UCom LLC Consolidated Financial Statements for the year ended 31 December 2013



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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 2013, 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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KPMG Armenia cjsc 30 June 2014

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Tigrap Gasparyan Head of audit department

KPMG Armenia cisc, a company incorporated under the Laws of the Republic of Armenia, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

'000 AMD	Note	2013	2012
Assets			
Property and equipment	10	15,271,903	11,505,015
Intangible assets	11	7,061,089	1,147,118
Borrowings given		23,863	-
Other non-current assets		5,400	5,400
Non-current assets		22,362,255	12,657,533
Inventories		183,140	81,258
Trade and other receivables	12	1,171,828	737,127
Prepaid income tax		16,851	_
Other prepaid taxes	13	1,649,216	1,133,755
Prepayments		345,706	384,252
Borrowings given		43,552	63,236
Cash and cash equivalents	14	62,298	103,317
Current assets		3,472,591	2,502,945
Total assets		25,834,846	15,160,478
Equity			
Charter capital	15	15,050	15,050
Accumulated losses		(24,569)	(908,743)
Additional paid-in capital		6,519,894	4,856,067
Total equity		6,510,375	3,962,374
Non-current liabilities			
Loans and borrowings	16	13,820,246	6,420,894
Deferred tax liabilities	9	1,280,587	1,052,367
Non-current liabilities		15,100,833	7,473,261
Current liabilities			
Loans and borrowings	16	1,443,817	1,939,126
Trade and other payables	17	2,407,403	1,663,657
Other taxes payables		75,135	43,791
Current tax liability		297,283	78,269
Current liabilities		4,223,638	3,724,843
Total liabilities		19,324,471	11,198,104
Total equity and liabilities		25,834,846	15,160,478

'000 AMD	Note	2013	2012
Revenue	5	8,836,297	5,128,344
Other income		64,391	48,783
Purchased internet and TV channels		(2,372,299)	(1,844,630)
Depreciation and amortization expense		(1,839,031)	(1,036,984)
Personnel expense		(1,222,743)	(648,183)
Operating lease expense	6	(417,416)	(106,662)
Marketing expenses		(220,498)	(99,871)
Cost of goods sold		(113,807)	(74,942)
Cost of works done		(100,944)	-
Gain on bargain purchase	20	196,012	
Impairment loss on intangible assets	11	(92,346)	-
Other expenses	· · · 7	(723,570)	(497,261)
Results from operating activities	_	1,994,046	868,594
Finance income	8	335	218
Finance costs	8	(893,206)	(956,356)
Net finance costs	_	(892,871)	(956,138)
Profit/(loss) before income tax	_	1,101,175	(87,544)
Income tax expense	9	(217,001)	(90,437)
Profit/(loss) and total comprehensive income/(loss) for the year		884,174	(177,981)
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These consolidated financial statements were approved by management on 30 June 2014 and were signed on its behalf by:

Hayk Yesayan Director

00024873 «30tP0U» «UCOM» «UCOM» Arman Poghosyan Financial Director

Attributable to equity holders of the Company

'000 AMD	Charter capital	Additional paid-in capital	Accumulated losses	Total	Non- controlling interests	Total equity
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 16)		2,873,670		2,873,670		2,873,670
Loss and total comprehensive loss	-	2,873,070	-	2,873,070	-	2,873,070
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
Balance at 1 January 2013	15,050	4,856,067	(908,743)	3,962,374		3,962,374
Initial discount on low interest loans and borrowings received from shareholder net of deferred tax of AMD 415,958 thousand (note 16)	-	1,663,827	-	1,663,827	-	1,663,827
Profit and total comprehensive income for the year	-	-	884,174	884,174	-	884,174
Balance at 31 December 2013	15,050	6,519,894	(24,569)	6,510,375		6,510,375

Cash flows from operating activities Cash received from customers, inclusive of VAT Cash paid to suppliers	10,326,663 (4,761,677) (962,665) (195,547) (1,381,456)	5,837,159 (4,435,587) (788,869) (44,501)
Cash received from customers, inclusive of VAT	(4,761,677) (962,665) (195,547)	(4,435,587) (788,869)
	(4,761,677) (962,665) (195,547)	(4,435,587) (788,869)
Cash paid to suppliers	(962,665) (195,547)	(788,869)
	(195,547)	
Cash paid to employees		(44,501)
Payment for income tax	(1,381,456)	
Payments of taxes other than on income		(1,818,820)
Interest paid	(191,002)	(239,518)
Net cash from/(used in) operating activities	2,834,316	(1,490,136)
Cash flows from investing activities		
Borrowings given	(107,801)	(64,000)
Acquisition of subsidiaries, net of cash acquired	-	(1,077,540)
Repayments of borrowings given	150,818	42,100
Interest received	211	218
Acquisition of property and equipment	(4,673,298)	(4,685,891)
Acquisition of intangible assets	(5,848,625)	-
Return of prepayments for non-current assets	-	980,000
Net cash used in investing activities	(10,478,695)	(4,805,113)
Cash flows from financing activities		
Proceeds from loans and borrowings	10,375,081	12,525,543
Repayments of loans and borrowings	(2,787,612)	(6,203,525)
Acquisition of non-controlling interests	-	(16,665)
Net cash from financing activities	7,587,469	6,305,353
Net (decrease)/increase in cash and cash equivalents	(56,910)	10,104
Cash and cash equivalents at 1 January	103,317	86,192
Effect of exchange rate fluctuations on cash and cash	•	,
equivalents	15,891	7,021
Cash and cash equivalents at 31 December (note 14)	62,298	103,317