



### Q319 and 9M19 Unaudited Financial Results

13 November 2019 - JSC Silknet (“Silknet” or the “Company”), a leading Georgian telecommunications operator, announced the unaudited results for the nine months ending 30 September 2019 and Q319.

Operating presentation with the discussion of the results will follow in the course of November 2019, once the market data is available. Comparative financial information herein is limited as neither stand-alone nor pro forma consolidated financial statements have been prepared for the nine months ending 30 September 2018.

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

<i>GELm, w/o IFRS 16</i>	<i>Y/Y change</i>									<i>Y/Y change</i>
	<i>9M18</i>	<i>9M19</i>	<i>9M</i>	<i>Q118</i>	<i>Q218</i>	<i>Q318</i>	<i>Q119</i>	<i>Q219</i>	<i>Q319</i>	<i>Q3</i>
Commercial Revenue	248	256	3%	79	82	87	81	83	92	6%
Carrier Services	53	31	-42%	17	20	16	9	11	11	-31%
<b>Total revenue</b>	<b>301</b>	<b>287</b>	<b>-5%</b>	<b>96</b>	<b>102</b>	<b>103</b>	<b>90</b>	<b>94</b>	<b>103</b>	<b>0%</b>
<b>Adjusted EBITDA</b>	<b>141</b>	<b>151</b>	<b>7%</b>	<b>39</b>	<b>49</b>	<b>53</b>	<b>45</b>	<b>49</b>	<b>57</b>	<b>8%</b>
<i>EBITDA margin</i>	<i>47%</i>	<i>53%</i>		<i>41%</i>	<i>48%</i>	<i>51%</i>	<i>50%</i>	<i>52%</i>	<i>55%</i>	

*\*consolidated pro-forma amounts*

The decrease in the carrier service revenue mainly reflects the impact of local fixed and mobile call termination rate cuts, effective from 1 January, 2019.

EBITDA growth was primarily driven by the commercial revenue growth and the operating synergies, realised following the Geocell acquisition, against the headwind of negative effect of the reduced local call termination rates.

Capital expenditures for 9M19 comprised approximately GEL 77m, or circa 26% of revenue.

#### Notes on the financial information

- Quarterly statements for 2019 are prepared based on unaudited financials by the Company
- Adjusted EBITDA equals profit/ (loss) for the year plus depreciation and amortization plus finance costs less finance income plus income tax expense/(benefit) adjusted for net currency forward (gain)/loss, foreign currency gain/(loss), and net non-recurring, non-operating and other specific items.
- For comparative purposes all financial information is presented without giving effect to IFRS 16

## **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/Stable by Moody's and B+/Stable by Fitch Ratings.

Silknet has a broad subscriber base in Georgia:

- c. 1.76 million mobile customers
- c. 274,000 fixed line customers
- c. 286,000 fixed broadband customers
- c. 216,000 pay TV customers

(As at 31/08/2019; 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.

**Statement of Profit or Loss and Other Comprehensive Income / Pro Forma Statement of Profit or Loss and Other Comprehensive Income**

<i>GELm, w/o IFRS 16</i>	<i>Q119</i>	<i>Q219</i>	<i>Q319</i>	<i>9M19</i>
<b>Revenues:</b>				
Commercial revenue**	80.6	83.5	91.9	256.0
Carrier services	9.3	10.6	11.1	31.0
	<b>89.9</b>	<b>94.1</b>	<b>103.0</b>	<b>287.0</b>
<b>Costs and expenses:</b>				
Depreciation and amortisation	(30.4)	(21.8)	(25.2)	(77.4)
Salaries and benefits	(13.8)	(13.6)	(13.8)	(41.2)
Other expenses	(9.2)	(6.2)	(8.2)	(23.6)
Purchased services	(7.1)	(8.2)	(7.9)	(23.2)
Rent expenses under operating leases	(5.5)	(5.5)	(5.5)	(16.5)
Interconnect fees and Roaming expense	(4.6)	(4.4)	(4.0)	(13.0)
Network management and maintenance costs	(3.7)	(3.2)	(3.2)	(10.2)
IPTV Content cost	(2.4)	(2.9)	(2.9)	(8.2)
Advertising and marketing	(2.0)	(2.6)	(1.6)	(6.2)
Costs of SIM cards, scratch cards and other cost of sales	(0.6)	(0.4)	(0.9)	(1.9)
Bargaining gain from acquisition				
<b>Profit from operating activities</b>	<b>10.6</b>	<b>25.2</b>	<b>29.8</b>	<b>65.6</b>
Finance income	0.7	2.7	2.6	6.0
Finance costs	(15.6)	(39.3)	(20.3)	(75.2)
Net foreign exchange (loss)/gain	(2.8)	(34.1)	(16.3)	(53.2)
<b>Net finance costs</b>	<b>(17.7)</b>	<b>(70.7)</b>	<b>(34.1)</b>	<b>(122.5)</b>
<b>(Loss)/profit before income tax</b>	<b>(7.1)</b>	<b>(45.6)</b>	<b>(4.2)</b>	<b>(56.9)</b>
Income tax expense	(0.9)	(0.2)	(0.1)	(1.2)
<b>Profit and total comprehensive income for the period</b>	<b>(8.0)</b>	<b>(45.7)</b>	<b>(4.3)</b>	<b>(58.0)</b>

Commercial revenue is subject to seasonal volatility, especially mobile segment. Historically, on revenue level Q3 is the best performing quarter. Revenue for 2HY is usually higher than 1HY by about GEL 10-15m.

## Statement of Financial Position

<i>GELm, w/o IFRS 16</i>	<i>30 Sep 19</i>	<i>30 Jun 19</i>	<i>31 Dec 18</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	369	367	370
Intangible assets and contract costs	204	206	212
Other non-current assets	44	30	33
Prepayments related to IRU contracts	10	11	11
<b>Total non-current assets</b>	<b>627</b>	<b>613</b>	<b>626</b>
<b>Current assets</b>			
Inventories	22	22	22
Prepayments related to IRU contracts	2	2	2
Trade and other receivables, net	36	36	38
Cash and cash equivalents	125	106	9
<b>Total current assets</b>	<b>185</b>	<b>166</b>	<b>72</b>
<b>TOTAL ASSETS</b>	<b>812</b>	<b>779</b>	<b>698</b>
<b>EQUITY</b>			
Share capital	84	84	68
Additional paid-in capital	8	8	25
Accumulated losses	(76)	(72)	(18)
<b>Equity attributable to owners of the Company</b>	<b>16</b>	<b>20</b>	<b>74</b>
Non-controlling interest	-	-	-
<b>TOTAL EQUITY</b>	<b>16</b>	<b>20</b>	<b>75</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	635	617	376
Subordinated debt	-	-	31
Promissory notes	-	-	37
Trade and other payables	15	17	18
Contract liabilities from prepayments	14	14	15
<b>Total non-current liabilities</b>	<b>664</b>	<b>648</b>	<b>476</b>
<b>Current liabilities</b>			
Loans and borrowings	33	16	37
Trade and other payables	76	74	87
Contract liabilities from prepayments	23	21	23
Current income tax payable	-	-	-
<b>Total current liabilities</b>	<b>132</b>	<b>111</b>	<b>147</b>
<b>TOTAL LIABILITIES</b>	<b>796</b>	<b>759</b>	<b>623</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>812</b>	<b>779</b>	<b>698</b>

## Statement of Cash Flow

<i>GELm, w/o IFRS 16</i>	<i>Q119</i>	<i>Q219</i>	<i>Q319</i>	<i>9M19</i>
<b>Cash flows from operating activities</b>				
Cash received from subscribers	91.1	96.9	106.7	294.7
Cash received from other telecom operators and for IRU contracts	8.4	7.6	7.0	23.0
Salaries and benefits paid to and on behalf of employees	(11.2)	(13.8)	(13.0)	(38.0)
Interconnection fees and expenses paid	(3.1)	(3.9)	(3.0)	(10.0)
Purchase of inventory	(5.5)	(3.5)	(7.0)	(16.0)
Taxes paid other than on income	(9.8)	(17.2)	(14.0)	(41.0)
Income tax paid	(0.8)	(0.2)	-	(1.0)
Network management and maintenance costs paid	(3.3)	(1.7)	(4.0)	(9.0)
Other operating expenses paid	(24.0)	(25.0)	(23.0)	(72.0)
<b>Net cash from operating activities</b>	<b>41.8</b>	<b>39.2</b>	<b>49.7</b>	<b>130.7</b>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(10.5)	(20.5)	(24.0)	(55.0)
Acquisition of intangible assets	(9.0)	(9.0)	(11.0)	(29.0)
Proceeds from disposals of property and equipment	0.4	0.6	-	1.0
Acquisition of subsidiaries, net of cash acquired	-	-	-	-
Interest received	0.2	0.8	2.0	3.0
<b>Net cash used in investing activities</b>	<b>(18.9)</b>	<b>(28.1)</b>	<b>(33.0)</b>	<b>(80.0)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	-	529.0	2.0	531.0
Repayment of borrowings	(2.4)	(365.6)	-	(368.0)
Bank commissions for early repayment of loans	-	(7.0)	-	(7.0)
Interest paid	(10.4)	(3.6)	(2.0)	(16.0)
Repayment of subordinated loan	-	(30.0)	-	(30.0)
Repayment of subordinated loan interest	-	(5.0)	-	(5.0)
Repayment of promissory notes	-	(43.0)	-	(43.0)
Dividends paid	(2.1)	(2.9)	-	(5.0)
<b>Net cash from financing activities</b>	<b>(14.9)</b>	<b>71.9</b>	<b>-</b>	<b>57.0</b>
Effect of exchange rate changes on cash and cash equivalents	-	6.0	2.0	8.0
<b>Net increase in cash and cash equivalents</b>	<b>8.0</b>	<b>89.0</b>	<b>18.7</b>	<b>115.7</b>
Cash and equivalents at the beginning of the period	9.3	17.3	106.3	9.3
<b>Cash and cash equivalents at the end of the period</b>	<b>17.3</b>	<b>106.3</b>	<b>125.0</b>	<b>125.0</b>