

UCom LLC

**Summary Consolidated Financial Statements
for 2018**

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KPMG Armenia LLC
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street,
Yerevan 0010, Armenia
Telephone + 374 (10) 595 999
Internet www.kpmg.am

Independent Auditors' Report on the Summary Financial Statements

To the Shareholders of UCom LLC

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2018, 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 subsidiaries (the "Group"), for the year ended 31 December 2018.

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 1 July 2019, which also includes key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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.



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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
1 July 2019

'000 AMD	31 December 2018	31 December 2017 *
Assets		
Property and equipment	47,888,184	46,431,089
Intangible assets and goodwill	37,797,271	41,933,027
Right of use assets	1,819,247	-
Prepaid income tax	354,420	706,054
Prepayments and other assets	286,865	1,305,108
VAT receivable	2,535,135	2,535,549
Non-current assets	90,681,122	92,910,827
Inventories	881,638	1,169,078
Contract assets	371,834	-
Right of use assets	259,044	-
Trade receivables	11,638,046	12,495,653
VAT receivables	674,504	775,428
Prepayments and other assets	1,271,819	1,417,013
Cash and cash equivalents	10,170,245	4,903,741
Current assets	25,267,130	20,760,913
Total assets	115,948,252	113,671,740
Equity		
Charter capital	22,397	22,397
Accumulated losses	(19,466,807)	(12,991,784)
Additional paid-in capital	36,024,365	33,531,696
Total equity	16,579,955	20,562,309
Non-current liabilities		
Loans and borrowings	50,308,930	47,280,825
Provisions	1,653,758	1,417,798
Lease liability	1,337,637	-
VAT payable	2,535,135	2,535,549
Trade and other payables	10,360,487	13,069,163
Contract liabilities	6,513,727	6,199,349
Non-current liabilities	72,709,674	70,502,684
Current liabilities		
Loans and borrowings	10,331,600	8,000,157
Lease liability	813,369	-
Trade and other payables	14,599,025	13,369,109
Contract liabilities	914,629	1,237,481
Current liabilities	26,658,623	22,606,747
Total liabilities	99,368,297	93,109,431
Total equity and liabilities	115,948,252	113,671,740

* The Group has initially applied IFRS 15, IFRS 16 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

UCom LLC
Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2018

'000 AMD	2018	2017 *
Revenue	40,717,327	37,146,209
Other income	657,030	1,663,994
Depreciation and amortisation expense	(13,745,949)	(11,468,109)
Personnel expenses	(6,504,488)	(5,844,550)
Impairment losses on trade receivables	(101,039)	(1,907,798)
Other expenses	(19,387,541)	(17,995,971)
Results from operating activities	1,635,340	1,593,775
Finance income	197,663	2,660
Finance costs	(6,800,621)	(6,578,915)
Net finance costs	(6,602,958)	(6,576,255)
Loss before income tax	(4,967,618)	(4,982,480)
Income tax (expense)/benefit	(276,833)	1,020,171
Loss and total comprehensive loss for the year	(5,244,451)	(3,962,309)

* The Group has initially applied IFRS 15, IFRS 16 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

The summary consolidated financial statements were approved by management on 1 July 2019 and were signed on its behalf by:

Hayk Yesayan
General Director



Karen Mnatsakanyan
Chief Financial Officer

	Attributable to equity holders of the Group			
	Charter capital	Additional paid-in capital	Accumulated losses	Total equity
'000 AMD				
Balance at 1 January 2017	16,959	17,226,885	(9,029,475)	8,214,369
Loss and total comprehensive loss for the year	-	-	(3,962,309)	(3,962,309)
Transactions with owners of the Group				
Increase of charter capital	5,438	-	-	5,438
Additional contributions by the shareholders	-	12,224,126	-	12,224,126
Forgiveness of borrowing received from related party net of tax of AMD 1,034,148 thousand	-	4,136,590	-	4,136,590
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 215,903 thousand	-	863,612	-	863,612
Effect of early repayment of borrowing from shareholder net of deferred tax of AMD 229,879 thousand	-	(919,517)	-	(919,517)
Balance at 31 December 2017*	22,397	33,531,696	(12,991,784)	20,562,309
Adjustment on initial application of IFRS 9**	-	-	(802,313)	(802,313)
Adjustment on initial application of IFRS 15**	-	-	(428,259)	(428,259)
Balance at 1 January 2018*	22,397	33,531,696	(14,222,356)	19,331,737
Loss and total comprehensive loss for the year	-	-	(5,244,451)	(5,244,451)
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	22,397	36,024,365	(19,466,807)	16,579,955

* The Group has initially applied IFRS 15, IFRS 16 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

** Adjustments on initial application of IFRS 15 and IFRS 9 are recognized gross of deferred tax due to the fact that the Group did not recognize deferred tax assets originated from the application of new standards.

'000 AMD	2018	2017*
Cash flows from operating activities		
Cash received from customers, inclusive of VAT	45,088,131	44,128,779
Cash paid to suppliers, inclusive of VAT	(19,144,606)	(21,976,716)
Cash paid to employees, inclusive of taxes	(6,204,175)	(5,279,532)
Payments of taxes other than on income	(4,294,111)	(1,936,946)
Income tax recovered	300,000	-
Interest paid	(4,758,342)	(4,114,623)
Net cash from operating activities	10,986,897	10,820,962
Cash flows from investing activities		
Borrowings given	(9,420)	(10,600)
Repayments of borrowings given	14,980	11,079
Interest received	2,399	2,660
Acquisition of property and equipment	(8,929,477)	(12,059,988)
Proceeds from sales of property and equipment	10,085	63
Acquisition of intangible assets	(4,140,466)	(7,005,723)
Net cash used in investing activities	(13,051,899)	(19,062,509)
Cash flows from financing activities		
Increase of charter capital	-	5,438
Additional contributions received	3,600,000	12,224,126
Proceeds from loans and borrowings	11,705,708	10,707,184
Repayments of loans and borrowings	(7,897,179)	(14,126,116)
Net cash from financing activities	7,408,529	8,810,632
Net increase in cash and cash equivalents	5,343,527	569,085
Cash and cash equivalents at 1 January	4,903,741	4,438,934
Effect of exchange rate fluctuations on cash and cash equivalents	(77,023)	(104,278)
Cash and cash equivalents at 31 December	10,170,245	4,903,741

* The Group has initially applied IFRS 15, IFRS 16 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

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 2018 prepared in accordance with International Financial Reporting Standards issued on 1 July 2019. These summary consolidated financial statements include only the summary consolidated statement of financial position as at 31 December 2018 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 8-11 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 head office (9 Grigor Lusavorich Street, Yerevan 0015, Republic of Armenia).