

# 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 31 December 2017, 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 2017, 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*

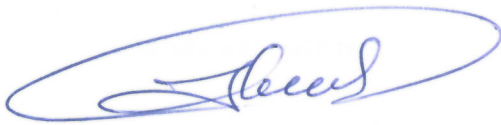
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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  
Managing Partner



Lilit Arabajyan, FCCA  
Engagement Partner

9 July 2018



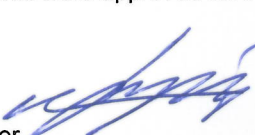


# Statement of financial position

In thousand drams	Note	As of 31 December 2017	As of 31 December 2016
<b>Assets</b>			
<i>Non-current assets</i>			
Property and equipment	4	32,305	33,108
Intangible assets		499	-
Deferred income tax assets	5	11,728	10,975
Borrowings provided	6	366,218	205,578
		<u>410,750</u>	<u>249,661</u>
<i>Current assets</i>			
Inventories	7	255,136	246,243
Trade and other receivables	8	349,027	577,307
Current income tax prepayments		2,679	-
Cash and bank balances	9	8,266	13,647
		<u>615,108</u>	<u>837,197</u>
<b>Total assets</b>		<u><u>1,025,858</u></u>	<u><u>1,086,858</u></u>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	10	100	100
Accumulated profit/(loss)		(691)	183
		<u>(591)</u>	<u>283</u>
<i>Non-current liabilities</i>			
Bank loans	11	55,963	417,206
		<u>55,963</u>	<u>417,206</u>
<i>Current liabilities</i>			
Bank loans	11	513,403	18,388
Trade and other payables	12	457,083	649,459
Current income tax liabilities		-	1,522
		<u>970,486</u>	<u>669,369</u>
<b>Total equity and liabilities</b>		<u><u>1,025,858</u></u>	<u><u>1,086,858</u></u>

The financial statements were approved on 9 July 2018 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 28.

# Statement of profit or loss and other comprehensive income

In thousand drams	Note	Year ended 31 December 2017	Year ended 31 December 2016
Revenue	13	1,752,596	1,638,773
Cost of sales	14	(1,402,396)	(1,139,453)
Gross profit		350,200	499,320
Other income	15	64,567	947
Distribution and marketing expenses	16	(55,325)	(71,039)
Administrative expenses	17	(111,814)	(207,314)
Other operating expenses	18	(49,324)	(58,407)
Results from operating activities		198,304	163,507
Finance costs, net	19	(50,971)	(29,508)
Foreign currency exchange loss, net	20	(1,077)	(4,676)
Profit before income tax		146,256	129,323
Income tax expense	21	(27,130)	(26,179)
Profit for the year		119,126	103,144
Other comprehensive income		-	-
Total comprehensive income for the year		119,126	103,144

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 28.

# Statement of changes in equity

In thousand drams	Share capital	Accumulated profit	Total
as of 1 January 2016	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)
Transactions with owners	-	(134,700)	(134,700)
as of 31 December 2016	100	183	283
Profit for the year	-	119,126	119,126
Total comprehensive income for the year	-	119,126	119,126
Dividends declared	-	(120,000)	(120,000)
Transactions with owners	-	(120,000)	(120,000)
as of 31 December 2017	100	(691)	(591)

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 28.

# Statement of cash flows

In thousand drams	Year ended 31 December 2017	Year ended 31 December 2016
<b>Cash flows from operating activities</b>		
Profit for the year	119,126	103,144
<i>Adjustments for:</i>		
Depreciation	9,961	10,610
Interest expense, net	50,971	29,508
Income tax expense	27,130	26,179
Foreign exchange loss, net	1,077	4,676
<i>Operating profit before working capital changes</i>	<u>208,265</u>	<u>174,117</u>
Change in trade and other receivables	228,418	(16,865)
Change in inventories	(8,893)	35,191
Change in trade and other payables	(192,134)	7,183
<i>Cash generated from operations</i>	<u>235,656</u>	<u>199,626</u>
Interest paid	(50,941)	(27,730)
Income tax paid	(32,084)	(14,666)
<i>Net cash from operating activities</i>	<u>152,631</u>	<u>157,230</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment and intangible assets	(9,657)	(1,676)
Borrowings provided	(292,000)	(407,498)
Repayment of borrowings provided	131,360	203,660
<i>Net cash used in investing activities</i>	<u>(170,297)</u>	<u>(205,514)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(120,000)	(134,700)
Proceeds from bank loans	669,176	492,344
Repayment of bank loans	(535,434)	(329,979)
<i>Net cash from financing activities</i>	<u>13,742</u>	<u>27,665</u>
Net decrease in cash and bank balances	(3,924)	(20,619)
Foreign exchange effect on cash	(1,457)	(2,463)
Cash and bank balances at the beginning of the year	13,647	36,729
Cash and bank balances at the end of the year	<u>8,266</u>	<u>13,647</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 28.