

Azercell Telecom LLC

Consolidated IFRS financial statements

For the year ended 31 December 2019

Contents

Independent auditor's report

Consolidated financial statements

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Consolidated statement of financial position**As at 31 December 2019***(in thousands of Azerbaijani Manats)*

	31 December 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	447,012	354,419
Intangible assets	75,596	85,539
Prepayments for non-current assets	5,717	16,631
Right-of-use assets	4,190	-
Cost to obtain a contract	4,900	4,279
Total non-current assets	537,415	460,868
Current assets		
Inventories	3,145	2,852
Cost to obtain a contract	5,462	4,812
Prepaid taxes	41,503	38,323
Trade and other receivables	50,718	55,774
Short-term investments	217,600	297,500
Cash and cash equivalents	304,839	170,211
Restricted cash	2,159	1,543
Total current assets	625,426	571,015
Total assets	1,162,841	1,031,883
Liabilities		
Non-current liabilities		
Asset retirement obligations	4,511	3,238
Lease liabilities	1,869	-
Deferred income tax liability	449	2,424
Total non-current liabilities	6,829	5,662
Current liabilities		
Trade and other payables	87,368	65,131
Lease liabilities	2,507	-
Contract liabilities	30,192	26,323
Total current liabilities	120,067	91,454
Total liabilities	126,896	97,116
Equity		
Share capital	42,080	42,080
Retained earnings	993,854	892,676
Equity attributable to equity holders of the parent	1,035,934	934,756
Non-controlling interests	11	11
Total equity	1,035,945	934,767
Total liabilities and equity	1,162,841	1,031,883

Consolidated statement of profit or loss and other comprehensive income**For the year ended 31 December 2019***(in thousands of Azerbaijani Manats)*

	<u>2019</u>	<u>2018</u>
Revenue	435,681	421,193
Total costs and expenses	(306,694)	(286,206)
Operating profit	128,987	134,987
Finance income	2,181	746
Finance costs	(870)	-
Profit before tax	130,298	135,733
Income tax expense	(29,120)	(35,498)
Profit for the year	101,178	100,235
Other comprehensive income	-	-
Total comprehensive income for the year	101,178	100,235
Attributable to:		
Equity holders of the parent	101,178	100,208
Non-controlling interests	-	27
	101,178	100,235

Consolidated statement of changes in equity**As at 31 December 2019***(in thousands of Azerbaijani Manats)*

	Share capital	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 1 January 2018	42,080	792,863	834,943	–	834,943
Total comprehensive income for the year	–	100,208	100,208	27	100,235
Acquisition of non-controlling interest	–	(395)	(395)	(16)	(411)
Balance at 31 December 2018	42,080	892,676	934,756	11	934,767
Total comprehensive income for the year	–	101,178	101,178	–	101,178
Balance at 31 December 2019	42,080	993,854	1,035,934	11	1,035,945

Consolidated statement of cash flows**For the year ended 31 December 2019***(in thousands of Azerbaijani Manats)*

	2019	2018
Cash flows from operating activities		
Profit before income tax	130,298	135,733
Adjustments for:		
Depreciation of property, plant and equipment	74,185	73,365
Impairment of property, plant and equipment	11,582	-
Compensation for impairment loss	(13,998)	-
Amortisation of intangible assets	16,951	16,204
Depreciation of right-of-use assets	1,939	-
(Release of)/charge for impairment of trade receivables	(158)	2,774
Finance income	(2,181)	(746)
Finance costs	870	-
Net foreign exchange losses	96	91
Operating cash flows before working capital changes	219,584	227,421
Decrease/(Increase) in trade and other receivables	5,214	(11,387)
(Increase)/Decrease in inventories	(293)	2,306
Increase in cost to obtain a contract	(1,270)	(1,335)
Increase in restricted cash	(616)	(1,543)
(Increase)/Decrease in prepaid taxes	(14,726)	2,365
Increase in trade and other payables	19,160	14,881
Increase/(Decrease) in contract liabilities	3,869	(1,907)
Cash generated from operations	230,922	230,801
Current income tax paid	(19,549)	(6,100)
Net cash generated from operating activities	211,373	224,701
Cash flows from investing activities		
Withdrawal from/(Payment for) short-term investments	80,628	(141,091)
Purchase of non-current assets	(156,374)	(107,234)
Interest received	1,451	746
Net cash used in investing activities	(74,295)	(247,579)
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(1,752)	-
Payment of interest portion of lease liabilities	(602)	-
Acquisition of non-controlling interest	-	(411)
Net cash used in financing activities	(2,354)	(411)
Net increase in cash and cash equivalents	134,724	(23,289)
Cash and cash equivalents at the beginning of the year	170,211	193,591
Effect of exchange rate changes on the balance of cash held in foreign currency	(96)	(91)
Cash and cash equivalents at the end of the year	304,839	170,211