

UCom CJSC

**Summary Consolidated Financial Statements
for 2019**

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Independent Auditors' Report

To the Shareholders of UCom CJSC

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the related note, are derived from the audited consolidated financial statements of UCom LLC (the "Company") and its subsidiary (the "Group"), for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 1.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and our report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 January 2021, which also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 2(b) in the audited consolidated financial statements. Note 2(b) of the audited consolidated financial statements indicates that the Group's current liabilities exceeded its current assets by AMD 39,825,180 thousand mainly due to a large number of loans and borrowings becoming due in 2020. As at the date of the auditors' report on the audited consolidated financial statements the Group is still in the process of negotiating restructuring terms with all the lenders. These events or conditions, along with other matters as set forth in Note 2(b) of the audited consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. These matters are addressed in Note 2 of the summary consolidated financial statements.
- The communication of other key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements for the current year.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".



Irina Gevorgyan
Engagement Partner



Tigran Gasparyan
Director

KPMG Armenia LLC

KPMG Armenia LLC
14 January 2021



Summary Consolidated Statement of Financial Position as at 31 December 2019

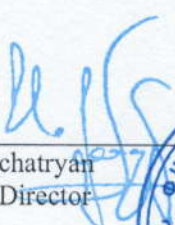
'000 AMD	31 December 2019	31 December 2018	1 January 2018
		Restated	Restated
Assets			
Property and equipment	45,775,093	47,888,184	46,431,089
Intangible assets and goodwill	35,221,815	37,797,271	41,933,027
Right of use assets	5,308,061	5,266,946	5,983,895
Prepaid income tax	366,936	354,420	706,054
Prepayments and other assets	2,028,922	286,865	1,305,108
VAT receivable	100,720	2,535,135	2,535,549
Non-current assets	88,801,547	94,128,821	98,894,722
Inventories	877,683	881,638	1,169,078
Contract assets	597,042	371,834	-
Trade receivables	14,326,532	11,638,046	12,495,653
VAT receivables	592,261	674,504	775,428
Prepayments and other assets	926,522	1,271,819	1,417,013
Cash and cash equivalents	835,649	10,170,245	4,903,741
Current assets	18,155,689	25,008,086	20,760,913
Total assets	106,957,236	119,136,907	119,655,635
Equity			
Share capital	23,903	22,397	22,397
Accumulated losses	(25,093,618)	(19,652,067)	(12,991,784)
Additional paid-in capital	35,084,845	36,024,365	33,531,696
Total equity	10,015,130	16,394,695	20,562,309
Non-current liabilities			
Loans and borrowings	17,298,800	50,308,930	47,280,825
Debt securities issued	2,674,423	-	-
Provisions	1,571,799	1,653,758	1,417,798
Lease liability	4,025,426	3,901,740	4,377,653
VAT payable	100,719	2,535,135	2,535,549
Trade and other payables	7,267,437	10,360,487	13,069,163
Contract liabilities	6,022,633	6,513,727	6,199,349
Non-current liabilities	38,961,237	75,273,777	74,880,337
Current liabilities			
Loans and borrowings	36,326,524	10,331,600	8,000,157
Lease liability	1,904,998	1,838,381	1,732,183
Trade and other payables	18,461,444	14,383,825	13,243,168
Contract liabilities	1,287,903	914,629	1,237,481
Current liabilities	57,980,869	27,468,435	24,212,989
Total liabilities	96,942,106	102,742,212	99,093,326
Total equity and liabilities	106,957,236	119,136,907	119,655,635

The summary consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the summary consolidated financial statements.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019

'000 AMD	2019	2018
		Restated
Revenue	40,545,482	40,717,327
Other income	951,947	657,030
Depreciation and amortisation expense	(14,848,124)	(14,128,691)
Personnel expenses	(6,559,881)	(6,504,488)
Impairment losses on trade receivables	(907,590)	(101,039)
Other expenses	(18,139,214)	(18,728,750)
Results from operating activities	1,042,620	1,911,389
Finance income	839,208	197,663
Finance costs	(7,088,875)	(7,261,930)
Net finance costs	(6,249,667)	(7,064,267)
Loss before income tax	(5,207,047)	(5,152,878)
Income tax expense	(234,504)	(276,833)
Loss and total comprehensive loss for the year	(5,441,551)	(5,429,711)

These summary consolidated financial statements were approved by management on 13 January 2021 and were signed on its behalf by:


Ara Khachatryan
General Director




Syune Parsyan
Chief Financial Officer

Summary Consolidated Statement of Changes in Equity for 2019

	Attributable to equity holders of the Group			
	Share capital	Additional paid-in capital	Accumulated losses	Total equity
'000 AMD				
Balance at 1 January 2018	22,397	33,531,696	(14,222,356)	19,331,737
Loss and total comprehensive loss for the year (restated)	-	-	(5,429,711)	(5,429,711)
Transactions with owners of the Group				
Contributions received from related parties	-	3,600,000	-	3,600,000
Initial discount on low interest loans and borrowings received from related party net of deferred tax of AMD 300,206 thousand	-	1,200,824	-	1,200,824
Effect of transfer of low interest rate borrowing from shareholder to other related party and increase in interest rate net of deferred tax of AMD 577,039 thousand	-	(2,308,155)	-	(2,308,155)
Balance at 31 December 2018 (restated)	22,397	36,024,365	(19,652,067)	16,394,695
Balance at 1 January 2019 (restated)	22,397	36,024,365	(19,652,067)	16,394,695
Loss and total comprehensive loss for the year	-	-	(5,441,551)	(5,441,551)
Transactions with owners of the Group				
Repayment of interest free borrowing from related party net of deferred tax of AMD 234,504 thousand	-	(938,014)	-	(938,014)
Increase of share capital	1,506	(1,506)	-	-
Balance at 31 December 2019	23,903	35,084,845	(25,093,618)	10,015,130

Summary Consolidated Statement of Cash Flows for 2019

'000 AMD	2019	2018
		Restated
Cash flows from operating activities		
Cash received from customers, inclusive of VAT	41,737,723	45,088,131
Cash paid to suppliers, inclusive of VAT	(14,260,971)	(17,222,849)
Cash paid to employees, inclusive of taxes	(6,645,715)	(6,204,175)
Payments of taxes other than on income	(5,168,799)	(4,294,111)
Income tax recovered	-	300,000
Net cash from operating activities	15,662,238	17,666,996
Cash flows from investing activities		
Borrowings given	-	(9,420)
Repayments of borrowings given	2,100	14,980
Interest received	188,667	2,399
Acquisition of property and equipment	(8,034,273)	(8,929,477)
Acquisition of investment	(1,439,100)	-
Proceeds from sales of property and equipment	28,521	10,085
Acquisition of intangible assets	(3,347,070)	(4,140,466)
Net cash used in investing activities	(12,601,155)	(13,051,899)
Cash flows from financing activities		
Additional contributions received	-	3,600,000
Proceeds from loans and borrowings	14,469,658	11,705,708
Proceeds from bonds issued	2,661,397	-
Repayments of loans and borrowings	(22,517,233)	(7,897,179)
Payment of lease liabilities	(2,267,976)	(1,785,386)
Interest paid	(4,723,014)	(4,894,713)
Net cash (used in)/from financing activities	(12,377,168)	728,430
Net (decrease)/increase in cash and cash equivalents	(9,316,085)	5,343,527
Cash and cash equivalents at 1 January	10,170,245	4,903,741
Effect of exchange rate fluctuations on cash and cash equivalents	(18,511)	(77,023)
Cash and cash equivalents at 31 December	835,649	10,170,245

The summary consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the summary consolidated financial statements.

1. Basis of preparation

These summary consolidated financial statements are derived from the audited consolidated financial statements of UCom LLC (the “Company”) and its subsidiary (the “Group”) for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards issued on 14 January 2021. These summary consolidated financial statements include only the summary consolidated statement of financial position as at 31 December 2019 and the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, which are derived, without modification, from pages 9-12 of the audited consolidated financial statements. These summary consolidated financial statements do not contain the disclosures in the notes to the audited consolidated financial statements. The consolidated financial statements of the Group can be obtained from the Company’s registered office (19 Teryan Street, Yerevan 0010, Republic of Armenia).

2. Going concern

The audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to restructure the banking facilities falling due in 2020 as disclosed in Note 17 of the audited consolidated financial statements.

As at 31 December 2019 the Group’s current liabilities exceed current assets by AMD 39,825,180 thousand. The Group is heavily indebted with AMD 20,220,809 thousand secured bank loans available to be requested by the bank on demand due to covenant breaches (out of which secured bank loans of AMD 15,889,865 thousand otherwise falling due in 2020) and AMD 13,067,905 thousand shareholder or related party loans overdue or falling due in 2020.

Management believes that the Group will be able to refinance all bank facilities as they fall due and that the shareholders and other related parties will not request the repayment of the borrowings in the foreseeable future. Management is in process of negotiations with local and foreign banks and certain preliminary agreements were reached for restructuring and providing a grace period on principal repayments in 2021. The shareholders and other related parties have not requested the repayment of overdue loans as at the date of the audited consolidated financial statements. In addition, management has negotiated deferred payment of the outstanding trade payables with main counterparties.

Management acknowledges that uncertainty remains over the Group’s ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realize assets at recognized values, in particular goodwill and intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the audited consolidated financial statements.