

GNC-ALFA CJSC

**Financial Statements
for the year ended 31 December 2014**

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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 2014, and the statements of profit or loss and other 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Tigran Gasparyan
Director



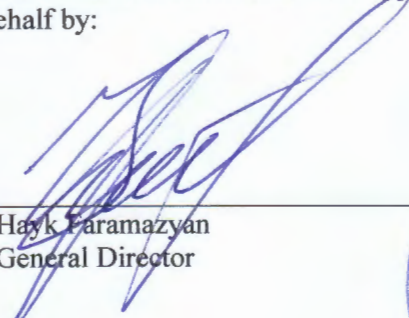

Tigran Gasparyan
Engagement Partner

KPMG Armenia cjsc
22 April 2015

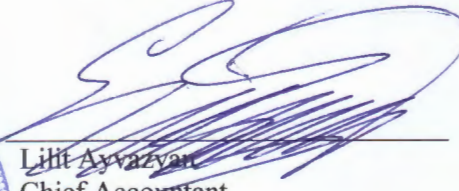
'000 AMD	Note	2014	2013
Assets			
Property plant and equipment	9	11,852,054	10,634,963
Intangible assets	10	830,415	739,900
Deferred tax assets	11	320,153	347,855
VAT recoverable		181,921	-
Prepayments for non-current assets		52,720	320,368
Total non-current assets		13,237,263	12,043,086
Inventories		86,969	105,245
Trade and other receivables	12	1,441,571	1,326,318
Bank deposits		-	977,795
Current tax assets		86,423	86,423
Cash and cash equivalents	13	34,656	16,587
Total current assets		1,649,619	2,512,368
Total assets		14,886,882	14,555,454
Equity			
Share capital	14	1,000,000	1,000,000
Retained earnings		(3,017,685)	591,552
Total equity		(2,017,685)	1,591,552
Liabilities			
Deferred income and prepayments received, non-current portion	16	2,040,130	2,394,404
Total non-current liabilities		2,040,130	2,394,404
Bank overdrafts	13	256,014	255,320
Deferred income and prepayments received, current portion	16	364,285	357,620
Loans and borrowings	17	12,409,171	7,633,410
Trade and other payables	18	1,834,967	2,323,148
Total current liabilities		14,864,437	10,569,498
Total liabilities		16,904,567	12,963,902
Total equity and liabilities		14,886,882	14,555,454

'000 AMD	Note	2014	2013
Revenue	5	3,575,883	2,612,739
Purchased internet traffic		(869,077)	(679,231)
Lease of network infrastructure		(406,575)	(305,527)
Interconnection charges		(25,601)	(98,948)
Wages and other employee benefits		(663,043)	(483,451)
Depreciation and amortization		(1,726,042)	(831,203)
Repairs and maintenance		(294,653)	(82,788)
Other operating expenses	6	(802,238)	(557,811)
Other operating income		49,082	12,439
Results from operating activities		(1,162,264)	(413,781)
Finance income	7	2,208	228,829
Finance costs	7	(2,421,479)	(381,588)
Net finance costs		(2,419,271)	(152,759)
Loss before income tax		(3,581,535)	(566,540)
Income tax (expense)/benefit	8	(27,702)	119,443
Total comprehensive loss for the year		(3,609,237)	(447,097)

These financial statements were approved by management on 22 April 2015 and were signed on its behalf by:


Hayk Paramazyan
General Director




Lilit Ayvazyan
Chief Accountant

GNC-ALFA CJSC
Statement of Changes in Equity for the year ended 31 December 2014

'000 AMD	Share capital	Retained earnings	Total
Balance at 1 January 2013	1,000,000	1,038,649	2,038,649
Total comprehensive income for the year			
Loss for the year	-	(447,097)	(447,097)
Total comprehensive loss for the year	-	(447,097)	(447,097)
Balance at 31 December 2013	1,000,000	591,552	1,591,552
Balance at 1 January 2014	1,000,000	591,552	1,591,552
Total comprehensive loss for the year			
Loss for the year	-	(3,609,237)	(3,609,237)
Total comprehensive loss for the year	-	(3,609,237)	(3,609,237)
Balance at 31 December 2014	1,000,000	(3,017,685)	(2,017,685)

‘000 AMD	2014	2013
Cash flow from operating activities		
Cash receipts from customers	3,736,966	2,302,929
Cash paid to suppliers and employees	(3,495,774)	(2,326,495)
Cash generated from/(used in) operating activities	241,192	(23,566)
Interest paid	(609,089)	(371,783)
Income tax paid	-	(35,150)
Net cash flows used in operating activities	(367,897)	(430,499)
Cash flows from investing activities		
Interest received	11	113,442
Proceeds from sale of property, plant and equipment	23,924	12,005
Withdrawal of bank deposits	982,548	2,955,277
Acquisition of property, plant and equipment	(3,410,450)	(3,093,972)
Acquisition of intangible assets	(224,726)	(749,608)
Net cash flows used in investing activities	(2,628,693)	(762,856)
Cash flows from financing activities		
Proceeds from borrowings	4,014,217	650,023
Repayment of borrowings	(941,139)	(331,779)
Net cash flows from financing activities	3,073,078	318,244
Net increase/(decrease) in cash and cash equivalents	76,488	(875,111)
Effect of exchange rate fluctuations on cash and cash equivalents	(59,113)	7,675
Cash and cash equivalents as of 1 January	(238,733)	628,703
Cash and cash equivalents as of 31 December (note 13)	(221,358)	(238,733)