

ORANGE ARMENIA CJSC

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INDEPENDENT AUDITOR'S REPORT

To: Shareholders and Board of Directors of Orange Armenia CJSC,

We have audited the accompanying financial statements of Orange Armenia CJSC ("the Company"), which comprise the statement of financial position as of 31 December 2013, and the statements of loss and other comprehensive loss, changes in equity and cash flows for 2013, 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.

Auditor's 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 of 31 December 2013, and its financial performance and cash flows for 2013 in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 3 to the financial statements which describes the restatement of corresponding figures for the years ended 31 December 2012 and 31 December 2011. Our audit opinion is not qualified in that respect.



As part of our audit of the financial statements for the year ended 31 December 2013, we also audited the adjustments described in Note 3 that were applied in order to amend the 2012 and 2011 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of Orange Armenia CJSC other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements taken as a whole.

Arpine Ghevondyan
Director

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ORANGE ARMENIA CJSC

STATEMENT OF LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

(in thousands of Armenian Drams unless otherwise stated)

	Notes	2013	2012 (as restated)
Revenue	8	22,885,669	20,224,919
Other operating income	10	718,189	600,506
Cost of equipment sold		(3,290,486)	(3,409,286)
Interconnection and International backbone expenses		(4,557,951)	(3,825,910)
Wages, benefits and payroll taxes	9	(2,986,216)	(2,605,446)
Property maintenance expense		(1,778,776)	(1,738,945)
Advertising and brand expenses		(1,667,261)	(2,071,917)
IT and network maintenance expenses		(2,092,651)	(2,016,303)
Interactive expenses		(66,491)	(95,137)
Commission and distribution expenses		(2,261,677)	(2,104,746)
Travel expenses		(122,966)	(207,947)
Training expenses		(41,349)	(105,254)
Professional services		(419,653)	(468,731)
Spectrum fees		(1,596,000)	(1,596,000)
Depreciation and amortization		(3,947,958)	(3,779,528)
Other operating expense	11	(1,610,974)	(2,143,787)
Operating loss		(2,836,551)	(5,343,512)
Interest income		15,775	15,471
Interest expenses	12	(542,576)	(1,179,581)
Foreign exchange loss		(489,877)	(2,048,855)
Loss before income tax		(3,853,229)	(8,556,477)
Income tax	13	-	-
LOSS FOR THE YEAR		(3,853,229)	(8,556,477)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,853,229)	(8,556,477)
Losses per share			
Basic and diluted, in Armenian Drams		(31.3)	(114.8)

Francis Galibter,
Chief Executive Officer
Orange Armenia CJSC

Armine Yeremyan,
Chief Accountant
Orange Armenia CJSC

8 May 2014

ORANGE ARMENIA CJSC

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013 (in thousands of Armenian Drams)

	Notes	31 December 2013	31 December 2012 (as restated)	1 January 2012 (as restated)
Assets				
<i>Non-current assets</i>				
Property, plant and equipment	14	25,570,737	23,374,275	20,480,334
Intangible assets	15	10,423,662	10,278,741	10,295,189
Deferred tax assets	13	-	-	-
Prepayments		45,703	7,171	235,187
Prepaid income tax		475,000	325,000	170,000
VAT receivable	4	6,206,797	4,069,588	6,324,690
Total non-current assets		42,721,899	38,054,775	37,505,400
<i>Current assets</i>				
Inventories	16	431,030	611,924	613,123
Trade and other receivables	17	820,998	1,357,432	959,882
VAT receivable		2,511,886	5,964,027	4,361,770
Prepayments		763,852	829,770	514,246
Cash and cash equivalents	18	1,057,736	669,414	331,584
Total current assets		5,585,502	9,432,567	6,780,605
Total assets		48,307,401	47,487,342	44,286,005
Equity and liabilities				
<i>Capital and reserves</i>				
Issued capital	19	50,628,360	32,684,860	50,610,220
Accumulated deficit		(12,409,552)	(8,556,323)	(89,084,406)
Total equity		38,218,808	24,128,537	(38,474,186)
<i>Non-current liabilities</i>				
Other provisions		28,840	3,000	15,005
Provision for dismantling costs	20	1,735,578	890,489	830,910
Total non-current liabilities		1,764,418	893,489	845,915
<i>Current liabilities</i>				
Short-term borrowings	21	1,095,826	14,270,226	72,932,451
Trade and other payables	22	6,096,850	7,005,034	7,496,260
Advances received		529,658	565,614	766,172
Taxes payable	23	601,841	624,442	719,393
Total current liabilities		8,324,175	22,465,316	81,914,276
Total liabilities		10,088,593	23,358,805	82,760,191
Total equity and liabilities		48,307,401	47,487,342	44,286,005

Francis Gelibter,
Chief Executive Officer
Orange Armenia CJSC

8 May 2014

Armine Yeremyan,
Chief Accountant
Orange Armenia CJSC

The Notes on pages 8 to 31 are an integral part of these financial statements.

ORANGE ARMENIA CJSC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (in thousands of Armenian Drams)

	Notes	Number of shares	Nominal value of shares, AMD	Share capital	Accumulated deficit (as restated)	Total
Balance at 31 December 2011		50,610,220	1,000.000	50,610,220	(89,084,406)	(38,474,186)
Loss for the year (as restated)				-	(8,556,477)	(8,556,477)
Total comprehensive loss for the year (as restated)				-	(8,556,477)	(8,556,477)
Share issue	19	71,159,200	1,000.000	71,159,200	-	71,159,200
Offset of accumulated losses against share capital		-	(731.584)	(89,084,560)	89,084,560	-
Balance at 31 December 2012 (as restated)		121,769,420	268.416	32,684,860	(8,556,323)	24,128,537
Loss for the year				-	(3,853,229)	(3,853,229)
Total comprehensive loss for the year				-	(3,853,229)	(3,853,229)
Share issue	19	66,849,592	268.416	17,943,500	-	17,943,500
Balance at 31 December 2013		188,619,012	268.416	50,628,360	(12,409,552)	38,218,808

Francis Gelibter,
Chief Executive Officer
Orange Armenia CJSC

8 May 2014



Armine Yeremyan,
Chief Accountant
Orange Armenia CJSC

Armine Yeremyan

ORANGE ARMENIA CJSC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (in thousands of Armenian Drams)

	Notes	2013	2012 (as restated)
Operating activities			
Loss before income tax		(3,853,229)	(8,556,477)
Adjustments to reconcile loss before income tax to net cash flows:			
Depreciation and amortisation		3,947,958	3,779,528
Gain on disposal of property, plant and equipment	10	(13,786)	(4,350)
Write-down of inventories to net realisable value		134,798	18,105
Foreign exchange loss		489,877	2,048,855
Interest expense, net		526,801	1,179,581
Change in allowance for doubtful accounts	17	(58,464)	310,772
Movements in working capital:			
Change in trade and other receivables		623,978	(708,324)
Change in prepayments		27,386	(87,507)
Change in inventories		46,096	(16,906)
Change in trade and other payables and other provisions		(446,453)	(569,638)
Change in advances received		(35,957)	(200,559)
Change in VAT receivable		1,314,932	652,845
Change in taxes payables other than income tax		(22,601)	(94,951)
Net cash used in operating activities before income tax paid		2,681,336	(2,249,026)
Income taxes paid		(150,000)	(155,000)
Net cash from/(used in) operating activities		2,531,336	(2,404,026)
Investing activities			
Purchase of property, plant and equipment		(5,157,038)	(5,296,492)
Purchase of intangible assets		(949,795)	(1,474,135)
Proceeds from disposal of property, plant and equipment		35,296	42,429
Net cash used in investing activities		(6,071,537)	(6,728,198)
Financing activities			
Share issue		17,943,500	71,159,200
Interest paid		(452,114)	(1,043,907)
Proceeds from short-term borrowings		4,216,019	40,314,270
Repayment of short-term borrowings		(17,779,177)	(100,999,956)
Net cash from financing activities		3,928,228	9,429,607
Net increase in cash and cash equivalents		388,027	297,383
Cash and cash equivalents at the beginning of the year		669,414	331,584
Effects of exchange rate changes on cash and cash equivalents		295	40,447
Cash and cash equivalents at the end of the year		1,057,736	669,414

Francis Gelibter,
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8 May 2014

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