

Independent auditor's report

Գրանք Թորնթոն ՓԲԸ
ՀՀ, ք.Երևան 0012
Վաղարշյան 8/1
Հ. + 374 10 260 964
Ֆ. + 374 10 260 961

Grant Thornton CJSC
8/1 Vagharshyan Str.
0012 Yerevan, Armenia
T + 374 10 260 964
F + 374 10 260 961

To the shareholder of Unicom CJSC

Opinion

We have audited the financial statements of Unicom CJSC (the "Company"), which comprise the statement of financial position as of 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Armen Hovhannisyan
CEO, Partner



9 July 2020

Statement of financial position

In thousand drams	Note	As of 31 December 2019	As of 31 December 2018
Assets			
<i>Non-current assets</i>			
Property and equipment	4	231,308	32,670
Intangible assets		807	499
Deferred income tax assets	5	14,891	31,219
Borrowings provided to related parties	6	300,302	392,727
		<u>547,308</u>	<u>457,115</u>
<i>Current assets</i>			
Inventories	7	258,345	275,822
Trade and other receivables	8	117,642	96,634
Cash and bank balances	9	78,932	18,947
		<u>454,919</u>	<u>391,403</u>
Total assets		<u><u>1,002,227</u></u>	<u><u>848,518</u></u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital		100	100
Accumulated loss	10	(144,233)	(119,605)
		<u>(144,133)</u>	<u>(119,505)</u>
<i>Non-current liabilities</i>			
Long-term bank loans	11	208,771	438,263
Lease liabilities	12	191,109	-
		<u>399,880</u>	<u>438,263</u>
<i>Current liabilities</i>			
Shor-term portion of long-term bank loans	11	334,727	83,299
Trade and other payables	13	390,355	446,461
Current portion of lease liabilities	12	14,104	-
Current income tax liabilities		7,294	-
		<u>746,480</u>	<u>529,760</u>
Total equity and liabilities		<u><u>1,002,227</u></u>	<u><u>848,518</u></u>

The financial statements were approved on 30 June 2020 by:

Armen Baldryan
Chief Executive Officer



Karine Zakharyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 33.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from contracts	14	2,039,755	1,583,695
Cost of sales	15	(1,686,253)	(1,366,394)
Gross profit		353,502	217,301
Other income	16	68,616	27,901
Selling expenses	17	(62,803)	(58,679)
Administrative expenses	18	(144,551)	(135,309)
Other operating expenses	19	(60,031)	(78,543)
Results from operating activities		154,733	(27,329)
Finance costs, net	20	(160,542)	(35,901)
Foreign currency exchange gain/(loss), net	21	4,803	(1,165)
Loss before income tax		(1,006)	(64,395)
Income tax recovery/(expense)	22	(23,622)	19,491
Loss for the year		(24,628)	(44,904)
Other comprehensive income		-	-
Total comprehensive loss for the year		(24,628)	(44,904)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 33.

Statement of changes in equity

In thousand drams	Share capital	Accumulated loss	Total
as of 1 January 2018	100	(74,701)	(74,601)
Loss for the year	-	(44,904)	(44,904)
Total comprehensive loss for the year	-	(44,904)	(44,904)
as of 31 December 2018	100	(119,605)	(119,505)
Loss for the year	-	(24,628)	(24,628)
Total comprehensive loss for the year	-	(24,628)	(24,628)
as of 31 December 2019	100	(144,233)	(144,133)

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 33.

Statement of cash flows

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities		
Loss for the year	(24,628)	(44,904)
<i>Adjustments for:</i>		
Depreciation	28,125	6,009
Interest expense	160,666	57,008
Income tax expense/(recovery)	23,622	(19,491)
Foreign exchange gain/(loss)	(4,803)	1,165
<i>Operating profit/(loss) before working capital changes</i>	<u>182,982</u>	<u>(213)</u>
Changes in borrowings provided to related parties	18,639	(97,252)
Change in trade and other receivables	(13,763)	250,734
Change in inventories	17,477	(20,686)
Change in trade and other payables	(54,130)	(9,675)
<i>Cash generated from operations</i>	<u>151,205</u>	<u>122,908</u>
Interest paid	(86,880)	(58,815)
<i>Net cash from operating activities</i>	<u>64,325</u>	<u>64,093</u>
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(9,089)	(6,374)
<i>Net cash used in investing activities</i>	<u>(9,089)</u>	<u>(6,374)</u>
Cash flows from financing activities		
Lease liabilities payment	(12,769)	-
Proceeds from bank loans	550,593	819,328
Repayment of bank loans	(526,679)	(865,339)
<i>Net cash used in financing activities</i>	<u>11,145</u>	<u>(46,011)</u>
Net increase in cash and bank balances	66,381	11,708
Foreign exchange effect on cash	(6,396)	(1,027)
Cash and bank balances at the beginning of the year	18,947	8,266
Cash and bank balances at the end of the year	<u>78,932</u>	<u>18,947</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 33.