

Orange Armenia

Closed Joint Stock Company

**Financial Statements and
Independent Auditor's Report**
For the Year Ended 31 December 2014

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 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 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 Orange Armenia CJSC 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.


Sruhi Hakebyan
Executive Director
Deloitte Armenia CJSC

Yerevan, Republic of Armenia
30 April 2015




Arpine Ghevondyan
Audit Director

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND
APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

Management is responsible for the preparation of the financial statements that present fairly the financial position of Orange Armenia CJSC (hereinafter, the "Company") as of 31 December 2014, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Armenia;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

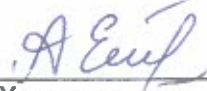
The financial statements of the Company for the year ended 31 December 2014 were approved by management on 30 April 2015.

On behalf of the Management:



Francis Gelibter
Chief Executive Officer
Orange Armenia CJSC





Armine Yeremyan
Chief Accountant

30 April 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Armenian Drams)

	Notes	2014	2013
Revenue	7	22,444,044	22,885,669
Other operating income	8	1,007,487	718,189
Cost of equipment sold		(3,853,441)	(3,290,486)
Interconnection and international backbone expenses		(4,393,996)	(4,557,951)
Wages, benefits and payroll taxes		(2,816,467)	(2,986,216)
Property maintenance expenses		(1,817,042)	(1,778,776)
Advertising and brand expenses		(1,777,635)	(1,667,261)
IT and network maintenance expenses		(2,234,086)	(2,092,651)
Interactive services		(31,031)	(66,491)
Commission and distribution expenses		(1,387,326)	(2,261,677)
Travel expenses		(91,111)	(122,966)
Training expenses		(33,757)	(41,349)
Professional services		(457,783)	(419,653)
Spectrum fees		(1,596,000)	(1,596,000)
Depreciation and amortisation		(4,674,349)	(3,947,958)
Other operating expenses	9	(1,819,737)	(1,610,974)
Loss from operating activities		(3,532,230)	(2,836,551)
Interest income		21,478	15,775
Interest expenses	10	(321,633)	(542,576)
Foreign exchange loss		(217,748)	(489,877)
Loss before income tax		(4,050,133)	(3,853,229)
Income tax	11	-	-
Loss and total comprehensive loss for the year		(4,050,133)	(3,853,229)

Approved for issuance and signed on behalf of management on 30 April 2015.


Francis Gelibter
 Chief Executive Officer




Armine Yeremyan
 Chief Accountant

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014
(in thousands of Armenian Drams)

	Notes	31 December 2014	31 December 2013
Assets			
Non-current assets			
Property and equipment	12	26,079,848	25,540,164
Intangible assets	13	9,443,347	10,416,942
Prepayments		53,031	45,703
Prepayments for non-current assets		62,185	37,293
Prepaid income tax		475,000	475,000
VAT receivable		5,560,428	6,206,797
Other assets		48,387	-
Total non-current assets		41,722,226	42,721,899
Current assets			
Inventories	14	680,974	431,030
Trade and other receivables	15	1,080,631	820,998
VAT receivable		1,923,889	2,511,886
Prepayments		200,022	763,852
Cash and cash equivalents	16	906,032	1,057,736
Total current assets		4,791,548	5,585,502
Total assets		46,513,774	48,307,401
Equity and liabilities			
Capital and reserves			
Issued capital	17	38,218,739	50,628,360
Accumulated deficit		(4,050,064)	(12,409,552)
Total equity		34,168,675	38,218,808
Non-current liabilities			
Provision for dismantling costs	18	1,171,917	1,735,578
Other liabilities		13,841	28,840
Total non-current liabilities		1,185,758	1,764,418
Current liabilities			
Borrowings	19	4,292,224	1,095,826
Trade and other payables	20	6,105,411	6,096,850
Deferred revenue		731,701	529,658
Other taxes payable	21	30,005	601,841
Total current liabilities		11,159,341	8,324,175
Total liabilities		12,345,099	10,088,593
Total equity and liabilities		46,513,774	48,307,401

Approved for issuance and signed on behalf of management on 30 April 2015.


Francis Gelibter
Chief Executive Officer



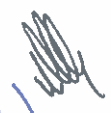

A. Emyan
Accountant

ORANGE ARMENIA CJSC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of Armenian Drams)

	Notes	Share capital	Accumulated deficit	Total
Balance at 1 January 2013		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)
Issue of ordinary shares	17	17,943,500	-	17,943,500
Balance at 31 December 2013		50,628,360	(12,409,552)	38,218,808
Loss for the year		-	(4,050,133)	(4,050,133)
Total comprehensive loss for the year		-	(4,050,133)	(4,050,133)
Net-off of share capital and accumulated deficit	17	(12,409,621)	12,409,621	-
Balance at 31 December 2014		38,218,739	(4,050,064)	34,168,675

Approved for issuance and signed on behalf of management on 30 April 2015.


Francis Gelibter
Chief Executive Officer




Armine Yeremyan
Chief Accountant

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in thousands of Armenian Drams)

	Notes	2014	2013
Cash flows from operating activities			
Loss for the year		(4,050,133)	(3,853,229)
Adjustments for:			
Depreciation and amortization		4,674,349	3,947,958
Gain on disposal of property and equipment		(7,835)	(13,786)
Write down of inventories to net realizable value		139,369	134,798
Foreign exchange loss		217,748	489,877
Interest expense, net		321,633	526,801
Change in allowance for doubtful accounts		112,107	(58,464)
Movements in working capital:			
Change in trade and other receivables		(319,048)	623,978
Change in other assets		(48,387)	-
Change in prepayments		531,610	27,386
Change in inventories		(389,313)	46,096
Change in trade and other payables		(157,054)	(446,453)
Change in deferred revenue		202,043	(35,957)
Change in VAT receivable		1,234,366	1,314,932
Change in payables for taxes other than income tax		(571,836)	(22,601)
Cash generated from operations		1,889,619	2,681,336
Income taxes paid		-	(150,000)
Net cash generated by operating activities		1,889,619	2,531,336
Cash flows from investing activities			
Purchase of property and equipment		(4,101,966)	(5,157,038)
Purchase of intangible assets		(945,480)	(949,795)
Proceeds from disposal of property and equipment		9,078	35,296
Net cash used in investing activities		(5,038,368)	(6,071,537)
Cash flows from financing activities			
Share issue		-	17,943,500
Interest paid		-	(452,114)
Proceeds from short-term borrowings		2,988,561	4,216,019
Repayment of short-term borrowings		-	(17,779,177)
Net cash generated by financing activities		2,988,561	3,928,228
Net (decrease)/ increase in cash and cash equivalents		(160,188)	388,027
Cash and cash equivalents at the beginning of the year		1,057,736	669,414
Effects of exchange rate changes on the balance of cash held in foreign currencies		8,484	295
Cash and cash equivalents at the end of the year	16	906,032	1,057,736

Approved for issuance and signed on behalf of management on 30 April 2015.


Francis Gelibter
 Chief Executive Officer




Armine Yeremyan
 Chief Accountant