

UCom CJSC

**Summary Consolidated Financial Statements
for 2019**

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Independent Auditors' Report

To the Shareholders of UCom CJSC

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2019, 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 subsidiary (the "Group"), for the year ended 31 December 2019.

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 14 January 2021, which also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 2(b) in the audited consolidated financial statements. Note 2(b) of the audited consolidated financial statements indicates that the Group's current liabilities exceeded its current assets by AMD 39,825,180 thousand mainly due to a large number of loans and borrowings becoming due in 2020. As at the date of the auditors' report on the audited consolidated financial statements the Group is still in the process of negotiating restructuring terms with all the lenders. These events or conditions, along with other matters as set forth in Note 2(b) of the audited consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. These matters are addressed in Note 2 of the summary consolidated financial statements.
- The communication of other key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements for the current year.

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.

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
14 January 2021



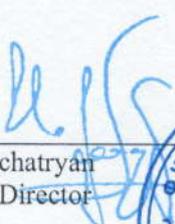
Summary Consolidated Statement of Financial Position as at 31 December 2019

| '000 AMD | 31 December 2019 | 31 December 2018 | 1 January 2018 |
|-------------------------------------|--------------------|--------------------|--------------------|
| | | Restated | Restated |
| Assets | | | |
| Property and equipment | 45,775,093 | 47,888,184 | 46,431,089 |
| Intangible assets and goodwill | 35,221,815 | 37,797,271 | 41,933,027 |
| Right of use assets | 5,308,061 | 5,266,946 | 5,983,895 |
| Prepaid income tax | 366,936 | 354,420 | 706,054 |
| Prepayments and other assets | 2,028,922 | 286,865 | 1,305,108 |
| VAT receivable | 100,720 | 2,535,135 | 2,535,549 |
| Non-current assets | 88,801,547 | 94,128,821 | 98,894,722 |
| Inventories | 877,683 | 881,638 | 1,169,078 |
| Contract assets | 597,042 | 371,834 | - |
| Trade receivables | 14,326,532 | 11,638,046 | 12,495,653 |
| VAT receivables | 592,261 | 674,504 | 775,428 |
| Prepayments and other assets | 926,522 | 1,271,819 | 1,417,013 |
| Cash and cash equivalents | 835,649 | 10,170,245 | 4,903,741 |
| Current assets | 18,155,689 | 25,008,086 | 20,760,913 |
| Total assets | 106,957,236 | 119,136,907 | 119,655,635 |
| Equity | | | |
| Share capital | 23,903 | 22,397 | 22,397 |
| Accumulated losses | (25,093,618) | (19,652,067) | (12,991,784) |
| Additional paid-in capital | 35,084,845 | 36,024,365 | 33,531,696 |
| Total equity | 10,015,130 | 16,394,695 | 20,562,309 |
| Non-current liabilities | | | |
| Loans and borrowings | 17,298,800 | 50,308,930 | 47,280,825 |
| Debt securities issued | 2,674,423 | - | - |
| Provisions | 1,571,799 | 1,653,758 | 1,417,798 |
| Lease liability | 4,025,426 | 3,901,740 | 4,377,653 |
| VAT payable | 100,719 | 2,535,135 | 2,535,549 |
| Trade and other payables | 7,267,437 | 10,360,487 | 13,069,163 |
| Contract liabilities | 6,022,633 | 6,513,727 | 6,199,349 |
| Non-current liabilities | 38,961,237 | 75,273,777 | 74,880,337 |
| Current liabilities | | | |
| Loans and borrowings | 36,326,524 | 10,331,600 | 8,000,157 |
| Lease liability | 1,904,998 | 1,838,381 | 1,732,183 |
| Trade and other payables | 18,461,444 | 14,383,825 | 13,243,168 |
| Contract liabilities | 1,287,903 | 914,629 | 1,237,481 |
| Current liabilities | 57,980,869 | 27,468,435 | 24,212,989 |
| Total liabilities | 96,942,106 | 102,742,212 | 99,093,326 |
| Total equity and liabilities | 106,957,236 | 119,136,907 | 119,655,635 |

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019

| '000 AMD | 2019 | 2018 |
|---|--------------------|--------------------|
| | | Restated |
| Revenue | 40,545,482 | 40,717,327 |
| Other income | 951,947 | 657,030 |
| Depreciation and amortisation expense | (14,848,124) | (14,128,691) |
| Personnel expenses | (6,559,881) | (6,504,488) |
| Impairment losses on trade receivables | (907,590) | (101,039) |
| Other expenses | (18,139,214) | (18,728,750) |
| Results from operating activities | 1,042,620 | 1,911,389 |
| Finance income | 839,208 | 197,663 |
| Finance costs | (7,088,875) | (7,261,930) |
| Net finance costs | (6,249,667) | (7,064,267) |
| Loss before income tax | (5,207,047) | (5,152,878) |
| Income tax expense | (234,504) | (276,833) |
| Loss and total comprehensive loss for the year | (5,441,551) | (5,429,711) |

These summary consolidated financial statements were approved by management on 13 January 2021 and were signed on its behalf by:


 Ara Khachatryan
 General Director




 Syune Parsyan
 Chief Financial Officer

Summary Consolidated Statement of Changes in Equity for 2019

| '000 AMD | Attributable to equity holders of the Group | | | |
|---|---|----------------------------|---------------------|-------------------|
| | Share capital | Additional paid-in capital | Accumulated losses | Total equity |
| Balance at 1 January 2018 | 22,397 | 33,531,696 | (14,222,356) | 19,331,737 |
| Loss and total comprehensive loss for the year (restated) | - | - | (5,429,711) | (5,429,711) |
| 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 (restated) | 22,397 | 36,024,365 | (19,652,067) | 16,394,695 |
| Balance at 1 January 2019 (restated) | 22,397 | 36,024,365 | (19,652,067) | 16,394,695 |
| Loss and total comprehensive loss for the year | - | - | (5,441,551) | (5,441,551) |
| Transactions with owners of the Group | | | | |
| Repayment of interest free borrowing from related party net of deferred tax of AMD 234,504 thousand | - | (938,014) | - | (938,014) |
| Increase of share capital | 1,506 | (1,506) | - | - |
| Balance at 31 December 2019 | 23,903 | 35,084,845 | (25,093,618) | 10,015,130 |

Summary Consolidated Statement of Cash Flows for 2019

| '000 AMD | 2019 | 2018 |
|---|---------------------|---------------------|
| | | Restated |
| Cash flows from operating activities | | |
| Cash received from customers, inclusive of VAT | 41,737,723 | 45,088,131 |
| Cash paid to suppliers, inclusive of VAT | (14,260,971) | (17,222,849) |
| Cash paid to employees, inclusive of taxes | (6,645,715) | (6,204,175) |
| Payments of taxes other than on income | (5,168,799) | (4,294,111) |
| Income tax recovered | - | 300,000 |
| Net cash from operating activities | 15,662,238 | 17,666,996 |
| Cash flows from investing activities | | |
| Borrowings given | - | (9,420) |
| Repayments of borrowings given | 2,100 | 14,980 |
| Interest received | 188,667 | 2,399 |
| Acquisition of property and equipment | (8,034,273) | (8,929,477) |
| Acquisition of investment | (1,439,100) | - |
| Proceeds from sales of property and equipment | 28,521 | 10,085 |
| Acquisition of intangible assets | (3,347,070) | (4,140,466) |
| Net cash used in investing activities | (12,601,155) | (13,051,899) |
| Cash flows from financing activities | | |
| Additional contributions received | - | 3,600,000 |
| Proceeds from loans and borrowings | 14,469,658 | 11,705,708 |
| Proceeds from bonds issued | 2,661,397 | - |
| Repayments of loans and borrowings | (22,517,233) | (7,897,179) |
| Payment of lease liabilities | (2,267,976) | (1,785,386) |
| Interest paid | (4,723,014) | (4,894,713) |
| Net cash (used in)/from financing activities | (12,377,168) | 728,430 |
| Net (decrease)/increase in cash and cash equivalents | (9,316,085) | 5,343,527 |
| Cash and cash equivalents at 1 January | 10,170,245 | 4,903,741 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (18,511) | (77,023) |
| Cash and cash equivalents at 31 December | 835,649 | 10,170,245 |

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 2019 prepared in accordance with International Financial Reporting Standards issued on 14 January 2021. These summary consolidated financial statements include only the summary consolidated statement of financial position as at 31 December 2019 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 9-12 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 registered office (19 Teryan Street, Yerevan 0010, Republic of Armenia).

2. Going concern

The audited consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to restructure the banking facilities falling due in 2020 as disclosed in Note 17 of the audited consolidated financial statements.

As at 31 December 2019 the Group’s current liabilities exceed current assets by AMD 39,825,180 thousand. The Group is heavily indebted with AMD 20,220,809 thousand secured bank loans available to be requested by the bank on demand due to covenant breaches (out of which secured bank loans of AMD 15,889,865 thousand otherwise falling due in 2020) and AMD 13,067,905 thousand shareholder or related party loans overdue or falling due in 2020.

Management believes that the Group will be able to refinance all bank facilities as they fall due and that the shareholders and other related parties will not request the repayment of the borrowings in the foreseeable future. Management is in process of negotiations with local and foreign banks and certain preliminary agreements were reached for restructuring and providing a grace period on principal repayments in 2021. The shareholders and other related parties have not requested the repayment of overdue loans as at the date of the audited consolidated financial statements. In addition, management has negotiated deferred payment of the outstanding trade payables with main counterparties.

Management acknowledges that uncertainty remains over the Group’s ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realize assets at recognized values, in particular goodwill and intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the audited consolidated financial statements.