

UCom LLC
Consolidated Financial Statements
for the year ended 31 December 2012

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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 2012, and the consolidated statements of 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Coxshall
Director

KPMG Armenia cjsc
29 June 2013



Tigran Gasparyan
Head of audit department

UCom LLC
Consolidated Statement of Financial Position as at 31 December 2012

'000 AMD	Note	2012	2011
Assets			
Property, plant and equipment	11	11,505,015	6,992,626
Intangible assets	12	1,147,118	101,696
Other non-current assets		5,400	26,208
Non-current assets		12,657,533	7,120,530
Inventories		81,258	90,742
Trade and other receivables	14	737,127	361,066
Value added tax recoverable		1,133,755	905,887
Current tax asset		-	6,815
Prepayments	13	384,252	1,166,497
Borrowings given		63,236	36,100
Cash and cash equivalents	15	103,317	86,192
Current assets		2,502,945	2,653,299
Total assets		15,160,478	9,773,829
Equity			
Charter capital	16	15,050	15,050
Accumulated loss		(908,743)	(730,762)
Additional paid-in capital		4,856,067	1,982,397
Equity attributable to owners of the Group		3,962,374	1,266,685
Non-controlling interests		-	16,665
Total equity		3,962,374	1,283,350
Non-current liabilities			
Loans and borrowings	17	6,420,894	4,232,627
Deferred tax liabilities	18	1,052,367	367,315
Non-current liabilities		7,473,261	4,599,942
Current liabilities			
Loans and borrowings	17	1,939,126	-
Trade and other payables	19	1,707,448	3,102,694
Value added tax and other taxes payables		-	787,843
Current tax liability		78,269	-
Current liabilities		3,724,843	3,890,537
Total liabilities		11,198,104	8,490,479
Total equity and liabilities		15,160,478	9,773,829

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 40.

'000 AMD	Note	2012	2011
Revenue	7	5,128,344	2,149,841
Other income		48,783	9,343
Purchased internet and TV channels		(1,844,630)	(817,143)
Depreciation and amortization expense		(1,036,984)	(515,121)
Personnel expense		(648,183)	(305,345)
Cost of goods sold		(74,942)	(114,526)
Materials, software maintenance and security expenses		(53,647)	(87,202)
Marketing expenses		(99,871)	(81,401)
Other expenses	8	(550,276)	(331,581)
Results from operating activities		868,594	(93,135)
Finance income	9	218	120
Finance costs	9	(956,356)	(537,890)
Net finance costs		(956,138)	(537,770)
Loss before income tax		(87,544)	(630,905)
Income tax (expense)/benefit	10	(90,437)	75,829
Loss and total comprehensive loss for the year		(177,981)	(555,076)
Loss and total comprehensive loss attributable to:			
Owners of the Company		(177,981)	(554,834)
Non-controlling interests		-	(242)
Loss and total comprehensive loss for the year		(177,981)	(555,076)

These consolidated financial statements were approved by management on 29 June 2013 and were signed on its behalf by:



Arman Poghosyan
 Financial Director

'000 AMD	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Charter capital	Additional paid-in capital	Accumulated loss	Total		
Balance at 1 January 2011	15,050	1,825,603	(175,928)	1,664,725	-	1,664,725
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 39,199 thousand (note 17)	-	156,794	-	156,794	-	156,794
Loss and total comprehensive loss for the year	-	-	(554,834)	(554,834)	(242)	(555,076)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	16,907	16,907
Balance at 31 December 2011	15,050	1,982,397	(730,762)	1,266,685	16,665	1,283,350
Balance at 1 January 2012	15,050	1,982,397	(730,762)	1,266,685	16,665	1,283,350
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 718,417 thousand (note 17)	-	2,873,670	-	2,873,670	-	2,873,670
Loss and total comprehensive loss for the year	-	-	(177,981)	(177,981)	-	(177,981)
Acquisition of non-controlling interests without a change in control	-	-	-	-	(16,665)	(16,665)
Balance at 31 December 2012	15,050	4,856,067	(908,743)	3,962,374	-	3,962,374

'000 AMD	2012	2011
Cash flows from operating activities		
Cash received from customers, inclusive of VAT	5,837,159	2,400,951
Cash paid to suppliers	(4,435,587)	(1,302,779)
Cash paid to employees	(788,869)	(390,453)
Payment for income tax	(44,501)	-
Payments of taxes other than on income	(1,818,820)	(420,912)
Interest paid	(239,518)	(64,051)
Net cash (used in)/from operating activities	(1,490,136)	222,756
Cash flows from investing activities		
Borrowings given	(64,000)	(38,940)
Prepayment for investments	-	(119,643)
Acquisition of subsidiaries, net of cash acquired	(1,077,540)	(70,037)
Repayments of borrowings given	42,100	2,840
Interest received	218	7
Acquisition of property, plant and equipment	(4,685,891)	(2,696,634)
Acquisition of intangible assets	-	(301)
Return prepayments for non-current assets	980,000	-
Net cash used in investing activities	(4,805,113)	(2,922,708)
Cash flows from financing activities		
Proceeds from loans and borrowings	12,525,543	10,108,131
Repayments of loans and borrowings	(6,203,525)	(7,385,285)
Acquisition of non-controlling interests	(16,665)	-
Net cash from financing activities	6,305,353	2,722,846
Net increase in cash and cash equivalents	10,104	22,894
Cash and cash equivalents at 1 January	86,192	63,582
Effect of exchange rate fluctuations on cash and cash equivalents	7,021	(284)
Cash and cash equivalents at 31 December (note 15)	103,317	86,192