



## Q1 2020 Unaudited Consolidated Financial Results

12 May 2020 - JSC Silknet (“Silknet” or the “Company”), a leading Georgian telecommunications operator, announced the unaudited consolidated results for Q1 2020. The consolidated results include the financial statements of JSC Silknet and its subsidiaries (“Group”).

Operating presentation with the discussion of the results will follow in the course of May 2020, once the market data is available.

For illustration purposes only, the table below demonstrates year-over-year comparison of unaudited consolidated revenue, adjusted EBITDA (both with and without giving effect to IFRS 16) and CAPEX:

<i>GEL '000</i>	<i>w/o IFRS 16</i>		<i>Y/Y change</i>	<i>w/o IFRS 16</i>		<i>Y/Y change</i>	<i>Note</i>
	<i>Q1 19</i>	<i>Q1 20</i>		<i>Q1 19</i>	<i>Q1 20</i>		
Commercial Revenue	80,615	87,201	8%	80,615	87,201	8%	1
Carrier Services	9,269	8,507	-8%	9,269	8,507	-8%	1
<b>Total revenue</b>	<b>89,884</b>	<b>95,708</b>	<b>6%</b>	<b>89,884</b>	<b>95,708</b>	<b>6%</b>	
<b>Adjusted EBITDA</b>	<b>45,232</b>	<b>49,092</b>	<b>9%</b>	<b>48,297</b>	<b>52,378</b>	<b>9%</b>	2
<i>Adjusted EBITDA margin</i>	<i>50%</i>	<i>51%</i>		<i>54%</i>	<i>55%</i>		
<b>CAPEX *</b>	<b>12,444</b>	<b>31,595</b>					
<i>% of Revenues</i>	<i>14%</i>	<i>33%</i>					

Increase in adjusted EBITDA is mainly driven by commercial revenue growth (refer to note 1), which more than compensated the negative impact of 9% GEL depreciation against USD on y/y basis.

Capital expenditure (CAPEX) for Q1 2020 was above the recurring level. Higher CAPEX is mostly explained by renewal of certain major broadcasting licenses during the period. No further license renewals of comparable size are expected during the rest of the year.

## **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. 1.73 million mobile customers
- c. 256,000 fixed line customers
- c. 287,000 fixed broadband customers
- c. 223,000 pay TV customers

(As at 29/02/2020; 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 quarter 2020

<i>GEL '000</i>	<i>w/o IFRS 16</i>		<i>Y/Y change</i>	<i>w/o IFRS 16</i>		<i>Y/Y change</i>
	<i>Q1 19</i>	<i>Q1 20</i>		<i>Q1 19</i>	<i>Q1 20</i>	
<b>Revenues:</b>	<b>89,884</b>	<b>95,708</b>	6%	<b>89,884</b>	<b>95,708</b>	6%
Commercial Revenue	80,615	87,201	8%	80,615	87,201	8%
Carrier Services	9,269	8,507	-8%	9,269	8,507	-8%
<b>Costs and expenses:</b>						
Interconnect fees and Roaming expense	(4,580)	(4,417)	-4%	(4,580)	(4,417)	-4%
IPTV Content cost	(2,421)	(3,179)	31%	(2,421)	(3,179)	31%
Costs of SIM cards, scratch cards and other cost of sales	(551)	(331)	-40%	(551)	(331)	-40%
Advertising and marketing	(2,019)	(1,867)	-7%	(2,019)	(1,867)	-7%
Depreciation and amortisation charges	(30,426)	(27,446)	-10%	(32,520)	(29,652)	-9%
Salaries and benefits	(13,753)	(14,508)	5%	(13,753)	(14,508)	5%
Purchased services	(9,190)	(8,653)	-6%	(9,190)	(8,653)	-6%
Network management and maintenance costs	(3,736)	(4,144)	11%	(3,736)	(4,144)	11%
Rent expenses under operating leases	(5,526)	(5,334)	-3%	(2,464)	(2,074)	-16%
Other expense	(7,072)	(6,872)	-3%	(7,069)	(6,847)	-3%
<b>Profit from operating activities</b>	<b>10,609</b>	<b>18,955</b>	79%	<b>11,581</b>	<b>20,035</b>	73%
Finance income	663	1,157	74%	663	1,157	74%
Finance expense	(15,647)	(23,614)	51%	(17,380)	(25,210)	45%
Net Foreign exchange gain /(loss)	(2,842)	(78,433)		(2,926)	(80,026)	
<b>Profit before income tax</b>	<b>(7,216)</b>	<b>(81,935)</b>		<b>(8,061)</b>	<b>(84,044)</b>	
Income tax expense	(929)	(312)		(929)	(312)	
<b>Loss for the period</b>	<b>(8,145)</b>	<b>(82,246)</b>		<b>(8,989)</b>	<b>(84,356)</b>	

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 which precede them.

## Consolidated Statement of Financial Position as at 31 March 2020 and 31 December 2019

<i>GEL '000</i>	<i>31 Dec 19</i>	<i>31 Mar 20</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	377,686	377,713
Intangible assets and contract costs	199,716	208,115
Other non-current assets	41,713	46,036
Investment property	29,582	58,260
Right-of-use assets	52,872	50,926
Prepayments related to IRU contracts	10,321	10,206
<b>Total non-current assets</b>	<b>711,890</b>	<b>751,255</b>
<b>Current assets</b>		
Inventories	10,980	11,589
Prepayments related to IRU contracts	2,173	2,173
Trade and other receivables, net	37,481	35,995
Cash and cash equivalents	74,862	116,005
<b>Total current assets</b>	<b>125,496</b>	<b>165,761</b>
<b>TOTAL ASSETS</b>	<b>837,386</b>	<b>917,017</b>
<b>EQUITY</b>		
Share capital	84,056	84,056
Additional paid-in capital	8,026	8,026
Accumulated losses	(64,288)	(148,533)
<b>Equity attributable to owners of the Company</b>	<b>27,794</b>	<b>(56,451)</b>
Non-controlling interest	54	(53)
<b>TOTAL EQUITY</b>	<b>27,848</b>	<b>(56,504)</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans and borrowings	617,798	689,901
Trade and other payables	13,144	24,058
Advances received from IRU contracts and subscribers	14,662	14,250
Lease liability	45,438	45,288
<b>Total non-current liabilities</b>	<b>691,042</b>	<b>773,497</b>
<b>Current liabilities</b>		
Loans and borrowings (Current)	16,989	37,916
Trade and other payables	67,379	94,751
Payable for investment property	-	32,714
Advances received from IRU contracts and subscribers	21,949	22,151
Lease liability	12,179	12,492
<b>Total current liabilities</b>	<b>118,497</b>	<b>200,024</b>
<b>TOTAL LIABILITIES</b>	<b>809,538</b>	<b>973,521</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>837,386</b>	<b>917,017</b>

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 which precede them.

## Consolidated Statement of Cash Flows for the first quarter 2020 and 2019

<i>GEL '000</i>	<i>Q1 19</i>	<i>Q1 20</i>
<b>Cash flows from operating activities</b>		
Cash received from subscribers	91,105	100,616
Cash received from other telecom operators	8,373	4,976
Salaries and benefits paid to and on behalf of employees	(11,162)	(12,981)
Interconnection fees and roaming expenses paid	(3,120)	(2,393)
Purchase of inventory	(5,530)	(2,735)
Taxes paid other than income	(9,784)	(8,242)
Income tax paid	(762)	(104)
Network repair costs paid	(3,337)	(2,554)
Other Operating Expenses paid	(21,933)	(16,763)
<b>Net cash provided by operating activities</b>	<b>43,849</b>	<b>59,820</b>
<b>Cash flows from investing activities</b>		
Purchase of Property, plant and equipment	(10,549)	(17,174)
Purchase of other intangible assets	(8,958)	(9,266)
Proceeds from disposals of PPE	443	128
Interest Received	223	510
<b>Net cash provided by Investing activities</b>	<b>(18,840)</b>	<b>(25,801)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(2,383)	-
Interest Paid	(10,389)	(1,920)
Lease payments	(2,100)	(3,261)
Dividend payments	(2,096)	-
<b>Net cash provided by Financing activities</b>	<b>(16,968)</b>	<b>(5,181)</b>
Effect of exchange rate changes on cash and cash equivalents	(45)	12,305
<b>Net increase in cash and cash equivalents</b>	<b>7,996</b>	<b>41,143</b>
Cash and cash equivalents at the beginning of year	9,264	74,864
<b>Cash and cash equivalents at the end of year</b>	<b>17,260</b>	<b>116,007</b>

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**Notes to the unaudited Consolidated Financial Statement for the first quarter 2020**

**1. Revenues**

<i>GEL '000</i>	<i>Q1 19</i>	<i>Q1 20</i>	<i>Y/Y change</i>
<b>Commercial Revenue</b>	<b>80,615</b>	<b>87,201</b>	<b>8%</b>
Mobile callout	24,807	25,677	4%
Fixed broadband	22,241	25,541	15%
Mobile data	12,155	15,497	28%
Pay TV	10,024	11,427	14%
Fixed telephone	5,066	4,411	-13%
Revenue from SMS	2,926	2,354	-20%
Revenue from other services	1,850	1,442	-22%
Revenue from phone sales and accessories	543	314	-42%
Wireless telephone ("CDMA") service	508	0	-100%
Infrastructure capital rental service	494	537	9%
<b>Carrier and Other Services</b>	<b>9,269</b>	<b>8,507</b>	<b>-8%</b>
Interconnect service	5,623	5,188	-8%
Infrastructure capital rental service	1,960	1,563	-20%
Roaming Revenue	1,169	1,100	-6%
Internet wholesale	516	657	27%
<b>Total Revenue</b>	<b>89,884</b>	<b>95,708</b>	<b>6%</b>

Commercial revenue y/y growth was 8% for both fixed and mobile operating segments. The primary driver of mobile operating segment was surge in mobile data traffic, resulting in GEL 3.3m growth in mobile data service revenue. The increase in revenue from fixed services mainly captures the impact of ARPU uplifts across fixed broadband and pay TV, as well as the subscriber base expansion.

## 2. Adjusted EBITDA

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

- finance costs and finance income
- corporate income tax and any other taxes related to the distribution of dividends
- depreciation, amortization, 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
- 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>	<i>w/o IFRS 16</i>	<i>w/o IFRS 16</i>		
	<u><i>Q1 19</i></u>	<u><i>Q1 20</i></u>	<u><i>Q1 19</i></u>	<u><i>Q1 20</i></u>
<b>Loss for the year</b>	<b>(8,145)</b>	<b>(82,246)</b>	<b>(8,989)</b>	<b>(84,356)</b>
Depreciation and amortisation	30,426	27,446	32,520	29,652
Finance costs	15,647	23,614	17,380	25,210
Finance income	(663)	(1,157)	(663)	(1,157)
Net foreign exchange loss	2,842	78,433	2,926	80,026
Income tax xpense	929	312	929	312
Specific items	4,196	2,691	4,196	2,691
<b>Adjusted EBITDA</b>	<b>45,232</b>	<b>49,092</b>	<b>48,297</b>	<b>52,378</b>
<i>Adjusted EBITDA margin %</i>	<i>50%</i>	<i>51%</i>	<i>54%</i>	<i>55%</i>

Adjusted EBITDA for the purposes of this document means EBITDA as per our investor presentations and the previous announcements. We changed the term in order to be consistent with the audited Consolidated Financial Statements