

INDEPENDENT AUDITOR'S REPORT

To the shareholders of K-Telecom CJSC

We have audited the consolidated financial statements of K-Telecom CJSC and its subsidiary (together the "Group") which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of K-Telecom CJSC and its subsidiary as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

"BDO Armenia" CJSC

Managing Partner

Head of Audit and Audit Related Services

2 May 2016
Yerevan



V. Sahakyan

H. Hovhannisyan

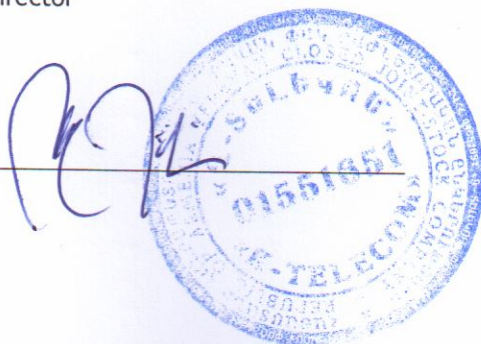
K-Telecom CJSC
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	2015 AMD'000	2014 AMD'000
Operating revenue			
Mobile services	5	43,623,800	48,149,399
Interconnection revenue	6	19,076,863	21,236,531
Roaming services		5,010,194	5,687,066
Revenue from sales of goods	7	2,026,908	1,088,267
Value Added Services		218,684	548,897
Other revenue		1,019,349	887,075
Other operating income		813,450	745,261
		<u>71,789,248</u>	<u>78,342,496</u>
Operating costs			
Depreciation, amortization and impairment	8	(13,168,693)	(13,976,439)
Interconnection costs	6	(10,519,518)	(12,782,424)
Payroll and employee benefits	9	(8,938,193)	(9,255,597)
Other network operating costs	10	(4,446,037)	(5,031,284)
Dealers' commissions		(1,594,477)	(1,846,879)
Management fee		(2,047,468)	(1,698,866)
Cost of sold goods	7	(1,807,754)	(1,008,926)
Cost of scratch cards and SIM cards		(166,288)	(234,122)
Other operating expenses	11	(9,643,708)	(10,107,144)
		<u>(52,332,136)</u>	<u>(55,941,681)</u>
Profit from operations		<u>19,457,112</u>	<u>22,400,815</u>
Finance income	12	966,713	658,183
Finance cost	12	(6,385)	(26,618)
Net gain/(loss) on exchange rate differences	13	233,439	2,723,849
Profit before tax		<u>20,650,879</u>	<u>25,756,229</u>
Income tax expense	14	(4,524,808)	(4,738,715)
Profit for the year		<u>16,126,071</u>	<u>21,017,514</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>16,126,071</u>	<u>21,017,514</u>

The consolidated financial statements on pages 5 to 40 were approved and authorized for issue by the Board of Directors on 2 May 2016 and were signed on its behalf by:

Ralph Yirikian
General Director

Rinat Yussupaliyev
Finance and Accounting Department
Manager



K-Telecom CJSC
Consolidated statement of financial position
As at 31 December 2015

Assets	Note	31.12.2015 AMD'000	31.12.2014 AMD'000
Current assets			
Inventories	15	1,849,330	1,572,624
Trade and other receivables	16	27,755,490	27,856,210
Unsecured borrowing to related party	17	672,813	613,185
Short-term loans to employees		269,146	530,282
Current income tax assets		3,429,222	6,064,008
Held-to-maturity time deposits in banks		1,656,174	291,737
Cash and bank balances	18	5,272,801	1,313,378
		<u>40,904,976</u>	<u>38,241,424</u>
Non-current assets			
Property and equipment	19	42,559,471	43,773,883
Intangible assets	20	5,910,135	8,190,969
Unsecured borrowing to related party	17	16,163,512	15,481,713
Deferred income tax assets	21	1,161,864	1,176,886
Prepayments for acquisitions of non-current assets		610,463	301,539
		<u>66,405,445</u>	<u>68,924,990</u>
Total assets		<u><u>107,310,421</u></u>	<u><u>107,166,414</u></u>

K-Telecom CJSC
Consolidated statement of financial position (continued)
As at 31 December 2015

	Note	31.12.2015 AMD'000	31.12.2014 AMD'000
<i>Current liabilities</i>			
Bank overdraft		-	1,487,976
Deferred revenue	22	1,644,264	1,960,811
Trade and other payables	23	<u>6,914,491</u>	<u>6,161,935</u>
		<u>8,558,755</u>	<u>9,610,722</u>
<i>Non-current liabilities</i>			
Other non-current liabilities	24	<u>429,853</u>	359,950
		<u>429,853</u>	359,950
Total liabilities		<u>8,988,608</u>	9,970,672
Net assets		<u>98,321,813</u>	<u>97,195,742</u>
<i>Issued capital and reserves</i>			
	25		
Share capital		550,000	550,000
Reserve Capital		82,500	82,500
Accumulated profit		<u>97,689,313</u>	96,563,242
Total equity		<u>98,321,813</u>	<u>97,195,742</u>

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