

Financial Statements and INDEPENDENT
AUDITOR'S REPORT

Yerevan Thermal Power Plant CJSC

December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of Yerevan Thermal Power Plant CJSC

Qualified opinion

We have audited the accompanying financial statements of Yerevan Thermal Power Plant CJSC (the "Company"), which comprise the statement of financial position as at December 31, 2025, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible impact of the matter described in the "Basis for Modification of Opinion" paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Modification of Opinion

The carrying value of the fixed assets reflected in the Statement of financial position is 97,818,497 thousand AMD as of December 31, 2025, and 104,401,196 thousand AMD as of December 31, 2024. As described in note 3.3 of the Notes to the financial statements, the Company's fixed assets are presented at a revalued amount in the Statement of financial position. The Company's fixed assets have last been revalued as of December 31, 2017. According to IAS 16, "Fixed Assets" standard, the revaluations must be performed at sufficient intervals so that the book value does not differ significantly from the fair value at the end of the reporting period. Considering the above, we have not been able to determine whether adjustments would be necessary to the carrying amount of property, plant and equipment and the revaluation reserve in the Statement of financial position, and to the profit for the year in the Statement of profit or loss and other comprehensive income.

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 Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' "Code of Ethics for Professional Accountants (IESBA Code)", and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Company's financial statements were audited last year by another auditor, whose report dated April 21, 2025, expressed a modified audit opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

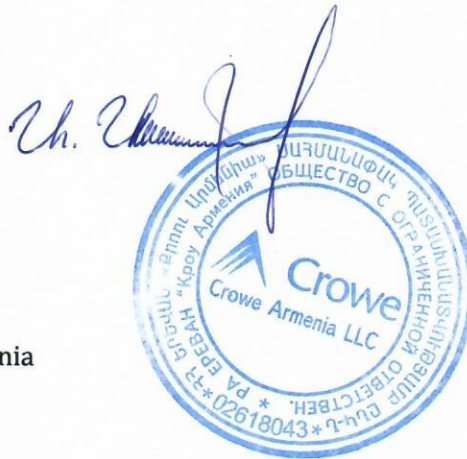
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Albert Asatryan.

April 1, 2026

Albert Asatryan
Engagement Partner,
Director

Crowe Armenia LLC
Yerevan, Republic of Armenia



Statement of profit or loss and other comprehensive income

In KAMD	Note	Year ended December 31, 2025	Year ended December 31, 2024
Revenue from contracts with customers	4	85,007,909	92,954,619
Cost of sales	5	(68,306,672)	(84,683,054)
Gross profit		16,701,237	8,271,565
Other income	6	5,641,936	3,505,530
Administrative expenses	7	(904,825)	(868,098)
Other operating expenses	8	(15,705,406)	(16,095,667)
Operating profit/(loss)		5,732,942	(5,186,670)
Financial income	9	1,033,492	875,606
Financial expense	9	(1,293,508)	(1,490,100)
Other financial items	10	1,632,450	6,661,584
Profit/(loss) before income tax		7,105,376	860,420
Income tax expense/(reimbursement)	11	(892,488)	1,043,406
Profit/(loss) for the year		6,212,888	1,903,826
<i>Other comprehensive income</i>			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		6,212,888	1,903,826

The financial statements were approved by the management of the Company on April 1st, 2026 by:

Gevorg Poghosyan
 Acting Chief Executive Officer

Garri Akhoyan
 Manager of Financial Services

Lianna Ohanyan
 Expert Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 41.

Statement of financial position

In thousand AMD		As of December 31, 2025	As of December 31, 2024
	Note		
Assets			
<i>Non-current assets</i>			
Property, plant, and equipment	12	97,818,497	104,401,196
Intangible assets		7,120	1,071
Deferred income tax assets	13	970,133	1,862,621
		98,795,750	106,264,888
<i>Current assets</i>			
Inventories	14	8,924,782	7,656,935
Trade and other receivables	15	13,101,443	9,742,888
Bank deposits	16	13,765,000	7,240,000
Cash and cash equivalents	17	1,963,650	372,369
		37,754,875	25,012,192
Total assets		136,550,625	131,277,080
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital		34,921,019	34,921,019
Share premium		11,276,317	11,276,317
Revaluation reserve		2,301,905	2,366,831
Accumulated profit/(loss)		16,656,729	14,513,171
Reserve capital		5,238,153	1,894,469
	18	70,394,123	64,971,807
<i>Non-current liabilities</i>			
Loans and borrowings	19	55,585,713	59,406,820
		55,585,713	59,406,820
<i>Current liabilities</i>			
Loans and borrowings	19	2,317,857	2,402,391
Trade and other payables	20	8,203,166	4,446,115
Grants related to income		49,766	49,947
		10,570,789	6,898,453
Total liabilities		66,156,502	66,305,273
Total equity and liabilities		136,550,625	131,277,080

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 41.

Statement of changes in equity

In thousand AMD	Share (Charter) capital	Share premium	Revaluation reserve	Reserve capital	Accumulated profit/(loss)	Total
As of January 1, 2024	12,629,796	11,276,162	2,431,758	1,491,780	13,799,516	41,629,012
Profit/(loss) for the year	-	-	-	-	1,903,826	1,903,826
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,903,826	1,903,826
Correction of error from previous years	-	-	-	-	(10,527)	(10,527)
Dividends	-	-	-	-	(841,882)	(841,882)
Issue of share capital	22,291,223	155	-	402,689	(402,689)	22,291,378
Transfer from revaluation reserve, considering the effect of income tax	-	-	(64,927)	-	64,927	-
As of December 31, 2024	34,921,019	11,276,317	2,366,831	1,894,469	14,513,171	64,971,807
Profit/(loss) for the year	-	-	-	-	6,212,888	6,212,888
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,212,888	6,212,888
Dividends	-	-	-	-	(790,573)	(790,573)
Reserve capital	-	-	-	3,343,684	(3,343,684)	-
Transfer from revaluation reserve, considering the effect of income tax	-	-	(64,927)	-	64,927	-
As of December 31, 2025	34,921,019	11,276,317	2,301,905	5,238,153	16,656,729	70,394,123

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 41.

Statement of cash flows

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Cash flows from operating activities		
Profit/(loss) before tax	7,105,376	860,420
<i>Adjustments for:</i>		
Depreciation of fixed assets	5,434,355	4,849,636
Amortization of intangible assets	2,579	1,618
Net (gain)/loss from disposal of fixed assets	1,375,476	134,543
Reserve reversal	-	(88,783)
Change in other reserves	(13,905)	(5,313)
Financial income	(1,033,492)	(875,606)
Financial expense	1,293,508	1,490,100
Foreign exchange (gain)/loss	(1,632,450)	(6,661,584)
<i>Operating profit before working capital changes</i>	12,531,447	(294,969)
Change in trade and other receivables	(3,499,856)	58,464
Change in inventories	(1,267,847)	(11,393)
Change in trade and other payables	4,016,946	1,093,099
<i>Cash generated from operating activities</i>	11,780,690	845,201
Interest received	938,114	922,598
Interest paid	(1,318,750)	(1,516,541)
Income tax paid	-	(697,581)
<i>Net cash from operating activities</i>	11,400,054	(446,323)
Cash flows from investing activities		
Issue of share capital	-	5,656,010
Acquisition of property, plant, and equipment	(227,132)	(8,132,248)
Acquisition of intangible assets	(8,620)	-
Investment in deposits	(19,692,000)	(17,354,963)
Repayment of deposits	13,167,000	23,815,007
<i>Net cash from/(used in) investing activities</i>	(6,760,752)	3,983,806
Cash flows from financing activities		
Dividends paid	(790,573)	(1,607,208)
Repayment of borrowings	(2,255,229)	(2,329,189)
<i>Net cash from/(used in) financing activities</i>	(3,045,802)	(3,936,397)
Net increase in cash and cash equivalents	1,593,500	(398,914)
Foreign exchange effect on cash	(2,219)	370
Cash and cash equivalents at the beginning of the year	372,369	770,913
Cash and cash equivalents at the end of the year	1,963,650	372,369

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 41.

Notes to the financial statements

1 Nature of operations and general information

"Yerevan TPC" enterprise was established in 1963. In 1997 "Yerevan Thermal Power Plant" state closed joint-stock company (the "Company") was founded.

The Company's main activities include:

- Production of electricity in the combined steam-gas cycle power unit, under the conditions of ensuring the safe and efficient operation of the plant,
- According to the rules and license of the wholesale electricity market of RA, as a public service provider.

1) Providing a balancing service by carrying out the purchase and sale of the necessary electrical energy in the balancing market,

2) providing a secondary and tertiary reserve service for the purposes of balancing and frequency regulation, by purchasing the necessary capacity.

With regard to the above, the Company carries out balancing electric energy trade, as well as provides secondary and tertiary reserve services for the purpose of balancing and frequency regulation to the participants of the MF trade with a consumption system.
Capacities

3) import and export of electricity.

The activity of the Company, including the tariff policy, is regulated by the Public Services Regulatory Commission of the Republic of Armenia. The first of the seven turbounits of the Yerevan Thermal Power Plant, the first turbine installation with a capacity of 50 MW, was put into operation in 1963, and the last one in 1967.

Having been in operation for more than 40 years, the units and auxiliary equipment of the power plant have undergone significant physical and moral wear and tear, exhausting their working normative reserves, as a result of which, naturally, the plant's operation - reliability and efficiency of electricity and thermal energy production have significantly dropped.

On March 29th, 2005, a loan agreement was signed between the RA government and the Japan Bank for International Cooperation (JBIC) regarding the implementation of the "Yerevan combined steam and gas cycle power plant (power unit) project". On the basis of the mentioned agreement, JBIC has provided a loan to the Government of the Republic of Armenia on preferential terms, allocating 26,409 million Japanese yen. The construction of the new factory started in 2006 and ended in 2010. It started to operate in April, 2010.

The average list number of the Company's employees in 2025 included 172 people (in 2024: 181 people).

The change of the Company's charter was registered in the state register on September 8th, 2006 (registration number: 269.070.00255).

The registered address of the company is: 3rd building, Arin Berdi Street 3rd lane, Yerevan, 0087, Republic of Armenia.

The taxpayer's registration number is 02205028.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are stated at present discounted value of future cash flows.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the Company's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Armenian AMD (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian AMD has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the note 20 to the financial statements.

2.5 New and amended IFRS standards that are effective for the current year

At the date of authorisation of these financial statements, the Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

IFRS Foundation Completed Projects	Effective Date	Application
Amendments to IAS 21. <i>"The Effects of Changes in Foreign Exchange Rates"</i> : Lack of Exchangeability	1 January 2025	Prospectively

Amendments to IAS 21. "The Effects of Changes in Foreign Exchange Rates": Lack of Exchangeability

The amendments in Lack of Exchangeability (Amendments to IAS 21) amend IAS 21 to:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example.

The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

IFRS Foundation Completed Projects	Effective Date	Application
Amendments to IFRS 9. <i>"Financial Instruments"</i> and IFRS 7. <i>"Financial Instruments: Disclosures"</i> : Classification and Measurement of Financial Instruments	1 January 2026	Retrospectively
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026	Prospectively
Amendments to IFRS 7. <i>"Financial Instruments: Disclosures"</i> and IFRS 9. <i>"Financial Instruments"</i> : Contracts Referencing Nature-dependent Electricity	1 January 2026	Retrospectively
IFRS 18. <i>"Presentation and Disclosure in Financial Statements"</i>	1 January 2027	Retrospectively
IFRS 19. <i>"Subsidiaries without Public Accountability: Disclosures"</i>	1 January 2027	Prospectively

Amendments to IFRS 10. "Consolidated Financial Statements" and IAS 28. "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely
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Amendments to IFRS 9. "Financial Instruments" and IFRS 7. "Financial Instruments: Disclosures": Classification and Measurement of Financial Instruments

The amendments to the application guidance of IFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

The amendments to the application guidance of IFRS 9 provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that have, or do not have, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amendments enhance the description of the term 'non-recourse'. Under the amendments, a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments and provide an example. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

The requirements in IFRS 7 are amended for disclosures that an entity provides in respect of these investments. In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.

The amendments require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or fair value through other comprehensive income and each class of financial liability measured at amortised cost.

The amendments also include amendments to IFRS 19. "Subsidiaries without Public Accountability: Disclosures", which limit the disclosure requirements for qualifying subsidiaries.

Annual Improvements to IFRS Accounting Standards – Volume 11

These amendments address minor clarifications and improvements to existing standards, generally with the aim of ensuring consistency and resolving issues that arise in practice.

Amendments to IFRS 7. "Financial Instruments: Disclosures" and IFRS 9. "Financial Instruments": Contracts Referencing Nature-dependent Electricity

The following requirements of IFRS 9 are affected by the amendments:

- the own-use requirements in IFRS 9 are amended to include the factors an entity is required to consider when applying IFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in IFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
 - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
 - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

IFRS 7 and IFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

The amendments are effective for annual periods beginning on or after 1 January 2026, with earlier application permitted.

The amendments to the own use exemption are required to be applied retrospectively in accordance with IAS 8 using the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

IFRS 18. "Presentation and Disclosure in Financial Statements"

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

IFRS 19. "Subsidiaries without Public Accountability: Disclosures"

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

3 Significant accounting policies

3.1 General conditions and first time adoption of IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which were valid as of December 31, 2025.

The concepts of accounting policy were applied to each period presented in the financial statements.

Refer to note 2.5 for standards and interpretations that were issued, but were not yet effective and were not early adopted by the Company.

The significant accounting policies applied for the preparation of the financial statements are presented below.

3.2 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated. Below are the exchange rates reported by the Central Bank of Armenia:

	As of December 31, 2025	As of December 31, 2024
US dollar	381.36	396.56
Euro	449.01	413.89
Japanese yen	2.447	2.514
Great Britain pound	515.60	499.27

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

3.3 Property, plant and equipment

Property, plant and equipment stated at a revalued amount

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any

accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognized in other comprehensive income (except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged) and shows as revaluation reserve in shareholder's equity. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The revaluation surplus is transferred to the accumulated profit as the asset is used by the Company. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated profit.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of comprehensive income as incurred.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Buildings and constructions	- 20 - 40 years
Power plants	- 40 years
Transmission devices	- 5 - 40 years
Machinery and equipment	- 5 - 40 years
Vehicles	- 5 years
Fittings	- 5- 40 years
Other	- 2 - 10 years

3.4 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

3.6 Financial instruments

This note provides information about the Company's financial instruments, including:

- An overview of all financial instruments held by the Company
- Accounting policies

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

Classification of financial liabilities

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

If debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through other comprehensive income (FVTOCI)

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Financial liabilities at amortised cost

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at "Fair value through other comprehensive income" (FVTOCI), the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings (accumulated profit or loss).

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: the carrying amount of the liability before the modification, and the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Impairment of financial instruments

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of "Expected credit losses" (ECL) is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Details of the accounting policies and methods adopted for each class of financial asset and financial liability, as well as the criteria and basis for recognition of income and expenses are presented in note 24.

3.7 Impairment

Impairment of property, plant and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.8 Non-current assets classified as held for sale

If the Company intends to sell non-current assets or groups of assets, and if the sale is highly probable to be carried out within 12 months, the asset or group of assets is classified as held for sale and presented as such in the statement of financial position.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair value less costs to sell. They are not subject to depreciation or amortization. Held for sale assets, however, such as financial assets or deferred tax assets, are measured as usual.

Any profit or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense", respectively, in the statement of comprehensive income. Any revaluation surplus remaining in equity on disposal of the asset is transferred to the accumulated profit.

3.9 Equity

Equity instruments issued by the Company are recorded at nominal value.

Share capital is the nominal value of issued shares.

Revaluation reserve includes gains and losses from revaluation of fixed assets.

Dividends are recognized as a liability in the period in which they are declared.

3.10 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.12 Revenue from contracts with customers

Revenue is measured at the fair value of the compensation received or receivable, taking into account the amounts of any trade discounts and concessions provided by the company. Revenue is recognized either at a point in time or over time when the Company satisfies its performance obligation by delivering the promised product or service to the customer.

The Company recognizes contractual obligations for compensation received for unsatisfied performance obligations and reflects these amounts in the statement of financial position as advances received from customers.

Similarly, if the Company satisfies the performance obligation before receiving the compensation, the Company recognizes either a contract asset or a receivable in the statement of financial position, depending on whether only a certain period of time or some other additional condition is required before the consideration expires.

The revenue mainly arises from:

- Sale of electricity
- Sale of natural gas
- Provision of capacity
- Cross-trade of electricity and gas

Performance obligation and revenue recognition moment

The majority of the Company's revenue is generated from the sale of electricity, for which revenue is recognized at the time of transfer of control to the customer. The transfer of control generally occurs when the electricity is delivered to the customer. Determining the moment of transfer of control in such cases does not require sophisticated judgment. Once the electricity has been delivered to the agreed location, after that the Company no longer has a right of ownership, it usually acquires a right to receive payment.

Determination of Transaction Price

The Company's revenues are derived from fixed price contracts and, therefore, the amount of revenue received from each contract is determined by those fixed prices.

Allocation of price to performance obligations

Most contracts have a fixed unit price for each product.

Application Exclusions

The Company has made use of the following application exclusions:

- not accounting for a financial component if the period between the delivery of the goods and the receipt of money is one year or less, and

- contract acquisition costs are recognized as an expense if the amortization period of the asset to be recognized would otherwise be one year or less.

Exchange of goods

When goods are exchanged for goods and services of the same nature and value, the exchange is not treated as a revenue generating transaction.

When goods are exchanged for goods and services of different nature and value, the exchange is treated as a revenue generating transaction. Revenue is measured at the fair value of the goods received, adjusted by the sum of any cash and cash equivalents transferred. When the fair value of the goods received cannot be measured reliably, revenue is measured at the fair value of the goods given, adjusted by the sum of any cash and cash equivalents transferred.

For additional information about the Company's accounting policies relating to revenue recognition, see note 4.

4 Revenue from contracts with customers

4.1 Disaggregation of revenue from contracts with customers

The Company generates revenue primarily from the sale of electricity, natural gas, provision of capacity and cross-trade between electricity and gas (see Note 3.12).

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Revenue from sale of electricity	76,070,198	71,575,252
Revenue from sale of natural gas	8,921,656	21,232,374
Cross-flow transaction - revenue from the sale of electricity	16,055	146,993
	85,007,909	92,954,619

Revenue from the sale of electricity

Revenue from the sale of electricity is recognized on a monthly basis based on the volume of electricity actually transferred.

The electricity tariff sold by the company is set by the Public Services Regulatory Commission of the Republic of Armenia.

Revenue from the sale of natural gas

Natural gas sales revenue is recognized on a monthly basis based on the volume actually delivered.

According to the contract, Yerevan CHP buys gas, in exchange for which it provides electricity to the supplier, applying an appropriate coefficient.

At the same time, the Company delivers part of the gas to the Third Party at the same point, the rest is used for electricity production. The third party, in exchange for the received gas, provides the Company with electricity at the same point with another factor defined by the contract, which the Company, in turn, fully transfers to the gas supplier.

The Company's management has exercised reasonable judgment to determine whether the Company is a Principal or an Agent in the circumstances in accordance with the requirements of the IFRS. Considering that the Company is primarily responsible for the execution of the contract, the resolution of contract issues and the conformity of the quality of the delivered product, the Company's management considered that the Company is the Principal party in the scope of the given transactions, therefore, it recognized the revenue on a gross basis.

Cross-flow transaction: proceeds from the sale of electricity

According to the contract, Yerevan CHP supplies electricity to the company that is a party to the contract. The supply of electricity is carried out in a certain period of time, which is due to weather conditions.

The Company, which is a party to the contract, compensates Yerevan CHP for the amount of electricity in accordance with the agreed procedure and amount.

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

In thousand AMD	Revenue from sale of electricity		Revenue from sale of natural gas	Cross-flow transaction - proceeds from the sale of electricity	Total
	Armenia	Other countries	Armenia	Other countries	
2025					
Total segment revenue	43,816,690	32,253,508	8,921,656	16,055	85,007,909
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	43,816,690	32,253,508	8,921,656	16,055	85,007,909
Timing of revenue recognition					
- At a specific point in time	-	-	-	-	-
- Over time	43,816,690	32,253,508	8,921,656	16,055	85,007,909
	43,816,690	32,253,508	8,921,656	16,055	85,007,909

In thousand AMD	Revenue from sale of electricity		Revenue from sale of natural gas	Cross-flow transaction - proceeds from the sale of electricity	Total
	Armenia	Other countries	Armenia	Other countries	
2024					
Total segment revenue	38,361,519	33,213,733	21,232,374	146,993	92,954,619
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	38,361,519	33,213,733	21,232,374	146,993	92,954,619
Timing of revenue recognition					
- At a specific point in time	-	-	-	-	-
- Over time	38,361,519	33,213,733	21,232,374	146,993	92,954,619
	38,361,519	33,213,733	21,232,374	146,993	92,954,619

5 Cost of sales

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Cost of sold electricity	21,650,849	35,953,369
Materials	15,776,683	19,748,360
Cost of sold gas	18,070,371	17,297,439
Transportation services	7,165,159	6,635,833
Depreciation and amortization	5,131,320	4,554,710
Employee remuneration	512,290	493,343
	68,306,672	84,683,054

6 Other income

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Income from the provision of services	108,704	109,907
Revenue from the provision of secondary and tertiary reserve services	5,520,440	3,213,377
Income from fines and penalties	10,094	24,109
Income from compensation for material damage	2,438	18,988
Net gain from foreign exchange differences	-	315
Grant income	-	9,503
Other	260	129,331
	5,641,936	3,505,530

7 Administrative expenses

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Employee remuneration	422,289	419,875
Depreciation and amortization	216,526	210,358
Non refundable taxes and duties	199,317	160,325
Communication expenses	3,864	4,894
Accounting and consulting expenses	31,096	31,657
Office and utility expenses	7,177	10,619
Business trips and hospitality costs	2,819	8,628
Bank charges	706	2,959
Other	21,031	18,783
	904,825	868,098

8 Other expenses

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Depreciation	89,103	89,106
Costs for secondary and tertiary reserve services	15,313,675	15,759,425
Security cost	130,355	130,197
Expenses from deterioration of assets	1,806	-
Expenses from fines and penalties	3,771	6,410
Net loss from foreign exchange differences	11,323	22,809
Other	155,373	87,720
	15,705,406	16,095,667

9 Financial income and expenses

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
<i>Financial income</i>		
Interest income on bank deposits	1,014,907	869,780
Interest income on bank accounts	18,585	5,826
	1,033,492	875,606

Financial expense

Interest expenses on bank loans	(1,293,508)	(1,490,100)
	(1,293,508)	(1,490,100)
	(260,016)	(614,494)

10 Other financial items

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Gain from revaluation of foreign currency- denominated assets and liabilities:		
- Cash and cash equivalents	5,512	13,281
- Trade and other receivables	3,500	72,334
- Loans and borrowings	5,095,158	12,306,934
- Trade and other payables	116,754	208,346
	5,220,924	12,600,895
Expense from revaluation of foreign currency- denominated assets and liabilities:		
- Cash and cash equivalents	(7,731)	(12,911)
- Trade and other receivables	(92,181)	(75,663)
- Loans and borrowings	(3,469,989)	(5,750,088)
- Trade and other payables	(18,573)	(100,649)
	(3,588,474)	(5,939,311)
Foreign currency exchange gain/(loss), net	1,632,450	6,661,584

11 Income tax expense

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Current income tax	-	-
Deferred income tax	892,488	(1,043,406)
	892,488	(1,043,406)

The Effective tax rate is presented below:

In thousand AMD	Year ended December 31, 2025	Effective tax rate (%)	Year ended December 31, 2024	Effective tax rate (%)
Profit/(loss) before income tax	7,105,376		860,420	
Income tax calculated at a tax rate of 18% (2024: 18%)	1,278,968	18.0	154,876	18.0
Tax consequence of other non-deductible expenses/(non-taxable income), net	(386,480)	(5.4)	(1,198,282)	(139.3)
Profit tax expense/(reimbursement)	892,488	12.6	(1,043,406)	(121.3)

12 Property, plant, and equipment

In thousand AMD	Buildings and constructions	Land	Transmission devices	Power plants, equipment	Vehicles	Capital construction-in-process	Fixtures and fittings, other PPE	Total
<i>Cost</i>								
As of January 1, 2024	24,572,482	5,388,333	18,547,132	143,756,720	309,587	1,680,339	1,746,088	196,000,681
Additions	-	-	60,894	8,046,379	12,417	-	12,558	8,132,248
Disposals	-	-	(22,123)	(112,254)	-	-	(179)	(134,556)
As of December 31, 2024	24,572,482	5,388,333	18,585,903	151,690,845	322,004	1,680,339	1,758,467	203,998,373
Additions	-	-	-	222,463	-	-	4,669	227,132
Disposals	-	-	-	(1,375,634)	-	-	(24)	(1,375,658)
As of December 31, 2025	24,572,482	5,388,333	18,585,903	150,537,674	322,004	1,680,339	1,763,112	202,849,847
<i>Accumulated depreciation and impairment</i>								
As of January 1, 2024	(8,646,487)	(2,327,435)	(9,334,139)	(71,666,992)	(211,132)	(1,680,339)	(881,030)	(94,747,554)
Current year depreciation expense	(644,556)	-	(407,002)	(3,752,651)	(11,342)	-	(34,085)	(4,849,636)
Write-offs	-	-	-	-	-	-	13	13
As of December 31, 2024	(9,291,043)	(2,327,435)	(9,741,141)	(75,419,643)	(222,474)	(1,680,339)	(915,102)	(99,597,177)
Current year depreciation expense	(644,556)	-	(407,966)	(4,333,718)	(13,598)	-	(34,517)	(5,434,355)
Write-offs	-	-	-	158	-	-	24	182
As of December 31, 2025	(9,935,599)	(2,327,435)	(10,149,107)	(79,753,203)	(236,072)	(1,680,339)	(949,595)	(105,031,350)
<i>Carrying amount</i>								
As of January 1, 2024	15,925,995	3,060,898	9,212,993	72,089,728	98,455	-	865,058	101,253,127
As of December 31, 2024	15,281,439	3,060,898	8,844,762	76,271,202	99,530	-	843,365	104,401,196
As of December 31, 2025	14,636,883	3,060,898	8,436,796	70,784,471	85,932	-	813,517	97,818,497

In 2010, a new thermal power plant with a nominal capacity of 205 MW and a heat delivery of 103 GCal/h (note 1) was put into operation in the Company.

In 2020, the combined steam-gas cycle power unit was upgraded, providing the following characteristics:

- Installed electric power of the power plant: 233.6 MW
- Nominal power 250.6 MW in ISO conditions
- Thermal power of the power plant: 434.9 GJ/h

As of December 31, 2025, the current value of that thermal power plant, including its related buildings, is 85,007,573 thousand AMD (as of December 31, 2024: 91,122,137 thousand AMD).

The 220/110/35 kV substation has been in operation since 2018, the balance sheet value of which as of December 31, 2025, is 6,686,234 thousand AMD (as of December 31, 2024: 7,057,720).

Fixed assets include the old thermal power plant, whose balance/revalued value as of December 31, 2025, including related buildings, amounts to 3,063,792 thousand AMD (as of December 31, 2024: 3,160,441 thousand AMD). The operation of the old thermal power plant was stopped after the operation of the new power plant, and it was kept as reserve capacity.

Within the framework of RA Prime Minister's May 25, 2020 decision No. 612-A, the Company initiated the process of expropriation of the unused and unsuitable property of the old power plant.

In order to secure bank loans and borrowings, the Company as of December 31, 2025, pledged fixed assets with a balance sheet value of 23,520,040 thousand AMD (as of December 31, 2024: 24,460,187 thousand AMD).

The company's fixed assets were last revalued by independent appraisers as of December 31, 2017. The real value of the land plots was determined by the comparative market method, which reflects sales transactions of similar plots of land in recent times.

The fair value of buildings that will continue to be used in the Company's normal operations, specifically the new substation built in 2010, was estimated using the Cost Method, which reflects the cost of acquiring or constructing an asset of similar quality and age by a market participant, adjusted for depreciation. In addition to years of wear and tear, obsolescence includes physical, functional (technological) and economic obsolescence.

The fair value of equipment intended for future use, in particular, installed in a new thermal power plant, was estimated based on the market value of similar equipment, adjusted for obsolescence.

The fair value of the buildings and equipment to be dismantled or alienated, in particular, those related to the old thermal power plant built in 1963, was estimated by deducting the

costs of dismantling and disposal from the market value of the realizable property or valuable materials arising from the dismantling, if any.

Depending on their unique nature, the fair value of revalued land, buildings and equipment is classified in Level 3 of the fair value hierarchy.

As of December 31, 2025, fixed assets with a revalued value of 13,649,570 thousand AMD have a zero balance sheet value (as of December 31, 2024: 12,117,881 thousand AMD).

Depreciation expenses were distributed as follows: cost of sales: 5,131,320 thousand AMD, administrative expenses: 213,932 thousand AMD, other expenses: 89,103 thousand AMD (in 2024: cost of sales: 4,554,710 thousand AMD, administrative expenses: 205,820 thousand AMD, other expenses: 89,106 thousand AMD).

13 Deferred income taxes

The movement of deferred income taxes is disclosed below:

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Balance at the beginning of the period	1,862,621	819,215
Recognized in profit or loss (expense)/compensation (See note 11)	(892,488)	1,043,406
Balance at the end of the period	970,133	1,862,621

Deferred income taxes for the year ended December 31, 2025 can be summarized as follows:

In thousand AMD	January 1, 2025	Recognized in the statement of profit or loss and other comprehensive income	December 31, 2025
<i>Deferred tax assets</i>			
Non-current financial assets	2,057,580	-	2,057,580
Trade and other receivables	72,862	-	72,862
Tax loss	1,178,193	(926,809)	251,384
Provision on employee benefits	9,529	(2,503)	7,026
	3,318,164	(929,312)	2,388,852
<i>Deferred tax liabilities</i>			
Property, plant, and equipment	(1,455,543)	36,824	(1,418,719)
	(1,455,543)	36,824	(1,418,719)
Net position - deferred tax assets/ (liabilities)	1,862,621	(892,488)	970,133

Deferred income taxes for the year ended December 31, 2024 can be summarized as follows:

In thousand AMD	January 1, 2024	Recognized in the statement of profit or loss and other comprehensive income	December 31, 2024
<i>Deferred tax assets</i>			
Non-current financial assets	2,057,580	-	2,057,580
Trade and other receivables	72,862	-	72,862
Tax loss	-	1,178,193	1,178,193
Provision on employee benefits	10,485	(956)	9,529
	2,140,927	1,177,237	3,318,164
<i>Deferred tax liabilities</i>			
Property, plant, and equipment	(1,321,712)	(133,831)	(1,455,543)
	(1,321,712)	(133,831)	(1,455,543)
Net position - deferred tax assets/ (liabilities)	819,215	1,043,406	1,862,621

Non-current financial assets that have given rise to a deferred tax asset represent loans that have been written off due to uncollectibility.

14 Inventories

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Spare parts	8,060,763	6,758,947
Raw materials	669,711	702,580
Construction materials	80,199	81,262
Fuel	3,864	2,393
Other	110,245	111,753
	8,924,782	7,656,935

The cost of inventories recognized as an expense and included in cost of sales during the year is AMD 15,776,683 thousand (2024: AMD 19,748,360 thousand).

15 Trade and other receivables

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Trade receivables	13,323,386	8,500,949
Prepayments	33,822	2,557
	13,357,208	8,503,506
Allowance for doubtful accounts	(404,789)	(404,789)
Accounts receivable from the State Budget	-	1,590,528
Other receivables	149,024	53,643
	13,101,443	9,742,888

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The average credit period on sales of services is 57 days (2024: 33 days). No interest is charged on the trade receivables.

As of December 31, 2025 trade receivables of AMD 404,789 thousand (December 31, 2024: AMD 404,789 thousand) were impaired and provided for. The amount of provision was AMD 404,789 thousand (December 31, 2024: AMD 404,789 thousand). The individually impaired trade receivables mainly relate to Artsakh Energo CJSC. Impaired receivables have a maturity of more than 1 year.

Movement of the allowance for doubtful receivables is presented below:

In thousand AMD	2025	2024
Balance at the beginning of the year	404,789	404,789
Reserve adjustment	-	-
Balance at the end of the year	404,789	404,789

In determining the recoverability of a trade receivable the Company considers any change in the repayment pattern from the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer range being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Refer to note 24.3 for the currencies in which the trade and other receivables are denominated.

16 Bank deposits

In thousand AMD	Current	
	As of December 31, 2025	As of December 31, 2024
Funds at financial institutions	13,765,000	7,240,000
	13,765,000	7,240,000

Bank deposits are invested in large and financially stable banks of Armenia.

17 Cash and cash equivalents

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Bank accounts	1,963,650	372,369
	1,963,650	372,369

18 Capital and reserves

18.1 Share (Charter) capital

Declared shares	2025	2024
12,202,701 common shares, 2,861.745 AMD each (2024: 12,202,701 common shares, 2,861.745 AMD each)	34,921,018,573	34,921,018,573

Shareholder	2025		2024	
	Share (in thousand AMD)	Share size (%)	Share (in thousand AMD)	Share size (%)
Republic of Armenia	34,921,019	100%	34,921,019	100%
	34,921,019	100%	34,921,019	100%

18.2 Dividends

In 2025, dividends amounting to AMD 790,573 thousand was declared, in 2024, AMD 841,882 thousand was declared. As of December 31, 2025, the declared dividends are fully paid.

18.3 Revaluation reserve

The revaluation reserve arises on the revaluation of Property, plant, and equipment (note 12).

18.4 Reserve capital

The reserve capital is used to transfer profits from accumulated profit. These transfers are regulated by the Company's charter, which states that the reserve capital was replenished by 3,343,684 thousand drams in 2025 (in 2024: 402,689 thousand drams).

19 Loans and borrowings

In thousand AMD	Current		Non-current	
	As of December 31, 2025	As of December 31, 2024	As of December 31, 2025	As of December 31, 2024
<i>Loans calculated at amortized cost</i>	2,317,857	2,402,391	55,585,713	59,406,820
	2,317,857	2,402,391	55,585,713	59,406,820

Refer to note 24.3 for the currencies in which the loans and borrowings are denominated.

Refer to note 24.3 for more information about the Company's exposure to interest rate and foreign currency risks.

20 Trade and other payables

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Trade payables	7,878,895	4,128,475
Employee payables	34,979	34,828
Other taxes and liabilities payable	250,012	229,661
Reserves	39,030	52,935
Other	250	216
	8,203,166	4,446,115

No interest is charged on the trade payables. The Company has financial risk management policies to ensure that all payables are paid within the credit timeframe.

21 Subsequent events

There have been no events after the reporting date that would require adjustment or additional disclosure in these financial statements.

22 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

22.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future.

Accounting estimates mainly refer to the impairment of receivables and other financial assets over the useful lives of fixed assets, measuring fair value.

22.2 Critical judgments in applying accounting policies

The significant judgments made by management in applying the Company's accounting policies that have a material impact on the amounts recognized in the financial statements are presented below:

Recognition of income: Principal or agent (note 4).

23 Financial instruments

23.1 Significant accounting policies

This note provides information about the Company's financial instruments, including:

- specific information about each type of financial instrument
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

Significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability are disclosed in note 3.6.

Financial assets

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Financial assets at amortized cost		
- Trade and other receivables	12,918,597	8,096,160
- Bank deposits	13,765,000	7,240,000
- Cash and cash equivalents	1,963,650	372,369
	<u>28,647,247</u>	<u>15,708,529</u>

Financial liabilities

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Financial liabilities at amortized cost		
- Loans	57,903,570	61,809,211
- Trade and other payables	7,878,895	4,128,475
	65,782,465	65,937,686

23.2 Financial risk management objectives

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

23.3 Financial risk factors

a) Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Company's transactions are carried out in Armenian AMD. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, borrowings, which are primarily denominated in US dollar, Great Britain pound sterling, Japanese yen, and Euro.

Item	USD	EUR	JPY	GBP	Total
As of December 31, 2025					
<i>Financial assets</i>					
Trade and other receivables	885,916	-	-	-	885,916
Cash and cash equivalents	-	-	-	10,113	10,113
	885,916	-	-	10,113	896,029
<i>Financial liabilities</i>					
Loans and borrowings	14,496,838	-	41,388,310	-	55,885,148
Trade and other payables	-	31,705	-	97,236	128,941
	14,496,838	31,705	41,388,310	97,236	56,014,089
Net position	(13,610,922)	(31,705)	(41,388,310)	(87,123)	(55,118,060)

Item	USD	EUR	JPY	GBP	Total
As of December 31, 2024					
<i>Financial assets</i>					
Trade and other receivables	3,221,382	-	-	-	3,221,382
Cash and cash equivalents	-	279,117	-	-	279,117
	3,221,382	279,117	-	-	3,500,499
<i>Financial liabilities</i>					
Loans and borrowings	15,088,473	-	44,702,157	-	59,790,630
Trade and other payables	2,657	314,988	-	12,102	329,747
	15,091,130	314,988	44,702,157	12,102	60,120,377
Net position	(11,869,748)	(35,871)	(44,702,157)	(12,102)	(56,619,878)

The following table details the Company's sensitivity to a 10% (2024: 10%) increase and decrease in dram against US dollar, Great Britain pound sterling, Japanese yen, and Euro. 10% (2024: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2024: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2024: 10%) then this would have had the following impact:

	Impact of US dollar		Impact of euro		Impact of Japanese yen		Impact of Great Britain pound	
	2025	2024	2025	2024	2025	2024	2025	2024
Profit or loss	(1,361,092)	(1,186,975)	(3,171)	(3,587)	(4,138,831)	(4,470,216)	(8,712)	(1,210)
	(1,361,092)	(1,186,975)	(3,171)	(3,587)	(4,138,831)	(4,470,216)	(8,712)	(1,210)

Interest rate risk

The company does not have financial instruments with floating interest rates.

The Company does not have formal policies and procedures adopted for the management of interest rate risk, as management considers that this risk is not material to the Company's operations.

The following table reconciles the average contract and effective interest rates:

2025	Fixed average nominal interest rate	Effective interest rate
<i>Liabilities</i>		
<i>Loans</i>		
Japanese yen	0.75%	0.75%

2024	Fixed average nominal interest rate	Effective interest rate
Liabilities		
<i>Loans</i>		
Japanese yen	0.75%	0.75%

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The effect of this risk for the Company arises from different financial instruments, such as accounts receivable, term deposits, held-to-maturity investments, amounts due from financial institutions, etc. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Carrying amounts of financial assets		
- Trade and other receivables	12,918,597	8,096,160
- Bank deposits	13,765,000	7,240,000
- Cash and cash equivalents	1,963,650	372,369
	28,647,247	15,708,529

At the reporting date there was no significant concentration of credit risk in respect of trade and other receivables.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The Company invests funds in a diversified portfolio of liquid assets to meet unforeseen liquidity requirements quickly and immediately. The company's liquidity package consists of cash and equivalents and term deposits. According to the Management's assessment, cash in the liquidity package, term deposits can be realized within a day of cash to meet unforeseen liquidity requirements.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

2025	Non- interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)	0.0%	0.75%	
Less than 6 months	8,351,156	1,211,195	9,562,351
6 months to 1 year	-	1,204,775	1,204,775
1-5 years	-	16,083,296	16,083,296
More than 5 years	-	44,085,480	44,085,480
	8,351,156	62,584,746	70,935,902
Carrying amount	8,351,156	70,721,687	79,072,843

2024	Non- interest bearing	Fixed interest rate instruments	Total
Weighted average effective interest rate (%)	0.0%	0.75%	
Less than 6 months	4,128,480	1,314,397	5,442,877
6 months to 1 year	-	1,087,994	1,087,994
1-5 years	-	8,703,951	8,703,951
More than 5 years	-	50,702,869	50,702,869
	4,128,480	61,809,211	65,937,691

23.2 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity comprising issued capital, reserves and accumulated profits and debt.

The Company management reviews the capital structure on a regular basis to maintain the most optimal debt to equity balance, which is analyzed by calculating gearing ratio (net debt divided by total capital), as follows

In thousand AMD	As of December 31, 2025	As of December 31, 2024
Total loans and borrowings	57,903,570	61,809,211
Equity	70,394,123	64,971,807
Gearing ratio (Net debt to equity ratio)	82%	95%

23.3 Fair value measurements recognized in the statement of financial position and fair value hierarchy

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In thousand AMD		Fair value hierarchy measurement		
Description	As of December 31, 2025	Level 1	Level 2	Level 3
<i>Financial assets measured at fair value</i>				
Trade and other receivables	12,918,597	12,918,597	-	-
Bank deposits	13,765,000	13,765,000	-	-
Cash and cash equivalents	1,963,650	1,963,650	-	-
	28,647,247	28,647,247	-	-

In thousand AMD		Fair value hierarchy measurement		
Description	As of December 31, 2025	Level 1	Level 2	Level 3
<i>Financial liabilities measured at fair value</i>				
Loans and borrowings	57,903,570	57,903,570	-	-
Trade and other payables	7,878,895	7,878,895	-	-
Total	65,782,465	65,782,465	-	-

In thousand AMD		Fair value hierarchy measurement		
Description	As of December 31, 2024	Level 1	Level 2	Level 3
<i>Financial assets measured at fair value</i>				
Trade and other receivables	8,096,160	8,096,160	-	-
Bank deposits	7,240,000	7,240,000	-	-
Cash and cash equivalents	372,369	372,369	-	-
	15,708,529	15,708,529	-	-

In thousand AMD		Fair value hierarchy measurement		
Description	As of December 31, 2024	Level 1	Level 2	Level 3
<i>Financial liabilities measured at fair value</i>				
Loans and borrowings	61,809,211	61,809,211	-	-
Trade and other payables	4,128,475	4,128,475	-	-
Total	65,937,686	65,937,686	-	-

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

24 Contingencies

24.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

The possible effects of these factors on the Company may include the inability to pay creditors when they become due, impaired reputation, difficulties in selling the goods and services, difficulties in obtaining funds, etc. All these problems may lead to the lessened liquidity of the Company and, accordingly, to going concern problems. Also, there are still uncertainties about the economic situation of countries, collaborating with Armenia, due to the forecasted slowdown in the world economy, which may lead to the shortage of money transfers from abroad, as well as to the decline in the prices of mining products, upon which the economy of Armenia is significantly dependant. In times of more severe market stress the situation of Armenian economy and of the Company may be exposed to deterioration. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Company may be affected.

The financial statements of the Company do not include the effects of adjustments, if any, which might have been considered necessary, had the effects of the factors described above become observable and reliably measurable in Armenia.

24.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Company does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Company's property or relating to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse affect on the Company's operations and financial position.

24.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

24.4 Environmental matters

The environment in which the Company operates does not require the Company to submit an annual environmental impact report or similar report. Management is of the opinion that the Company has met the Government's requirements concerning environmental matters and, therefore, believes that the Company does not have any current material environmental liabilities. However, environmental legislation in Armenia is in process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

25 Related party transactions

The Company is controlled by the Republic of Armenia, which is the sole shareholder of the Company.

25.1 Transactions with related parties

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand AMD	As of December 31, 2025		As of December 31, 2024	
	Shareholder	Companies under common control	Shareholder	Companies under common control
Loans and borrowings	57,903,570	-	61,809,211	-
Trade and other receivables	-	327,220	-	141,515
Trade and other payables	-	354,848	-	391,361

In thousand AMD	As of December 31, 2025		As of December 31, 2024	
	Shareholder	Companies under common control	Shareholder	Companies under common control
Interest expenses	1,293,508	-	1,490,100	-
Repayment of accrued interest	1,318,750	-	1,516,540	-
Repayment of borrowing	2,255,229	-	2,329,190	-
Services received	-	4,135,076	-	3,666,186
Services provided	-	3,978,466	-	2,983,598
Purchases	-	1,841,557	-	3,745,727

25.2 Transactions with management and close family members

Directors of the Company and their close family members as of December 31, 2025 and December 31, 2024 had no significant shares in the Company.

Key management received the following remuneration during the year, which is included in payroll and employee benefits.

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Salaries and bonuses, including contributions to Social State fund	37,768	22,984
	37,768	22,984

Statement of cash flows (Direct method)

In thousand AMD	Year ended December 31, 2025	Year ended December 31, 2024
Cash flows from operating activities		
Proceeds from customers	55,889,945	51,055,706
Payments to suppliers	(42,229,322)	(56,947,852)
Payments to employees	(771,561)	(735,303)
Payments to the budget and social fund, including:	(1,334,822)	(1,288,677)
<i>Resident income tax</i>	-	(666,171)
Other income	16,911	20,390
Other expenses	(17,593)	(50,745)
Net cash from operating activities	11,553,558	(7,946,481)
<i>Cash flows from investing activities</i>		
Acquisition of intangible assets	(8,620)	(38,104)
Investment of deposits	(19,692,000)	(17,354,963)
Repayment of deposits	13,167,000	23,815,007
Interest received	938,114	922,555
Net cash from investing activities	(5,595,506)	7,344,495
Cash flows from financing activities		
Issue of share capital	-	5,656,010
Dividends paid	(790,573)	(1,607,208)
Repayment of borrowings	(2,255,229)	(2,329,189)
Interest paid	(1,318,750)	(1,516,541)
<i>Net cash from/(used in) financing activities</i>	(4,364,552)	203,072
Net increase in cash and cash equivalents	1,593,500	(398,914)
Foreign exchange effect on cash	(2,219)	370
Cash and cash equivalents at the beginning of the year	372,369	770,913
Cash and cash equivalents at the end of the year	1,963,650	372,369