

**AzInTelecom LLC**

**Consolidated IFRS financial statements**

*For the year ended 31 December 2020 with independent auditor's report*

## Independent auditor's report

To management and the shareholder of  
AzInTelecom LLC

### **Opinion**

We have audited the consolidated financial statements of AzInTelecom LLC (hereinafter, the "Company"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young Holdings (CIS) B.V.*

24 December 2021

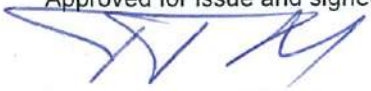
Baku, Azerbaijan

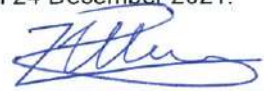
## Consolidated statements of financial position as at 31 December 2020

in Azerbaijani Manats

	Notes	31 December 2020	31 December 2019 Restated (Note 2)	31 December 2018 Restated (Note 2)
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment	6	610,999,200	572,797,366	495,334,081
Intangible assets	7	164,992,488	190,772,618	221,911,927
Other non-current assets	12	22,409,296	19,853,135	21,689,674
Cost to obtain contract (long-term)	2	4,966,000	4,900,000	4,279,000
Right-of-use assets	13	4,753,000	4,190,000	-
<b>Total non-current assets</b>		<b>808,119,984</b>	<b>792,513,119</b>	<b>743,214,682</b>
<b>Current assets</b>				
Cash and cash equivalents	8	146,088,827	336,861,533	183,140,819
Short-term investments	9	226,531,142	226,334,957	503,655,732
Inventories	2	4,171,441	4,349,925	4,039,917
Trade and other receivables	10	27,833,371	24,945,269	32,111,797
Other current assets	11	48,758,867	33,997,563	34,948,850
Prepaid income tax	21	527,145	42,933,130	38,323,000
Cost to obtain contract (short-term)	2	6,000,000	5,462,000	4,812,000
<b>Total current assets</b>		<b>459,910,793</b>	<b>674,884,377</b>	<b>801,032,115</b>
<b>Total assets</b>		<b>1,268,030,777</b>	<b>1,467,397,496</b>	<b>1,544,246,797</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Charter capital	14	8,146	8,146	8,146
Additional paid-in capital	14	81,449,227	81,449,227	79,892,427
Retained earnings	14	824,782,116	753,682,140	193,469,549
Foreign currency translation reserve	14	(105,813,023)	(81,782,155)	(63,716,148)
<b>Equity attributable to equity holders of the parent</b>		<b>800,426,466</b>	<b>753,357,358</b>	<b>209,653,974</b>
Non-controlling interest		121,000	11,000	633,061,443
<b>Total equity</b>		<b>800,547,466</b>	<b>753,368,358</b>	<b>842,715,417</b>
<b>Non-current liabilities</b>				
Loans (long-term)	23	107,184,901	121,667,405	327,423,688
Payable for acquisition of subsidiary's shares	25	-	63,500,813	-
Asset retirement obligation	22	4,460,000	4,511,000	3,238,000
Deferred tax liability	21	73,725,719	162,075,737	182,076,293
Lease liabilities	13	3,217,000	1,869,000	-
<b>Total non-current liabilities</b>		<b>188,587,620</b>	<b>353,623,955</b>	<b>512,737,981</b>
<b>Current liabilities</b>				
Trade and other payables	16	127,660,646	104,660,530	79,501,640
Contract liabilities	15	34,879,966	30,285,966	26,419,200
Loans (short-term)	23	14,482,505	205,756,283	70,533,695
Payable for acquisition of subsidiary's shares	25	57,195,702	-	-
Income tax payable	21	17,074,212	7,955,371	4,010,882
Other taxes payable	17	25,874,660	9,240,033	8,327,982
Lease liabilities	13	1,728,000	2,507,000	-
<b>Total current liabilities</b>		<b>278,895,691</b>	<b>360,405,183</b>	<b>188,793,399</b>
<b>Total liabilities</b>		<b>467,483,311</b>	<b>714,029,138</b>	<b>701,531,380</b>
<b>Total liabilities and equity</b>		<b>1,268,030,777</b>	<b>1,467,397,496</b>	<b>1,544,246,797</b>

Approved for issue and signed on behalf of the Management on 24 December 2021.


  
Taghi Taghizada  
Acting Director


  
Altay İsmayılov  
Chief Financial Officer

The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.

**Consolidated statements of profit or loss and other comprehensive income****for the year ended 31 December 2020***in Azerbaijani Manats*

	Notes	Year ended 31 December 2020	Year ended 31 December 2019 Restated (Note 2)
Revenues	18	476,437,072	461,305,599
Cost of services	19	(261,023,932)	(248,267,977)
<b>Gross profit</b>		<b>215,413,140</b>	<b>213,037,622</b>
General and administrative expenses	20	(105,573,727)	(119,961,505)
Expected Credit Loss	28	(1,473,379)	(2,344,268)
Impairment of tangible assets	6	–	(11,582,000)
<b>Operating profit</b>		<b>108,366,034</b>	<b>79,149,849</b>
Finance income	9	2,875,730	2,913,189
Finance cost	24	(31,316,697)	(32,676,418)
Foreign exchange gain		35,400,439	19,269,781
Compensation received	6	–	13,998,207
Other expenses		(1,771,604)	(1,076,699)
Other income		1,481,591	1,371,668
Release of tax charges	29	14,362,539	–
<b>Profit before tax</b>		<b>129,398,032</b>	<b>82,949,577</b>
Income tax expense	21	(58,188,056)	(39,323,359)
<b>Profit for the year</b>		<b>71,209,976</b>	<b>43,626,218</b>
<b>Attributable to:</b>			
Equity holders of the parent		71,099,976	14,328,507
Non-controlling interests		110,000	29,297,711
		<b>71,209,976</b>	<b>43,626,218</b>
Exchange differences on translation of foreign operations	14	(24,030,868)	(18,066,007)
<b>Other comprehensive loss for the year</b>		<b>(24,030,868)</b>	<b>(18,066,007)</b>
<b>Total comprehensive income for the year</b>		<b>47,179,108</b>	<b>25,560,211</b>
<b>Attributable to:</b>			
Equity holders of the parent		47,069,108	(3,737,500)
Non-controlling interests		110,000	29,297,711

The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

for the year ended 31 December 2020

in Azerbaijani Manats

	Charter capital (Note 14)	Additional paid-in capital (Note 14)	Retained earnings	Foreign currency translation reserve	Total	Non- controlling interests (Note 25)	Total equity
<b>Balance as at 1 January 2018</b> (Restated, Note 2)	8,146	79,892,427	29,291,011	-	109,191,584	-	109,191,584
Profit for the year (restated)	-	-	164,573,538	-	164,573,538	(692,479)	163,881,059
Other comprehensive loss	-	-	-	(63,716,148)	(63,716,148)	-	(63,716,148)
<b>Total comprehensive income/(loss)</b> (Restated, Note 2)	-	-	164,573,538	(63,716,148)	100,857,390	(692,479)	100,164,911
Acquisition of a subsidiary	-	-	-	-	-	633,769,922	633,769,922
Acquisition of non-controlling interest	-	-	(395,000)	-	(395,000)	(16,000)	(411,000)
<b>Balance as at 31 December 2018</b> (Restated, Note 2)	8,146	79,892,427	193,469,549	(63,716,148)	209,653,974	633,061,443	842,715,417
Profit for the year (Restated, Note 2)	-	-	14,328,507	-	14,328,507	29,297,711	43,626,218
Other comprehensive loss	-	-	-	(18,066,007)	(18,066,007)	-	(18,066,007)
<b>Total comprehensive income/(loss)</b> (Restated, Note 2)	-	-	14,328,507	(18,066,007)	(3,737,500)	29,297,711	25,560,211
Additional paid-in capital (Restated, Note 2)	-	1,556,800	-	-	1,556,800	-	1,556,800
Acquisition of non-controlling interest	-	-	545,884,084	-	545,884,084	(662,348,154)	(116,464,070)
<b>Balance as at 31 December 2019</b> (Restated, Note 2)	8,146	81,449,227	753,682,140	(81,782,155)	753,357,358	11,000	753,368,358
Profit for the year	-	-	71,099,976	-	71,099,976	110,000	71,209,976
Other comprehensive loss	-	-	-	(24,030,868)	(24,030,868)	-	(24,030,868)
<b>Total comprehensive income/(loss)</b>	-	-	71,099,976	(24,030,868)	47,069,108	110,000	47,179,108
<b>Balance as at 31 December 2020</b>	8,146	81,449,227	824,782,116	(105,813,023)	800,426,466	121,000	800,547,466

The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows****for the year ended 31 December 2020***in Azerbaijani Manats*

		Year ended 31 December 2019 Restated (Note 2)
	Notes :	Year ended 31 December 2020
<b>Cash flows from operating activities</b>		
<b>Profit before income tax</b>		<b>129,398,032</b>
<i>Non-cash adjustments to reconcile profit before tax to net cash flows</i>		
Depreciation property and equipment	6	101,587,354
Amortisation of intangible assets	7	34,473,173
Impairment loss	6	-
Compensation for impairment loss	6	-
Depreciation of right-of-use asset	13	2,034,000
ECL of trade and other receivables	10, 28	292,000
ECL of cash and cash equivalents	28	1,181,379
Finance income	9	(2,875,730)
Finance cost	24	31,316,697
Foreign exchange translation differences		(35,400,884)
<b>Operating cash flows before working capital changes</b>		<b>262,006,021</b>
<i>Changes in working capital</i>		
Trade and other receivables		(3,179,656)
Other current assets		(14,761,304)
Prepaid income tax		33,864,007
Inventories		179,208
Other non-current assets		11,792,839
Trade and other payables		13,646,116
Contract liabilities		4,594,000
Cost to obtain contracts		(604,000)
Taxes payable		16,634,627
<b>Changes in working capital</b>		<b>62,185,837</b>
Income tax paid		(128,897,979)
Interest paid	23	(3,837,947)
<b>Net cash flows provided by operating activities</b>		<b>191,455,932</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment		(145,156,887)
Acquisition of intangible assets		(8,693,043)
Short-term investments made		(97,705,995)
Withdrawal of short-term investments		116,010,000
Interest received		2,295,641
<b>Net cash flows (used in) / provided by investing activities</b>		<b>(133,250,284)</b>
<b>Financing activities</b>		
Acquisition of non-controlling interest	25	-
Repayment of loans	23	(226,162,053)
Payment of principal portion of lease liabilities	13	(2,011,000)
Payment of interest portion of lease liabilities	13	(457,000)
<b>Net cash flows (used in) / provided by financing activities</b>		<b>(228,630,053)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(170,424,405)</b>
Effect of exchange rate changes on cash and cash equivalents		(19,166,922)
ECL of cash and cash equivalents	28	(1,181,379)
Cash and cash equivalents at beginning of year	8	336,861,533
<b>Cash and cash equivalents at end of year</b>	8	<b>146,088,827</b>

The accompanying notes on pages 5 to 55 are an integral part of these consolidated financial statements.