

**“GNC-ALFA” CJSC**

**Financial Statements  
for the year ended 31 December 2011**

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## Independent Auditors' Report

The Board of Directors  
GNC-ALFA CJSC

We have audited the accompanying financial statements of GNC-ALFA CJSC (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Other Matter*

The corresponding figures as at and for the year ended 31 December 2010 are unaudited.

  
Andrew Coxshall  
Director

  
Tigran Gasparyan  
Head of Audit Department

KPMG Armenia cjsc  
24 May 2012



'000 AMD	Note	2011	2010
			<b>Unaudited</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	10	4,961,065	3,560,266
Intangible assets		13,301	1,119
Deferred tax assets	11	361,083	219,696
Prepayments for non-current assets		849	54,571
<b>Total non-current assets</b>		<b>5,336,298</b>	<b>3,835,652</b>
<b>Current assets</b>			
Inventories		53,368	5,548
Trade and other receivables	12	454,275	265,901
Cash and cash equivalents	13	23,947	135,597
<b>Total current assets</b>		<b>531,590</b>	<b>407,046</b>
<b>Total assets</b>		<b>5,867,888</b>	<b>4,242,698</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	1,000,000	484,281
Retained earnings		25,034	53,064
<b>Total equity</b>		<b>1,025,034</b>	<b>537,345</b>
<b>Non-current liabilities</b>			
Deferred income and prepayments received, non-current portion	15	3,377,476	1,535,732
<b>Total non-current liabilities</b>		<b>3,377,476</b>	<b>1,535,732</b>
<b>Current liabilities</b>			
Deferred income and prepayments received, current portion	15	403,124	759,061
Loans and borrowings	16	192,942	552,312
Trade and other payables	17	611,291	542,003
Dividends payable		-	264,843
Current tax liability		258,021	51,402
<b>Total current liabilities</b>		<b>1,465,378</b>	<b>2,169,621</b>
<b>Total liabilities</b>		<b>4,842,854</b>	<b>3,705,353</b>
<b>Total equity and liabilities</b>		<b>5,867,888</b>	<b>4,242,698</b>



**"GNC-ALFA" CJSC**  
Statement of Comprehensive Income for the year ended 31 December 2011

'000 AMD	Note	2011	2010
			<b>Unaudited</b>
Revenue	6	3,540,985	2,637,007
Purchased internet traffic		(1,160,615)	(804,672)
Lease of network infrastructure		(176,412)	(34,540)
Cost of dark fibers sold		(88,099)	(156,046)
Wages and other employee benefits		(211,030)	(154,986)
Depreciation and amortization		(331,434)	(166,656)
Repairs and maintenance		(55,212)	(88,054)
Other operating expenses	7	(127,964)	(154,944)
Other operating income		285	3,240
<b>Results from operating activities</b>		<b>1,390,504</b>	<b>1,080,349</b>
Finance income	8	4,356	6,243
Finance costs	8	(69,890)	(63,584)
<b>Net finance costs</b>		<b>(65,534)</b>	<b>(57,341)</b>
<b>Profit before income tax</b>		<b>1,324,970</b>	<b>1,023,008</b>
Income tax expense	9	(275,532)	(207,378)
<b>Profit and total comprehensive income for the year</b>		<b>1,049,438</b>	<b>815,630</b>

These financial statements were approved by management on 24 May 2012 and were signed on its behalf by:

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Hayk Fahmanzyan  
General Director

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Vardan Karapetyan  
Financial Director



**“GNC-ALFA” CJSC**  
Statement of Changes in Equity for the year ended 31 December 2011

'000 AMD	Share capital	Retained earnings	Total
Balance at 1 January 2010 (unaudited)	100	205,615	205,715
<b>Total comprehensive income for the year</b>			
Profit for the year (unaudited)	-	815,630	815,630
<b>Total comprehensive income for the year (unaudited)</b>	<b>-</b>	<b>815,630</b>	<b>815,630</b>
<b>Transactions with owners, recorded directly in equity</b>			
Shares issued (unaudited)	484,181	(484,181)	-
Dividends to equity holders (unaudited)		(484,000)	(484,000)
<b>Total transactions with owners, recorded directly in equity (unaudited)</b>	<b>484,181</b>	<b>(968,181)</b>	<b>(484,000)</b>
<b>Balance at 31 December 2010 (unaudited)</b>	<b>484,281</b>	<b>53,064</b>	<b>537,345</b>
Balance at 1 January 2011 (unaudited)	484,281	53,064	537,345
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,049,438	1,049,438
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,049,438</b>	<b>1,049,438</b>
<b>Transactions with owners, recorded directly in equity</b>			
Shares issued	515,719	(515,719)	-
Dividends to equity holders		(561,749)	(561,749)
<b>Total transactions with owners, recorded directly in equity</b>	<b>515,719</b>	<b>(1,077,468)</b>	<b>(561,749)</b>
<b>Balance at 31 December 2011</b>	<b>1,000,000</b>	<b>25,034</b>	<b>1,025,034</b>

**“GNC-ALFA” CJSC**  
Statement of Cash Flows for the year ended 31 December 2011

<b>‘000 AMD</b>	<b>2011</b>	<b>2010</b>
<b>Cash flow from operating activities</b>		<b>Unaudited</b>
Cash receipts from customers	4,909,634	2,744,831
Cash paid to suppliers and employees	(1,786,832)	(918,854)
<b>Cash generated from operating activities</b>	<b>3,122,802</b>	<b>1,825,977</b>
Interest paid	(75,124)	(13,326)
Income tax paid	(210,300)	(374,528)
<b>Net cash flows from operating activities</b>	<b>2,837,378</b>	<b>1,438,123</b>
<b>Cash flows from investing activities</b>		
Interest received	4,356	6,243
Acquisition of property, plant and equipment, net	(1,795,124)	(2,208,984)
Loans given/repaid	320	(1,000)
<b>Net cash flows used in investing activities</b>	<b>(1,790,448)</b>	<b>(2,203,741)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	730,440	768,204
Repayment of borrowings	(1,059,519)	(388,896)
Dividends paid	(826,592)	(219,157)
<b>Net cash flows (used in)/from financing activities</b>	<b>(1,155,671)</b>	<b>160,151</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(108,741)</b>	<b>(605,467)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(2,909)	(3,146)
<b>Cash and cash equivalents as of 1 January</b>	<b>135,597</b>	<b>744,210</b>
<b>Cash and cash equivalents as of 31 December</b>	<b>23,947</b>	<b>135,597</b>