

## Independent auditor's report



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### INDEPENDENT AUDITOR'S REPORT

**TO: THE BOARD OF DIRECTORS OF ARD FINANCIAL GROUP JSC**

#### Opinions

We have audited the financial statements which comprise the statements of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity, the statements of cash flow for the year then ended and the notes to the financial statements including highly significant accounting policies of ARD FINANCIAL GROUP JSC.

In our opinion, the statement of financial position, profit or loss and other comprehensive income, changes in equity and cash flow of ARD FINANCIAL GROUP JSC as at December 31, 2019, present fairly and are, in all material respects, in compliance with the International Financial Reporting Standards.

#### Opinion basis

We conducted our audit in accordance with the International Standards on Auditing (ISA). According to the standards, our responsibilities are stated in the auditor's responsibility for the financial statement audit section of this financial statement. We have complied with the ethical requirements of financial statements auditing to be independent of our customers and comply with ethical responsibilities and other obligations under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**MARCH 25, 2020**

## Statement of financial position

(MNT thousand)	2019.12.31.	2018.12.31.
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	43,235.60	2,034.80
Trade and other receivables	4,902,640.10	3,001,265.80
Loan and interest receivables	403,269.00	6,820,414.50
Tax and contribution receivables	6,864.80	14,941.40
Inventories	6,231.10	36,364.20
Pre-paid expense	3,685,467.00	830,472.10
Short-term investments	<b>13,989,498.90</b>	<b>146,055.70</b>
Assets held for sale		2,400,000.00
<b>Total current assets</b>	<b>23,037,206.50</b>	<b>13,251,548.40</b>
Non-current assets		
Property, plant and equipment (net)	642,006.70	739,940.70
Intangible assets (net)	127,431.20	246,604.60
Long-term investments	54,265,176.20	43,810,718.80
Investment properties		2,417,832.10
<b>Total non-current assets</b>	<b>55,034,614.10</b>	<b>47,215,096.20</b>
<b>TOTAL ASSETS</b>	<b>78,071,820.60</b>	<b>60,466,644.60</b>

(MNT thousand)	2019.12.31.	2018.12.31.
<b>LIABILITIES</b>		
Short-term liabilities		
Trade and other payables	2,333,638.60	131,267.00
Other payables	12,901.70	12,675.80
Short-term payables	1,082,465.30	1,814,620.00
Short-term lease payables <sup>r</sup>	41,096.30	
Interest payables	198,315.50	251,491.30
Tax payables	68,822.00	23,877.40
<b>Short-term payables</b>	<b>3,737,239.40</b>	<b>2,233,931.50</b>
Long-term liabilities		
Long-term loans	2,236,039.00	240,370.20
Lease payables	261,389.70	
Other long-term loans	12,183,954.70	5,524,671.10
Deferred tax liabilities	3,070,863.00	1,957,039.50
<b>Long-term liabilities</b>	<b>17,752,246.40</b>	<b>7,722,080.80</b>
<b>TOTAL LIABILITIES</b>	<b>21,489,485.80</b>	<b>9,956,012.30</b>
Equity		
Share capital	28,590,335.00	1,879,652.80
Treasury shares	-1,414,706.00	-160,216.40
Paid-in capital		9,929,060.70
Fair value adjustment reserve	16,124,512.70	14,081,066.00
Other equity instruments	13,799.10	13,799.10
Retained earnings	13,268,394.00	24,767,270.20
<b>TOTAL EQUITY</b>	<b>56,582,334.80</b>	<b>50,510,632.40</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>78,071,820.60</b>	<b>60,466,644.70</b>

## Statement of profit or loss and other comprehensive income

(MNT thousand)	2019.12.31.	2018.12.31.
Sales revenue	1,569,829.50	3,863,044.90
Cost of sales		
<b>Profit (loss)</b>	<b>1,569,829.50</b>	<b>3,863,044.90</b>
Interest income	304,891.30	351,531.90
Dividend income	537,156.70	897,653.70
Other income	87,252.30	296,165.60
Sales and marketing expense	(1,262,376.90)	(322,092.80)
Administrative expense	(4,441,981.10)	(3,209,382.00)
Interest expense	(1,454,685.70)	(854,143.20)
Other expense	(132,645.10)	(104,602.40)
Gain (loss) on foreign currency exchange differences	(20,035.50)	54,643.70
Gain (loss) on disposal of property, plant and equipment	(34,430.20)	
Gain (loss) on disposal of intangible assets		
Gain (loss) on sale of investment	163,761.10	
Gain (loss) on investment valuation	9,059,062.80	(180,267.90)
<b>Profit (loss) before tax</b>	<b>4,375,799.20</b>	<b>792,551.60</b>
Income tax expense	(970,978.20)	(124,918.60)
<b>Profit (loss) for the year - net</b>	<b>3,404,821.00</b>	<b>667,633.00</b>
Other comprehensive income		
Increase in fair value adjustment reserve - net	2,043,446.80	6,730,845.00
Total comprehensive income	5,448,267.80	7,398,478.10
Earnings per share (base)	155.17	38.83

## Statement of cash flow

(MNT thousand)	2019.12.31.	2018.12.31.
<b>1. Cash flow from operating activities</b>		
<b>1.1 Cash received from primary operating activities</b>	<b>307,609.90</b>	<b>849,588.40</b>
Cash from sales and services rendered		442,380.40
Cash from royalties		
Cash from insurance claims		
Cash from taxes		
Cash from subsidies		
Other cash in	307,609.90	407,208.00
<b>1.2 Cash paid for primary operating activities</b>	<b>(4,294,615.90)</b>	<b>(3,834,173.70)</b>
Cash paid to employees	(453,807.80)	(722,458.00)
Cash paid to social insurance organization	(167,721.60)	(118,098.70)
Cash paid for inventory	(28,927.90)	(638,929.00)
Cash paid for utilities	(369,112.20)	(859,013.40)
Cash paid for fuel and spare parts	(35,281.50)	(28,787.50)
Interest paid	(1,345,981.80)	(660,395.80)
Tax paid	<b>(127,467.00)</b>	<b>(162,124.00)</b>
Insurance premiums paid	(18,269.70)	
Other cash paid	(1,748,046.40)	(644,367.30)
<b>Cash flow from operating activities - net</b>	<b>(3,987,006.00)</b>	<b>(2,984,585.30)</b>

## Statement of cash flow

(MNT thousand)	2019.12.31.	2018.12.31.
<b>2. Cash flow from investing activities</b>		
Interest received	8,986.50	84,575.00
Dividend received	485,721.60	93,406.40
Repayment of loan and advances received	3,555,791.90	8,467.30
Proceed from sale of property, plant and equipment	132,951.90	
Proceed from sale of intangible assets	497,756.60	
Acquisition of property, plant and equipment	(69,197.20)	(230,045.30)
Acquisition of sale of intangible assets	(11,027.10)	(6,180.30)
Loan and advances	(4,151,021.90)	(622,520.70)
Acquisition of investments	(2,490,212.60)	(469,000.00)
Acquisition of other long-term assets	(1,366,018.10)	
<b>Cash flow from investing activities - net</b>	<b>-3,406,268.40</b>	<b>-1,141,297.60</b>
<b>3. Cash flow from financing activities</b>		
Cash received from loans and issuing bonds	8,468,672.80	4,425,231.90
Cash paid as a repayment of loans and bonds	(1,032,546.60)	(825,778.70)
Cash received from issuing shares		
Cash paid for the acquisition of shares and bonds	(1,651.00)	(160,601.90)
Other cash in from financing activities		
<b>Cash flow from financing activities - net</b>	<b>7,434,475.20</b>	<b>3,438,851.30</b>
Net cash flow	41,200.80	(687,031.60)
Cash and cash equivalents at 1 Jan 2019	2,034.80	689,066.40
<b>Cash and cash equivalents at 31 Dec 2019</b>	<b>43,235.60</b>	<b>2,034.80</b>

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