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Independent Auditors' Report

To the Shareholders of "Energy Invest Holding" CJSC

Opinion

We have audited the consolidated financial statements of "Energy Invest Holding" CJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditors' report is:


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC


KPMG Armenia LLC
8 April 2019



“Energy Invest Holding” CJSC
Consolidated Statement of Financial Position as at 31 December 2018

’000 AMD	Note	31 December 2018	31 December 2017*
Assets			
Property, plant and equipment	11	4,169,329	4,423,459
Intangible assets and goodwill	12	1,565,113	1,597,041
Borrowings given	13	226,736	243,936
Deferred tax assets	10	99,308	96,250
Prepayments for non-current assets		10,432	10,432
Non-current assets		6,070,918	6,371,118
Inventories		10,463	11,622
Borrowings given	13	9,987,063	7,662,065
Current tax assets		3,080	17,837
Trade and other receivables	14	198,429	142,306
Bank deposits	15	935,850	480,631
Cash and cash equivalents	16	353,772	561,046
Current assets		11,488,657	8,875,507
Total assets		17,559,575	15,246,625
Equity			
Share capital		13,190,000	10,910,000
Capital distribution		(1,081,481)	(696,694)
Retained earnings		2,968,443	1,290,763
Equity attributable to owners of the Company		15,076,962	11,504,069
Non-controlling interests		55,658	54,538
Total equity	17	15,132,620	11,558,607
Liabilities			
Loans and borrowings	19	1,415,453	2,781,155
Deferred tax liabilities	10	778,072	815,618
Non-current liabilities		2,193,525	3,596,773
Loans and borrowings	19	20,156	8,046
Trade and other payables		70,044	52,420
Current tax liabilities		143,230	30,779
Current liabilities		233,430	91,245
Total liabilities		2,426,955	3,688,018
Total equity and liabilities		17,559,575	15,246,625

'000 AMD	Note	2018	2017*
Revenue	6	2,074,281	1,582,066
Cost of sales	7	(547,554)	(536,529)
Gross profit		1,526,727	1,045,537
Other income		7,406	5,708
Administrative expenses	8	(199,246)	(177,040)
Other expenses		(19,533)	(10,215)
Results from operating activities		1,315,354	863,990
Finance income	9	969,412	638,958
Finance costs	9	(188,012)	(279,685)
Net finance income		781,400	359,273
Profit before income tax		2,096,754	1,223,263
Income tax expense	10	(417,954)	(251,999)
Profit and other comprehensive income for the year		1,678,800	971,264

Owners of the Company	1,677,680	971,313
Non-controlling interests	1,120	(49)
	1,678,800	971,264

These consolidated financial statements were approved by management on 8 April 2019 and were signed on its behalf by:

Shavarsh Hayrapetyan
Finance Director

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Capital distribution	Retained earnings	Total		
'000 AMD						
Balance at 1 January 2017*	8,700,000	(462,480)	319,450	8,556,970	54,587	8,611,557
Total comprehensive income						
Profit/(loss) for the year	-	-	971,313	971,313	(49)	971,264
Total comprehensive income	-	-	971,313	971,313	(49)	971,264
Transactions with owners of the Company						
Issue of ordinary shares	2,210,000	-	-	2,210,000	-	2,210,000
Other distributions	-	(234,214)	-	(234,214)	-	(234,214)
Total transactions with owners of the Company	2,210,000	(234,214)	-	1,975,786	-	1,975,786
Balance at 31 December 2017	10,910,000	(696,694)	1,290,763	11,504,069	54,538	11,558,607
Balance at 1 January 2018	10,910,000	(696,694)	1,290,763	11,504,069	54,538	11,558,607
Total comprehensive income						
Profit for the year	-	-	1,677,680	1,677,680	1,120	1,678,800
Total comprehensive income	-	-	1,677,680	1,677,680	1,120	1,678,800
Transactions with owners of the Company						
Issue of ordinary shares	2,280,000	-	-	2,280,000	-	2,280,000
Other distributions	-	(384,787)	-	(384,787)	-	(384,787)
Total transactions with owners of the Company	2,280,000	(384,787)	-	1,895,213	-	1,895,213
Balance at 31 December 2018	13,190,000	(1,081,481)	2,964,843	15,076,962	55,658	15,132,620

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

“Energy Invest Holding” CJSC
Consolidated Statement of Cash Flows for 2018

AMD'000	2018	2017*
Cash flows from operating activities		
Profit	1,675,200	971,264
<i>Adjustments for:</i>		
Impairment losses on financial assets	41,182	-
Depreciation and amortisation	375,038	368,977
Loss on disposal of property, plant and equipment	-	174
Net finance income	(822,582)	(359,273)
Income tax expense	421,554	251,999
<i>Changes in:</i>		
Inventories	1,159	(1,631)
Trade and other receivables	(56,123)	(22,638)
Trade and other payables	36,364	16,136
Cash flows from operations before income taxes and interest paid	1,668,192	1,225,008
Income tax paid	(235,153)	(323,113)
Interest paid	(147,582)	(283,252)
Net cash flows from/(used in) operating activities	1,285,457	618,643
Cash flows from investing activities		
Acquisition of property, plant and equipment	(17,292)	(374,115)
Acquisition of intangible assets	(95,148)	-
Borrowings given	(9,013,300)	(2,130,629)
Repayment of borrowings given	6,930,942	939,942
Interest received	232,922	369,190
Placement with bank deposits	(935,000)	(700,000)
Proceeds from bank deposits	480,000	220,000
Net cash used in investing activities	(2,416,876)	(1,675,612)
Cash flow from financing activities		
Proceeds from issue of share capital	2,280,000	2,210,000
Proceeds from loans and borrowings	2,061,359	-
Repayment of loans and borrowings	(3,413,817)	(849,153)
Net cash from financing activities	927,542	1,360,847
Net (decrease)/increase in cash and cash equivalents	(203,877)	303,877
Cash and cash equivalents at 1 January	561,046	261,979
Effect of exchange rate fluctuations on cash and cash equivalents	(3,397)	(4,810)
Cash and cash equivalents at 31 December	353,772	561,046

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.