

Independent auditor's report

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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 December 31, 2016, 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 December 31, 2016, 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.

Gagik Gyulbudaghyan

Narine Achemyan

Managing Partner

Audit Manager



July 27, 2017

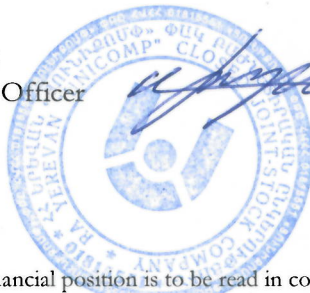


Statement of financial position

In thousand drams	Note	As of December 31, 2016	As of December 31, 2015
Assets			
<i>Non-current assets</i>			
Property and equipment	4	33,108	42,042
Deferred income tax assets	5	10,975	3,445
Borrowings provided	6	205,578	1,740
Income tax prepayments		-	17,521
		<u>249,661</u>	<u>64,748</u>
<i>Current assets</i>			
Inventories	7	246,243	281,434
Trade and other receivables	8	577,307	562,266
Cash and bank balances	9	13,647	36,729
		<u>837,197</u>	<u>880,429</u>
Total assets		<u><u>1,086,858</u></u>	<u><u>945,177</u></u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	10	100	100
Accumulated profit		183	31,739
		<u>283</u>	<u>31,839</u>
<i>Non-current liabilities</i>			
Loans and borrowings	11	417,206	269,312
		<u>417,206</u>	<u>269,312</u>
<i>Current liabilities</i>			
Loans and borrowings	11	18,388	-
Trade and other payables	12	649,459	644,026
Current income tax liabilities		1,522	-
		<u>669,369</u>	<u>644,026</u>
Total equity and liabilities		<u><u>1,086,858</u></u>	<u><u>945,177</u></u>

The financial statements were approved on July 27, 2017 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 8 to 30.

Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	13	1,638,773	2,298,805
Cost of sales	14	<u>(1,139,453)</u>	<u>(1,869,326)</u>
Gross profit		<u>499,320</u>	<u>429,479</u>
Other income		947	2,879
Distribution and marketing expenses	15	(71,039)	(46,078)
Administrative expenses	16	(207,314)	(202,523)
Other expenses	17	<u>(58,407)</u>	<u>(68,718)</u>
Results from operating activities		<u>163,507</u>	<u>115,039</u>
Finance costs		(29,508)	(38,587)
Foreign currency exchange loss, net	18	<u>(4,676)</u>	<u>(13,030)</u>
Profit before income tax		<u>129,323</u>	<u>63,422</u>
Income tax expense	19	<u>(26,179)</u>	<u>(16,992)</u>
Profit for the year		<u>103,144</u>	<u>46,430</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>103,144</u></u>	<u><u>46,430</u></u>

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 8 to 30.

Statement of changes in equity

In thousand drams	Share capital	Accumulated profit	Total
as of January 1, 2015	100	15,309	15,409
Profit for the year	-	46,430	46,430
Total comprehensive income for the year	-	46,430	46,430
Dividends declared	-	(30,000)	(30,000)
as of December 31, 2015	100	31,739	31,839
Profit for the year	-	103,144	103,144
Total comprehensive income for the year	-	103,144	103,144
Dividends declared	-	(134,700)	(134,700)
as of December 31, 2016	100	183	283

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 8 to 30.

Statement of cash flows

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Profit for the year	103,144	46,430
<i>Adjustments for:</i>		
Depreciation	10,610	15,742
Interest expense	29,508	38,587
Income tax expense	26,179	16,992
Foreign exchange loss, net	4,676	13,030
<i>Operating profit before working capital changes</i>	<u>174,117</u>	<u>130,781</u>
Change in trade and other receivables	(16,865)	(369,376)
Change in inventories	35,191	(30,115)
Change in trade and other payables	7,183	378,471
<i>Cash generated from operations</i>	<u>199,626</u>	<u>109,761</u>
Interest paid	(27,730)	(38,587)
Income tax paid	(14,666)	(11,820)
<i>Net cash from operating activities</i>	<u>157,230</u>	<u>59,354</u>
Cash flows from investing activities		
Acquisition of property and equipment	(1,676)	(3,810)
Borrowings provided	(407,498)	(285,794)
Repayment of borrowings provided	203,660	284,055
<i>Net cash used in investing activities</i>	<u>(205,514)</u>	<u>(5,549)</u>
Cash flows from financing activities		
Dividends paid	(134,700)	(30,206)
Proceeds from loans and borrowings	492,344	836,053
Repayment of loans and borrowings	(329,979)	(883,508)
<i>Net cash from/(used in) financing activities</i>	<u>27,665</u>	<u>(77,661)</u>
Net decrease in cash and bank balances	(20,619)	(23,856)
Foreign exchange effect on cash	(2,463)	(1,966)
Cash and bank balances at the beginning of the year	36,729	62,551
Cash and bank balances at the end of the year	<u>13,647</u>	<u>36,729</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 8 to 30.