

**Azercell Telecom LLC**

**Consolidated IFRS financial statements**

*For the year ended 31 December 2020*

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**Independent auditor’s report**

**Consolidated financial statements**

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**Consolidated statement of financial position****As at 31 December 2020***(in thousands of Azerbaijani Manats)*

|  | <b>31 December<br/>2020</b> | <b>31 December<br/>2019</b> |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>  |                             |                             |
| <b>Non-current assets</b>                                  |                             |                             |
| Property, plant and equipment                              | 488,348                     | 447,012                     |
| Intangible assets  | 69,148                      | 75,596                      |
| Prepayments for non-current assets                         | 20,066                      | 5,717                       |
| Cost to obtain a contract                                  | 4,966                       | 4,900                       |
| Right-of-use assets  | 4,753                       | 4,190                       |
| Deferred income tax asset                                  | 6,602                       | -                           |
| <b>Total non-current assets</b>                            | <b>593,883</b>              | <b>537,415</b>              |
| <b>Current assets</b>                                      |                             |                             |
| Inventories  | 3,123                       | 3,145                       |
| Cost to obtain a contract                                  | 6,000                       | 5,462                       |
| Prepaid taxes  | -                           | 41,503                      |
| Trade and other receivables                                | 66,980                      | 50,718                      |
| Short-term investments                                     | 102,170                     | 217,600                     |
| Cash and cash equivalents                                  | 10,708                      | 304,839                     |
| Restricted cash  | 521                         | 2,159                       |
| <b>Total current assets</b>                                | <b>189,502</b>              | <b>625,426</b>              |
| <b>Total assets</b>  | <b>783,385</b>              | <b>1,162,841</b>            |
| <b>Liabilities</b>   |                             |                             |
| <b>Non-current liabilities</b>                             |                             |                             |
| Asset retirement obligations                               | 4,460                       | 4,511                       |
| Lease liabilities  | 3,217                       | 1,869                       |
| Deferred income tax liability                              | -                           | 449                         |
| <b>Total non-current liabilities</b>                       | <b>7,677</b>                | <b>6,829</b>                |
| <b>Current liabilities</b>                                 |                             |                             |
| Trade and other payables                                   | 130,209                     | 87,368                      |
| Lease liabilities  | 1,728                       | 2,507                       |
| Contract liabilities                                       | 34,786                      | 30,192                      |
| Current tax liabilities                                    | 13,847                      | -                           |
| <b>Total current liabilities</b>                           | <b>180,570</b>              | <b>120,067</b>              |
| <b>Total liabilities</b>                                   | <b>188,247</b>              | <b>126,896</b>              |
| <b>Equity</b>  |                             |                             |
| Share capital  | 42,080                      | 42,080                      |
| Retained earnings  | 552,937                     | 993,854                     |
| <b>Equity attributable to equity holders of the parent</b> | <b>595,017</b>              | <b>1,035,934</b>            |
| Non-controlling interests                                  | 121                         | 11                          |
| <b>Total equity</b>  | <b>595,138</b>              | <b>1,035,945</b>            |
| <b>Total liabilities and equity</b>                        | <b>783,385</b>              | <b>1,162,841</b>            |

**Consolidated statement of profit or loss and other comprehensive income****For the year ended 31 December 2020***(in thousands of Azerbaijani Manats)*

|  | <b>2020</b>      | <b>2019</b>      |
|--|------------------|------------------|
| <b>Revenue</b>                                 | <b>455,381</b>   | <b>435,681</b>   |
| <b>Total costs and expenses</b>                | <b>(307,655)</b> | <b>(306,694)</b> |
| <b>Operating profit</b>                        | <b>147,726</b>   | <b>128,987</b>   |
| Other income                                   | 195              | -                |
| Finance income                                 | 1,984            | 2,181            |
| Finance costs                                  | (762)            | (870)            |
| <b>Profit before tax</b>                       | <b>149,143</b>   | <b>130,298</b>   |
| Income tax expense                             | (44,977)         | (29,120)         |
| <b>Profit for the year</b>                     | <b>104,166</b>   | <b>101,178</b>   |
| Other comprehensive income                     | -                | -                |
| <b>Total comprehensive income for the year</b> | <b>104,166</b>   | <b>101,178</b>   |
| <b>Attributable to:</b>                        |                  |                  |
| Equity holders of the parent                   | 104,056          | 101,178          |
| Non-controlling interests                      | 110              | -                |
|  | <b>104,166</b>   | <b>101,178</b>   |

**Consolidated statement of changes in equity****As at 31 December 2020***(in thousands of Azerbaijani Manats)*

|   | <b>Share<br/>capital<br/>(Note 15)</b> | <b>Retained<br/>earnings</b> | <b>Total</b>     | <b>Non-<br/>controlling<br/>interests</b> | <b>Total<br/>equity</b> |
|---|--|------------------------------|------------------|---|-------------------------|
| <b>Balance at 1 January 2019</b>        | <b>42,080</b>                          | <b>892,676</b>               | <b>934,756</b>   | <b>11</b>                                 | <b>934,767</b>          |
| Total comprehensive income for the year | –                                      | 101,178                      | <b>101,178</b>   | –   | <b>101,178</b>          |
| <b>Balance at 31 December 2019</b>      | <b>42,080</b>                          | <b>993,854</b>               | <b>1,035,934</b> | <b>11</b>                                 | <b>1,035,945</b>        |
| Total comprehensive income for the year | –                                      | 104,056                      | <b>104,056</b>   | 110                                       | <b>104,166</b>          |
| Dividend paid                           |  | (544,973)                    | <b>(544,973)</b> | –   | <b>(544,973)</b>        |
| <b>Balance at 31 December 2020</b>      | <b>42,080</b>                          | <b>552,937</b>               | <b>595,017</b>   | <b>121</b>                                | <b>595,138</b>          |

**Consolidated statement of cash flows****For the year ended 31 December 2020***(in thousands of Azerbaijani Manats)*

|   | <b>2020</b>      | <b>2019</b>     |
|---|------------------|-----------------|
| <b>Cash flows from operating activities</b>                                     |                  |                 |
| <b>Profit before income tax</b>   | <b>149,143</b>   | <b>130,298</b>  |
| <b>Adjustments for:</b>   |                  |                 |
| Depreciation of property, plant and equipment                                   | 89,112           | 74,185          |
| Impairment of property, plant and equipment                                     | -                | 11,582          |
| Compensation for impairment loss  | -                | (13,998)        |
| Amortisation of intangible assets   | 14,804           | 16,951          |
| Depreciation of right-of-use assets   | 2,034            | 1,939           |
| (Release of)/charge for impairment of trade receivables                         | 292              | (158)           |
| Finance income  | (1,984)          | (2,181)         |
| Finance costs   | 762              | 870             |
| Net foreign exchange losses   | (116)            | 96              |
| <b>Operating cash flows before working capital changes</b>                      | <b>254,047</b>   | <b>219,584</b>  |
| Decrease/(Increase) in trade and other receivables                              | (16,554)         | 5,214           |
| (Increase)/Decrease in inventories  | 22               | (293)           |
| Increase in cost to obtain a contract   | (604)            | (1,270)         |
| Increase in restricted cash   | 1,638            | (616)           |
| (Increase)/Decrease in prepaid taxes  | 33,884           | (14,726)        |
| Increase in trade and other payables  | 33,296           | 19,160          |
| Increase/(Decrease) in contract liabilities                                     | 4,594            | 3,869           |
| <b>Cash generated from operations</b>   | <b>310,323</b>   | <b>230,922</b>  |
| Current income tax paid   | (30,562)         | (19,549)        |
| <b>Net cash generated from operating activities</b>                             | <b>279,761</b>   | <b>211,373</b>  |
| <b>Cash flows from investing activities</b>                                     |                  |                 |
| Withdrawal from/(Payment for) short-term investments                            | 116,010          | 80,628          |
| Purchase of non-current assets  | (143,981)        | (156,374)       |
| Interest received   | 1,404            | 1,451           |
| <b>Net cash used in investing activities</b>                                    | <b>(26,567)</b>  | <b>(74,295)</b> |
| <b>Cash flows from financing activities</b>                                     |                  |                 |
| Dividends paid  | (544,973)        | -               |
| Payment of principal portion of lease liabilities                               | (2,011)          | (1,752)         |
| Payment of interest portion of lease liabilities                                | (457)            | (602)           |
| <b>Net cash used in financing activities</b>                                    | <b>(547,441)</b> | <b>(2,354)</b>  |
| <b>Net increase in cash and cash equivalents</b>                                | <b>(294,247)</b> | <b>134,724</b>  |
| Cash and cash equivalents at the beginning of the year                          | 304,839          | 170,211         |
| Effect of exchange rate changes on the balance of cash held in foreign currency | 116              | (96)            |
| <b>Cash and cash equivalents at the end of the year</b>                         | <b>10,708</b>    | <b>304,839</b>  |