

An aerial night view of a city, likely Dubai, showing a complex network of roads and buildings illuminated by city lights. Overlaid on the city are several glowing, white, curved lines that represent fiber optic cables or data paths, connecting various points across the urban landscape. The lines are bright and have a soft glow, creating a sense of connectivity and modern infrastructure.

DIGI
communications n.v.

Preliminary Financial Report
For the year ended 31 December 2020

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INTRODUCTION

The consolidated financial information included in this Preliminary Financial Report is based on the Digi Communications N.V. ("Digi") Group's Unaudited IFRS Consolidated Financial Statements for the year ended 31 December 2020.

Financial and operational data from this Preliminary Financial Report are estimates. The final Annual Report for the year ended 31 December 2020 will include the final financial and operational data, which may vary significantly by reference to this Preliminary Financial Report. A final Annual Report will be released by Digi to the market as per the Financial Calendar announced on Bucharest Stock Exchange.

DIGI COMMUNICATIONS N.V.
Preliminary Consolidated Statement of Profit or Loss
for the year ended as at 31 December 2020

(all amounts are in thousand EUR, unless specified otherwise)

		2020	2019
	Note		
Revenues	1	1,281,569	1,186,026
Operating expenses ⁽¹⁾	2	(1,105,594)	(1,038,530)
Other expenses	3	(2,678)	(2,496)
Operating profit⁽¹⁾		173,297	145,000
Finance income	4	3,428	9,984
Finance expenses	4	(146,707)	(93,867)
Net finance costs		(143,279)	(83,883)
Profit before taxation⁽¹⁾		30,018	61,117
Income tax		(13,660)	(20,533)
Net profit⁽¹⁾		16,358	40,584

(1) The Group's management is currently performing the revaluation of property, plant and equipment in accordance with the Group's accounting policies for the year ended 31 December 2020. The analysis is still in progress at current date. As a consequence of this process, depreciation expenses may be significantly impacted. Therefore, the preliminary depreciation expenses included in the "Operating expenses" presented above for year ended 31 December 2020, as well as the "Operating profit", "Profit before taxation" and "Net profit" for the period, may differ significantly compared to final results which will be included in the Annual report for year ended 31 December 2020.

These preliminary consolidated financial statements as at 31 December 2020 have not been audited.

Serghei Bulgac,
CEO

OTHER FINANCIAL AND OPERATING DATA

The following table shows Selected Financial Data and Ratios based on Digi group's consolidated financial data as at and for the years ended 31 December 2020 and 2019:

Selected Financial Data and Ratios ⁽⁴⁾

	As at and for the year ended 31 December	
	2020	2019
	(€ millions, unless otherwise stated)	
Adjusted EBITDA⁽¹⁾	479.8	446.3
Adjusted EBITDA Margin%	37.4%	37.6%
Adjusted EBITDA excl. IFRS 16	405.1	380.1
Adjusted EBITDA (%) excl. IFRS 16	31.6%	32.0%
Total consolidated debt ⁽²⁾	1,072.5	990.2
Cash and cash equivalents	10.6	11.0
Total consolidated net debt	1,061.9	979.2
Net Leverage Ratio⁽³⁾	2.6x	2.6x
CAPEX	371	318

(1) Adjusted EBITDA includes the impact of IFRS 16, in total amount of EUR 74.7 million.

(2) Total debt presented is as per the Senior Notes covenants (excluding IFRS 16 impact). It includes interest bearing loans and borrowings (non-current), interest bearing loans and borrowings (current), derivative financial liabilities, other long term liabilities, financial leases and excludes accrued interest.

(3) Represents the ratio between total net debt and Adjusted EBITDA over a given period, as per the Senior Notes covenants.

(4) Unaudited.

The following table shows our RGUs by geographic segment and business line and ARPU by geographic segment as at and for the years ended 31 December 2020 and 2019:

	As at and for the year ended	
	31 December	
(RGUs: thousands; ARPU: €/period)	2020	2019
Group		
RGUs	18,136	16,142
ARPU	5.7	5.7
Romania		
RGUs		
Pay TV ⁽¹⁾	4,733	4,097
Fixed internet and data ⁽²⁾	3,313	2,775
Mobile telecommunication services ⁽³⁾	3,680	3,442
Fixed-line telephony ⁽²⁾	1,044	1,091
ARPU⁽⁴⁾	4.9	4.9
Hungary		
RGUs		
Pay TV ⁽¹⁾	933	959
Fixed internet and data	749	750
Mobile telecommunication services ⁽³⁾	173	99
Fixed-line telephony	650	681
ARPU⁽⁴⁾	5.9	6.5
Spain		
RGUs		
Fixed internet and data	204	81
Mobile telecommunication services ⁽³⁾	2,334	1,894
Fixed-line telephony	72	31
ARPU⁽⁴⁾	9.9	9.6
Other⁽⁵⁾		
RGUs		
Mobile telecommunication services ⁽³⁾	251	242
ARPU⁽⁴⁾	7.8	8.7

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

(2) Includes residential and business RGUs.

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

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

(5) Includes Italy.

PRELIMINARY MANAGEMENT DISCUSSION AND ANALYSIS

Main variations are explained below:

1. Revenues

Our revenue (excluding intersegment revenue and other income) for the year ended 31 December 2020 was €1,281.6 million, compared with €1,186.0 million for the year ended 31 December 2019, an increase of 8.1%.

Group RGU's increased from 16.1 million as at 31 December 2019 to 18.1 million as at 31 December 2020 (an increase of 12%), main contributors to the growth being Romanian's pay-tv and internet RGUs, as well as Spain's mobile RGUs.

2. Operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the year ended 31 December 2020 were €1,105.6 million, compared with €1,038.5 million for the year ended 31 December 2019, an increase of 6.5%.

Operating expenses grow in line with business development. We recorded increases in salaries and utilities expenses during the period. These were partially offset mainly by the changes in exchange rates for HUF/EUR (-7.9%) and RON/EUR (-1.9%) in 2020 compared to 2019, which led to decrease of operating expenses translated in EUR from local currencies.

The Group's management is performing revaluation of property, plant and equipment in accordance with accounting practices for the year ended 31 December 2020. The analysis is still in progress at current date. As a consequence of this process, depreciation expenses may be significantly impacted. Therefore, preliminary depreciation expenses included in the "Operating expenses" presented above for year ended 31 December 2020 may vary significantly compared to final results which will be included in the Annual report for year ended 31 December 2020.

3. Other income/expenses

We recorded €2.7 million of other expenses in the year ended 31 December 2020, compared to other expense of €2.5 million in the year ended 31 December 2019.

For the year ended 31 December 2020, other expenses include the net result from the sales of Invitel's operations in selected locations, as well as the net result for share option plans vested and expected to be one-time events.

For the year ended 31 December 2019, Other expenses include accrued expenses for the period related to the share option plans from 2017 and 2018 which are expected to be one-time events and the impact from the derecognition of the fair value assessment of energy trading contracts.

4. Net finance expenses

We recognized net finance expense of €143.3 million in the year ended 31 December 2020, compared with net finance expense of €83.9 million in the year ended 31 December 2019, an increase of 70.8%.

The net loss from foreign exchange in amount of €37.5 million in the year ended 31 December 2020 (compared to a foreign exchange loss of €18.2 million from previous period) has contributed to the net finance loss.

On 5 February 2020 we issued Senior Secured Notes in amount of €850 million. The proceeds were used to repay 2016 Senior Secured Notes of €550 million, partially prepay SFA 2016 and repay SFA 2018 respectively. We recorded expenses for early prepayment and accrued interest up to the repayment date of the 2016 Senior Secured Notes in amount of €16.6 million. At repayment date, upon exercise of call option, the fair value of the related embedded derivative assets was derecognized through profit and loss account and impacted finance expenses in amount of €40.0 million. These financial expenses were partially offset by finance revenues in amount of €3 million, mainly due to fair value movement of embedded derivative assets related to 2020 Senior Secured Notes.

Interest expenses decreased in the current period mainly because of the reduction in coupon related to the Senior Secured Notes issuance from 2020 (2.5% and 3.25%) compared to the 2016 Senior Secured Notes (5%). In February 2020, we fully repaid or prepaid Senior Facilities Agreements from 2018 and 2016, which resulted in a decrease of the overall interest expense in the period.