

An aerial night view of a city, likely Dubai, showing a complex network of roads and buildings. 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 city lights are visible in the background, and the overall scene is illuminated with a warm, orange glow from the city lights and the glowing lines.

DIGI
communications n.v.

Preliminary Financial Report
For the year ended December 31, 2019

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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 2019.

Financial and operational data from this Preliminary Financial Report are estimates. The final Annual Report for the year ended 31 December 2019 will include the final financial and operational data, which may vary 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 BVB.

DIGI COMMUNICATIONS N.V.
Preliminary Consolidated Statement of profit or loss
for the year ended as at 31 December 2019

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

		2019	2018
	Note	<i>Total</i>	<i>Total</i>
Revenues	1	1,186,026	1,038,121
Other income	3	-	8,873
Other expenses	3	(2,496)	(18,917)
Operating expenses	2	(1,038,530)	(925,032)
Loss from sale of discontinued operations		-	(1,070)
Operating profit		145,000	101,975
Finance income	4	9,984	357
Finance expenses	4	(93,864)	(63,495)
Net finance costs		(83,880)	(63,138)
Profit / (loss) before taxation		61,120	38,837
Income tax		(19,333)	(20,815)
Net profit / (loss)		41,787	18,022

The preliminary consolidated financial statements as at 31 December 2019 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 December 31, 2019 and 2018:

Selected Financial Data and Ratios ⁽⁴⁾

	As at and for the year ended December, 31	
	2019	2018
	(€ millions, unless otherwise stated)	
Adjusted EBITDA⁽¹⁾	446.3	324.6
Adjusted EBITDA Margin%	37.6%	31.3%
Total consolidated debt ⁽²⁾	990.7	920.2
Cash and cash equivalents	11.0	13.8
Total consolidated net debt	979.7	906.4
Net Leverage Ratio⁽³⁾	2.6x	2.8x
CAPEX	318	279⁽⁵⁾

(1) Adjusted EBITDA including the impact of adopting IFRS 16, in total amount of EUR 66.2 million.

(2) Total debt presented is as per the Senior Notes covenants. 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.

(5) Excluding net cashflows related to acquisition of Invitel on May 30, 2018.

Under IFRS 16 "Leases", we were required to change the way we accounted for leases previously classified as operating lease under IAS 17. We adopted IFRS 16 retrospectively on January 1, 2019 using the modified retrospectively approach and therefore we have not restated numbers previously reported as at and for the year ended December 31, 2018, as permitted under the specific transitional provisions in the standard.

For the year ended December 31, 2019 the impact of adopting IFRS 16 resulted in an increase in EBITDA of EUR 66.2 million.

The following table shows our RGUs and monthly ARPU by geographic segment and business line as at and for the years ended December 31, 2019 and 2018:

	As at and for the three months ended December 31,		As at and for the year ended December 31,	
	2019	2018	2019	2018
	(RGUs: thousands; ARPU: €/period)		(RGUs: thousands; ARPU: €/period)	
RGUs/ARPU				
Group				
RGUs	16,142	14,926	16,142	14,926
Romania				
Cable TV				
RGUs	3,590	3,305	3,590	3,305
ARPU	5.2	4.9	5.2	5.0
Fixed internet and data				
RGUs				
Residential	2,595	2,370	2,595	2,370
Business	180	158	180	158
ARPU				
Residential	4.8	4.7	4.8	4.8
Business	25.1	27.0	25.8	28.0
Mobile telecommunication services⁽¹⁾				
RGUs	3,442	3,406	3,442	3,406
ARPU	4.9	4.7	4.8	4.4
Fixed-line telephony				
RGUs				
Residential	959	1,055	959	1,055
Business	132	133	132	133
ARPU				
Residential	1.3	1.3	1.3	1.3
Business	3.3	3.4	3.3	3.3
DTH				
RGUs	507	529	507	529
ARPU	5.0	4.8	5.0	4.8
Hungary				
Cable TV				
RGUs	694	689	694	689
ARPU	7.7	8.4	7.9	8.3
Fixed internet and data				
RGUs	750	747	750	747
ARPU	8.5	7.8	8.5	7.6
Mobile telecommunication services⁽²⁾				
⁽³⁾				
RGUs	99	15	99	15
ARPU	n.m	5.3	n.m	5.9
Fixed-line telephony				
RGUs	681	694	681	694
ARPU	2.4	2.8	2.4	2.4
DTH				
RGUs	265	276	265	276
ARPU	9.0	9.0	8.9	9.1
Spain				
Fixed internet and data				
RGUs	81	8	81	8
ARPU	25.8	20.8	24.5	20.8

	As at and for the three months ended December 31,		As at and for the year ended December 31,	
	2019	2018	2019	2018
	(RGUs: thousands; ARPU: €/period)		(RGUs: thousands; ARPU: €/period)	
Mobile telecommunication services⁽¹⁾				
RGUs	1,894	1,343	1,894	1,343
ARPU	9.3	9.5	9.3	9.4
Fixed-line telephony				
RGUs	31	3	31	3
ARPU	2.7	4.2	3.1	4.2
Other⁽⁴⁾				
Mobile telecommunication services⁽¹⁾				
RGUs	242	195	242	195
ARPU	8.5	9.4	8.7	9.6

(1) Includes mobile telephony and mobile internet and data RGUs

(2) Includes mobile voice and internet and data RGUs and ARPUs. In Hungary, we generated such RGUs and ARPUs: (a) prior to May 2019, as a reseller through Telenor's network; (b) between May 2019 and July 2019, as a reseller through Telenor's network and through our own mobile network in the country; and (c) since July 2019, through our own mobile network in the country only.

(3) As an MVNO.

(4) 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 December 31, 2019 was €1,186.0 million, compared with €1,038.1 million for the year ended December 31, 2018, an increase of 14.2%.

Group RGU's increased from 14.9 million as at December 31, 2018 to 16.1 million as at December 31, 2019 (an increase of 8%), main contributors to the growth being Spain's mobile RGUs and the Romanian's cable tv and internet RGUs.

2. Operating expenses

Our total operating expenses (excluding intersegment expenses and other expenses, but including depreciation, amortization and impairment) for the year ended December 31, 2019 were €1,038.5 million, compared with €925.0 million for the year ended December 31, 2018, an increase of 12.3%.

Operating expenses grow in line with business development. We recorded increases in salaries expenses and depreciation in the year ended December 31, 2019 compared to previous year, as well as increases due to full year's consolidation of Invitel's operating expenses during year ended December 31, 2019 compared to seven months in year ended December 31, 2018.

3. Other income/expenses

We recorded €2.5 million of other expenses in the year ended December 31, 2019, compared to €18.9 million in the year ended December 31, 2018 (for continuing operations).

For year ended December 31, 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.

For year ended December 31, 2018, DIGI recorded the accrued expenses for the period related to the share option plans from 2017 and 2018 which are expected to be one-time events, litigation provision and Invitel's acquisition related costs.

For year ended December 31, 2018 Other income represented mark to market gain from fair value assessment of the energy trading contracts.

4. Net finance expenses

We recognized net finance expense of €83.9 million in the year ended December 31, 2019, compared with net finance expense of €63.1 million in the year ended December 31, 2018, an increase of 32.9%.

The main variation comes from increase in foreign exchange losses as well as higher interest expenses due to the Additional Notes from February 2019 and additional interest expense from the adoption of IFRS 16, partially offset by increase in fair value of the embedded derivative assets compared to previous period.