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20 March 2019

N 031904

CONFIRMED BY:

P. GEVORGYAN

Managing Partner
Baker Tilly Armenia CJSC



License for Audit services No UO-054,
Provided by the RA Ministry of Finance and Economy

INDEPENDENT AUDITOR'S REPORT

*To the Participants of
Spayka LLC*

Opinion

We have audited the consolidated financial statements of Spayka Limited Liability Company (the "Company"), and its subsidiaries (the "Group"), which comprise *the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows* for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these 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 IFRS, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 scepticism 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 Foundation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Foundation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

L. Ghevondyan

20 March 2019



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		<i>Thousand AMD</i>	
	Notes	<u>2018</u>	<u>2017</u>
Revenue	7	82,405,787	70,179,199
Cost of sales	8	(51,373,628)	(44,992,176)
Gross profit		31,032,159	25,187,023
Selling and distribution expenses	9	(6,795,643)	(5,383,868)
Administrative expenses	10	(2,221,443)	(1,613,843)
Other income	11	538,701	286,311
Other expenses	12	(1,984,624)	(1,235,064)
Operating profit		20,569,150	17,240,559
Net finance costs	13	(3,688,263)	(3,870,007)
Gain from acquisition of a subsidiary		-	49,229
Profit before tax		16,880,887	13,419,781
Income tax expense	14	(1,515,054)	(362,229)
Profit for the year		15,365,833	13,057,552
Other comprehensive income			
Revaluation gain on property, plant and equipment		-	1,375,165
Deferred tax expense	14	-	(275,033)
Other comprehensive income		-	1,100,132
Total comprehensive income		15,365,833	14,157,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		<i>Thousand AMD</i>	
	Notes	<u>2018</u>	<u>2017</u>
Assets			
Non-current assets			
Property, plant and equipment	15	114,259,601	81,823,504
Intangible assets	16	37,559	24,328
Deferred tax assets	14	191,683	205,079
Trade and other receivables	20	2,161,690	471,572
Total non-current assets		<u>116,650,533</u>	<u>82,524,483</u>
Current assets			
Inventories	17	5,209,402	4,761,364
Biological assets	18	1,230,148	560,876
Cash and cash equivalents	19	1,325,143	561,234
Trade and other receivables	20	8,593,033	8,364,897
Loans receivable	21	-	600,300
Total current assets		<u>16,357,726</u>	<u>14,848,671</u>
Total assets		<u>133,008,259</u>	<u>97,373,154</u>
Equity and Liabilities			
Equity			
Share Capital	22.1	6,194,169	6,194,169
Additional Paid in Capital	22.2	5,637,355	5,637,355
Revaluation Reserve	22.3	1,144,292	1,144,292
Retained Earnings		41,765,270	26,399,437
Total equity		<u>54,741,086</u>	<u>39,375,253</u>
Non-current liabilities			
Loans and borrowings	23	63,167,619	39,107,188
Government grant	24	6,369,666	6,369,666
Deferred tax liabilities	14	271,342	267,680
Total non-current liabilities		<u>69,808,627</u>	<u>45,744,534</u>
Current liabilities			
Loans and borrowings	23	7,091,964	6,088,915
Trade and other payables	25	1,310,331	6,053,198
Tax liability		56,251	111,254
Total current liabilities		<u>8,458,546</u>	<u>12,253,367</u>
Total equity and liabilities		<u>133,008,259</u>	<u>97,373,154</u>

Davit Ghazaryan
 General Director
 20 March 2019

Suren Mkrtumyan
 Financial Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Thousand AMD

	Share capital	Additional Paid in Capital	Revaluation Reserve	Retained earnings	Total equity
Balance at 1 January 2017	6,194,169	-	44,160	15,973,140	22,211,469
Comprehensive income					
<i>Profit for the year</i>	-	-	-	13,057,552	13,057,552
<i>Other comprehensive income</i>	-	-	1,100,132	-	1,100,132
Total comprehensive income for the year			1,100,132	13,057,552	14,157,684
Transactions with owners					
<i>Gain from acquisition of subsidiary (6)</i>	-	5,637,355	-	-	5,637,355
<i>Dividends</i>	-	-	-	(2,631,255)	(2,631,255)
Total transactions with owners	-	5,637,355		(2,631,255)	3,006,100
Balance at 31 December 2017	6,194,169	5,637,355	1,144,292	26,399,437	39,375,253
Balance at 1 January 2018	6,194,169	5,637,355	1,144,292	26,399,437	39,375,253
Comprehensive income					
<i>Profit for the year</i>	-	-	-	15,365,833	15,365,833
<i>Other comprehensive income</i>	-	-	-	-	-
Total comprehensive income for the year	-	-	-	15,365,833	15,365,833
Balance at 31 December 2018	6,194,169	5,637,355	1,144,292	41,765,270	54,741,086

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	<i>Thousand AMD</i>	
Profit for the year	15,365,833	13,057,552
Adjustments for:		
Depreciation	3,234,658	2,228,197
Amortization	5,430	3,004
Provision for impairment – Inventories	1,438,943	670,770
Provision for impairment – Trade and other receivables	84,873	186,829
Revaluation loss - Property plant and equipment	-	185,514
Income from forgiven payables	(257,157)	(44,379)
Income from acquisition of subsidiary	-	(49,229)
Income from sale of Property plant and equipment	215	(26,829)
Unrealised foreign exchange loss	835,724	1,214,856
Interest income	(3,661)	(1,623)
Interest expense	2,960,634	2,879,843
Income tax expense	1,515,054	362,229
Cash flows from/(used in) operations before working capital changes	25,180,546	20,666,734
Changes in:		
Inventories	(447,995)	(2,289,242)
Biological assets	(669,273)	(560,875)
Trade and other receivables	(325,741)	(2,129,508)
Trade and other payables	(4,627,849)	4,775,904
Cash flows from operations	19,109,688	20,463,013
Tax paid	(1,553,000)	(421,002)
Net cash flows from operating activities	17,556,688	20,042,010
Cash flows from investing activities		
Acquisition of property, plant and equipment	(36,251,115)	(22,285,637)
Acquisition of intangible assets	(18,661)	(10,950)
Proceeds from sale of property, plant and equipment	2,488	113,479
Acquisition of subsidiary net of cash acquired	-	17,597
Net loans provided	600,300	(1,310,131)
Interest received	3,661	1,623
Net cash flows used in investing activities	(35,663,327)	(23,474,019)
Cash flows from financing activities		
Net proceeds from borrowings	22,317,445	9,104,073
Interest paid	(3,425,503)	(2,721,440)
Dividends paid	-	(2,631,255)
Net cash flows from financing activities	18,891,942	3,751,378
Net decrease in cash and cash equivalents	785,303	319,369
Foreign exchange effects on cash and cash equivalents	(21,394)	(48,826)
Cash and cash equivalents at the beginning of the year	561,234	290,690
Cash and cash equivalents at the end of the year	1,325,143	561,234

1-30 notes are an integral part of these consolidated financial statements.