717 thousand. The amount of EUR 418,267 thousand was paid up, while the amount of EUR 146,450 thousand relates to issued equity instruments as a part of consideration for the acquisition of Slovenia Broadband S.Ā R.L group (note 18).

Equity instruments in the amount of EUR 146,450 thousand relate to issues shares to management vehicle companies (Gerrard Enterprises LLC and Cable Management Company LTD) at fair value.

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intragroup eliminations.

31-Dec-14 in thousands of EUR	Telemach Rotovz d.o.o.	Telemach Tabor d.o.o.	Telemach Pobrezje d.o.o.	Telemach Tezno d.o.o.	Grand Production d.o.o.	Other	Intragroup eliminations	Total
NCI percentage . . . .	22.05%	39.09%	37.94%	53.48%	49.00%	—	—	—
Non-current assets . .	17,582	7,038	1,872	920	2,413	—	—	29,830
Current assets . . . . .	1,960	1,358	481	438	1,486	—	(10,860)	(4,484)
Non-current liabilities	(227)	(138)	(39)	(33)	—	—	—	(439)
Current liabilities . . .	(1,618)	(1,026)	(287)	(262)	(1,449)	—	10,864	5,574
Net assets . . . . .	17,696	7,232	2,027	1,063	2,450	—	4	30,481
Carrying amount of NCI . . . . .	3,900	3,112	1,188	723	1,285	2,305	—	12,513
Revenue . . . . .	5,512	1,441	1,199	1,524	5,013	—	4	14,693
Profit . . . . .	189	81	60	45	587	—	—	962
OCI . . . . .	—	—	—	—	—	—	—	—
Total comprehensive income . . . . .	189	81	60	45	587	—	—	962
Profit allocated to NCI . . . . .	144	106	58	52	288	(246)	—	402
OCI allocated to NCI	—	—	—	—	—	69	—	69

#### 24. Loans and borrowings and bond

##### Long-term borrowings

Long-term borrowings per loan facility are as follows:

	31-Dec-14	31-Dec-13
Bond . . . . .	475,000	475,000
Revolving facility (RCF) . . . . .	49,625	—
Total . . . . .	524,625	475,000
Adjustment for amortized cost (bond) . . . . .	(9,420)	(10,628)
Adjustment for amortized cost (RCF) . . . . .	(2,780)	—
Total . . . . .	512,425	464,372

Adjustment to the nominal amount of bond and RCF is necessary because they are recorded at amortized cost. Based on this, upon origination of the bond and RCF, transaction costs were included in the financial liabilities recognized. Interest expense recorded includes amortization of these transaction costs deferred at initial recognition to maturity amount using the effective interest method. Accrued interest expense, including both accrued coupon and amortized premium (including fees deferred at origination), is not presented separately and is included in the carrying values of the borrowings (as a reducing item).

**ADRIA MIDCO B.V. GROUP****Consolidated Financial Statements for year ended 31 December 2014****In thousands of EUR****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****24. Loans and borrowings and bond (Continued)****Bond**

As at 15 November 2013 the Group issued bond in the nominal amount of EUR 475,000 thousand. The notes will mature on 15 November 2020. Interest is payable semi-annually on each 15 May and 15 November commencing 15 May 2014. Interest rate is defined at 7.875% p.a.

**Revolving facility**

The Group has on 5 November 2013 signed agreement for revolving facility with bank consortium led by Unicredit bank in the total available amount of EUR 100,000 thousand (out of which EUR 57,739 thousand was used through both bank loans and letter of credit).

Long term debt by category of loan consists of following:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Bond . . . . .	EUR	7.875%	2020	475,000	465,580
Unicredit Bank (revolving facility) . . . .	EUR	4.25% + 6M Euribor	2020	38,000	34,845
Raiffeisen bank A.D., Serbia (revolving facility) . . . . .	EUR	5.35% + 6M Euribor	2020	12,000	12,000
Total . . . . .					512,425

Shortly after the acquisition of Slovenia Broadband S.À R.L., existing debt of Slovenia Broadband S.À R.L. in the amount of EUR 307,799 thousand was repaid.

The bank loan facilities have been secured by a pledge on 100% of the shares of Adria Midco B.V. and direct subsidiary entities.

**Loan covenants**

Based on the agreement for RCF, the Group is required to comply with a leverage ratio to consolidated adjusted EBITDA for the period most recent four consecutive financial quarters ending prior to the date of determination of the ratio. Leverage ratio is calculated as aggregate outstanding indebtedness of the Group and cannot exceed ratio 8.10:1. Satisfaction of the covenant is tested quarterly. As at 31 December 2014 the Group is in compliance with this this requirement.

The other covenant that the Group is required to comply is that the Group's indebtedness (net debt) should not exceed 4.25 times the Group's annualized last two quarters adjusted EBITDA. As at 31 December 2014 the Group is in compliance with this requirement.

**Finance lease**

The Group has finance lease arrangements which bears an interest rate in the range of 4% to 5%. The lease is repayable in fixed monthly instalments within period of 3–5 years, with the last repayment in 2019.



**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**24. Loans and borrowings and bond (Continued)**

**Short term borrowings**

Short term debt by category of loan consists of following:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Unicredit bank D.D., Slovenia (RCF) . . . . .	EUR	4% +3M Euribor	2015	1,200	1,196
Intesa Sanpaolo Banka d.d. Sarajevo (RCF) . . . . .	BAM	6.50%	2015	358	358
Findomestic Banka A.D., Serbia (RCF) . . . . .	EUR	5.35% +3 month euribor	2015	3,000	3,000
Unicredit Bank A.D., Serbia (RCF) . . . . .	EUR	1.4% +1 month belibor	2015	5,000	702
Prva banka A.D., Montenegro . . . . .	EUR	8%	2015	5,000	359
Banca Intesa A.D., Serbia . . . . .	EUR	3.95% + 3M Euribor	2015	500	429
Banca Intesa A.D., Serbia . . . . .	EUR	6.15% + 3M Euribor	2015	180	74
Banca Intesa A.D., Serbia . . . . .	EUR	4.15% + 3M Euribor	2015	170	40
AIK A.D., Serbia . . . . .	EUR	12%	2015	93	31
Other . . . . .			2015	118	114
Total . . . . .					6,303

**25. Deferred revenue**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Up to 1 year . . . . .	5,550	—
Between 1 and 2 years . . . . .	2,416	—
Between 2 and 5 years . . . . .	4,615	—
Over 5 years . . . . .	589	—
Total over 1 year . . . . .	7,620	—
Total . . . . .	13,170	—

Deferred revenue mainly refers to subscriber connection fees and network operating lease arrangements with mobile operators.

**26. Deferred tax assets and liabilities**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances, is presented in the following table:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
<i>Deferred tax assets</i>		
Settled after more than 12 months . . . . .	5,456	—
To be settled within 12 months . . . . .	—	—
Total . . . . .	5,456	—
<i>Deferred tax liabilities</i>		
To be settled after more than 12 months . . . . .	32,117	—
To be settled within 12 months . . . . .	—	—
Total . . . . .	32,117	—

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**26. Deferred tax assets and liabilities (Continued)**

The net movement of the deferred income tax is as follows:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Opening balance . . . . .	—	—
Exchange differences . . . . .	(2,209)	—
Recognized in profit or loss . . . . .	(1,401)	—
Acquired in business combination (note 18) . . . . .	30,271	—
Total . . . . .	<u>26,661</u>	<u>—</u>

	<u>Trademark &amp; Customer base</u>	<u>Property, plant and equipment</u>	<u>Non-current liabilities</u>	<u>Total</u>
<b>Deferred tax liability</b>				
At 1 January 2013 . . . . .	—	—	—	—
Charged/(credited) to statement of comprehensive income . . . . .	—	—	—	—
Exchange differences . . . . .	—	—	—	—
As 31 December 2013 . . . . .	—	—	—	—
At 1 January 2014 . . . . .	—	—	—	—
Charged/(credited) to statement of comprehensive income . . . . .	(59)	(722)	—	(781)
Acquired in business combination . . . . .	28,283	6,166	—	34,449
Exchange differences . . . . .	(1,218)	(333)	—	(1,551)
At 31 December 2014 . . . . .	<u>27,006</u>	<u>5,111</u>	<u>—</u>	<u>32,117</u>

	<u>Property, plant and equipment</u>	<u>Non-current liabilities</u>	<u>Current assets</u>	<u>Tax loss / credit carried forward</u>	<u>Total</u>
<b>Deferred tax assets</b>					
At 1 January 2013					
Charged/(credited) to statement of comprehensive income . . . . .	—	—	—	—	—
Exchange differences . . . . .	—	—	—	—	—
At 31 December 2013 . . . . .	—	—	—	—	—
At 1 January 2014 . . . . .	—	—	—	—	—
Charged/(credited) to statement of comprehensive income . . . . .	(256)	(6)	4	878	620
Acquired in business combination (note 18) . . . . .	2,221	87	6	1,864	4,178
Exchange differences . . . . .	215	12	—	431	658
At 31 December 2014 . . . . .	<u>2,180</u>	<u>93</u>	<u>10</u>	<u>3,173</u>	<u>5,456</u>

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**27. Trade and other payables**

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Trade payables . . . . .	50,226	688
Accrued liabilities . . . . .	13,732	8,680
Interest payable . . . . .	5,663	4,676
Received advances . . . . .	3,321	—
Bills of exchange . . . . .	3,542	—
Taxes payable . . . . .	2,475	—
Other liabilities . . . . .	2,124	—
Total . . . . .	<u>81,083</u>	<u>14,044</u>

Out of total amount of accrued liabilities, amount of EUR 7,837 thousand relates to accrued liabilities to suppliers for content and amount of EUR 2,673 thousand relates to accrued liabilities to employees.

**28. Related parties**

Generally parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related parties' relationships for those parties with whom the Group entered into significant transactions or had significant balances outstanding as at 31 Decembers 2014 detailed below. Transactions with related parties were entered into during the ordinary course of business on normal commercial terms.

Balances and transactions with related parties of the Group consist of the following:

**i) Balances with related parties**

		<u>31-Dec-14</u>	<u>31-Dec-13</u>
<b>Prepayments</b>	<b>Relationship</b>		
Adria Topco B.V. . . . .	Parent	9	—
Total . . . . .		<u>9</u>	<u>—</u>

**ii) Transactions with related parties**

		<u>31-Dec-14</u>	<u>31-Dec-13</u>
<b>Other operating expense</b>	<b>Relationship</b>		
Kohlberg Kravis Roberts & Co. L.P. . . . .	Ultimate parent	13,911	—
Gerrard Enterprises LLC . . . . .	Related party	4,569	—
Cable Management Company ltd . . . . .	Related party	765	—
Total . . . . .		<u>19,245</u>	<u>—</u>

Other operating expenses relate to fees under transaction fee and Advisory Service agreements.

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**Consolidated Financial Statements for year ended 31 December 2014**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**28. Related parties (Continued)**

**iii) Transactions with key management personnel**

During the period ended 31 December 2014, total compensation paid to directors for their services is made up of a contractual salary and a performance bonus depending on operating results. Total directors' compensation amounted to EUR 1,870 thousand. There are no post-employment and termination benefits for the members of the management.

**29. Operating leases**

The Group leases office space and satellite transponders under operating lease for periods of 10 years and more. These contracts are non-cancellable.

As at 31 December 2014, the future minimum lease payments under non-cancellable leases were as follows:

	<b>31-Dec-14</b>
Less than 1 year . . . . .	9,922
Between 1 and 5 years . . . . .	40,138
More than 5 years . . . . .	49,448
Total . . . . .	<u>99,508</u>

The Group recognized total amount of EUR 7,328 thousand in profit and loss in 2014.

**30. Legal matters**

As at 31 December 2014, the Group is involved in a number of legal cases in the total amount of EUR 3,151 thousand. The Group has recognized provisions in the total amount of EUR 831 thousand as at 31 December 2014. Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is remote probability of negative outcome.

**31. Guaranties**

The Group has guaranteed for loan of the Gerrard Aircraft GMBH in the amount of EUR 6,474 thousand. The guaranty expires on 13 April 2020.

**32. Applied exchange rates**

Exchange rates applied during the compilation of the consolidated financial statements are as follows:

<b>Currency</b>	<b>As at 31 December 2014</b>	<b>10 months ending 31 December 2014</b>
RSD . . . . .	120.9583	117.7009
USD . . . . .	1.2161	1.3215
BAM . . . . .	1.95583	1.95583
HRK . . . . .	7.6622	7.6337
MKD . . . . .	61.4814	61.6211

**33. Subsequent events**

Mr. Janez Zivko was appointed as group CFO on 2 March 2015.

On 16 October 2014 the Group concluded an agreement to acquire the entire stake in company BHB Cable TV d.o.o. Lukavac. The transaction is subject to customary regulatory approvals by the local competition authorities in Bosnia and Herzegovina, Macedonia, Montenegro, Serbia and Slovenia, which

**ADRIA MIDCO B.V. GROUP**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**33. Subsequent events (Continued)**

is the sole condition to closing, and is expected to be completed during the spring of 2015. The Group did not secure control over the company as of the date of these consolidated financial statements and it is in the process of assessing the impact of this acquisition on its consolidated statement of financial position. Taking control over this entity would enable the Group to gain further market share, increase its network coverage, increase home pass and further broaden variety of services it offers.

Additionally, the Group announced its intention to acquire another five cable TV operators in Bosnia and Herzegovina. However, as of the date of these consolidated financial statements no formal agreements have been signed as the Group chose to obtain relevant approvals of acquisitions by the competition regulatory bodies prior to finalisation of the share-purchase agreements.

On 16 October 2014, Group's subsidiary Telemach Slovenia and Tuš Holding, the owner of the Slovenian mobile operator Tušmobil, concluded an agreement to acquire 100% of Tušmobil. Total consideration for the acquisition amounts to EUR 110 million comprised of an initial consideration of EUR 84.0 million (including the repayment of Tušmobil's outstanding indebtedness, and the assumption of EUR 16.3 million of its indebtedness, trade payables and other operating liabilities) and deferred consideration of EUR 26 million payable in several installments over the next 3 years by the parent Company, Adria Topco B.V..

Transaction closed on the 1 April 2015 after the payment of the initial consideration in the amount of EUR. In order to finance the transaction the Group has raised additional debt in the amount of EUR 67.7 million. Acquisition of Tušmobil is in line with the Group's efforts to take advantage of Slovenia's growing mobile telephony market and will provide us with an increased base of potential quad-play subscribers. As a result of a recent closing of the transaction, the Group has not yet finalized initial accounting for this business combination.

The Group's management holds that they are not aware of any other significant post balance sheet events that could affect the consolidated financial statements for 31 December 2014 or require separate disclosure.

**SLOVENIA BROADBAND S.À R.L. GROUP**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE TWO MONTHS ENDED**  
**28 FEBRUARY 2014**



**SLOVENIA BROADBAND S.À R.L. GROUP**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE TWO MONTHS ENDED**  
**28 FEBRUARY 2014**

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**SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Notes</u>	<u>Two months ended 28 February 2014</u>
Revenue . . . . .	7	43,109
Other income . . . . .		1,260
Content cost . . . . .		(8,534)
Satellite capacity cost . . . . .		(1,219)
Internet link costs . . . . .		(993)
Materials cost . . . . .	8	(1,191)
Staff costs . . . . .	9	(4,167)
Depreciation cost . . . . .		(8,987)
Amortization of intangible assets . . . . .		(3,831)
Other operating expenses . . . . .	10	(7,842)
<b>Operating profit</b> . . . . .		<b>7,605</b>
Finance income . . . . .		902
Finance costs . . . . .		(6,199)
<b>Net finance costs</b> . . . . .	11	<b>(5,297)</b>
<b>Profit before tax</b> . . . . .		<b>2,308</b>
Income tax . . . . .	12	(145)
<b>Profit for the period</b> . . . . .		<b>2,163</b>
Other comprehensive income . . . . .		—
Currency translation differences . . . . .		(4,031)
<b>Other comprehensive loss for the period</b> . . . . .		<b>—</b>
<b>Total comprehensive loss for the period</b> . . . . .		<b>(1,868)</b>
Profit attributable to:		
Owners of the Company . . . . .		2,069
Non-controlling interests . . . . .		94
<b>Profit for the period</b> . . . . .		<b>2,163</b>
Total comprehensive loss attributable to:		
Owners of the Company . . . . .		(1,810)
Non-controlling interests . . . . .		(58)
<b>Total comprehensive loss for the period</b> . . . . .		<b>(1,868)</b>

This condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

# SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	28-Feb-14	31-Dec-13
<b>Assets</b>			
Property, plant and equipment . . . . .	13	214,373	214,339
Goodwill . . . . .	15	417,470	419,454
Intangible assets . . . . .	14	131,698	131,378
Investment property . . . . .		575	591
Other financial assets . . . . .		6,339	6,740
Deferred tax assets . . . . .		2,180	2,181
<b>Non-current assets</b> . . . . .		<b>772,635</b>	<b>774,683</b>
Programming rights held for sale . . . . .	17	3,249	3,249
Inventories . . . . .		4,097	3,300
Trade and other receivables . . . . .	16	43,362	43,122
Short term loans receivables . . . . .		3,359	3,123
Prepayments . . . . .	18	17,336	18,032
Income tax receivables . . . . .		1,800	1,558
Cash and cash equivalents . . . . .	19	15,090	8,229
<b>Current assets</b> . . . . .		<b>88,293</b>	<b>80,613</b>
<b>Total assets</b> . . . . .		<b>860,928</b>	<b>855,296</b>
<b>Equity</b>			
Share capital . . . . .		200	200
Share premium . . . . .		1,800	1,800
Preferred equity instruments . . . . .		248,460	248,318
Translation reserves . . . . .		(12,684)	(8,806)
Contribution by the owner . . . . .		168,379	168,379
Accumulated losses . . . . .		(6,691)	(8,760)
<b>Equity attributable to owners of the Group</b> . . . . .		<b>399,464</b>	<b>401,131</b>
Non-controlling interests . . . . .		10,387	10,446
<b>Total equity</b> . . . . .	20	<b>409,851</b>	<b>411,577</b>
<b>Liabilities</b>			
Loans and borrowings . . . . .	21	316,262	310,826
Long term provisions . . . . .		1,013	894
Deferred revenue . . . . .		8,250	8,471
Finance lease liabilities . . . . .	13	4,792	5,093
Deferred tax liabilities . . . . .		16,707	16,638
Employee benefits . . . . .		544	698
<b>Non-current liabilities</b> . . . . .		<b>347,568</b>	<b>342,620</b>
Trade and other payables . . . . .	22	83,682	78,925
Current tax liabilities . . . . .		1,274	496
Loans and borrowings . . . . .	21	9,851	14,158
Deferred revenue . . . . .		5,997	4,078
Finance lease liabilities . . . . .	13	2,705	3,442
<b>Current liabilities</b> . . . . .		<b>103,509</b>	<b>101,099</b>
<b>Total liabilities</b> . . . . .		<b>451,077</b>	<b>443,719</b>
<b>Total equity and liabilities</b> . . . . .		<b>860,928</b>	<b>855,296</b>

This condensed consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

These financial statements have been approved for issue by the Board of Managing Directors on 25 February 2015 and signed on their behalf:

\_\_\_\_\_  
Manager

\_\_\_\_\_  
Manager

**SLOVENIA BROADBAND S.À R.L. GROUP**  
**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**  
**In thousands of EUR**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

	Share Capital	Share premium	Preferred equity	Translation reserves	Contribution by the owner	Accumulated profits/ (losses)	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2014</b> . . . . .	<b>200</b>	<b>1,800</b>	<b>248,318</b>	<b>(8,806)</b>	<b>168,379</b>	<b>(8,760)</b>	<b>401,131</b>	<b>10,446</b>	<b>411,577</b>
Total comprehensive income for the period . . . . .	—	—	—	—	—	—	—	—	—
Profit for the period . . . . .	—	—	—	—	—	2,069	<b>2,069</b>	94	<b>2,163</b>
Other comprehensive income . . . . .	—	—	—	—	—	—	—	—	—
<b>Total comprehensive income for the period</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,069</b>	<b>2,069</b>	<b>94</b>	<b>2,163</b>
Translation difference on equity items . . . . .	—	—	—	(3,878)	—	—	<b>(3,878)</b>	(153)	<b>(4,031)</b>
Other changes in equity . . . . .	—	—	142	—	—	—	<b>142</b>	—	<b>142</b>
<b>Total Contributions by and distributions to Owners</b> . . . .	<b>—</b>	<b>—</b>	<b>142</b>	<b>(3,878)</b>	<b>—</b>	<b>—</b>	<b>(3,736)</b>	<b>(153)</b>	<b>(3,889)</b>
<b>Balance at 28 February 2014</b> . . . . .	<b><u>200</u></b>	<b><u>1,800</u></b>	<b><u>248,460</u></b>	<b><u>(12,684)</u></b>	<b><u>168,379</u></b>	<b><u>(6,691)</u></b>	<b><u>399,464</u></b>	<b><u>10,387</u></b>	<b><u>409,851</u></b>

This condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

**SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

	<u>Note</u>	<u>28-Feb-14</u>
<b>Cash flows from operating activities</b>		
Profit before tax . . . . .		2,308
Adjustments for: . . . . .		—
Depreciation . . . . .	13	8,987
Amortization . . . . .	14	3,831
Impairment of trade and other receivables . . . . .	10	18
Net finance cost . . . . .	11	5,296
<b>Operating cash flows before working capital changes . . . . .</b>		<b>20,440</b>
<b>Changes in:</b>		
—trade and other receivables . . . . .		(258)
—deferred revenue . . . . .		1,664
—inventories . . . . .		(796)
—prepayments . . . . .		696
—trade and other payables . . . . .		2,503
<b>Cash generated from operations . . . . .</b>		<b>24,249</b>
Interest paid . . . . .		(3,809)
Income tax paid . . . . .		(606)
<b>Net cash from operating activities . . . . .</b>		<b>19,834</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment . . . . .		(8,408)
Purchase of intangible assets . . . . .		(4,588)
Change in other non-current financial assets . . . . .		401
Change in other short term loan receivables . . . . .		(236)
<b>Net cash used in investing activities . . . . .</b>		<b>(12,831)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings . . . . .		1,003
Repayment of finance lease . . . . .		(1,147)
<b>Net cash used in financing activities . . . . .</b>		<b>(144)</b>
<b>Net increase in cash and cash equivalents . . . . .</b>		<b>6,861</b>
Cash and cash equivalents at 1 January . . . . .		8,229
<b>Cash and cash equivalents at 28 February . . . . .</b>		<b>15,090</b>

This condensed consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

## SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS

#### 1. Reporting entity

Slovenia Broadband S.à r.l. (the Company) is a company domiciled in Luxembourg registered on 21st of April 2009. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is one of the largest telecommunication operators in South East Europe providing Video, Data and Voice services to residential and business subscribers. The Group’s activities are based in Serbia, Slovenia, Montenegro, Bosnia and Herzegovina, Macedonia and Croatia.

Broadband Investments II S.à r.l., owns 100% of the Slovenia Broadband S.à r.l. Luxembourg. Broadband Investments S.à.r.l. Luxembourg is the ultimate parent company. Broadband Investments S.à.r.l. Luxembourg is an investee company owned in the majority by funds advised/ managed by Mid Europa Partners LLP.

#### Ownership structure

The Company—Slovenia Broadband S.à r.l. Luxembourg

- |   |  |
|---|--|
| • Adria Cable B.V., Netherlands (100%)                                | • Adria DTH B.V., Netherlands (100%)               |
| • Bosnia Broadband S.à r.l., Luxembourg (100%)                        | • TV Kanal Ultra d.o.o Serbia (75%)                |
| • Adria Media B.V., Netherlands (100%)                                | • Cinemania d.o.o. Serbia (100%)                   |
| • United Media Limited, Cyprus (100%)                                 | • Telemach d.o.o. Slovenia (100%)                  |
| • KDS NS d.o.o., Serbia (100%)  | • Telemach Rotovž.o.o. Slovenia (77.69%)           |
| • Absolut OK d.o.o., Serbia (100%)                                    | • Telemach Tabor d.o.o. Slovenia (60.91%)          |
| • Beogrid d.o.o., Serbia (100%)                                       | • Telemach Tezno d.o.o. Slovenia (46.52%)*         |
| • Serbia Broadband—Srpske kablovske mreže d.o.o. (SBB), Serbia (100%) | • Telemach Pobrežje d.o.o. Slovenia (62.06%)       |
| • Totalna televizija d.o.o. Croatia (100%)                            | • Telemach d.o.o. Bosnia and Herzegovina (100%)    |
| • Total TV d.o.o. Slovenia (100%)                                     | • Teleinvest d.o.o. Slovenia (100%)                |
| • Total TV Montenegro d.o.o (100%)                                    | • Elektro Turnšek d.o.o., Slovenia (100%)          |
| • Total TV d.o.o. Bosnia and Herzegovina (100%)                       | • Solford Trading Ltd, Cyprus (100%)               |
| • Total TV d.o.o. Macedonia (75%)                                     | • City Media Plus, Canada (100%)                   |
| • CAS Media d.o.o. Serbia (100%)                                      | • City Media Belgrade, Serbia (100%)               |
| • JET TV d.o.o. Serbia (100%)   | • IP Mreže D1, Serbia (100%)                       |
| • Adria News S.à r.l., Luxembourg (100%)                              | • United Media Distribution S.R.L., Romania (100%) |
| • Adria News d.o.o., Serbia (100%)                                    | • IKO Media Pro Slovenia (100%)                    |
| • Adria News d.o.o., Bosnia (100%)                                    | • IKO Media d.o.o., Croatia (100%)                 |
| • Adria News d.o.o., Croatia (100%)                                   | • United Media Production d.o.o., Serbia (100%)    |
| • Telekabel d.o.o. Bosnia and Herzegovina (100%)                      |  |

\* based on consideration of other factors, such as Board appointment, control is deemed even if ownership is 46.52%

#### 2. Basis of preparation

##### a) Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board; however, this condensed consolidated interim financial report does not include the comparative condensed interim statement of profit and loss and other comprehensive income, changes in equity and cash flows for the two month period ended 28 February 2013.



## **SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **2. Basis of preparation (Continued)**

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 financial statements as at and for the year ended 31 December 2013. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

The consolidated interim financial statements were authorized for issue by the Board of Directors on 25 February 2015.

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

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value and
- available for sale financial assets are measured at fair value.

##### **c) Going concern**

The condensed consolidated interim financial statements are prepared in accordance with the going concern concept, which assumes that the Group will continue its operations in the foreseeable future.

As at 28 February 2014, the Group's current liabilities exceed current assets by EUR 15,216 thousand. The Group's ratio between current assets and liabilities and net results reflect its leveraged buyout structure, which is in line with its budgeted results, interest cost and debt leverage. The Group has positive results from operations, positive cash flows from operations and performance management is focused on generating budgeted adjusted operating results as well as maintaining overall liquidity position to repay the financial debt.

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements and available credit facilities.

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

These condensed consolidated interim financial statements are presented in Euros, which is the Group's presentation currency. All financial information presented in Euros has been rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

##### **e) Use of estimates and judgments**

The condensed consolidated interim financial statements require management to make judgments, estimates and 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## **SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **2. Basis of preparation (Continued)**

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

Note 3 (d, f)—Useful life of plant, equipment and intangibles

Note 5—Critical accounting estimates and judgments

Note 25—Regulatory and legal matters.

#### **3. Significant accounting policies**

##### **a) Basis of consolidation**

###### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, any non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Consideration transferred includes any contingent consideration measured at its acquisition date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that qualifies for classification as equity is not re-measured until it is finally settled. Acquisition costs incurred are expensed.

Any excess of the cost of the acquisition over the net identifiable assets acquired is recognized as goodwill in the balance sheet. If the cost is lower than the net identifiable assets acquired, the difference is recognized in profit or loss.

###### **Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

###### **Special purpose entities**

In case the Group established special purpose entities (SPEs) for investment purposes, these are consolidated if, based on an evaluation of the substance of its relationship the Group is entitled to the SPE's risks and rewards. Currently the group does not need to consolidate any SPEs.

###### **Loss of control**

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

##### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial statements.

##### b) Foreign currency

##### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

##### Foreign operations

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date,
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions) and,
- all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity

##### Applied foreign exchange rates

Exchange rates applied during the compilation of the IFRS consolidated interim financial statements are as follows:

Currency	As at 31-Dec-13	As at 28-Feb-14	2 months ending 28-Feb-14
RSD .....	114.6421	115.9356	115.6950
USD .....	1.3791	1.3701	1.3636
BAM .....	1.9558	1.9558	1.9558
HRK .....	7.6286	7.6416	7.6475
MKD .....	61.5113	61.6858	61.6358

##### c) Financial instruments

##### Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated.

## **SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **3. Significant accounting policies (Continued)**

The Group derecognizes 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 recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated 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 realize the asset and settle the liability simultaneously.

#### *Loans and receivables*

Loans and receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment losses.

#### *Trade and other receivables*

Short-term trade and other receivables with no stated interest rate are measured at the original invoice amount. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivables should be impaired. The amount of the allowance is recognized in the statement of profit or loss within 'other operating expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against expenses in the statement of profit or loss.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

#### **Non-derivative financial liabilities**

The Group initially recognizes financial liabilities on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise loans and borrowings, bank overdrafts, finance lease liabilities, trade and other payables.

#### *Borrowings*

Borrowings are recognized initially at fair value (which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price). In subsequent periods, borrowings are carried at amortized cost using the effective interest method; any difference between fair value of the proceeds and the redemption amount is recognized as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an

## SLOVENIA BROADBAND S.À R.L. GROUP

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In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

##### *Trade and other payables*

Short-term payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### **Derivative financial instruments**

Derivatives are classified as a current asset or liability. The Group does not apply hedge accounting and hence, gains and losses from fair value revaluation are recognized in the profit or loss.

#### **d) Property, plant and equipment**

##### **Recognition and measurement**

Property, plant and equipment comprise mainly cable network (coaxial and optical primary and secondary network and backbone) and customer premise equipment (CPE—receivers and modems). Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss.

##### **Subsequent costs**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major renovations are depreciated over shorter of remaining useful life of an asset or period until new renovation. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.

##### **Depreciation**

Depreciation is based on the depreciable amount of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

## SLOVENIA BROADBAND S.À R.L. GROUP

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In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

	Number of years
Buildings . . . . .	30–40
Cable network . . . . .	10
Optical network . . . . .	10
Vehicles . . . . .	4–5
Head-end and optical equipment . . . . .	3–5
Computer equipment . . . . .	3

#### e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

#### f) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

#### Trademarks

Trademarks are acquired in a business combination and are recognized at fair value at the acquisition date. Due to current trend of fast technological and market changes in telecommunication industry, the Group decided to start to amortize trademarks over 15 year period from 1 January 2013. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks are amortized over their useful lives, unless it is indefinite, where they are carried at cost less accumulated impairment losses.

Trademarks include three trade names: SBB, Total TV and Sport Club.

#### Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

#### Computer software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Software is recognized at cost less accumulated amortization and accumulated impairment. Cost includes expenditure to acquire software and directly attributable costs to prepare it for its intended use.



## SLOVENIA BROADBAND S.À R.L. GROUP

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### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 3. Significant accounting policies (Continued)

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the relevant criteria are satisfied.

Directly attributable costs, capitalized as part of the software product, includes software development employee cost and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, which usually does not exceed 5 years.

#### Subsequent expenditure

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

#### Amortization

Amortization is based on the depreciable amount of an asset and is calculated using straight line method to allocate their cost over their estimated useful lives as follows:

	<u>Number of years</u>
Trademark . . . . .	15
Customer relationship—Cable . . . . .	8–14
Customer relationship—DTH . . . . .	10
Software & licenses . . . . .	3–5

The useful lives of customer relations for cable and DTH are estimated through valuation exercise using the income approach based upon current market conditions.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

#### g) Leased assets

##### Finance lease

Leases of property, plant and equipment, where the Group as the lessee has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance costs is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

##### Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. The Group leases mainly premises under operating lease contracts.

## **SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **3. Significant accounting policies (Continued)**

##### **h) Programming rights held for sale**

Programming rights include licensed program rights for various sport events. These rights are expensed at the moment of sale.

##### **i) Impairment of non-financial assets**

Non-financial assets, except deferred tax assets, income tax receivable and inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Impairment losses are recognized in the statement of profit or loss. Non-financial assets, excluding goodwill, that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Goodwill is reviewed annually for impairment.

##### **j) Employee benefits**

In accordance with the regulations prevailing in the countries where the Group operates, the Group has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. Entities within the Group are also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

The Group does not operate any private pension scheme or post retirement defined contribution plan except the state mandatory pension scheme in each country of operation.

The calculation of retirement benefits is performed annually by a qualified actuary using the projected unit credit method.

Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, if it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognized in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the consolidated statement of financial position date.

In the instance of non-accumulating compensated absences no liability or expense is recognized until the time of the absence.

##### **k) Provisions**

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the

## **SLOVENIA BROADBAND S.À R.L. GROUP**

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### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **3. Significant accounting policies (Continued)**

risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

##### **l) Revenue**

###### **Services**

Revenue from services rendered is recognized within the profit or loss in proportion to the service period provided (subscription fee) at the reporting date.

The Group generates four main service revenue streams which are recognized in the period when the service is provided: Cable TV (CATV), Digital TV (D3), cable and fiber Internet service, and satellite TV (Direct to Home—DTH). Additionally, corporate and retail telecommunication service revenue (Voice-Over-Internet-Protocol—VOIP) is recognized in the period in which these are provided. The rental of carriage services to local TV stations are charged and recognized in the month when service is provided.

###### **Carriage fee**

Carriage fee revenue relates to sales of content to cable operators. Revenue is recognized on straight line basis over the sales contract period.

###### **Other revenue**

Other revenue mainly arises from sales of programming rights, advertising and lease of cable network.

##### **m) Costs**

Content, satellite capacity and internet links costs are recorded as the services are provided.

###### **Content costs**

Content cost relates to royalty fees paid to broadcasting organizations for their TV content. The Group has separate contracts with broadcasting organizations which define conditions under which programs will be broadcasted.

###### **Satellite capacity and internet link costs**

Satellite capacity and internet link costs are recorded based on the Group's contractual agreements with its vendors for satellite and internet link capacity.

##### **n) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### **o) Finance income and finance costs**

Finance income comprises interest income on funds invested (including short-term bank deposits), and foreign currency gains. Interest income is recognized as it accrues in profit or loss.

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#### 3. Significant accounting policies (Continued)

Finance costs comprise interest expense on borrowings and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

##### p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by 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 income 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 realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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.

The prevailing corporate tax rates are:

Country	Tax rate in 2014	Tax rate in 2013
Luxembourg . . . . .	29.22%	29.22%
Serbia . . . . .	15%	15%
Montenegro . . . . .	9%	9%
Slovenia . . . . .	17%	17%
Macedonia . . . . .	10%	10%
Bosnia & Herzegovina . . . . .	10%	10%

##### q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components, it is reviewed by the Group's chief operating decision makers and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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#### **4. Financial risk management**

##### **Overview**

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

- credit risk
- liquidity risk
- market 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.

##### **Risk management framework**

The Group's top management has overall responsibility for the establishment and oversight of the Group's risk management framework, and development and monitoring the Group's risk management policies.

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.

The finance function monitors compliance with the Group's risk management policies and procedures, and provide top management with feedback regarding the performance of the framework in relation to the risk faced by the Group.

##### **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 receivables from customers.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group assess that it has no significant concentration of credit risk due to its exposure to a broad customer base in each service line (CATV&DTH). No concentration of credit risk on a geographical basis is assessed as material. The Group has policies that limit the amount of credit exposure for each customer including services disconnection procedure.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific provision that relates to individually significant exposures, and a general provision established for mass billing customers in respect of losses that have been incurred but not yet identified. The general allowance is determined based on Group's provisioning policy for mass billing customers.

##### *Cash and cash equivalents*

The Group held cash and cash equivalents of EUR 15,090 thousand as 28 February 2014 (31 December 2013: EUR 8,229 thousand) with reputable local commercial banks, which represents its

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#### 4. Financial risk management (Continued)

maximum credit exposure on these assets. The Group limits its exposure to credit risk by making short term deposits. Management actively monitors credit risk exposure and given that the Group only has invested in bank deposits management does not expect any counterparty to fail to meet its obligations.

##### b) Liquidity risk

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

The Group's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due, which has been achieved through appropriate bank arrangements. Typically the Group ensures that it has sufficient cash on demand to meet expected current liabilities as they fall due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group use revolving facility for working capital purposes.

##### c) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### i. Currency risk

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of the Group entity holding the asset or obligation.

The Group is mainly exposed to currency risk on purchases and borrowings which are denominated in Euros and US dollars, while the major share of revenue is denominated in Serbian dinars. The Group has exposure to currency fluctuation of RSD (Serbian dinar) to Euro given that it's most significant operations are with SBB Serbia for which RSD is functional currency. The Group's currency risk policy is implemented through regular price adjustments on the Serbian market, following the depreciation of Serbian dinar against euro.

The Group's financial assets and liabilities are included in the table categorized by currency at their carrying amount.

##### ii. Price risk

The Group is not exposed to material price risks on its financial instruments.

##### iii. Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows relating to financial assets are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings issued at variable rates. The Group closely monitors current market rates in order to minimize negative effects of significant movements in market rates.



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#### **4. Financial risk management (Continued)**

The Group uses interest rate swaps as a means of managing interest rate risk associated with outstanding debt entered into in the normal course of business. The Group does not use these instruments for speculative purposes. Interest rate derivative financial instruments are measured at fair value at each reporting date with changes in fair value recorded in profit or loss for the period.

#### **Capital management**

Due to the structure of long-term financing through leveraged buyout arrangement, the management policy is to maintain a stable return on investment so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's performance management is focused on generating budgeted adjusted operating results as well as maintaining overall liquidity position to repay the financial debt.

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 investors and to maintain an optimal liquidity position.

There were no changes in the Group's approach to capital management during the year.

#### **5. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances.

##### **a) Impairment of goodwill and trademark**

The Group tests annually whether goodwill and trademark with indefinite useful lives, suffer any impairment in accordance with the Group's accounting policy. Discounted cash flow method for annual impairment testing is based on management assumptions on projected revenue growth and liquidity position.

##### **b) Useful lives of property, plant and equipment and intangibles**

The management estimate useful lives and related depreciation rates for its plant and equipment and intangibles on an annual basis. These estimates are based on technological development, projected growth in customer base and further development of service lines. They are subject to change and influenced by substitutes available on the market. The management will increase the depreciation charge when useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. There are no residual values on long-term assets. The Group has assessed that the customer relationships have a useful economic life of between 8 and 14 years.

#### **6. Operating segments**

Operating segments are components that engage in business activities that may earn revenues or incur expenses as a result of the services provided. Segment information is provided on the basis of geographic areas and organizational structure, where applicable, being the basis on which the Group manages its interests. Operating results of countries are regularly reviewed by the chief operating decision maker (CODM) and discrete financial information is available on that level. Revenue is attributed to a country based on the location of the Group's company reporting the revenue.

The functions of CODM are performed by the Board of Managers of the Group.

The Group has four reportable segments, three in cable and one in media business line, which are the Group's strategic divisions. Cable strategic divisions for each of key markets, offer similar services and are

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#### **6. Operating segments (Continued)**

managed jointly since they have unified service development and marketing strategy. For each of the strategic divisions, the CODM reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

- Serbia Group includes cable operations in Serbia and DTH (satellite TV) operations in region (Slovenia, Croatia, Bosnia, Serbia, Montenegro and Macedonia),
- Slovenia Group includes cable operations in Slovenia,
- Bosnia Group includes cable operations in Bosnia and Herzegovina and
- Media Group includes content operations in the region.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax, depreciation and amortization (EBITDA) and adjusted EBITDA, as included in the internal management reports that are reviewed by the Group's management. Adjusted EBITDA represents EBITDA as per management unaudited report. Segment EBITDA and adjusted EBITDA, prepared based on local GAAP in each country adjusted to meet the requirements of internal reporting, is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### **a) Description of products and services from which each reportable segment derives its revenue**

The Group's main activities are providing of Video, Data and Voice services to subscribers in the countries of South-East Europe. The Group operates in Serbia providing Video, Data and Voice services, as well as in five other countries: Slovenia, Bosnia and Herzegovina, Croatia, Montenegro and Macedonia providing Video and Data services.

Video service include provision of TV channel mix and IP Video streaming services, which is marketed into basic, extended and premium packages. TV mix range from 60 to over 100 TV channels.

Data service comprise internet packages for residential and business customers, as well as various supplementary services for business customers (connectivity and managed services, data center and cloud services).

Voice service includes fixed and mobile services to residential and business customers.

Media Group includes content operations in the entire former Yugoslav region.

#### **b) Factors that management used to identify the reportable segments**

The Group's segments are strategic business units segmented by countries. They are managed separately because each business unit requires different marketing strategies and service level.

#### **c) Measurement of operating segment profit or loss, assets and liabilities**

The CODM reviews financial information prepared based on local GAAP adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

- i. Management consolidation adjustments can differ from the ones required by IFRS
- ii. non-IFRS profit measures (such as earnings before income tax, depreciation and amortization—EBITDA, adjusted EBITDA and capital expenditure (CAPEX)) are also included in the segment report. EBITDA is adjusted by exceptional items that are viewed as non-operating and one-off in their nature.

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### 6. Operating segments (Continued)

CODM evaluates performance of each segment based on revenue, EBITDA, adjusted EBITDA and other key performance indicators (e.g. average revenue per user, CAPEX) and does not regularly review assets and liabilities of the segments.

#### d) Information about reportable segment profit or loss

Segment information after elimination of inter-company transactions for the reportable segments for the 2 months ended 28 February 2014 is set out below:

(Segment information below has been derived from unaudited non-IFRS GAAP management accounts prepared for CODM evaluation purposes)

	Reportable segments					Total
	Serbia Group	Slovenia Group	Bosnia Group	Media Group	Other	
External revenue . . . . .	21,734	12,750	3,523	4,266	836	<b>43,109</b>
Inter-segment revenue . . . . .	2,531	464	6	477	834	<b>4,312</b>
Segment revenue . . . . .	<u>24,265</u>	<u>13,214</u>	<u>3,529</u>	<u>4,741</u>	<u>1,672</u>	<b><u>47,421</u></b>
Depreciation . . . . .	5,504	2,543	913	16	11	<b>8,987</b>
Amortization . . . . .	1,296	892	141	1,491	11	<b>3,831</b>
Segment results from operations . . . . .	3,701	3,563	508	(186)	19	<b>7,605</b>
Segment profit/(loss) before tax . . . . .	224	2,224	280	(483)	63	<b>2,308</b>
EBITDA . . . . .	10,501	6,998	1,562	1,321	41	<b>20,423</b>
Adjusted EBITDA . . . . .	10,456	7,054	1,734	1,761	613	<b>21,618</b>
CAPEX . . . . .	<u>5,350</u>	<u>2,498</u>	<u>992</u>	<u>4,106</u>	<u>65</u>	<b><u>13,010</u></b>

#### e) Reconciliation of EBITDA and adjusted EBITDA to profit and loss before tax

	Reportable segments					Total
	Serbia Group	Slovenia Group	Bosnia Group	Media Group	Other	
Profit/(loss) before tax . . . . .	224	2,224	280	(483)	63	<b>2,308</b>
<i>Adjusted for:</i> . . . . .						
Depreciation . . . . .	5,504	2,543	913	16	11	<b>8,987</b>
Amortization . . . . .	1,296	892	141	1,491	11	<b>3,831</b>
Net finance expenses . . . . .	3,477	1,339	228	297	(44)	<b>5,297</b>
EBITDA . . . . .	10,501	6,998	1,562	1,321	41	<b>20,423</b>
<i>Adjusted for</i>						
Staff costs <sup>(1)</sup> . . . . .	—	50	—	—	—	<b>51</b>
Other operating expenses <sup>(1)</sup> . . . . .	—	6	106	120	572	<b>804</b>
Revenue . . . . .	(45)	—	66	320	—	<b>341</b>
Adjusted EBITDA . . . . .	<u>10,456</u>	<u>7,054</u>	<u>1,734</u>	<u>1,761</u>	<u>613</u>	<b><u>21,618</u></b>

(1) Adjusted for exceptional and non-recurring items such as one-off transaction costs, penalties, etc.

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## NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

### 6. Operating segments (Continued)

#### f) Reconciliation of information on reporting segments to IFRS measures

	Two months ended 28 February 2014
<b>Revenues</b>	
Total revenue for reportable segments . . . . .	45,749
Revenue for other segments . . . . .	1,672
Elimination of inter-segment revenue . . . . .	(4,312)
<b>Consolidated revenue . . . . .</b>	<b><u>43,109</u></b>
<b>Consolidated profit before tax</b>	
Total consolidated profit before tax for reportable segments . . . . .	2,359
Loss before tax for other segments . . . . .	(51)
Elimination of inter-segment revenue . . . . .	—
<b>Consolidated profit before tax . . . . .</b>	<b><u>2,308</u></b>

#### g) Major customers

The Group provides its services to individual and corporate customers. Due to the nature of the Group's services there is no customer which exceeds 10% of the total revenues. Revenue includes operating revenue.

#### h) Geographical segments

Segment information above is already provided on the basis of geographic areas, being the key basis on which the Group manages its interests.

### 7. Revenue

	28-Feb-14
Subscription fee . . . . .	38,024
Carriage fee . . . . .	4,393
Other revenue . . . . .	692
<b>Total . . . . .</b>	<b><u>43,109</u></b>

### 8. Materials cost

	28-Feb-14
Installation materials . . . . .	141
Office supplies . . . . .	136
Energy and fuel costs . . . . .	409
Cost of end-user equipment . . . . .	505
<b>Total . . . . .</b>	<b><u>1,191</u></b>

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**9. Staff costs**

	<b>28-Feb-14</b>
Salaries and social security . . . . .	3,289
Part-time employment costs . . . . .	95
Employee benefit cost . . . . .	173
Unused vacations . . . . .	233
Other staff costs . . . . .	377
Total staff costs . . . . .	<u>4,167</u>

**10. Other operating expenses**

	<b>28-Feb-14</b>
Rent of premises, poles and ducts . . . . .	1,482
Legal and administrative fee . . . . .	988
Marketing and promotion expenses . . . . .	936
Maintenance costs . . . . .	873
Telephony costs . . . . .	576
Phone and postal expenses . . . . .	511
External consultants . . . . .	434
Advertising air time . . . . .	295
Customer service costs . . . . .	163
Bank charges . . . . .	113
Management fees . . . . .	61
License fees . . . . .	61
Trade receivable impairment allowance . . . . .	18
Impairment of property, plant and equipment . . . . .	6
Other expenses . . . . .	1,325
Total . . . . .	<u>7,842</u>

**11. Finance income and finance cost**

	<b>28-Feb-14</b>
Interest expense . . . . .	3,221
Foreign exchange losses . . . . .	2,787
Other finance cost . . . . .	190
Foreign exchange gains . . . . .	(752)
Interest income . . . . .	(148)
Other financial gain . . . . .	(1)
Total . . . . .	<u>5,297</u>

**12. Income tax expense**

	<b>28-Feb-14</b>
Current tax expense . . . . .	(67)
Deferred tax . . . . .	(78)
Income tax expense . . . . .	<u>(145)</u>

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#### 13. Property, plant and equipment

The majority of property, plant and equipment relates to cable network (backbone, primary and secondary network, coaxial, fiber and optical equipment) and DTH end-user equipment.

##### Acquisitions and disposals

During the two months ended 28 February 2014, the Group acquired assets with a cost of EUR 9,849 thousand.

##### Capital commitments

During the two months ended 28 February 2014, the Group entered into agreement to buy property, plant and equipment for EUR 6,293 thousand (year ended 31 December 2013: EUR 10,521 thousand). Delivery is expected during the first months of the year 2015.

##### Assets provided as security for loans

As at 28 February 2014 all property, plant and equipment is pledged as security for the Group's loans and borrowings (note 21).

##### Leased assets

The Group leases internet protocol equipment, office premises, and transport and passenger vehicles under a number of cancellable finance lease agreements. Majority leases of vehicles provide the Group with the option to purchase the equipment at a beneficial price. All renovations of leased office space are accounted for as leasehold improvements and are depreciated over the period of five years.

Present value of minimum lease payments is as follows:

	28-Feb-14	31-Dec-13
Not later than 1 year . . . . .	2,705	3,442
Between 2 and 5 years . . . . .	4,792	5,093
<b>Present value of finance lease liability . . . . .</b>	<b>7,497</b>	<b>8,535</b>

Contractual amounts are as follows:

	28-Feb-14	31-Dec-13
Not later than 1 year . . . . .	2,969	3,728
Later than 1 year and not later than 3 years . . . . .	4,986	5,304
	<b>7,955</b>	<b>9,032</b>
Future finance charges on finance leases . . . . .	(458)	(497)
<b>Present value of finance lease liability . . . . .</b>	<b>7,497</b>	<b>8,535</b>

#### 14. Intangible assets (other than goodwill)

Intangible assets mainly include customer relationship, trademarks and licenses.

##### Acquisitions and disposals

During the two months ended 28 February 2014, the Group acquired assets with a cost of EUR 5,151 thousand.



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**14. Intangible assets (other than goodwill) (Continued)**

**Intangible assets provided as security for loans**

As at 28 February 2014 bank loans are guaranteed by pledge in trademarks ("SBB" and "Total TV"). Total value of trademark under pledge as at 28 February 2014 amounts to EUR 28,613 thousand.

**15. Goodwill**

The following schedule summarizes the movements in the balance of goodwill.

	<u>28-Feb-14</u>	<u>31-Dec-13</u>
<b>Cost</b>		
Balance at beginning of period . . . . .	419,454	372,809
Acquisition through business combination . . . . .	—	47,933
Exchange difference . . . . .	(1,984)	(1,288)
<b>Balance at end of period . . . . .</b>	<b><u>417,470</u></b>	<b><u>419,454</u></b>
<b>Impairment losses</b>		
Balance at beginning of period . . . . .	—	—
Impairment losses . . . . .	—	—
<b>Balance at end of period . . . . .</b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Carrying amounts</b>		
Balance at beginning of period . . . . .	419,454	372,809
<b>Balance at end of period . . . . .</b>	<b><u>417,470</u></b>	<b><u>419,454</u></b>

**Impairment testing for goodwill**

The Group tests annually whether goodwill has suffered impairment. As at 28 February 2014, the Group considered indicators of impairment, both external and internal. There were no impairment indicators as at 28 February 2014. Due to that reason, the Group did not test goodwill for impairment on this date.

**16. Trade and other receivables**

	<u>28-Feb-14</u>	<u>31-Dec-13</u>
Trade receivables . . . . .	48,073	49,262
Other receivables . . . . .	6,487	6,066
Provision for impairment . . . . .	(11,198)	(12,206)
<b>Total . . . . .</b>	<b><u>43,362</u></b>	<b><u>43,122</u></b>

Trade receivables primarily relate to receivables from cable and DTH operations. The Group's trade receivables were pledged as collateral for loans.

**17. Programming rights held for sale**

The balance of programming rights held for sale relate to content rights for sport events acquired and held for sale. These programming rights held for sale have been sold in September 2014.

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#### 18. Prepayments

	28-Feb-14	31-Dec-13
Advance payments and prepaid expenses . . . . .	15,438	16,351
Accrued income . . . . .	1,081	797
Other prepayments . . . . .	817	884
<b>Total . . . . .</b>	<b><u>17,336</u></b>	<b><u>18,032</u></b>

Prepayments primarily relate to advance payments to content providers.

#### 19. Cash and cash equivalents

	28-Feb-14	31-Dec-13
EUR accounts and cash on hand . . . . .	8,239	4,074
Foreign currency accounts . . . . .	6,851	4,155
<b>Total . . . . .</b>	<b><u>15,090</u></b>	<b><u>8,229</u></b>

Bank borrowings are secured on the total amount of cash on bank accounts.

Out of total cash and cash equivalents, EUR 172,510 thousand (31 December 2013: RSD 190,329 thousand) is restricted as a security for payments to suppliers and acquisition purposes.

#### 20. Capital and reserves

##### Registered capital

The authorized share capital of Slovenia Broadband S.à r.l., consisting of 200,000 ordinary shares with a par value of EUR 1 each, amounts to EUR 200 thousand. As at statement of financial position date 200,000 (31 December 2013: 200,000) ordinary shares are issued and fully paid up, amounting to EUR 200 thousand (31 December 2013: EUR 200 thousand). The immediate parent of the Group is Broadband Investments II S.à.r.l. domiciled in Luxembourg. The ultimate controlling party of Broadband Investments II S.à.r.l. is Broadband Investments S.à.r.l. Luxembourg (100% of ownership).

##### Preferred equity instruments

Preferred equity instruments of EUR 248,460 thousand (31 December 2013: EUR 248,318 thousand) relates to yield free loan notes issued to parent company Broadband Investments II S.à.r.l. on 13 December 2012.

Yield free convertible loan notes comprise of convertible notes that are classified as equity as they can be converted to share capital at the option of the Company with the number of the shares to be issued is fixed. Repayment term of the convertible loan is 31 December 2087.

##### Translation reserves

Subsidiaries of the Slovenia Broadband S.à r.l. have EUR, BAM, RSD and HRK as functional currency. As EUR is selected to be the presentation currency of the consolidated financial statement, differences arising on translating the financial statements of the subsidiaries to EUR are recorded under translation reserves. Negative translation reserves are recorded in the amount of EUR 12,684 thousand as of 28 February 2014 (31 December 2013: EUR 8,806 thousand).

## SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 21. Loans and borrowings

##### Long-term borrowings

Long-term borrowings and facilities by principal lender and type of the loans are as follows:

	28-Feb-14	31-Dec-13
Facility A . . . . .	95,404	95,404
Facility B . . . . .	127,800	127,800
CAPEX facility . . . . .	70,000	70,000
Revolving facility . . . . .	14,722	10,967
PPPEC debt . . . . .	30,280	30,280
Finance lease liabilities . . . . .	7,497	8,535
Total borrowings at nominal amount . . . . .	345,703	342,986
Less: current portion . . . . .	(11,605)	(13,286)
Adjustment for amortized cost . . . . .	(10,339)	(10,339)
Current portion of finance lease liability . . . . .	(2,705)	(3,442)
	<u>321,054</u>	<u>315,919</u>

Adjustment to the nominal amount of loan is necessary because loans are recorded at amortized cost. Based on this, upon origination of the loan, transaction costs were included in the financial liabilities recognized. Interest expense recorded includes amortization of these transaction costs deferred at initial recognition to maturity amount using the effective interest method. Accrued interest expense, including both accrued coupon and amortized premium (including fees deferred at origination), is not presented separately and is included in the carrying values of the borrowings (as a reducing item).

The bank loan facilities have been secured by a pledge on 100% of the shares of Slovenia Broadband S.à r.l. and direct subsidiary entities.

##### Bank loan

On 10 December 2012 the Group has arranged syndicated loan framework with bank consortium led by Unicredit bank in the total aggregate available amount of EUR 290,000 thousand, divided into Facility A (EUR 102,200 thousand), Facility B (EUR 127,800 thousand), capital expenditure (Capex in the amount of EUR 70,000 thousand) and Revolving (EUR 20,000 thousand).

Facility A loan bears an interest rate of margin of 5.35% plus three-month Euribor rate. This loan is repayable in semi-annual variable instalments within 5 years, with the last repayment on 10 December 2017. Interest is repayable on a quarterly basis.

Facility B loan bears an interest rate of margin of 6.10% plus three-month Euribor rate. This loan is repayable in full on 20 December 2018. Interest is repayable on a quarterly basis.

Capex facility and revolving credit facility (RCF) bears an interest rate of 5.35% plus three-month Euribor rate. Interest is repayable on a quarterly basis.

The Group withdrew additional amount of EUR 3,754 thousand of Revolving facility as of 28 February 2014.

Management estimates that fair value of all borrowings at inception approximates the carrying amounts shown in the consolidated financial statements.

## SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

### NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

#### 21. Loans and borrowings (Continued)

##### Profit participating preferred equity certificates (PP PEC debt)

The total profit participating preferred equity certificates issued to Broadband Investments II S.à.r.l. as at 28 February 2014 amounted to EUR 30,280 thousand. The certificates with par value of EUR 0.01 mature in 49 years from the date of issuance, bearing fixed interest of 1% and variable interest which depend of the parent company net profit position.

##### Security

Syndicated loan framework agreement is secured by a pledge on property, movable plant and equipment (note 13), cash accounts, trade receivables outstanding (note 16), insurance claims and trademark (note 14). The Group has assigned its insurance policies to Bank syndicate as additional debt collateral.

##### Short-term borrowings

	28-Feb-14	31-Dec-13
Current portion . . . . .	11,604	13,286
Revolving facility . . . . .	—	2,625
Adjustment for amortized cost . . . . .	(1,753)	(1,753)
Current portion of finance lease liability . . . . .	2,705	3,442
	<u>12,556</u>	<u>17,600</u>

#### 22. Trade and other payables

	28-Feb-14	31-Dec-13
Trade payables . . . . .	42,066	48,733
Received advances . . . . .	2,436	2,420
Accrued liabilities . . . . .	27,423	20,978
Other liabilities . . . . .	11,757	6,794
<b>Total</b> . . . . .	<u>83,682</u>	<u>78,925</u>

Out of total accrued liabilities, EUR 9,654 thousand relates to the accrual for the withholding tax liabilities assessed by tax authorities in December 2013.

#### 23. Related parties

Generally parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related parties' relationships for those parties with whom the Group entered into significant transactions or had significant balances outstanding as at 28 February 2014 detailed below. Transactions with related parties were entered into during the ordinary course of business on normal commercial terms.

# SLOVENIA BROADBAND S.À R.L. GROUP

Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014

In thousands of EUR

## NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)

### 23. Related parties (Continued)

Balances and transactions with related parties of the Group consist of the following:

#### i) Balances with related parties

		28-Feb-14	31-Dec-13
<b>Other financial assets</b>	<b>Relationship</b>		
Broadband Investment S.à.r.l. . . . .	Ultimate parent	—	505
		<u>—</u>	<u>505</u>
<b>Trade and other receivables</b>			
Broadband Investment S.à.r.l. II . . . . .	Parent	6	—
		<u>6</u>	<u>—</u>
<b>Short term loan receivable</b>			
Gerrard Enterprises LLC . . . . .	Related party	143	143
Broadband Investment S.à.r.l. . . . .	Ultimate parent	1,921	1,935
		<u>2,064</u>	<u>2,078</u>
<b>Interest receivable</b>			
Broadband Investment S.à.r.l. . . . .	Ultimate parent	35	—
		<u>35</u>	<u>—</u>
<b>Trade payables</b>			
Gerrard Enterprises LLC . . . . .	Related party	373	—
		<u>373</u>	<u>—</u>

#### ii) Transactions with related parties

<b>Interest expense</b>	<b>Relationship</b>	
Broadband Investment S.à.r.l. . . . .	Ultimate parent	142
		<u>142</u>
<b>Other operating expenses</b>		
Gerrard Consultancy Services Ltd . . . . .	Related party	373
		<u>373</u>

#### iii) Directors' compensation

During the two months ended 28 February 2014, compensation paid to directors for their services is made up of a contractual salary and a performance bonus depending on operating results. Total directors' compensation amounted to EUR 230 thousand. There are no post-employment and termination benefits for the members of the management.

### 24. Operating leases

The Group leases various premises under cancellable operating lease agreements. The Group is required to give one to six month notice for the termination of those agreements. The Group does not have any contingent rent arrangement.

## **SLOVENIA BROADBAND S.À R.L. GROUP**

**Condensed Consolidated Interim Financial Statements for two months ended 28 February 2014**

**In thousands of EUR**

### **NOTES TO THE CONDENSED CONSOLIDATES INTERIM FINANCIAL STATEMENTS (Continued)**

#### **25. Legal matters**

As at 28 February 2014, the Group is involved in a number of legal cases in the total amount of EUR 924 thousand (31 December 2013: EUR 1,075 thousand). The Group has recognized provisions in the total amount of EUR 831 thousand as at 28 February 2014. Management believes, supported by legal teams, that, for the disputes which have not been provided for, there is remote probability of negative outcome.

#### **26. Subsequent events**

Subsequent to 28 February 2014, US private equity fund Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR"), completed the acquisition of the Group. Definitive agreement for the acquisition was signed on 15 October 2013, while the transaction was closed at 6 March 2014, after receiving customary regulatory approvals. As part of the transaction, the total external debt was refinanced by way of a new debt structure via a bond issuance of United Group BV the entity that acquired the Group. The total value of the bond issuance by United Group BV was EUR 475,000 thousand and super senior revolving facility in the total amount of EUR 60,000 thousand.

With respect to the accrued liabilities for withholding tax (note 22), the Group paid total amount of EUR 10,077 thousand, composed of EUR 8,980 thousand in taxes and EUR 1,097 thousand in interest in May 2014. Subsequent to the payment, Serbian tax authorities, after a formal opinion of the Ministry of Finance and a decision by the court, have reversed their original decisions related to the higher tax payments, and SBB Serbia received a repayment of EUR 1,942 thousand.

The Group's CFO Nenad Branković announced his resignation with the effect from 1 May 2014. Andreas Melbaum has assumed position of Interim CFO from May 2014.

From 1 March 2014 the Group changed subscription fee for basic Cable TV services in operating entity in Serbia from RSD 1,039 to RSD 1,139 after receiving all necessary approvals from regulatory body.

The Group's management holds that they are not aware of any significant post balance sheet events that could affect the consolidated financial statements for 28 February 2014 or require separate disclosure.



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## **UNITED GROUP B.V.**

**€1,350,000,000**

**€ % Senior Secured Notes due 2022**

**€ % Senior Secured Notes due 2024**

**€ Floating Rate Senior Secured Notes due 2023**

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### **PRELIMINARY OFFERING MEMORANDUM**

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#### *Joint Bookrunners*

**Credit Suisse Banca IMI BNP PARIBAS BofA Merrill Lynch Citigroup  
ING J.P. Morgan Raiffeisen Bank International UniCredit Bank**

#### *Co-Manager*

**KKR**

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**, 2017**

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