

UCom LLC

**Consolidated Financial Statements
for the year ended 31 December 2014**



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 (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Tigran Gasparyan
Engagement Partner, Director of KPMG Armenia cjsc


KPMG Armenia cjsc
25 June 2015

'000 AMD	Note	2014	2013
Assets			
Property and equipment	11	19,496,636	15,271,903
Intangible assets	12	12,016,672	7,061,089
Borrowings given		36,468	23,863
Other non-current assets		5,400	5,400
Non-current assets		31,555,176	22,362,255
Inventories		262,165	183,140
Trade receivables		2,105,710	1,171,828
VAT receivables		759,830	1,285,157
Prepaid income tax		19,968	16,851
Other prepaid taxes		7,604	364,059
Prepayments		325,192	345,706
Borrowings given		56,260	43,552
Cash and cash equivalents	13	214,741	62,298
Current assets		3,751,470	3,472,591
Total assets		35,306,646	25,834,846
Equity			
Charter capital	14	15,050	15,050
Accumulated losses		(1,906,109)	(24,569)
Additional paid-in capital		6,519,894	6,519,894
Total equity		4,628,835	6,510,375
Non-current liabilities			
Loans and borrowings	15	18,915,673	13,820,246
Deferred tax liabilities	10	1,263,934	1,280,587
Trade and other payables	16	659,266	-
Non-current liabilities		20,838,873	15,100,833
Current liabilities			
Loans and borrowings	15	4,539,391	1,443,817
Trade and other payables	16	4,983,989	2,275,412
Prepayments received		162,562	131,991
Other taxes payables		128,903	75,135
Current tax liability		24,093	297,283
Current liabilities		9,838,938	4,223,638
Total liabilities		30,677,811	19,324,471
Total equity and liabilities		35,306,646	25,834,846

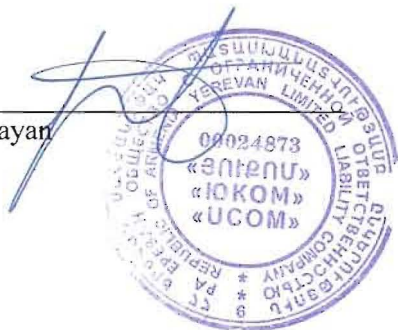
UCom LLC

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014

'000 AMD	Note	2014	2013
Revenue	5	11,946,852	8,836,297
Other income		59,943	64,391
Purchased internet and TV channels		(1,933,008)	(2,372,299)
Depreciation and amortization expense		(2,743,118)	(1,839,031)
Personnel expense		(1,724,000)	(1,222,743)
Operating lease expense	6	(585,330)	(417,416)
Marketing expenses		(497,480)	(220,498)
Cost of goods sold		(82,516)	(113,807)
Cost of works done		(114,567)	(100,944)
Gain on bargain purchase		-	196,012
Impairment loss on intangible assets		-	(92,346)
Other expenses	8	(1,385,216)	(723,570)
Results from operating activities		2,941,560	1,994,046
Finance income	9	377	335
Finance costs	9	(4,510,981)	(893,206)
Net finance costs		(4,510,604)	(892,871)
(Loss)/profit before income tax		(1,569,044)	1,101,175
Income tax expense	10	(312,496)	(217,001)
(Loss)/profit and total comprehensive (loss)/income for the year		(1,881,540)	884,174

These consolidated financial statements were approved by management on 25 June 2015 and were signed on its behalf by:

Hayk Yesayan
Director



Arman Poghosyan
Financial Director

UCom LLC
Consolidated Statement of Changes in Equity for the year ended 31 December 2014

'000 AMD	Attributable to equity holders of the Company			
	Charter capital	Additional paid-in capital	Accumulated losses	Total equity
Balance at 1 January 2013	15,050	4,856,067	(908,743)	3,962,374
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 415,958 thousand (note 10)	-	1,663,827	-	1,663,827
Profit and total comprehensive income for the year	-	-	884,174	884,174
Balance at 31 December 2013	15,050	6,519,894	(24,569)	6,510,375
Balance at 1 January 2014	15,050	6,519,894	(24,569)	6,510,375
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

'000 AMD	2014	2013
Cash flows from operating activities		
Cash received from customers, inclusive of VAT	13,131,838	10,326,663
Cash paid to suppliers	(4,136,634)	(4,761,677)
Cash paid to employees	(1,060,882)	(962,665)
Payment for income tax	(605,466)	(195,547)
Payments of taxes other than on income	(1,462,600)	(1,381,456)
Interest paid	(367,318)	(191,002)
Net cash from operating activities	5,498,938	2,834,316
Cash flows from investing activities		
Borrowings given	(79,125)	(107,801)
Repayments of borrowings given	47,227	150,818
Interest received	377	211
Acquisition of property and equipment	(4,821,769)	(4,673,298)
Acquisition of intangible assets	(232,632)	(5,848,625)
Net cash used in investing activities	(5,085,922)	(10,478,695)
Cash flows from financing activities		
Proceeds from loans and borrowings	3,634,367	10,375,081
Repayments of loans and borrowings	(3,915,658)	(2,787,612)
Net cash (used in)/from financing activities	(281,291)	7,587,469
Net increase/(decrease) in cash and cash equivalents	131,725	(56,910)
Cash and cash equivalents at 1 January	62,298	103,317
Effect of exchange rate fluctuations on cash and cash equivalents	20,718	15,891
Cash and cash equivalents at 31 December (note 13)	214,741	62,298

* During the year ended 31 December 2014 the Group purchased property and equipment, intangible assets and inventory of AMD 2,498,931 thousand, AMD 1,461,817 thousand and AMD 444,393 thousand, respectively which were financed through letters of credit from banks. The acquisition of the intangible asset in relation to capacity IRU (see note 12) had delayed payment terms,