

UCom LLC

**Consolidated Financial Statements
for the year ended 31 December 2015**



KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia
Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

Independent Auditors' Report

To the management of

UCom LLC

We have audited the accompanying consolidated financial statements of UCom LLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

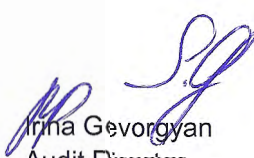
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

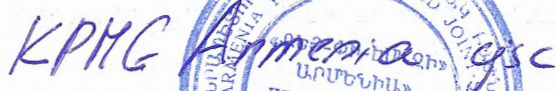
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Tigran Gasparyan
Director


Irina Gevorgyan
Audit Director


KPMG Armenia cjsc
7 July 2016



'000 AMD	Note	2015	2014
Assets			
Property and equipment	10	29,561,618	19,496,636
Intangible assets and goodwill	11	28,067,992	12,016,672
Borrowings given		6,701	36,468
Prepaid income tax		729,112	-
Prepayments		454,379	-
Deferred tax assets	9	653,518	-
Other non-current assets		28,290	5,400
Non-current assets		59,501,610	31,555,176
Inventories	12	928,255	262,165
Trade receivables	18(c)	4,803,893	2,105,710
VAT receivables		5,512,856	759,830
Prepaid income tax		17,777	19,968
Other prepaid taxes		10,648	7,604
Prepayments		1,274,275	325,192
Borrowings given		19,061	56,260
Cash and cash equivalents	13	1,285,954	214,741
Current assets		13,852,719	3,751,470
Total assets		73,354,329	35,306,646
Equity	14		
Charter capital		16,959	15,050
Accumulated losses		(4,332,883)	(1,906,109)
Additional paid-in capital	16	7,143,157	6,519,894
Total equity		2,827,233	4,628,835
Non-current liabilities			
Loans and borrowings	16	53,919,920	18,915,673
Deferred tax liabilities	9	653,518	1,263,934
Provisions	15	1,137,959	-
Trade and other payables	17	-	659,266
Non-current liabilities		55,711,397	20,838,873
Current liabilities			
Loans and borrowings	16	5,227,850	4,539,391
Trade and other payables	17	7,196,087	4,983,989
Deferred revenue and prepayments received		1,740,450	162,562
Other taxes payables		651,312	128,903
Current tax liability		-	24,093
Current liabilities		14,815,669	9,838,938
Total liabilities		70,527,096	30,677,811
Total equity and liabilities		73,354,329	35,306,646

UCom LLC

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

'000 AMD	Note	2015	2014
Revenue	6	20,385,787	11,946,852
Other income	5(a)	921,326	59,943
Depreciation and amortization expense		(4,822,179)	(2,743,118)
Personnel expense		(3,672,910)	(1,724,000)
Other expenses	7	(12,816,192)	(4,598,117)
Results from operating activities		(4,168)	2,941,560
Finance income	8	154,271	377
Finance costs	8	(3,341,200)	(4,510,981)
Net finance costs		(3,186,929)	(4,510,604)
Loss before income tax		(3,191,097)	(1,569,044)
Income tax benefit/(expense)	9	766,232	(312,496)
Loss and total comprehensive loss for the year		(2,424,865)	(1,881,540)

These consolidated financial statements were approved by management on 7 July 2016 and were signed on its behalf by:

Hayk Yesayan
Director



Arman Poghosyan
Financial Director

'000 AMD	Attributable to equity holders of the Company			
	Charter capital	Additional paid-in capital	Accumulated losses	Total equity
Balance at 1 January 2014	15,050	6,519,894	(24,569)	6,510,375
Total comprehensive loss				
Loss and total comprehensive loss for the year	-	-	(1,881,540)	(1,881,540)
Balance at 31 December 2014	15,050	6,519,894	(1,906,109)	4,628,835
Balance at 1 January 2015	15,050	6,519,894	(1,906,109)	4,628,835
Total comprehensive loss				
Loss and total comprehensive loss for the year	-	-	(2,424,865)	(2,424,865)
Transactions with owners of the Company				
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 155,816 thousand (note 9)	-	623,263	-	623,263
Change in charter capital	1,909	-	(1,909)	-
Balance at 31 December 2015	16,959	7,143,157	(4,332,883)	2,827,233

'000 AMD	2015	2014
Cash flows from operating activities		
Cash received from customers, inclusive of VAT	25,380,740	13,131,838
Cash paid to suppliers, inclusive of VAT	(15,271,332)	(4,136,634)
Cash paid to employees	(2,949,132)	(1,060,882)
Payment for income tax	(266,829)	(605,466)
VAT refund	929,200	-
Payments of taxes other than on income	(2,391,521)	(1,462,600)
Interest paid	(1,940,581)	(367,318)
Net cash from operating activities	3,490,545	5,498,938
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(24,106,792)	-
Borrowings given	(13,240)	(79,125)
Repayments of borrowings given	80,207	47,227
Interest received	11,726	377
Acquisition of property and equipment	(8,404,158)	(4,821,769)
Acquisition of intangible assets	(3,704,934)	(232,632)
Net cash used in investing activities	(36,137,191)	(5,085,922)
Cash flows from financing activities		
Proceeds from loans and borrowings	57,923,163	3,634,367
Repayments of loans and borrowings	(24,234,856)	(3,915,658)
Net cash from/(used in) financing activities	33,688,307	(281,291)
Net increase in cash and cash equivalents	1,041,661	131,725
Cash and cash equivalents at 1 January	214,741	62,298
Effect of exchange rate fluctuations on cash and cash equivalents	29,552	20,718
Cash and cash equivalents at 31 December (note 13)	1,285,954	214,741