



First Half 2019 Reviewed Financial Results

19 August 2019 - JSC Silknet (“Silknet” or the “Company”), a leading Georgian telecommunications operator, announced the reviewed first half 2019 results.

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

<i>GELm</i>	<i>H1 2018*</i>	<i>H1 2019</i> <i>w/o IFRS 16</i>	<i>H1 2019</i> <i>with IFRS 16</i>
Commercial Revenue	161	164	164
Carrier Services	36	20	20
Total revenue	197	184	184
Adjusted EBITDA	88	94	100
<i>EBITDA margin</i>	<i>45%</i>	<i>51%</i>	<i>54%</i>

**consolidated pro-forma amounts*

Commercial revenue y/y growth was primarily driven by the larger subscriber base in fixed broadband and pay TV. The decrease in the carrier service revenue was primarily driven by the change in the local fixed and mobile call termination rates, effective from 1 January, 2019.

Adjusted EBITDA increased primarily due to the operating synergies realised following the Geocell acquisition, even as the decrease in the call termination rates had a net negative effect.

Capital expenditures for H1 2019 comprised approximately GEL 46.033 m, or circa 25% of revenue.

The Company’s capital structure for H1 2019 has changed significantly, as the result of the Eurobond issuance, redemption of the bank loans, the partial conversion of the shareholder loan into equity and repayment of the remainder thereof.

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. 1.75 million mobile customers
- c. 279,000 fixed line customers
- c. 287,000 fixed broadband customers
- c. 216,000 pay TV customers

(As at 30/06/2019; 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.

Notes on the financial information

- H1 2018 pro forma financials prepared by the Company based on audited financials (H1 2018 pro forma financial information disclosed here will differ from H1 2018 results included in the reviewed financials as a comparative information, the difference is attributable to pre-acquisition period of Geocell)
- H1 2019 financials reviewed by KPMG
- 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.

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

For the six months ended 30 June

'000 GEL	PFFI w/o IFRS 16 2018*	Reviewed w/o IFRS 16 2019*	Reviewed 2019
Revenues:			
Commercial revenue	160.9	164.1	164.1
Carrier services	36.5	19.9	19.9
	197.4	184	184
Costs and expenses:			
Depreciation and amortisation	-52.7	-52.2	-57
Salaries and benefits	-32.7	-27.4	-27.4
Other expenses	-19	-15.4	-15.4
Purchased services	-32.6	-15.3	-15.3
Interconnect fees and roaming expense	-22.6	-9	-9
Network management and maintenance costs	-9	-6.9	-6.9
IPTV content costs	-5	-5.3	-5.3
Rent expenses under operating leases	-10.7	-11	-5.1
Advertising and marketing	-1.2	-4.6	-4.6
Costs of SIM cards, scratch cards and other cost of sales	-2.5	-1	-1
Bargain gain from acquisition	41.8	-	-
Profit from operating activities	51.2	35.8	36.9
Finance income	1.4	3.4	3.4
Finance costs	-24.8	-54.9	-56.5
Net foreign exchange loss	10	-36.9	-37.2
Net finance costs	-13.4	-88.4	-90.3
(Loss)/profit before income tax	37.8	-52.7	-53.3
Income tax expense	-0.7	-1.1	-1.1
(Loss)/profit and total comprehensive income for the period	37.1	-53.7	-54.4

* Statement is presented without giving effect to IFRS 16.