

# **Summary Consolidated Financial Statements and Independent Auditor's Report**

## **MTS Armenia CJSC**

31 December 2020



# Independent auditor's report

**Գրանթ Թորնթոն ՓԲԸ**  
Երևան Պլազա բիզնես կենտրոն  
ՀՀ, ք. Երևան 0015  
Գրիգոր Լուսավորչի 9  
Հ. + 374 10 50 09 64/61

**Grant Thornton CJSC**  
Yerevan Plaza Business Center  
9 Grigor Lusavorich Street,  
Yerevan 0015, Republic of Armenia  
T + 374 10 50 09 64/61

To the shareholder of MTS Armenia CJSC

## *Opinion*

The summary consolidated financial statements, which comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, are taken from the consolidated statements of MTS Armenia CJSC (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated financial statements as a whole are in accordance with the audited financial statements as presented in note 1.

## *Summary Consolidated Financial Statements*

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRSs) used in preparing the Group's audited financial statements. Therefore, reading the summary consolidated financial statements and the audit report on them does not replace the reading of the audited consolidated financial statements and the audit report on them.

## *Audited Consolidated Financial Statements and Our Report on Them*

We have expressed unqualified audit opinion on audited consolidated financial statements on 26 May 2021.

## *Responsibilities of Management on the Summary Consolidated Financial Statements*

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis in note 1.

## *Auditor's Responsibilities*

Our responsibilities are to express opinion on whether the summary consolidated financial statements as a whole are in accordance with the audited consolidated financial statements based on the procedures performed by us in accordance with International Standards on Auditing (ISA) 810 (Revised)

*Engagements to Report on Summary Financial Statements.*

Armen Hovhannisyanyan  
Chief Executive Officer



Lilit Arabajyan, FCCA  
Engagement Partner



26 May 2021



# Consolidated statement of financial position

In thousand drams	As of 31 December 2020	As of 31 December 2019
<b>Assets</b>		
<i>Non-current assets</i>		
Property and equipment	30,860,298	32,491,714
Right-of-use assets	5,514,241	6,128,209
Intangible assets	11,687,558	9,503,276
Borrowings provided	-	17,770,811
Deferred income tax assets	3,435,691	3,006,695
Trade and other receivables	452,280	650,230
Bank deposits	-	959,400
	<u>51,950,068</u>	<u>70,510,335</u>
<i>Current assets</i>		
Inventories	1,368,169	2,204,133
Trade and other receivables	4,362,207	4,885,991
Borrowings provided	19,685,707	-
Short-term loans to employees	252,649	306,100
Bank deposits	9,968,137	11,977,005
Cash and bank balances	7,319,405	4,052,127
	<u>42,956,274</u>	<u>23,425,356</u>
<b>Total assets</b>	<u><u>94,906,342</u></u>	<u><u>93,935,691</u></u>

# Consolidated statement of financial position (continued)

In thousand drams	As of 31 December 2020	As of 31 December 2019
Equity and liabilities		
<i>Capital and reserves</i>		
Share capital	550,000	550,000
Reserve capital	82,500	82,500
Accumulated profit	77,395,385	77,340,445
	<u>78,027,885</u>	<u>77,972,945</u>
<i>Non-current liabilities</i>		
Lease obligations	5,010,131	5,509,992
Contract liabilities	78,115	90,275
	<u>5,088,246</u>	<u>5,600,267</u>
<i>Current liabilities</i>		
Lease obligations	1,389,807	1,429,386
Contract liabilities	1,420,521	1,362,194
Trade and other payables	7,111,326	7,406,857
Income tax payable	1,868,557	164,042
	<u>11,790,211</u>	<u>10,362,479</u>
Total equity and liabilities	<u>94,906,342</u>	<u>93,935,691</u>

The consolidated financial statements were approved on 26 May 2021 by:

  
Ralph Yirikyan  
General Director



  
Gayane Kananyan  
Chief Accountant

# Consolidated statement of profit or loss and other comprehensive income

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
<i>Contract revenue</i>		
Mobile services	44,596,088	49,058,686
Fixed line services	1,187,843	1,381,835
Revenue from sale of goods	2,554,719	5,949,825
Other revenue	166,393	274,711
<i>Other income</i>		
Other operating income	326,302	470,200
	<u>48,831,345</u>	<u>57,135,257</u>
Depreciation and amortization	(13,599,085)	(12,992,182)
Interconnection and roaming costs	(3,783,784)	(6,042,028)
Payroll and employee benefits	(8,905,175)	(8,896,599)
Other network operating costs	(5,803,616)	(5,434,643)
Cost of sold goods	(2,385,244)	(5,305,033)
Management and consulting fees	(123,787)	(328,515)
Other operating expenses	(3,975,489)	(4,426,859)
	<u>(38,576,180)</u>	<u>(43,425,859)</u>
Results from operating activities	<u>10,255,165</u>	<u>13,709,398</u>
Finance income	1,334,302	1,240,057
Finance cost	(865,320)	(969,460)
Gain/(loss) from exchange rate differences, net	2,070,275	(374,732)
Profit before income tax	<u>12,794,422</u>	<u>13,605,263</u>
Income tax expense	(2,239,482)	(3,184,643)
Profit for the year	<u>10,554,940</u>	<u>10,420,620</u>
Other comprehensive income	-	-
Total comprehensive income for the year	<u>10,554,940</u>	<u>10,420,620</u>

# Consolidated statement of changes in equity

In thousand drams	Share capital	Reserve capital	Accumulated profit	Total
as of 1 January 2019	550,000	82,500	81,919,825	82,552,325
Profit for the year	-	-	10,420,620	10,420,620
Total comprehensive income for the year	-	-	10,420,620	10,420,620
Dividends	-	-	(15,000,000)	(15,000,000)
Transactions with owners	-	-	(15,000,000)	(15,000,000)
as of 31 December 2019	550,000	82,500	77,340,445	77,972,945
Profit for the year	-	-	10,554,940	10,554,940
Total comprehensive income for the year	-	-	10,554,940	10,554,940
Dividends	-	-	(10,500,000)	(10,500,000)
Transactions with owners	-	-	(10,500,000)	(10,500,000)
as of 31 December 2020	550,000	82,500	77,395,385	78,027,885

# Consolidated statement of cash flows

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities		
Profit for the year	10,554,940	10,420,620
<i>Adjustments for:</i>		
Depreciation, amortization and impairment	13,587,826	12,993,804
Loss on disposal of property, equipment and intangible assets	41,911	219,080
Income tax expense	2,239,482	3,184,643
Finance income	(1,334,302)	(1,240,057)
Finance cost	865,320	969,460
Impairment of borrowings provided	192,517	-
Foreign exchange (gain)/loss	(2,070,275)	374,732
<i>Operating profit before working capital changes</i>	<u>24,077,419</u>	<u>26,922,282</u>
Change in trade and other receivables	914,782	3,151,695
Change in inventories	835,964	(271,357)
Change in borrowings provided to employees	53,451	(16,768)
Change in contract liabilities	46,167	(94,548)
Change in trade and other payables	(219,532)	(1,089,544)
<i>Cash generated from operations</i>	<u>25,708,251</u>	<u>28,601,760</u>
Income tax paid	(963,963)	(2,206,900)
<i>Net cash from operating activities</i>	<u>24,744,288</u>	<u>26,394,860</u>
Cash flows from investing activities		
Acquisition of property, equipment and intangible assets	(12,787,267)	(12,370,106)
Proceeds from disposal of property and equipment	23,733	26,893
Borrowings provided to related parties	-	(16,700,601)
Repayment of borrowings provided	-	3,450
Interest income received	666,547	873,482
Deposits made	(9,730,355)	(11,230,000)
Deposits repaid	12,984,624	7,366,540
<i>Net cash used in investing activities</i>	<u>(8,842,718)</u>	<u>(32,030,342)</u>
Cash flows from financing activities		
Lease obligation paid	(2,331,844)	(2,257,780)
Dividends paid	(10,500,000)	(15,000,000)
<i>Net cash used in financing activities</i>	<u>(12,831,844)</u>	<u>(17,257,780)</u>
Net increase/(decrease) in cash and bank balances	3,069,726	(22,893,262)
Foreign exchange effect on cash	197,552	(374,561)
Cash and bank balances at the beginning of the year	4,052,127	27,319,950
Cash and bank balances at the end of the year	<u>7,319,405</u>	<u>4,052,127</u>

## 1 Basis of preparation

MTS Armenia CJSC is obliged to publish its consolidated financial statements in accordance with legislation of the Republic of Armenia.

These summary consolidated financial statements are based on audited consolidated financial statements of the Group for the year ended 31 December 2020 that have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). These summary consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the note to the summary consolidated financial statements.

These summary consolidated financial statements do not include all disclosures in the complete set of consolidated financial statements, in particular the main clauses of the accounting policy and other notes that are required to be disclosed in accordance with International Financial Reporting Standards. The complete set of the consolidated financial statements of the Company as of 31 December 31 2020 can be obtained from the Company's management upon request