

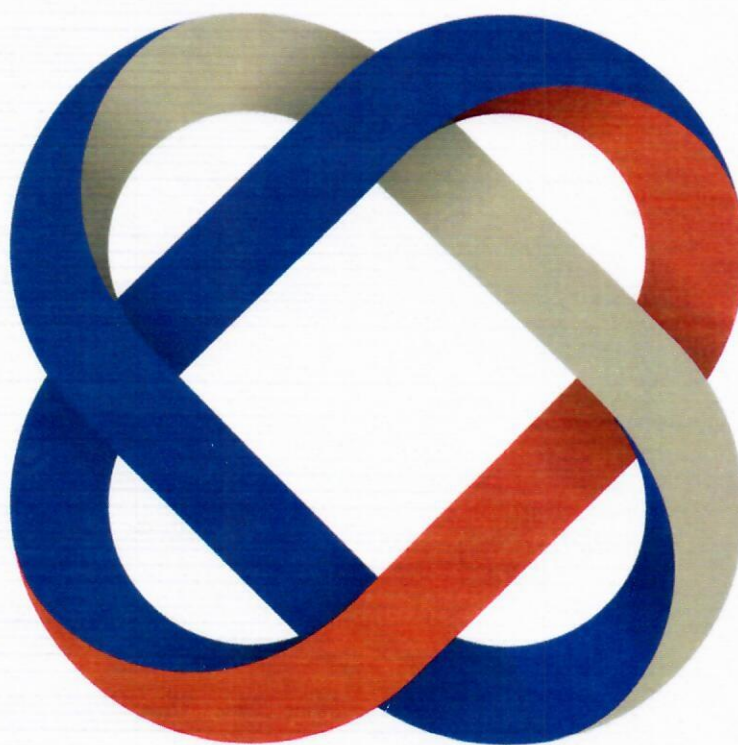
**Project Financial Statements  
and Independent Auditor's Report**

**“High Voltage Electric Networks” CJSC**

**“Yerevan Thermal Power Center” CJSC**

Electricity Transmission Network Improvement  
Project Loan number 8495-AM

As of and for the year ended 31 December 2017



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# Independent auditor's report

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To the shareholder of "High Voltage Electric Networks" CJSC and "Yerevan Thermal Power Center" CJSC

## *Opinion*

We have audited the accompanying project financial statements of the Electricity Transmission Network Improvement Project (the "Project"), financed by the International Bank for Reconstruction and Development (the "IBRD") Loan Agreement number 8495-AM, which comprise the statements of financial position as of 31 December 2017, the statement of the Project sources and uses of funds, the statement of uses of funds by Project activities, the designated account statement as of and for the year ended 31 December 2017 and notes to the project financial statements, including a summary of significant accounting policies.

In our opinion, the project financial statements give a true and fair view of the financial position of the Electricity Transmission Network Improvement Project as of 31 December 2017, and of the funds received and expenses incurred for the year then ended, in accordance with the accounting policies described in the note 2 to the project financial statements, the International Bank for Reconstruction and Development guidelines, and the relevant points of the Loan Agreement number 8495-AM.

## *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 Auditor's Responsibilities for the Audit of the Project Financial Statements section of our report. We are independent of the "High Voltage Electric Networks" CJSC and the "Yerevan Thermal Power Center" CJSC (the "Companies") in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis of Matters*

- We draw attention to note 2 to the project financial statements, which describes the basis of accounting. The project financial statements are prepared to assist the management of the "High Voltage Electric Networks" CJSC and "Yerevan Thermal Power Center" CJSC to meet the requirements of the financial reporting of the International Bank for Reconstruction and Development. As a result, the project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.
- We draw attention to note 11 to the accompanying financial statements, which describes the changes in the political situation of the Republic of Armenia. Although there is certain political instability at present, the management of the Companies does not consider that these processes will have a significant impact on the Project's performance, direction and continuity, and according to the management of the Companies, there is no necessity to adjust the project financial statements as of and for the year ended 31 December 2017. Our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Project Financial Statements*

Management of the Companies are responsible for the preparation and fair presentation of the project financial statements in accordance with the accounting policies described in the note 2 to the project financial statements, the IBRD guidelines, and the relevant points of the Loan Agreement number 8495-AM, and for such internal control as management determines is necessary to enable the preparation of project financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's Responsibilities for the Audit of the Project Financial Statements*

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



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

- Identify and assess the risks of material misstatement of the project 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 Companies' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

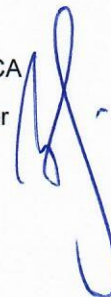
We communicate with the management of the Companies, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

29 June 2018

Gagik Gyulbudaghyan  
Managing Partner



Emil Vassilyan, FCCA  
Engagement Partner



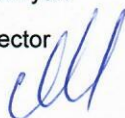
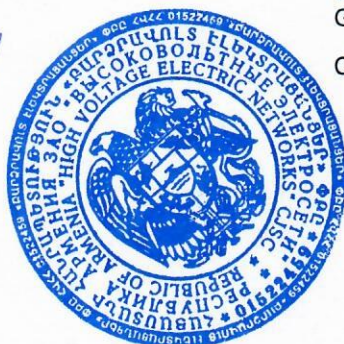
# Statement of financial position

*Project implementation partner "High Voltage Electric Networks" CJSC*

| US dollars                         | Note | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|------------------------------------|------|------------------------------|------------------------------|
| <i>Assets</i>                      |      |                              |                              |
| Accumulated Project expenses       |      | 2,258,369                    | 72,639                       |
| Advances                           | 4    | 1,973,702                    | 2,095,203                    |
| Bank balances                      | 5    | 2,409                        | 6,427                        |
| <b>Total assets</b>                |      | <b>4,234,480</b>             | <b>2,174,269</b>             |
| <i>Funds and liabilities</i>       |      |                              |                              |
| <i>Funds</i>                       |      |                              |                              |
| Accumulated Project financing      |      | 3,958,489                    | 2,179,689                    |
| Exchange rate difference           |      | (2,283)                      | (5,420)                      |
|                                    |      | <b>3,956,206</b>             | <b>2,174,269</b>             |
| <i>Current liabilities</i>         |      |                              |                              |
| Accounts payable                   | 6    | 278,274                      | -                            |
| <b>Total funds and liabilities</b> |      | <b>4,234,480</b>             | <b>2,174,269</b>             |

The project financial statements were approved on 29 June 2018 by:

Artak Hovakimyan  
General Director


Gevorg Muradyan  
Chief Accountant

This statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 11 to 17.

# Statement of financial position

Project implementation partner "Yerevan Thermal Power Center" CJSC

| US dollars                         | Note | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|------------------------------------|------|------------------------------|------------------------------|
| <b>Assets</b>                      |      |                              |                              |
| Accumulated Project expenses       |      | 6,360,329                    | 91,030                       |
| Advances                           | 4    | 3,123,382                    | 3,767,490                    |
| Bank balances                      | 5    | 936,799                      | 148,462                      |
| <b>Total assets</b>                |      | <b>10,420,510</b>            | <b>4,006,982</b>             |
| <b>Funds and liabilities</b>       |      |                              |                              |
| <b>Funds</b>                       |      |                              |                              |
| Accumulated Project financing      |      | 7,135,123                    | 3,995,096                    |
| Exchange rate difference           |      | 131,906                      | 11,886                       |
|                                    |      | <b>7,267,029</b>             | <b>4,006,982</b>             |
| <b>Current liabilities</b>         |      |                              |                              |
| Accounts payable                   | 6    | 3,153,481                    | -                            |
| <b>Total funds and liabilities</b> |      | <b>10,420,510</b>            | <b>4,006,982</b>             |

The project financial statements were approved on 29 June 2018 by:

Sasun Khachatryan  
General Director




Gary Akhoyan  
Head of accounting service



This statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 11 to 17.

# Statement of the Project sources and uses of fund

As of and for the year ended 31 December 2017  
In US dollars

|   | Actual             |                        | Planned          |                        | Variance       |                        | Life of Project   |
|---|--------------------|------------------------|------------------|------------------------|----------------|------------------------|-------------------|
|   | For the year       | As of 31 December 2017 | For the year     | As of 31 December 2017 | For the year   | As of 31 December 2017 |                   |
| <b>Sources of funds</b>   |                    |                        |                  |                        |                |                        |                   |
| IBRD Loan Number 8495-AM (note 7)   | 3,547,591          | 8,495,297              |                  |                        |                |                        |                   |
| Government co-financing   | 1,371,018          | 2,577,894              |                  |                        |                |                        |                   |
| "High Voltage Electric Networks" CJSC financing   | 218                | 20,421                 |                  |                        |                |                        |                   |
| <b>Total</b>  | <b>4,918,827</b>   | <b>11,093,612</b>      |                  |                        |                |                        |                   |
| Exchange rate difference  | 123,157            | 129,623                |                  |                        |                |                        |                   |
| <b>Less: Uses of funds</b>  |                    |                        |                  |                        |                |                        |                   |
| <b>Category 1. Goods, works, non-consulting services and consultants' services (including Project audits) and training under Part 1(a), 1(c), 1(d), 2 and 3(b) of the Project</b> |                    |                        |                  |                        |                |                        |                   |
|   | 2,185,730          | 2,203,883              | 3,812,173        | 3,830,326              | (1,626,443)    | (1,626,443)            | 27,175,000        |
| <b>Category 2. Goods, works, non-consulting services and consultants' services (including Project audits) and training under Parts 1(b), 1 (e) and 3(a) of the Project</b>        |                    |                        |                  |                        |                |                        |                   |
|   | 6,269,299          | 6,284,815              | 4,229,033        | 4,244,549              | 2,040,266      | 2,040,266              | 37,687,500        |
| Front-end Fee   | -                  | 130,000                | -                | 130,000                | -              | -                      | 130,000           |
| <b>Total</b>  | <b>8,455,029</b>   | <b>8,618,698</b>       | <b>8,041,206</b> | <b>8,204,875</b>       | <b>413,823</b> | <b>413,823</b>         | <b>64,992,500</b> |
| <b>Net increase/(decrease) in working capital (note 8)</b>  | <b>(3,413,045)</b> | <b>2,604,537</b>       |                  |                        |                |                        |                   |

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 11 to 17.

# Statement of uses of funds by Project activities

As of and for the year ended 31 December 2017  
In US dollars

|   | Actual           |                        | Planned          |                        | Variance       |                        | Life of Project   |
|---|------------------|------------------------|------------------|------------------------|----------------|------------------------|-------------------|
|   | For the year     | As of 31 December 2017 | For the year     | As of 31 December 2017 | For the year   | As of 31 December 2017 |                   |
| Component 1:<br>Strengthening the power transmission network  |                  |                        |                  |                        |                |                        |                   |
| Subcomponent 1(a)<br>Rehabilitation of HVEN's electric substation located in Ashnak   | 2,005,767        | 2,006,481              | 3,709,964        | 3,710,678              | (1,704,197)    | (1,704,197)            | 20,525,000        |
| Subcomponent 1(b)<br>Rehabilitation of YTPC's electric substation   | 6,207,441        | 6,207,441              | 4,016,310        | 4,016,310              | 2,191,131      | 2,191,131              | 35,875,000        |
| Subcomponent 1(c)<br>Procurement of specialized machinery and vehicles  | 173,523          | 173,523                | 95,693           | 95,693                 | 77,830         | 77,830                 | 3,250,000         |
| Subcomponent 1(d)<br>Project implementation support to HVEN   | -                | -                      | -                | -                      | -              | -                      | 212,500           |
| Subcomponent 1(e)<br>Project implementation support to YTPC   | 61,858           | 77,374                 | 212,723          | 228,239                | (150,865)      | (150,865)              | 187,500           |
| Component 2:<br>Improvement of the power system management  |                  |                        |                  |                        |                |                        |                   |
| Subcomponent 2(a)<br>Establishment of back-up dispatch center   | -                | 2,000                  | -                | 2,000                  | -              | -                      | 3,062,500         |
| Subcomponent 2(b)<br>Project Implementation Support and Supervision for construction of back-up dispatch center for EPSO CJSC | 1,385            | 16,824                 | 1,418            | 16,857                 | (33)           | (33)                   | 62,500            |
| Component 3:<br>Preparation of new electricity generation project   |                  |                        |                  |                        |                |                        |                   |
| Subcomponent 3(a)<br>Preparation of a new CCGT investment   | -                | -                      | -                | -                      | -              | -                      | 1,625,000         |
| Subcomponent 3(b)<br>Project Audit  | 5,055            | 5,055                  | 5,098            | 5,098                  | (43)           | (43)                   | 62,500            |
| Front-end fee   | -                | 130,000                | -                | 130,000                | -              | -                      | 130,000           |
| <b>Total</b>  | <b>8,455,029</b> | <b>8,618,698</b>       | <b>8,041,206</b> | <b>8,204,875</b>       | <b>413,823</b> | <b>413,823</b>         | <b>64,992,500</b> |

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 11 to 17.

# Designated account statement

*Project implementation partner "High Voltage Electric Networks" CJSC*

*Loan number 8495-AM*

*As of and for the year ended 31 December 2017*

*In US dollars*

|  |                  |                  |
|--|------------------|------------------|
| Opening balance as of 1 January 2017   |                  | 6,427            |
| Add:   |                  |                  |
| Cumulative unexplained discrepancy   | -                |                  |
| Loan replenishment during the year   | 1,205,700        |                  |
|  | <u>1,205,700</u> | <u>1,205,700</u> |
| <i>Less: Refund to the International Bank for Reconstruction and Development from the designated account during the year</i> |                  | -                |
| Present outstanding amount advanced to the designated account (1)  |                  | <u>1,212,127</u> |
| Closing balance as of 31 December 2017   |                  | 2,409            |
| Add:   |                  |                  |
| Amount of eligible expenditures paid during the year   | 1,209,718        |                  |
| Service charges (if applicable)  | -                |                  |
|  | <u>1,209,718</u> | <u>1,209,718</u> |
| <i>Less: Interest earned (if credited into the designated account)</i>   |                  | -                |
| Total advance accounted for (2)  |                  | <u>1,212,127</u> |
| Discrepancy (1) – (2) to be explained  |                  | -                |

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 11 to 17.

# Designated account statement

Project implementation partner "Yerevan Thermal Power Center" CJSC

Loan number 8495-AM

As of and for the year ended 31 December 2017

In US dollars

|  |                  |                  |
|--|------------------|------------------|
| Opening balance as of 1 January 2017   |                  | 148,451          |
| Add:   |                  |                  |
| Cumulative unexplained discrepancy   | -                |                  |
| Loan replenishment during the year   | 2,200,000        |                  |
|  | <u>2,200,000</u> | <u>2,200,000</u> |
| <i>Less: Refund to the International Bank for Reconstruction and Development from the designated account during the year</i> |                  | -                |
| Present outstanding amount advanced to the designated account (1)  |                  | <u>2,348,451</u> |
| Closing balance as of 31 December 2017   |                  | 934,757          |
| Add:   |                  |                  |
| Amount of eligible expenditures paid during the year   | 1,413,694        |                  |
| Service charges (if applicable)  | -                |                  |
|  | <u>1,413,694</u> | <u>1,413,694</u> |
| <i>Less: Interest earned (if credited into the designated account)</i>   |                  | -                |
| Total advance accounted for (2)  |                  | <u>2,348,451</u> |
| Discrepancy (1) – (2) to be explained  |                  | -                |

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 11 to 17.

# Notes to the Project financial statements

## 1 Nature of operations and general information

The Electricity Transmission Network Improvement Project (the "Project") is financed in accordance with the Loan Agreement number 8495-AM dated 8 April 2015 signed between the International Bank for Reconstruction and Development (the "IBRD") and the Republic of Armenia.

The Project is implemented jointly by the "High Voltage Electric Networks" CJSC and the "Yerevan Thermal Power Center" CJSC (together the "Companies").

"High Voltage Electric Networks" CJSC ("HVEN") has been established based on the resolution of the Government of the Republic of Armenia N450 dated 20 July 1998 on restructuring "High Voltage Electric Networks" subsidiary to a Closed Joint Stock Company and on the resolution of the Government of the Republic of Armenia N709 dated 23 November 1999 on reorganizing "Specialized Security on Energetic Objects" SCJSC through joining it to "High Voltage Electric Networks" SCJSC. The Company is the successor of "High Voltage Electric Networks" subsidiary, "High Voltage Electric Networks" CJSC and "Specialized Security on Energetic Objects" SCJSC.

"Yerevan Thermal Power Center" CJSC ("YTPC") has been established based on the resolution of the Government of the Republic of Armenia N538 on restructuring "Yerevan Thermal Power Plant" to a "Yerevan Thermal Power Center" CJSC.

In accordance with the sub-loan agreements dated 14 August 2015 signed between the Ministry of Finance of the Republic of Armenia and the "High Voltage Electric Networks" CJSC and the "Yerevan Thermal Power Center" CJSC, the Ministry of Finance transferred to the "High Voltage Electric Networks" CJSC and the "Yerevan Thermal Power Center" CJSC the IBRD loan amount of 52,000,000 US dollars, which should be used only for the Project implementation.

The objectives of the Project are to improve the reliability of the power transmission network and system management, and to support the Republic of Armenia's efforts in ensuring adequate electricity supply.

The Project consists of the following parts:

### **Part 1. Strengthening the power transmission network.**

- a) Rehabilitation of HVEN's electric substation located in Ashnak through, inter alia: (i) the complete or partial replacement and/or rehabilitation of the key equipment; (ii) the installation of a supervisory control and data acquisition system; and (iii) the construction of a new building for control rooms.
- b) Rehabilitation of YTPC's electric substation through, inter alia, (i) the complete or partial replacement of the key equipment; (ii) the installation of a supervisory control and data acquisition system; (iii) the construction of a building for the control rooms; and (iv) the reconnection of overhead transmission lines required for the evacuation of power from said substation.
- c) Acquisition of equipment including, inter alia, machinery and specialized vehicles, required for the carrying out of activities under Parts 1(a) and 1(b) of the Project.
- d) Provision of Support to HVEN's to carry out its Respective Parts of the Project through, inter alia, the provision of technical assistance to supervise the works under said Parts of the Project, including compliance with the provisions of Schedule 2 to this Agreement.
- e) Provision of Support to YTPC's to carry out its Respective Parts of the Project through, inter alia, the provision of technical assistance to supervise the works under said Parts of the Project, including compliance with the provisions of Schedule 2 to this Agreement.

## **Part 2. Improvement of the power system management**

Develop a back-up dispatch center through, inter alia; (i) the renovation of the interior space of the selected building referred to in the HVEN Operational Manual; (ii) the acquisition and installation of required equipment; and (iii) the carrying out of other required works.

## **Part 3. Preparation of an electricity generation investment**

- a) Design a CCGT investment (excluding its implementation), including, inter alia: (i) carrying out: (A) a financial feasibility study; (B) an environmental and social impact assessment; (ii) providing technical assistance on transactions required for private sector financing; and (iii) providing other technical assistance required for the preparation of the CCGT investment.
- b) The carrying out of Project audits.

The financing of the Project consists of the following part:

| Category   | Amount of the loan<br>allocated<br>(in US dollars) | Percentage of<br>expenditures<br>to be financed<br>(including taxes) |
|--|--|--|
| (1) Goods, works, non-consulting services and consultants' services (including Project audits) and training under Part 1(a), 1(c), 1(d), 2 and 3(b) of the Project | 21,740,000   | 80%  |
| (2) Goods, works, non-consulting services and consultants' services (including Project audits) and training under Parts 1(b), 1 (e) and 3(a) of the Project        | 30,130,000   | 80%  |
| (3) Front-end fee  | 130,000  |  |
| Total  | <u>52,000,000</u>                                  |  |

The legal address of the Company is Z. Andranik 1, Yerevan, Armenia.

## **2 Significant accounting policies**

### **2.1 Basis of preparation**

The project financial statements were prepared in accordance with the accrual basis of accounting as well as the International Bank for Reconstruction and Development (the "IBRD") guidelines and the relevant points of the requirements of the Loan Agreement number 8495-AM. Significant accounting policies are disclosed below.

These project financial statements are presented as follows:

- The statements of financial position are presented separately for the Companies;
- The statement of project sources and uses of funds and the statement of uses of funds by project activities are prepared jointly for the Companies. However, the statements disclose the funds received and used by each entity separately.
- Notes to the project financial statements are presented in a way so that account balances and classes of transactions are disclosed for each entity.

### **2.2 Functional and presentation currency**

The national currency of the Republic of Armenia is Armenian dram. These project financial statements are presented in US dollars (presentation currency).

In preparing the project financial statements, transactions in currencies other than US dollar are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. For direct payments denominated in currencies other than the presentation currency to the contractor/consultant from the International Bank for Reconstruction and Development share, the exchange rate set out for the presentation of

the operation in the system client connection (<https://clientconnection.worldbank.org>) is used. At each reporting date bank balances, advances and payables denominated in foreign currencies are retranslated at the rate defined by the Central Bank of Armenia prevailing on that date, which is 484.10 Armenian drams for 1 US dollar as of 31 December 2017 (as of 31 December 2016: 483.94 Armenian drams for 1 US dollar). Any exchange rate differences are recognized in the statement of the Project sources and uses of funds and the accumulated figure of exchange rate difference is disclosed in the Statement of financial position under "Funds".

## 2.3 Project financing

The financing received in the framework of the Loan Agreement number 8495-AM is recorded in the statement of financial position as "Accumulated Project financing" and is recognized at each replenishment. In addition, the current year funds received are disclosed in the statement of Project sources and uses of funds, showing the sources of funds.

## 2.4 Project expenses

The Project expenses are recognized on the accrual basis of accounting. The accumulated Project expenses are disclosed in the statement of financial position under assets. In addition, current year expenses are disclosed in the statement of Project sources and uses of funds and statement of uses of funds by Project activities.

## 2.5 The IBRD financing

To finance eligible expenditures for the Loan Agreement number 8495-AM, the International Bank for Reconstruction and Development disburses proceeds from the Project account using one or more of the disbursement methods, which are stated below:

a. Reimbursement

The Bank may reimburse the borrower to finance eligible expenditures that the borrower has prefinanced from its own resources.

b. Advance

The Bank may advance loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.

c. Direct payments

The Bank may make payments, at the borrower's request, directly to a third party for eligible expenditures.

d. Special commitment

The Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the Bank and the borrower.

## 2.6 Planned annual expenses

As of the end of the period "Planned Project Expenses" comprise the sum of the amount of "Actual Project Expenses" as of the end of the previous period and the annual budget expenses of the reporting period.

## 2.7 Advances

Advances, which comprise amounts paid for construction works, services and goods not yet received are stated at nominal value.

## 2.8 Accounts payable

Payables comprise the amounts to be paid and are stated at nominal value.

### 3. Closing date of the Project

According to the Loan Agreement, the Project closing date was defined as 31 December 2019.

### 4. Advances

#### Project implementation partner "High Voltage Electric Networks" CJSC

| In US dollars                           | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|---|------------------------------|------------------------------|
| Xian Electric Engineering Co., Ltd.     | 1,476,523                    | 1,834,327                    |
| Consuletra & Decon Consortium           | 32,543                       | 57,487                       |
| State Budget of the Republic of Armenia | 464,636                      | 203,389                      |
|   | <u>1,973,702</u>             | <u>2,095,203</u>             |

The balances of advance to State Budget are disclosed below:

| In US dollars   | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|---|------------------------------|------------------------------|
| Xian Electric Engineering Co., Ltd. (non-resident income tax) | 188,431                      | 188,495                      |
| Consuletra & Decon Consortium (non-resident income tax)       | 7,084                        | 14,894                       |
| Value Added Tax   | 235,609                      | -                            |
| Customs duties  | 33,512                       | -                            |
|   | <u>464,636</u>               | <u>203,389</u>               |

#### Project implementation partner "Yerevan Thermal Power Center" CJSC

| In US dollars                           | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|---|------------------------------|------------------------------|
| Cobra Instalacionesy Servicios S.A.     | 1,164,032                    | 1,698,558                    |
| ABB AB Substations                      | 1,246,961                    | 1,727,765                    |
| State Budget of the Republic of Armenia | 712,389                      | 341,167                      |
|   | <u>3,123,382</u>             | <u>3,767,490</u>             |

The balances of advance to State Budget are disclosed below:

| In US dollars                       | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|-------------------------------------|------------------------------|------------------------------|
| Cobra Instalacionesy Servicios S.A. | 255,278                      | 259,781                      |
| ABB AB Substations                  | 8,465                        | 37,601                       |
| Value Added Tax                     | 437,136                      | 32,271                       |
| Other                               | 11,510                       | 11,514                       |
|                                     | <u>712,389</u>               | <u>341,167</u>               |

## 5. Bank balances

### Project implementation partner "High Voltage Electric Networks" CJSC

| In US dollars      | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|--------------------|------------------------------|------------------------------|
| Designated account | 2,409                        | 6,427                        |
|                    | <u>2,409</u>                 | <u>6,427</u>                 |

### Project implementation partner "Yerevan Thermal Power Center" CJSC

| In US dollars      | As of 31<br>December<br>2017 | As of 31<br>December<br>2016 |
|--------------------|------------------------------|------------------------------|
| Designated account | 934,757                      | 148,451                      |
| Local account      | 2,042                        | 11                           |
|                    | <u>936,799</u>               | <u>148,462</u>               |

## 6. Accounts payable

### Project implementation partner "High Voltage Electric Networks" CJSC

| In US dollars                       | As of 31<br>December<br>2017 |
|-------------------------------------|------------------------------|
| Xian Electric Engineering Co., Ltd. | 233,620                      |
| Consuletra & Decon Consortium       | 35,723                       |
| Other                               | 8,931                        |
|                                     | <u>278,274</u>               |

### Project implementation partner "Yerevan Thermal Power Center" CJSC

| In US dollars                       | As of 31<br>December<br>2017 |
|-------------------------------------|------------------------------|
| Cobra Instalacionesy Servicios S.A. | 1,632,461                    |
| ABB AB Substations                  | 1,521,020                    |
|                                     | <u>3,153,481</u>             |

## 7. Project financing

| In US dollars                                   | For the year<br>ended 31<br>December 2017 | As of 31<br>December<br>2017 |
|---|---|------------------------------|
| <i>"High Voltage Electric Networks" CJSC</i>    |   |                              |
| IBRD Loan Number 8495-AM (note 7)               | 1,205,700                                 | 2,948,932                    |
| Government co-financing                         | 572,882                                   | 989,136                      |
| "High Voltage Electric Networks" CJSC financing | 218                                       | 20,421                       |
| <i>"Yerevan Thermal Power Center" CJSC</i>      |   |                              |
| IBRD Loan Number 8495-AM (note 7)               | 2,341,891                                 | 5,546,365                    |
| Government co-financing                         | 798,136                                   | 1,588,758                    |
|   | <u>4,918,827</u>                          | <u>11,093,612</u>            |

The IBRD financing is disclosed below:

| In US dollars      | For the year<br>ended 31<br>December 2017 | As of 31<br>December<br>2017 |
|--------------------|---|------------------------------|
| Direct payments    | 141,891                                   | 4,339,947                    |
| Advance            | 3,041,276                                 | 3,660,926                    |
| Advance redemption | (272,193)                                 | (272,193)                    |
| Other              | 636,617                                   | 636,617                      |
| Front-end fee      | -   | 130,000                      |
|                    | <u>3,547,591</u>                          | <u>8,495,297</u>             |

## 8. Net increase/(decrease) in working capital

| In US dollars                               | For the year<br>ended 31<br>December 2017 | As of 31<br>December<br>2017 |
|---|---|------------------------------|
| Increase/(decrease) in bank balances (HVEN) | (4,018)                                   | 2,409                        |
| Increase in bank balances (YTPC)            | 788,337                                   | 936,799                      |
| Increase/(decrease) in advances (HVEN)      | (121,501)                                 | 1,973,702                    |
| Increase/(decrease) in advances (YTPC)      | (644,108)                                 | 3,123,382                    |
| Increase in payables (HVEN)                 | (278,274)                                 | (278,274)                    |
| Increase in payables (YTPC)                 | (3,153,481)                               | (3,153,481)                  |
|   | <u>(3,413,045)</u>                        | <u>2,604,537</u>             |

## 9. Reconciliation between the amounts received by the "High Voltage Electric Networks" CJSC and disbursed by the World Bank

Loan number 8495-AM  
For the year ended 31 December 2017  
In US dollars

| Category   | Appl. | HVEN             | World Bank       | Difference |
|--|-------|------------------|------------------|------------|
| Category 1. Goods, works, non-consulting services and consultants' services (including Project audits) and training under Part 1(a), 1(c), 1(d), 2 and 3(b) of the Project |       |                  |                  |            |
|  | DA-13 | 5,700            | 5,700            | -          |
|  | DA-14 | 245,000          | 245,000          | -          |
|  | DA-15 | 955,000          | 955,000          | -          |
|  |       | <u>1,205,700</u> | <u>1,205,700</u> | -          |
| Total  |       | <u>1,205,700</u> | <u>1,205,700</u> | -          |

## 10. Reconciliation between the amounts received by the “Yerevan Thermal Power Center” CJSC and disbursed by the World Bank

| <u>Category</u>  | <u>Appl.</u> | <u>YTPC</u>      | <u>World Bank</u> | <u>Difference</u> |
|--|--------------|------------------|-------------------|-------------------|
| Component 2. Goods, works, non-consulting services and consultants' services (including Project audits) and training under Parts 1(b), 1 (e) and 3(a) of the Project |              |                  |                   |                   |
|  | DA-2-Y-14    |                  |                   |                   |
|  | DP-7-Y-13    | 141,891          | 141,891           | -                 |
|  | AD-2-Y-12    | 315,395          | 315,395           | -                 |
|  | AD-1-Y-11    | 49,029           | 49,029            | -                 |
|  | DDA-3-Y-10   | 12,376           | 12,376            | -                 |
|  | DDA-2-Y-09   | 251,537          | 251,537           | -                 |
|  | DDA-1-Y-08   | 8,280            | 8,280             | -                 |
|  |              | <u>778,508</u>   | <u>778,508</u>    | <u>-</u>          |
| Advance to designated account  |              |                  |                   |                   |
|  | DA-2-Y-14    | 1,400,000        | 1,400,000         | -                 |
|  | AD-2-Y-12    | 84,605           | 84,605            | -                 |
|  | AD-1-Y-11    | 350,971          | 350,971           | -                 |
|  |              | <u>1,835,576</u> | <u>1,835,576</u>  | <u>-</u>          |
| Advance to designated account redemption   |              |                  |                   |                   |
|  | DDA-3-Y-10   | (12,376)         | (12,376)          | -                 |
|  | DDA-2-Y-09   | (251,537)        | (251,537)         | -                 |
|  | DDA-1-Y-08   | (8,280)          | (8,280)           | -                 |
|  |              | <u>(272,193)</u> | <u>(272,193)</u>  | <u>-</u>          |
| Total  |              | <u>2,341,891</u> | <u>2,341,891</u>  | <u>-</u>          |

## 11. Subsequent event

In April-May 2018 after the resignation of the prime minister nominated and elected by the ruling political party in the National Assembly as a result of the political upheaval and disobedience of the population in the Republic of Armenia, the National Assembly nominated the popular candidate for the post of the prime minister, and accordingly, a new government was formed, which considers itself temporary until the formation of the new National Assembly through extraordinary elections. Although there is certain political instability at present, the management of the Company does not consider that these processes will have a significant impact on the Project's performance, direction and continuity, and according to the management of the Company, there is no necessity to adjust the financial statements of the Project as of and for the year ended 31 December 2017.