

**Azercell Telecom LLC**

**Consolidated IFRS financial statements**

*For the year ended 31 December 2018*

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### Consolidated financial statements

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**Consolidated statement of financial position****As at 31 December 2018***(in thousands of Azerbaijani Manats)*

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	354,419	342,627
Intangible assets	85,539	93,718
Prepayments for non-current assets	16,631	3,865
Cost to obtain a contract	4,279	–
<b>Total non-current assets</b>	<b>460,868</b>	<b>440,210</b>
<b>Current assets</b>		
Inventories	2,852	5,158
Cost to obtain a contract	4,812	–
Prepaid taxes	38,323	73,823
Trade and other receivables	55,774	47,161
Short-term investments	297,500	156,409
Cash and cash equivalents	170,211	193,591
Restricted cash	1,543	–
<b>Total current assets</b>	<b>571,015</b>	<b>476,142</b>
<b>Total assets</b>	<b>1,031,883</b>	<b>916,352</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Asset retirement obligations	3,238	–
Deferred income tax liability	2,424	4,610
<b>Total non-current liabilities</b>	<b>5,662</b>	<b>4,610</b>
<b>Current liabilities</b>		
Trade and other payables	65,131	54,774
Deposits received from subscribers	3,932	6,943
Deferred income	22,391	21,287
<b>Total current liabilities</b>	<b>91,454</b>	<b>83,004</b>
<b>Total liabilities</b>	<b>97,116</b>	<b>87,614</b>
<b>Equity</b>		
Share capital	42,080	42,080
Retained earnings	892,676	786,658
<b>Equity attributable to equity holders of the parent</b>	<b>934,756</b>	<b>828,738</b>
Non-controlling interests	11	–
<b>Total equity</b>	<b>934,767</b>	<b>828,738</b>
<b>Total liabilities and equity</b>	<b>1,031,883</b>	<b>916,352</b>

**Consolidated statement of profit or loss and other comprehensive income****For the year ended 31 December 2018***(in thousands of Azerbaijani Manats)*

	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>421,193</b>	<b>411,441</b>
<b>Total costs and expenses</b>	<b>(286,206)</b>	<b>(397,151)</b>
<b>Operating profit</b>	<b>134,987</b>	<b>14,290</b>
Finance income	746	1,556
Foreign exchange loss on cash and cash equivalents	–	(13,041)
<b>Profit before tax</b>	<b>135,733</b>	<b>2,805</b>
Income tax expense	(35,498)	(22,162)
<b>Profit/(loss) for the year</b>	<b>100,235</b>	<b>(19,357)</b>
<b>Attributable to:</b>		
Equity holders of the parent	100,208	(19,357)
Non-controlling interests	27	–
	<b>100,235</b>	<b>(19,357)</b>

**Consolidated statement of changes in equity****As at 31 December 2018***(in thousands of Azerbaijani Manats)*

	Share capital	Retained earnings	Total	Non- controlling interests	Total equity
<b>Balance at 1 January 2017</b>	<b>42,080</b>	<b>806,015</b>	<b>848,095</b>	–	<b>848,095</b>
Total comprehensive loss for the year	–	(19,357)	<b>(19,357)</b>	–	<b>(19,357)</b>
<b>Balance at 31 December 2017</b>	<b>42,080</b>	<b>786,658</b>	<b>828,738</b>	–	<b>828,738</b>
<b>Balance at 1 January 2018</b>	<b>42,080</b>	<b>786,658</b>	<b>828,738</b>	–	<b>828,738</b>
Impact of adopting IFRS 15	–	6,205	<b>6,205</b>	–	<b>6,205</b>
<b>Balance at 1 January 2018 (restated)</b>	<b>42,080</b>	<b>792,863</b>	<b>834,943</b>	–	<b>834,943</b>
Total comprehensive income for the year	–	100,208	<b>100,208</b>	27	<b>100,235</b>
Acquisition of non-controlling interest	–	(395)	<b>(395)</b>	(16)	<b>(411)</b>
<b>Balance at 31 December 2018</b>	<b>42,080</b>	<b>892,676</b>	<b>934,756</b>	<b>11</b>	<b>934,767</b>

**Consolidated statement of cash flows****For the year ended 31 December 2018***(in thousands of Azerbaijani Manats)*

	<b>2018</b>	<b>2017 Restated</b>
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>	<b>135,733</b>	<b>2,805</b>
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	73,365	72,658
Amortisation of intangible assets	16,204	13,779
Impairment of trade receivables	2,774	4,382
Finance income	(746)	(1,556)
Net foreign exchange losses	91	13,352
<b>Operating cash flows before working capital changes</b>	<b>227,421</b>	<b>105,420</b>
Increase in trade and other receivables	(11,387)	(12,017)
Decrease in inventories	2,306	425
Increase in cost to obtain a contract	(1,335)	–
Increase in restricted cash	(1,543)	–
Decrease/(increase) in prepaid taxes	2,365	(46,425)
Increase in trade and other payables	14,881	11,473
(Decrease)/increase in deposits received from subscribers	(3,011)	2,129
Increase in deferred income	1,104	2,369
<b>Cash generated from operations</b>	<b>230,801</b>	<b>63,374</b>
Current income tax paid	(6,100)	(57,410)
<b>Net cash generated from operating activities</b>	<b>224,701</b>	<b>5,964</b>
<b>Cash flows from investing activities</b>		
Payment for short-term investments	(141,091)	(156,409)
Purchase of non-current assets	(107,234)	(42,062)
Interest received	746	1,556
<b>Net cash used in investing activities</b>	<b>(247,579)</b>	<b>(196,915)</b>
<b>Cash flows from financing activities</b>		
Acquisition of non-controlling interest	(411)	–
<b>Net cash used in financing activities</b>	<b>(411)</b>	<b>–</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(23,289)</b>	<b>(190,951)</b>
Cash and cash equivalents at the beginning of the year	193,591	397,583
Effect of exchange rate changes on the balance of cash held in foreign currency	(91)	(13,041)
<b>Cash and cash equivalents at the end of the year</b>	<b>170,211</b>	<b>193,591</b>