



9M 2021 Financial Results

20 December 2021 - JSC Silknet (“Silknet” or the “Company”), a leading Georgian telecommunications operator, announced the consolidated reviewed results for the first nine months of 2021. The consolidated results include the financial statements of JSC Silknet and its subsidiaries (the “Group”).

This document highlights and should be read in conjunction with the Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2021, available on our web site at silknet.com.

Results presentation will follow on 21 December 2021.

For illustration purposes only, the table below demonstrates year-over-year comparison of consolidated revenue, adjusted EBITDA and capex:

<i>GEL '000</i>	9M 20	9M 21	Y/Y change	Q3 20	Q3 21	Y/Y change
Commercial revenue	258,176	273,421	6%	89,554	95,992	7%
Carrier services	24,732	32,942	33%	8,447	12,613	49%
Total revenue	282,908	306,363	8%	98,001	108,605	11%
Adjusted EBITDA	156,858	168,306	7%	54,844	61,655	12%
<i>Adjusted EBITDA margin</i>	55%	55%		56%	57%	
CAPEX¹	71,651	53,253		21,452	12,784	
<i>% of revenue</i>	25%	17%		22%	12%	

Key takeaways

9M 21 Silknet’s total revenue increased by 8% y/y and commercial revenue increased by 6% y/y in 9M 21, while the Q3 total revenue increased by 11% y/y and commercial revenue increased by 7% y/y. The commercial revenue growth is primarily driven by the increased mobile data revenue as a result of the opening up of the economy in Q3 and Q2 and the partial recovery of tourism.

The increased bulk SMS revenue, thanks to the regulation introduced in August 2020, the increase in foreign visitor roaming as well as higher channel rent volume contributed to the carrier services revenue growth of 33% y/y in 9M 21 and 49% y/y in Q3.

Adjusted EBITDA increased by 7%, as the increased revenue was partially offset by the increased utility expenses and GEL depreciation.

Relatively lower capex rate of 17% in 9M 21 includes certain projects initiated in 2020 and accounted for as PP&E additions in 2021. Some new development projects that the Company has initiated in 2H 2021 will be mostly finalized in 2022.

¹ Capex in this document represents recurring capex and is the sum of property and equipment and intangible asset additions. Capex does not include non-recurring projects: 1) telecom operating licenses of GEL 0.9m and GEL 0.8m in 9M 20 and 9M 21, respectively; 2) IT transformation of GEL 1.5m and GEL 23.2m in 9M 20 and 9M 21, respectively; 3) Euronews operating license of GEL 4.6m and GEL 0.3m in 9M 20 and 9M 21, respectively; and 3) acquisition of subscriber contracts from local operator in the amount of GEL 4.4m in 9M 20

About Silknet

Silknet is the country's largest fixed network provider offering households and businesses the full range of telecommunication services, such as mobile services, fixed broadband, pay TV and fixed telephony.

Silknet is rated B1/Negative by Moody's and B/Stable by Fitch Ratings.

Silknet has a broad subscriber base in Georgia:

- c. 1.72 million mobile customers
- c. 197,000 fixed line customers
- c. 293,000 fixed broadband customers
- c. 226,000 pay TV customers

(As at 30/09/2021; source: Georgian National Communications Commission; Pay TV does not include mobile streaming application subscribers)

Silknet is part of Silk Road Group, one of the Caucasus's leading investment groups.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the first nine months of 2020 and 2021

<i>GEL '000</i>	<u>9M 20</u>	<u>9M 21</u>	<u>Y/Y change</u>	<u>Q3 20</u>	<u>Q3 21</u>	<u>Y/Y change</u>
Revenues:	282,908	306,363	8%	98,001	108,605	11%
Commercial revenue	258,176	273,421	6%	89,554	95,992	7%
Carrier services	24,732	32,942	33%	8,447	12,613	49%
Costs and expenses:						
Interconnect fees and roaming expense	(11,597)	(13,829)	19%	(4,130)	(4,901)	19%
Pay TV content cost	(9,444)	(8,699)	-8%	(3,093)	(2,667)	-14%
Costs of SIM cards, scratch cards and other cost of sales	(613)	(530)	-14%	(185)	(157)	-16%
Advertising and marketing	(4,545)	(5,452)	20%	(1,781)	(2,235)	25%
Depreciation and amortisation charges	(87,753)	(87,422)	0%	(29,380)	(29,387)	0%
Salaries and benefits	(42,420)	(46,422)	9%	(14,088)	(15,441)	10%
Purchased services	(28,204)	(32,092)	14%	(10,046)	(11,054)	10%
Network management and maintenance costs	(12,158)	(12,265)	1%	(4,042)	(4,111)	2%
Infrastructure capacity rentals, IRU and lease expenses	(5,384)	(4,516)	-16%	(1,781)	(1,566)	-12%
Other expenses	(17,636)	(17,146)	-3%	(5,615)	(6,232)	11%
Profit from operating activities	63,154	77,989	23%	23,859	30,853	29%
Finance income	3,252	3,260	0%	1,150	907	-21%
Finance expense	(65,818)	(68,058)	3%	(21,889)	(22,220)	2%
Other financial instrument at FVTPL – net change in fair value	8,556	(12,956)		6,156	(4,106)	
Net Foreign exchange gain /(loss)	(88,019)	31,646		(47,678)	8,491	
Profit/(loss) before income tax	(78,875)	31,881		(38,402)	13,925	
Income tax expense	648	(211)		(187)	(50)	
Total profit/(Loss) for the period	(78,227)	31,670		(38,589)	13,875	

Note: Certain figures included in this document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as total in certain tables may not be an arithmetic aggregation of the figures that precede them.

Consolidated Statement of Financial Position as at 31 December 2019, 31 December 2020, 30 June 2021 and 30 September 2021

<i>GEL '000</i>	<i>31-Dec-19</i>	<i>31-Dec-20</i>	<i>30-Jun-21</i>	<i>30-Sep-21</i>
ASSETS				
Non-current assets				
Property and equipment	377,686	393,887	388,796	379,126
Intangible assets and contract costs	199,716	196,229	206,393	204,970
Other non-current assets	41,713	39,611	33,520	33,009
Other financial instrument at FVTPL – net change in fair value	-	13,425	9,043	4,937
Investment property	29,582	63,055	60,839	60,339
Right-of-use assets	52,872	44,783	40,667	38,709
Prepayments related to IRU contracts	10,321	9,849	9,582	9,449
Total non-current assets	711,890	760,839	748,841	730,539
Current assets				
Inventories	10,980	10,645	10,850	11,099
Prepayments related to IRU contracts	2,173	2,173	2,173	2,173
Trade and other receivables, net	37,481	30,349	30,797	29,839
Cash and cash equivalents	74,862	77,791	46,074	76,398
Total current assets	125,496	120,959	89,895	119,509
TOTAL ASSETS	837,386	881,797	838,735	850,048
EQUITY				
Share capital	84,056	84,056	84,056	84,056
Additional paid-in capital	8,026	8,026	8,026	8,026
Accumulated losses	(64,288)	(151,321)	(133,801)	(119,972)
Equity attributable to owners of the Company	27,794	(59,239)	(41,719)	(27,890)
Non-controlling interest	54	(74)	201	247
TOTAL EQUITY	27,848	(59,313)	(41,518)	(27,643)
LIABILITIES				
Non-current liabilities				
Loans and borrowings	617,798	668,084	645,578	604,321
Trade and other payables	13,144	32,968	40,570	35,406
Advances received from IRU contracts and subscribers	14,662	13,911	13,483	13,312
Lease liability	45,438	39,847	35,706	33,677
Total non-current liabilities	691,042	754,810	735,337	686,716
Loans and borrowings (Current)	16,989	54,399	21,743	73,411
Trade and other payables	67,379	96,446	87,215	81,379
Advances received from IRU contracts and subscribers	21,949	23,041	23,448	23,501
Lease liability	12,179	12,414	12,510	12,683
Total current liabilities	118,497	186,300	144,916	190,975
TOTAL LIABILITIES	809,538	941,110	880,253	877,691
TOTAL LIABILITIES AND EQUITY	837,386	881,797	838,735	850,048

Note: Certain figures included in this document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as total in certain tables may not be an arithmetic aggregation of the figures that precede them.

Consolidated Statement of Cash Flows for the first nine months of 2020 and 2021

<i>GEL '000</i>	<i>9M 20</i>	<i>9M 21</i>	<i>Q3 20</i>	<i>Q3 21</i>
Cash flows from operating activities				
Cash received from subscribers	300,950	320,667	105,437	113,202
Cash received from other telecom operators	14,976	17,876	4,838	6,788
Salaries and benefits paid to and on behalf of employees	(41,917)	(45,431)	(14,953)	(14,942)
Interconnection fees and roaming expenses paid	(9,536)	(10,878)	(3,753)	(3,189)
Purchase of inventory	(7,407)	(6,885)	(2,641)	(2,376)
Taxes paid other than income	(34,071)	(42,309)	(11,646)	(14,840)
Income tax paid	(335)	(216)	(200)	(32)
Network repair costs paid	(8,058)	(8,928)	(2,600)	(3,068)
Other operating expenses paid	(49,661)	(58,756)	(19,273)	(17,762)
Net cash provided by operating activities	164,941	165,138	55,209	63,781
Cash flows from investing activities				
Purchase of property, plant and equipment	(50,546)	(44,443)	(16,965)	(17,051)
Purchase of investment property	(31,423)	(449)	(358)	(215)
Purchase of other intangible assets	(23,447)	(35,260)	(6,970)	(11,832)
Proceeds from disposals of PPE	1,586	756	1,429	117
Interest received	1,973	1,993	724	459
Net cash provided by Investing activities	(101,857)	(77,403)	(22,140)	(28,521)
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	-	(33,845)	-	1
Interest paid	(45,727)	(45,051)	(3,480)	(2,452)
Net payments of other financial instruments at FVTPL	(3,493)	(4,468)	-	(0)
Lease payments	(6,185)	(6,557)	(1,738)	(2,260)
Dividend payments	-	-	-	-
Net cash provided by Financing activities	(55,405)	(89,923)	(5,217)	(4,712)
Effect of exchange rate changes on cash and cash equivalents	12,842	794	4,406	(224)
Net increase in cash and cash equivalents	20,521	(1,393)	32,257	30,324
Cash and cash equivalents at the beginning of year	74,862	77,791	63,126	46,074
Cash and cash equivalents at the end of year	95,383	76,398	95,383	76,398

Note: Certain figures included in this document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as total in certain tables may not be an arithmetic aggregation of the figures that precede them.

Details of the Consolidated Financial Statements for the first nine months of 2020 and 2021

1. Revenues

<i>GEL '000</i>	<i>9M 20</i>	<i>9M 21</i>	<i>Y/Y change</i>	<i>Q3 20</i>	<i>Q3 21</i>	<i>Y/Y change</i>
Commercial revenue	258,176	273,421	6%	89,554	95,993	7%
Retail mobile	136,207	146,980	8%	49,260	53,905	9%
Mobile callout service	76,906	76,845	0%	27,298	27,061	-1%
Mobile data service	49,067	59,943	22%	18,387	23,310	27%
Revenue from SMS	6,819	6,565	-4%	2,306	2,289	-1%
Revenue from other mobile services	2,879	3,096	8%	1,141	1,120	-2%
Revenue from phone sales and accessories	535	531	-1%	128	126	-2%
Retail Fixed	121,969	126,441	4%	40,294	42,088	4%
Internet service	73,346	75,699	3%	23,911	25,526	7%
Pay TV	33,572	34,693	3%	11,269	11,273	0%
Fixed telephone service	12,510	10,790	-14%	3,975	3,518	-11%
Facility rental service	1,667	1,973	18%	573	715	25%
Revenue from other services	874	3,286	276%	566	1,057	87%
Carrier and other services	24,732	32,942	33%	8,447	12,613	49%
Interconnect service	16,011	19,916	24%	5,687	6,963	22%
Roaming Revenue	1,630	3,797	133%	319	2,301	620%
Internet Service	1,638	1,813	11%	535	700	31%
Facility rental service	5,453	7,417	36%	1,906	2,648	39%
Total revenue	282,908	306,363	8%	98,001	108,606	11%

2. Adjusted EBITDA

Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the following items:

- finance costs and finance income;
- corporate income tax and any other taxes related to the distribution of dividends;
- depreciation, amortisation, revaluation, impairment (losses / reversals) of non-current assets;
- net foreign exchange gain/(loss), including gain/(loss) on hedging instruments, currency forward contracts and any other gain/(loss) attributable to changes in foreign currency exchange rates; and
- specific items as explained below:

Specific items are identified by virtue of their size, nature or incidence. Specific items represent a) income or loss related to the sale or write-off of non-current assets and any other non-cash items; b) non-recurring, non-underlying or non-operating income or costs that are either material by nature or size (such as bargaining gain on business acquisition, business acquisition related costs, costs related to fundraising and the listing of the Group's securities, write off of issued loan, one time professional fees, etc.).

Reconciliation of adjusted EBITDA to profit from continuing operations

<i>GEL '000</i>	<u>9M 20</u>	<u>9M 21</u>	<u>Q3 20</u>	<u>Q3 21</u>
Loss for the year	(78,227)	31,670	(38,589)	13,875
Depreciation and amortisation	87,753	87,422	29,380	29,387
Finance costs	65,818	68,058	21,889	22,220
Finance income	(3,252)	(3,260)	(1,150)	(907)
Other financial instrument at FVTPL – net change in fair value	(8,556)	12,956	(6,156)	4,106
Net foreign exchange loss	88,019	(31,646)	47,678	(8,491)
Income tax expense	(648)	211	187	50
Specific items	5,951	2,895	1,605	1,416
Adjusted EBITDA	156,858	168,306	54,844	61,655
<i>Adjusted EBITDA margin %</i>	<i>55%</i>	<i>55%</i>	<i>56%</i>	<i>57%</i>

Note: Adjusted EBITDA for the purposes of this document means EBITDA as per our investor presentation.