

UCom LLC

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



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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 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.

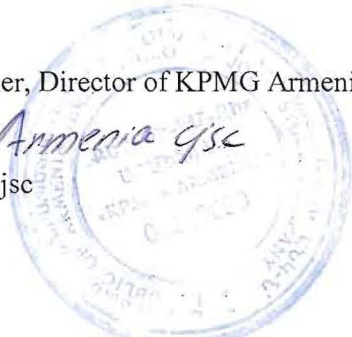
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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



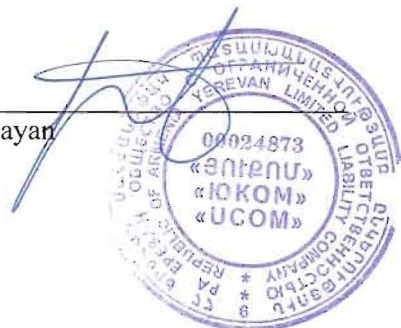
| '000 AMD | Note | 2014 | 2013 |
|-------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Property and equipment | 11 | 19,496,636 | 15,271,903 |
| Intangible assets | 12 | 12,016,672 | 7,061,089 |
| Borrowings given | | 36,468 | 23,863 |
| Other non-current 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 |

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

| '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,