

International Energy Corporation CJSC

Financial Statements for 2020

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Independent Auditors' Report

To the Shareholder of International Energy Corporation CJSC

Opinion

We have audited the financial statements of International Energy Corporation CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, 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 Those Charged with Governance for the Financial Statements

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

In preparing the 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

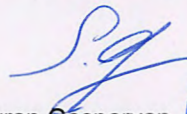
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

The engagement partner on the audit resulting in this independent auditors' report is:


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC
28 June 2021



Statement of Financial Position as at 31 December 2020

| '000 AMD | Note | 31 December 2020 | 31 December 2019 |
|-------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Property, plant and equipment | 11 | 28,641,069 | 26,342,368 |
| Intangible assets | | 10,986 | 12,334 |
| Prepayments for non-current assets | | 316,734 | - |
| Deferred tax assets | 10 | - | 633,376 |
| Non-current assets | | 28,968,789 | 26,988,078 |
| | | | |
| Inventories | 12 | 463,199 | 393,850 |
| Trade and other receivables | 13 | 807,303 | 668,538 |
| Bank deposits | 14 | 151,660 | 334,050 |
| Cash and cash equivalents | 15 | 314,429 | 167,505 |
| Current assets | | 1,736,591 | 1,563,943 |
| Total assets | | 30,705,380 | 28,552,021 |
| | | | |
| Equity | | | |
| Share capital | 16 | 585,650 | 585,650 |
| Additional paid in capital | 16 | 61,188 | - |
| Revaluation surplus | 16 | 22,428,761 | 20,198,725 |
| Accumulated losses | | (19,658,051) | (16,153,624) |
| Total equity | | 3,417,548 | 4,630,751 |
| | | | |
| Liabilities | | | |
| Loans and borrowings | 17 | 2,017,786 | 18,066,018 |
| Deferred tax liabilities | 10 | 137,652 | - |
| Non-current liabilities | | 2,155,438 | 18,066,018 |
| | | | |
| Loans and borrowings | 17 | 23,096,167 | 4,166,373 |
| Trade and other payables | 18 | 2,035,723 | 1,374,533 |
| Current tax liability | | 504 | 314,346 |
| Current liabilities | | 25,132,394 | 5,855,252 |
| Total liabilities | | 27,287,832 | 23,921,270 |
| Total equity and liabilities | | 30,705,380 | 28,552,021 |

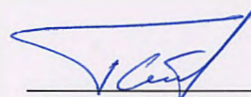
Statement of Profit or Loss and Other Comprehensive Income for 2020

| '000 AMD | Note | 2020 | 2019 |
|--|------|--------------------|------------------|
| Revenue | 5 | 6,283,329 | 6,721,616 |
| Cost of sales | 6 | (2,641,883) | (3,308,842) |
| Gross profit | | 3,641,446 | 3,412,774 |
| Other income | | 101,610 | 8,378 |
| Administrative expenses | 7 | (1,009,059) | (912,551) |
| Other expenses | 8 | (352,912) | (167,969) |
| Impairment loss on trade and other receivables | | (85) | (15,831) |
| Results from operating activities | | 2,381,000 | 2,324,801 |
| Finance income | 9 | 30,412 | 276,319 |
| Finance costs | 9 | (5,485,969) | (1,656,805) |
| (Loss)/profit before income tax | | (3,074,557) | 944,315 |
| Income tax expense | 10 | (429,870) | (784,378) |
| (Loss)/profit for the year | | (3,504,427) | 159,937 |
| Other comprehensive income | | | |
| <i>Items that will never be reclassified to profit or loss</i> | | | |
| Revaluation of property, plant and equipment | 11 | 2,719,556 | - |
| Related income tax | 10 | (489,520) | - |
| Reduction in tax rate | 10 | - | 492,652 |
| Other comprehensive income, net of income tax | | 2,230,036 | 492,652 |
| Total comprehensive (loss)/income for the year | | (1,274,391) | 652,589 |

These financial statements were approved by management on 28 June 2021 and were signed on its behalf by:



Artashes Kirakosyan
General Director



Hamlet Sahakyan
Chief Accountant

Statement of Changes in Equity for 2020

| '000 AMD | Share capital | Additional paid in capital | Property, plant and equipment revaluation surplus | Accumulated losses | Total |
|--|----------------|----------------------------|---|---------------------|--------------------|
| Balance at 1 January 2019 | 585,650 | - | 19,706,073 | (16,313,561) | 3,978,162 |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 159,937 | 159,937 |
| Effect of reduction in tax rate (Note 11) | - | - | 492,652 | - | 492,652 |
| Balance at 31 December 2019 | 585,650 | - | 20,198,725 | (16,153,624) | 4,630,751 |
| Balance at 1 January 2020 | 585,650 | | 20,198,725 | (16,153,624) | 4,630,751 |
| Total comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (3,504,427) | (3,504,427) |
| Other comprehensive income | | | | | |
| Revaluation of property, plant and equipment | - | - | 2,230,036 | - | 2,230,036 |
| Total comprehensive (loss)/income | - | - | 2,230,036 | (3,504,427) | (1,274,391) |
| Transactions with owners of the Company | | | | | |
| Contributions and distributions | | | | | |
| Other contributions and distributions | - | 61,188 | - | - | 61,188 |
| Total transactions with owners | - | 61,188 | - | - | 61,188 |
| Balance at 31 December 2020 | 585,650 | 61,188 | 22,428,761 | (19,658,051) | 3,417,548 |

Statement of Cash Flows for 2020

| AMD'000 | 2020 | 2019 |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| (Loss)/profit for the year | (3,504,427) | 159,937 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization | 1,260,821 | 1,706,625 |
| Revaluation of property, plant and equipment | 223,268 | - |
| Other non-cash incomes | (49,542) | 1,954 |
| Impairment losses on trade and other receivables | 83 | 15,831 |
| Change in provisions | - | 111,949 |
| Net finance costs | 5,426,647 | 1,379,148 |
| Income tax expense/(benefit) | 429,870 | 784,378 |
| <i>Changes in:</i> | | |
| Inventories | (18,460) | (4,439) |
| Trade and other receivables | (138,719) | 9,713 |
| Trade and other payables | 541,689 | (931,471) |
| Cash flows from operations before income taxes and interest paid | 4,171,230 | 3,233,625 |
| Income tax paid | (475,630) | (265,716) |
| Interest paid | (1,284,354) | (1,377,330) |
| Cash flows from operating activities | 2,411,246 | 1,590,579 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (1,063,234) | (245,668) |
| Prepayments for property, plant and equipment | (316,734) | - |
| Proceeds from bank deposits | 3,031,270 | 809,106 |
| Placement of bank deposits | (2,820,000) | (740,271) |
| Interest received | 30,280 | 20,819 |
| Cash flows utilised by investing activities | (1,138,418) | (156,014) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 20,578,669 | 879,426 |
| Repayment of borrowings | (21,927,271) | (2,215,969) |
| Cash flows utilised by financing activities | (1,348,602) | (1,336,543) |
| Net (decrease)/increase in cash and cash equivalents | (75,774) | 98,022 |
| Cash and cash equivalents at 1 January | 167,505 | 70,349 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 222,698 | (866) |
| Cash and cash equivalents at 31 December | 314,429 | 167,505 |