

Independent auditor's report

To the Shareholder and manager of
PicsArt LLC

Opinion

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

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 (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 financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2019 were unaudited.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

**EY****Կառուցելով
բարեկեցիկ աշխարհ*****Auditor's 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 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 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 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 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 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 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 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 the management 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 CJSC
Yerevan, Armenia

Assurance partner,
General Director

30 December 2021



Eric Hayrapetyan

Statement of financial position**As at 31 December 2020***In thousands of Armenian drams*

	Note	2020	2019 (unaudited)
Assets			
Property, plant and equipment	4	419,921	434,934
Intangible assets	4	56,253	45,759
Deferred tax assets	10	180,041	99,806
Non-current prepayments		122,902	8,638
Total non-current assets		779,117	589,137
Trade and other receivables	5	1,129,613	996,013
Other tax receivables		166,784	84,416
Current prepayments		58,586	44,989
Inventories		21,502	6,092
Deposits at banks	6	418,359	-
Cash and cash equivalents	7	491,283	149,772
Other current assets		7,577	10,666
Total current assets		2,293,704	1,291,948
Total assets		3,072,821	1,881,085
Equity	11		
Share capital		18	18
Share premium		64,396	64,396
Additional paid-in capital		664,905	463,850
Retained earnings		916,998	493,954
Total equity		1,646,317	1,022,218
Liabilities			
Trade and other payables	8	1,139,096	598,739
Other tax payables		156,828	17,932
Current Income tax liability		130,580	105,060
Lease liabilities	9	-	137,136
Total current liabilities		1,426,504	858,867
Total equity and liabilities		3,072,821	1,881,085

These financial statements were approved by management on 30 December 2021 and were signed by:

Gurgen Petrosyan
Director



Hasmik Ghukasyan
Finance Director



The accompanying notes from 1 to 17 are an integral part of these financial statements.

Statement of comprehensive income**For the year ended 31 December 2020***In thousands of Armenian drams*

	<i>Note</i>	2020	2019 (unaudited)
Revenue from contracts with customers	12	9,467,851	6,565,231
Other operating income		7,714	3,552
Salaries and other employee benefits	13	(6,776,921)	(4,475,964)
Research and development services	15	(1,035,985)	(603,448)
Depreciation and amortization	4	(641,155)	(558,134)
Rental expenses	9	(282,441)	(18,749)
Administrative and other operating expenses		(278,480)	(601,352)
Operating profit		460,583	311,136
Net foreign exchange gain		105,947	(7,619)
Interest income		5,498	-
Interest expense		(1,328)	(36,194)
Profit before tax		570,700	267,323
Income tax expense	10	(147,656)	(97,759)
Total comprehensive income for the year		423,044	169,564

The accompanying notes from 1 to 16 are an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2020

In thousands of Armenian drams

	Share capital	Share premium	Additional paid-in capital	Retained earnings	Total equity
Balance as at 1 January 2019 (unaudited)	18	64,396	320,007	324,390	708,811
Total comprehensive income (unaudited)	-	-	-	169,564	169,564
Profit for the year (unaudited)	-	-	-	169,564	169,564
Total comprehensive income for the year (unaudited)	-	-	143,843	-	143,843
Share-based payments (unaudited)	-	-	-	-	-
Balance as at 31 December 2019 (unaudited)	18	64,396	463,850	493,954	1,022,218
Balance as at 1 January 2020 (unaudited)	18	64,396	463,850	493,954	1,022,218
Profit for the year	-	-	-	423,044	423,044
Total comprehensive income for the year	-	-	-	423,044	423,044
Share-based payments	-	-	201,055	-	201,055
Balance as at 31 December 2020	18	64,396	664,905	916,998	1,646,317

The accompanying notes from 1 to 16 are an integral part of these financial statements.

Statement of cash flows**For the year ended 31 December 2020***In thousands of Armenian drams*

	<i>Note</i>	2020	2019 (unaudited)
Cash flows from operating activities			
Receipts from customers		9,342,939	6,190,283
Payments to suppliers		(2,228,999)	(1,658,567)
Payments to employees		(5,471,657)	(3,786,512)
Interest received		5,498	-
Interest paid		(1,328)	(36,194)
Income tax payments		(202,470)	(41,762)
Net cash flows from operating activities		1,443,983	667,248
Cash flows from investing activities			
Deposits placed in banks		(418,072)	-
Purchase of property plant and equipment		(749,127)	(518,408)
Net cash flows used in investing activities		(1,167,199)	(518,408)
Net increase in cash and cash equivalents		276,784	148,840
Cash and cash equivalents at the beginning of the year		149,772	1,268
Effect of exchange rates changes on cash and cash equivalents		64,727	(336)
Cash and cash equivalents at the end of the year	7	491,283	149,772

The accompanying notes from 1 to 16 are an integral part of these financial statements.