

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Company'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 Group'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 auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Mikayel Hayrapetyan

3 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	<u>2016</u>	<i>Thousand AMD</i> <u>2015</u>
Revenue	6	69,390,915	29,850,762
Cost of sales	7	(44,945,590)	(20,561,112)
Gross profit		24,445,325	9,289,650
Selling and distribution expenses	8	(5,631,385)	(2,900,468)
Administrative expenses	9	(1,376,314)	(1,031,461)
Other income	10	583,843	622,859
Other expenses	11	(1,507,657)	(1,189,744)
Operating profit		16,513,812	4,790,836
Net finance costs	12	(2,691,807)	(2,960,323)
Profit before tax		13,822,005	1,830,513
Income tax expense	13	(665,729)	(221,899)
Profit for the year		13,156,276	1,608,614
Other comprehensive income			
Revaluation gain on property, plant and equipment		-	27,350
Deferred tax expense	13	-	(5,470)
Other comprehensive income		-	21,880
Total comprehensive income		13,156,276	1,630,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

		<i>Thousand AMD</i>	
	Notes	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	14	34,132,101	23,673,579
Intangible assets	15	15,045	16,164
Deferred tax assets	13	94,349	105,287
Trade and other receivables	18	1,199,913	281,491
Total non-current assets		35,441,408	24,076,521
Current assets			
Inventories	16	2,472,122	1,697,265
Cash and cash equivalents	17	290,690	282,428
Trade and other receivables	18	5,326,634	6,555,381
Loans receivable	19	3,744,336	1,042,058
Total current assets		11,833,782	9,577,132
Total assets		47,275,190	33,653,653
Equity and Liabilities			
Equity			
Share capital	20,1	6,194,169	6,194,169
Revaluation reserve	20,2	44,160	44,160
Retained earnings		15,973,140	4,447,358
Total equity		22,211,469	10,685,687
Non-current liabilities			
Loans and borrowings	21	17,906,099	11,931,660
Total non-current liabilities		17,906,099	11,931,660
Current liabilities			
Loans and borrowings	21	5,570,709	7,799,584
Trade and other payables	22	1,534,968	3,226,832
Tax liability		51,945	9,890
Total current liabilities		7,157,622	11,036,306
Total equity and liabilities		47,275,190	33,653,653

Davit Ghazaryan
General Director

3 March 2017



Suren Mkrtumyan
Financial Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Revaluation Reserve	Retained earnings	<i>Thousand AMD</i> Total equity
Balance at 1 January 2015	6,194,169	22,280	3,815,805	10,032,254
<i>Comprehensive income</i>				
<i>Profit for the year</i>	-	-	1,608,614	1,608,614
<i>Other comprehensive income</i>	-	21,880	-	21,880
Total comprehensive income for the year	-	21,880	1,608,614	1,630,494
<i>Transactions with owners</i>				
<i>Dividends</i>	-	-	(977,061)	(977,061)
Total transactions with owners	-	-	(977,061)	(977,061)
Balance at 31 December 2015	6,194,169	44,160	4,447,358	10,685,687
Balance at 1 January 2016	6,194,169	44,160	4,447,358	10,685,687
<i>Comprehensive income</i>				
<i>Profit for the year</i>	-	-	13,156,276	13,156,276
<i>Other comprehensive income</i>	-	-	-	-
Total comprehensive income for the year	-	-	13,156,276	13,156,276
<i>Transactions with owners</i>				
<i>Dividends</i>	-	-	(1,630,494)	(1,630,494)
Total transactions with owners	-	-	(1,630,494)	(1,630,494)
Balance at 31 December 2016	6,194,169	44,160	15,973,140	22,211,469

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<u>2016</u>	<i>Thousand AMD</i> <u>2015</u>
Cash flows from operating activities		
Profit for the year	13,156,276	1,608,614
Adjustments for:		
Depreciation and amortization expense	1,016,116	677,669
Provision for impairment – Trade and other receivables	72,302	123,401
Provision for impairment - PPE	126,980	-
Unrealised foreign exchange loss	180,460	175,139
Income from forgiven payables	(356,040)	(164,332)
Revaluation gain on Property plant and equipment	-	(78,276)
Interest income	(4,465)	(326)
Interest expense	2,637,580	2,640,064
Income tax expense	665,729	221,899
Cash flows from/(used in) operations before working capital changes	17,494,938	5,203,852
Changes in:		
Inventories	(774,857)	153,659
Trade and other receivables	305,920	(3,735,805)
Trade and other payables	(1,836,106)	1,784,721
Cash flows from operations	15,189,895	3,406,427
Tax paid	(612,736)	(212,010)
Net cash flows from operating activities	14,577,159	3,194,417
 Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(11,534,095)	(1,366,669)
Proceeds from sale of property, plant and equipment	4,167	-
Loans provided	(3,045,468)	(1,006,447)
Interest received	4,465	326
Net cash flows used in investing activities	(14,570,931)	(2,372,790)
 Cash flows from financing activities		
Net proceeds from borrowings	4,888,033	2,309,509
Interest paid	(2,730,662)	(2,546,845)
Dividends paid	(2,128,795)	(478,760)
Net cash flows from financing activities	28,576	(716,096)
 Net decrease in cash and cash equivalents	34,804	105,531
Foreign exchange effects on cash and cash equivalents	(26,542)	38,147
Cash and cash equivalents at the beginning of the year	282,428	138,750
Cash and cash equivalents at the end of the year	290,690	282,428