

Bucharest

Digi Communications N.V.

announces

A new Government Emergency Ordinance imposing additional corporate taxes with impact on the telecommunications sector in Romania

8 January 2019

We would like to inform the market and our investors that, on 29 December 2018, an Emergency Government Ordinance no 114/2018 (the “**GEO 114/2018**”) establishing, amongst others, certain budgetary and tax measures was published in the Romanian Official Gazette.

The GEO 114/2018 sets an increased monitoring tariff of 3% applied to the turnover of telecommunications operators meant to finance the activity of the National Authority for Management and Regulation in Communications of Romania (the ANCOM). The prolongation of the exploitation period for the existing mobile communications licenses will be subject to the payment of 4% applied to the turnover generated from the mobile telephony operations in the year prior to the extension multiplied with the number of years for which the license validity period is prolonged. The further grant of the new mobile communications licenses will be subject to the payment of a percentage of either 2% or 4% applied to the turnover generated from the mobile telephony operations in the year prior to the grant date multiplied with the number of years corresponding to the validity period of the license. Also, the fines applicable for regulatory breaches in connection with the telecommunications sector in Romania were increased significantly. The GEO 114/2018 additionally increased the level of the corporate tax applied to licenses owners operating energy or gas activities in Romania to 2% applied to the turnover generated from the respective energy or gas activity.

In the public announcements made at the adoption of the OUG 114/2018, the Romanian Government’s representatives stated that the additional taxation would be caused by the “*incorrect behaviour*” of the telecommunications operators. We are of the opinion that these allegations have no legal, tax or economical basis, and that the decision to introduce these new taxes is ungrounded and discriminatory.

In connection with RCS & RDS S.A.’s activity, our Romanian subsidiary („**Digi | RCS&RDS**”), we express the following:

Out of the turnover of approximately LEI 3.3 billion registered in 2017, Digi | RCS&RDS paid during the same year more than 1/3 (meaning over LEI 1.2 billion) for: taxes and contributions to the state budget, to the central authorities and to the local budgets; amounts due to state owned companies and other similar entities; and also it performed multiple payments to various public and private entities based on mandatory legal requirements.

In connection with the income tax assessed by Digi | RCS&RDS, we must recall that, since 2007 until 2017, Digi | RCS&RDS invested more than EURO 2 billion for the development of a highly advanced fixed and mobile telecommunications network based on optical fibre. These investments were made to the benefit of millions of customers who enjoy today the best quality services at very advantageous prices. These investments performed by Digi | RCS&RDS (and which were subject of amortization) have implicitly determined the reduction of the taxable basis, in full compliance with the tax legislation.

In our view GEO 114/2018 is prejudicial to the development of the telecommunications and energy industries in Romania as it materially increases, without proper consultation and without any serious justification, the fiscal burden on businesses in these sectors, thus potentially restricting the ability to make further investments and affecting clients. We will be further evaluating the impact of GEO 114/2018 on our business and take those measures that are deemed necessary.

For details regarding the reports, please access the official websites designated of Digi:

www.digi-communications.ro (Investor Relations Section).

About Digi Communications NV

Digi is the parent holding company of RCS & RDS, a leading provider of pay TV and telecommunications services in Romania and Hungary. In addition, RCS & RDS provides mobile services as an MVNO to the large Romanian communities living in Spain and Italy.

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<https://news.europawire.eu/a-new-government-emergency-ordinance-imposing-additional-corporate-taxes-with-impact-on-the-telecommunications-sector-in-romania-101898/eu-press-release/2019/01/08/>