

**AzInTelecom LLC**

**Consolidated IFRS financial statements**

*For the year ended 31 December 2021 with independent auditor's report*



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## **Independent auditor's report**

To the Shareholder and Supervisory Board of AzInTelecom LLC

### ***Opinion***

We have audited the consolidated financial statements of AzInTelecom LLC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group as at 31 December 2021, 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 Group in accordance with the International Ethics Standards Board for Accountants' 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 and the Supervisory Board 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 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

### ***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 the Supervisory Board 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.*

18 July 2022


Baku, Azerbaijan


## Consolidated statements of financial position as at 31 December 2021

in Azerbaijani Manats

	Notes	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	6	573,223,779	610,999,200
Intangible assets	7	146,463,587	164,992,488
Other non-current assets	12	30,365,770	22,409,296
Cost to obtain contract (long-term)	2	4,367,000	4,966,000
Right-of-use assets	13	2,995,000	4,753,000
<b>Total non-current assets</b>		<b>757,415,136</b>	<b>808,119,984</b>
<b>Current assets</b>			
Cash and cash equivalents	8	328,533,559	146,088,827
Short-term investments	9	154,659,686	226,531,142
Inventories		4,205,099	4,171,441
Trade and other receivables	10	24,521,733	27,833,371
Other current assets	11	47,979,982	48,758,867
Prepaid income tax	21	3,581,828	527,145
Cost to obtain contract (short-term)	2	6,000,000	6,000,000
<b>Total current assets</b>		<b>569,481,887</b>	<b>459,910,793</b>
<b>Total assets</b>		<b>1,326,897,023</b>	<b>1,268,030,777</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Charter capital	14	8,146	8,146
Additional paid-in capital	14	84,447,679	81,449,227
Retained earnings	14	1,038,311,374	824,782,116
Foreign currency translation reserve	14	(188,355,255)	(105,813,023)
<b>Equity attributable to equity holders of the parent</b>		<b>934,411,944</b>	<b>800,426,466</b>
Non-controlling interest		241,000	121,000
<b>Total equity</b>		<b>934,652,944</b>	<b>800,547,466</b>
<b>Non-current liabilities</b>			
Loans (long-term)	23	76,237,813	107,184,901
Asset retirement obligation	22	5,174,000	4,460,000
Deferred tax liability	21	29,316,520	73,725,719
Lease liabilities	13	2,500,000	3,217,000
<b>Total non-current liabilities</b>		<b>113,228,333</b>	<b>188,587,620</b>
<b>Current liabilities</b>			
Trade and other payables	16	133,465,378	127,660,646
Contract liabilities	15	32,173,966	34,879,966
Loans (short-term)	23	22,515,114	14,482,505
Payable for acquisition of subsidiary's shares	25	36,829,248	57,195,702
Income tax payable	21	25,588,491	17,074,212
Other taxes payable	17	27,726,549	25,874,660
Lease liabilities	13	717,000	1,728,000
<b>Total current liabilities</b>		<b>279,015,746</b>	<b>278,895,691</b>
<b>Total liabilities</b>		<b>392,244,079</b>	<b>467,483,311</b>
<b>Total liabilities and equity</b>		<b>1,326,897,023</b>	<b>1,268,030,777</b>

Approved for issue and signed on behalf of the Management on 18 July 2022.


  
Elkhan Azizov  
Acting Director


  
Altay İsmayılov  
Chief Financial Officer

The accompanying notes on pages 5 to 50 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 2021***in Azerbaijani Manats*

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenues	18	509,061,771	476,437,072
Cost of services	19	(266,015,425)	(261,023,932)
<b>Gross profit</b>		<b>243,046,346</b>	<b>215,413,140</b>
General and administrative expenses	20	(109,111,775)	(105,573,727)
Expected Credit Loss ("ECL") recovery/(charge)	28	573,422	(1,473,379)
<b>Operating profit</b>		<b>134,507,993</b>	<b>108,366,034</b>
Finance income	9	2,941,665	2,875,730
Finance cost	24	(23,942,859)	(31,316,697)
Foreign exchange gain		114,912,622	35,400,439
Other expenses		(1,046,469)	(1,771,604)
Other income		219,445	1,481,591
Loss on initial recognition of loan receivable	12	(2,870,138)	-
Release of tax charges	29	1,054,000	14,362,539
<b>Profit before tax</b>		<b>225,776,259</b>	<b>129,398,032</b>
Income tax expense	21	(12,127,001)	(58,188,056)
<b>Profit for the year</b>		<b>213,649,258</b>	<b>71,209,976</b>
<b>Attributable to:</b>			
Equity holders of the parent		213,529,258	71,099,976
Non-controlling interests		120,000	110,000
		<b>213,649,258</b>	<b>71,209,976</b>
Exchange differences on translation of foreign operations	14	(82,542,232)	(24,030,868)
<b>Other comprehensive loss for the year</b>		<b>(82,542,232)</b>	<b>(24,030,868)</b>
<b>Total comprehensive income for the year</b>		<b>131,107,026</b>	<b>47,179,108</b>
<b>Attributable to:</b>			
Equity holders of the parent		130,987,026	47,069,108
Non-controlling interests		120,000	110,000

The accompanying notes on pages 5 to 50 are an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity**  
**for the year ended 31 December 2021**  
*in Azerbaijani Manats*

	Charter capital (Note 14)	Additional paid-in capital (Note 14)	Retained earnings	Foreign currency translation reserve	Total	Non- controlling interests	Total equity
<b>Balance as at 1 January 2020</b>	<b>8,146</b>	<b>81,449,227</b>	<b>753,682,140</b>	<b>(81,782,155)</b>	<b>753,357,358</b>	<b>11,000</b>	<b>753,368,358</b>
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>	<b>-</b>	<b>-</b>	<b>71,099,976</b>	<b>(24,030,868)</b>	<b>47,069,108</b>	<b>110,000</b>	<b>47,179,108</b>
<b>Balance as at 31 December 2020</b>	<b>8,146</b>	<b>81,449,227</b>	<b>824,782,116</b>	<b>(105,813,023)</b>	<b>800,426,466</b>	<b>121,000</b>	<b>800,547,466</b>
Profit for the year	-	-	213,529,258	-	213,529,258	120,000	213,649,258
Other comprehensive loss	-	-	-	(82,542,232)	(82,542,232)	-	(82,542,232)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>213,529,258</b>	<b>(82,542,232)</b>	<b>130,987,026</b>	<b>120,000</b>	<b>131,107,026</b>
Additional paid in capital (Note 14)	-	2,998,452	-	-	2,998,452	-	2,998,452
<b>Balance as at 31 December 2021</b>	<b>8,146</b>	<b>84,447,679</b>	<b>1,038,311,374</b>	<b>(188,355,255)</b>	<b>934,411,944</b>	<b>241,000</b>	<b>934,652,944</b>

*The accompanying notes on pages 5 to 50 are an integral part of these consolidated financial statements.*

**Consolidated statement of cash flows**  
**for the year ended 31 December 2021**

*in Azerbaijani Manats*

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
<b>Cash flows from operating activities</b>			
<b>Profit before income tax</b>		<b>225,776,259</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	96,613,729	101,587,354
Amortisation of intangible assets	7	32,986,496	34,473,173
Depreciation of right-of-use asset	13	1,758,000	2,034,000
ECL of trade and other receivables	10, 28	528,177	292,000
ECL of other non-current assets	28	77,714	-
ECL of cash and cash equivalents	28	(1,179,313)	1,181,379
Impairment of prepaid expenses		1,623,000	-
Finance income	9	(2,941,665)	(2,875,730)
Finance cost	24	23,942,859	31,316,697
Loss on initial recognition of loan receivable	12	2,870,138	-
Foreign exchange translation differences		(114,231,188)	(35,400,884)
<b>Operating cash flows before working capital changes</b>		<b>267,824,206</b>	<b>262,006,021</b>
<i>Changes in working capital</i>			
Trade and other receivables		1,160,398	(3,179,656)
Other current assets		778,885	(14,761,304)
Prepaid tax		-	33,884,007
Inventories		(33,658)	179,208
Other non-current assets		476,758	11,792,839
Trade and other payables		1,853,732	13,646,116
Contract liabilities		(2,706,000)	4,594,000
Cost to obtain contracts		599,000	(604,000)
Taxes payable		1,851,889	16,634,627
<b>Changes in working capital</b>		<b>3,981,004</b>	<b>62,185,837</b>
Income tax paid		(45,586,568)	(128,897,979)
Interest paid	23	(1,444,008)	(3,837,947)
<b>Net cash flows provided by operating activities</b>		<b>224,774,634</b>	<b>191,455,932</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(56,378,207)	(145,156,887)
Acquisition of intangible assets		(14,457,595)	(8,693,043)
Short-term investments made		-	(97,705,995)
Withdrawal of short-term investments		73,412,688	116,010,000
Interest received		2,838,173	2,295,641
<b>Net cash flows provided by / (used in) investing activities</b>		<b>5,415,059</b>	<b>(133,250,284)</b>
<b>Financing activities</b>			
Repayment of loans	23	(38,890,592)	(226,162,053)
Loan provided	12	(10,000,000)	-
Contribution from the government		2,998,452	-
Payment of principal portion of lease liabilities	13	(1,728,000)	(2,011,000)
Payment of interest portion of lease liabilities	13	(479,000)	(457,000)
<b>Net cash flows used in financing activities</b>		<b>(48,099,140)</b>	<b>(228,630,053)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>182,090,553</b>	<b>(170,424,405)</b>
Effect of exchange rate changes on cash and cash equivalents		(825,134)	(19,166,922)
ECL of cash and cash equivalents	28	1,179,313	(1,181,379)
Cash and cash equivalents at beginning of year	8	146,088,827	336,861,533
<b>Cash and cash equivalents at end of year</b>	<b>8</b>	<b>328,533,559</b>	<b>146,088,827</b>

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