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Project overview

- The first ever Tier3 carrier neutral data center in the country
- Data to be close to the end user – better performance/less losses
- Data to be computed and stored with the higher efficiency
- Science and Education Development – integration into The EU Framework Program for Research and Innovation/Armenia as an associated member
- Regional Traffic Exchange facility – gateway from/to neighboring developing markets
- Regional IT market support and development
Company Overview

- Group of investors with success stories in telecommunications (wireless and fiber-optic), and currently holding stake in the leading broadband operator GNC-Alfa
- Successful startup management team with more than 15 years of experience in ICT («investment» to «market value» ratio)
- International experience and project management
- Preferential access to the fiber backbone infrastructure of GNC-Alfa
Why in Armenia?

– Geopolitical position as a core argument for successful development
– Gateway for multinationals for cloud services for Iran and Middle East and countries of Eurasian Economic Union
– Multiple path fiber–optic backbone connectivity with Georgia and Iran and ultimately the shortest terrestrial route connecting Europe with Asia
– Existence of a Nuclear energy as well as fast growing alternative energy sector (solar) with the possibilities of cheaper and green energy
– Liberal data storing laws
– A country with highly qualified ICT professionals
Technology & Services

- Cooperation with market leading solution vendors with the long term engineering experience (Juniper/Cisco/ZTE/)
- Partnership with market leaders in cloud solutions for business and the state (Microsoft, Oracle, SAP, IBM etc).
- Services from A to Z, including colocations, clouds, IT security, caching of data content (Google, Akamai etc)
- Ideal place for redundancy for the Governmental authorities
- High level of security certified by international auditors (TIA-942/TIER III)
- Carrier neutral with multiple FO peering with all telco operators
Target markets

- Targeted markets (startup period – Y1-2-3)
  - International (65%)
    - Domestic (35%)
- Targeted markets (startup period – Y4-5-6)
  - International (30%)
    - Domestic (70%), out of which
      - B2G - 30%
      - B2O - 40%
      - B2B - 25%
      - Science and Education - 5%

The significant increase in the share of international business is due to exponential increase of data traffic used by the neighboring Iran during the forthcoming years.
Operational results

- Commercial launch in Y2
- High rate of operating income due to:
  - Significant revenue growth during whole duration of the project (average growth equals 50% per year)
  - Low level of operating expenses during the lifecycle of the project
A scalable project with a capacity of 500 Racks. The initial investment in infrastructure will imply scalability only by adding HW and SW.

300 Racks to be built during Phase 1 (Y1-Y10) out of which:

- 180 to be equipped with Hardware for virtual services provision,
- 120 to be equipped with both Hardware and Software for cloud services provision.

47% of Total CAPEX will be performed in Y1.
Project sensitivity analysis

The sensitivity was analyzed for the following factors:
- Decrease of average revenue from 1 Rack
- Increase of Racks to be built by 20%
- Increase of CAPEX for 10%

Sensitivity analysis reveals a Discounted PB period of 8.2 – 9.5 years for the scenarios analyzed.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Basic scenario</th>
<th>Decrease of revenue by 10%</th>
<th>Number of racks + 20%</th>
<th>Increase of CAPEX by 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Racks utilized</td>
<td>300</td>
<td>300</td>
<td>360</td>
<td>300</td>
</tr>
<tr>
<td>CAPEX for 1 rack</td>
<td>USD 70,417</td>
<td>USD 70,417</td>
<td>USD 66,722</td>
<td>USD 77,492</td>
</tr>
<tr>
<td>CAPEX</td>
<td>USD 21,125,000</td>
<td>USD 21,125,000</td>
<td>USD 24,020,000</td>
<td>USD 23,247,500</td>
</tr>
<tr>
<td>NPV</td>
<td>USD 7,484,943</td>
<td>USD 4,088,007</td>
<td>USD 11,280,741</td>
<td>USD 5,965,056</td>
</tr>
<tr>
<td>IRR</td>
<td>23%</td>
<td>20%</td>
<td>26%</td>
<td>21%</td>
</tr>
<tr>
<td>PB Years</td>
<td>7.0</td>
<td>7.4</td>
<td>6.6</td>
<td>7.2</td>
</tr>
<tr>
<td>PB Years - Discounted</td>
<td>8.7</td>
<td>9.5</td>
<td>8.2</td>
<td>9.1</td>
</tr>
<tr>
<td>EBITDA Margin (average)</td>
<td>68%</td>
<td>65%</td>
<td>70%</td>
<td>68%</td>
</tr>
</tbody>
</table>
Investor attractiveness

- 15% initial Investment by the Initiative group
- IFI (World Bank) and donors (EU) for educational and research projects
- Government support due to the scale and importance of the project
- VAT payment deferral (VAT payable at the State border)

<table>
<thead>
<tr>
<th>WACC</th>
<th>15.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-valuation growth rate</td>
<td>2%</td>
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<tr>
<td>Valuation date</td>
<td>11/08/2016</td>
</tr>
</tbody>
</table>

| PB Years       | 7.0 |
| PB Years – Discounted | 8.7 |
| NPV, USD       | 7,484,943 |
| IRR            | 24% |

Discounted Free Cash flow

- 2017
- 2018
- 2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025
- 2026
- 2027