Gazprom Armenia CJSC

International Financial Reporting Standards Separate Financial Statements and Independent Auditors’ Report

31 December 2024

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Independent Auditors' Report

To the Shareholders and Board of Directors of Gazprom Armenia CJSC

Opinion

We have audited the separate financial statements of Gazprom Armenia CJSC (the "Company"), which comprise the separate statement of financial position as at 31 December 2024, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising Material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2024, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Armenia, 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.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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 auditors' report is:

Davit Shamshyan
Director, Audit Department

Irina Gevorgyan
Managing Partner
Director of KPMG Armenia LLC

KPMG Armenia LLC

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«KPMG ARMENIA»
02529689

KPMG Armenia LLC
7 March 2025

In millions of Armenian Drams	Note	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	8	303,916	308,250
Prepayments for non-current assets	9	682	949
Borrowings provided	12	10,394	-
Term deposits	13	500	-
Investments in subsidiaries	7	9,071	9,071
Other non-current assets		262	229
Total non-current assets		**324,825**	**318,499**
Current assets			
Inventories	10	17,542	17,951
Trade and other receivables	11	39,020	36,605
Borrowings provided		809	300
Current income tax prepayment		300	-
Term deposits	13	2,380	5,177
Cash and cash equivalents	14	27,192	18,790
Total current assets		**87,243**	**78,823**
Total assets		**412,068**	**397,322**
EQUITY			
Share capital	15	315,158	370,932
Additional paid-in capital		216	216
Retained earnings/(accumulated deficit)		46,030	(15,921)
Total equity		**361,404**	**355,227**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	25	12,789	8,596
Government grants	16	45	56
Total non-current liabilities		**12,834**	**8,652**
Current liabilities			
Income tax payable		-	140
Trade and other payables	17	37,830	33,303
Total current liabilities		**37,830**	**33,443**
Total liabilities		**50,664**	**42,095**
Total liabilities and equity		**412,068**	**397,322**

Approved for issue and signed on 7 March 2025.

Ashot Hakobyan
Chairman of the Board – General Director

Vardan Nacharyan
Chief Accountant

ЗАО «ГАЗПРОМ АРМЕНИЯ»

The accompanying notes on pages 5 to 32 are an integral part of these separate financial statements.

In millions of Armenian Drams	**Note**	**2024**	**2023**
Revenue	18	245,598	250,904
Cost of sales	19	(214,350)	(212,384)
Gross profit		**31,248**	**38,520**
Other operating income	20	5,950	6,391
General and administrative expenses	21	(10,326)	(9,098)
Other operating expenses	22	(4,308)	(6,182)
Operating profit		**22,564**	**29,631**
Finance income	23	1,916	1,162
Finance costs	24	(723)	(917)
Profit before income tax		**23,757**	**29,876**
Income tax expense	25	(4,630)	(6,218)
Profit for the year		**19,127**	**23,658**
Total comprehensive income for the year		**19,127**	**23,658**

In millions of Armenian Drams	**Share capital**	**Additional paid-in capital**	**Retained earnings/ (accumulated deficit)**	**Total**
Balance at 1 January 2023	**370,932**	**216**	**(39,579)**	**331,569**
Total comprehensive income for 2023	-	-	23,658	23,658
Balance at 31 December 2023 and 1 January 2024	**370,932**	**216**	**(15,921)**	**355,227**
Total comprehensive income				
Total comprehensive income for 2024	-	-	19,127	**19,127**
Total comprehensive income for the year	**-**	**-**	**19,127**	**19.127**
Transactions with owners, recorded directly in equity				
Dividends declared	-	-	(11,883)	**(11,883)**
Initial discount of interest free borrowings given to shareholder net of deferred tax assets (Note 12)	-	-	(1,067)	**(1,067)**
Total transactions with owners	**-**	**-**	**(12,950)**	**(12,950)**
Capital reduction (Note 15)	(55,774)	-	55,774	**-**
Balance at 31 December 2024	**315,158**	**216**	**46,030**	**361,404**

The accompanying notes on pages 5 to 32 are an integral part of these separate financial statements.

In millions of Armenian Drams	**Note**	**2024**	**2023**
Cash flows from operating activities			
Profit before income tax		23,757	29,876
Adjustments for:			
Depreciation	19, 21, 22	18,293	17,996
Impairment of trade and other receivables	22	744	148
Impairment of property, plant and equipment	22	730	1,176
Net change in provisions	22	36	156
Net gain on disposal of property, plant and equipment	20	(39)	(158)
Income from granted property, plant and equipment	20	(11)	(38)
Net foreign exchange loss	20,24	604	620
Dividends	20	(1,269)	(646)
Interest income	23	(1,916)	(995)
Interest expense	24	-	917
Other movements		36	1
Operating cash flows before working capital changes		**40,965**	**49,053**
(Increase)/decrease in trade and other receivables		(3,123)	11,509
Increase in inventories		(496)	(1,631)
Increase in trade and other payables		4,585	(710)
Operating cash flows after working capital changes		**41,931**	**58,221**
Interest income received		1,867	934
Interest paid		-	(660)
Income tax paid		(643)	-
Net cash from operating activities		**43,155**	**58,495**
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,753)	(12,550)
Proceeds from sale of property, plant and equipment		130	57
Dividends received		1,269	635
Repayment of matured term deposits		15,450	5,836
Placement of new deposits		(13,129)	(10,036)
Borrowings provided		(12,907)	(300)
Proceeds from repayment of borrowings provided		3	-
Net cash used in investing activities		**(22,937)**	**(16,358)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	371
Repayment of loans and borrowings		-	(38,335)
Dividends paid		(11,883)	-
Net cash used in financing activities		**(11,883)**	**(37,964)**
Effect of exchange rate changes on cash and cash equivalents		67	(15)
Cash and cash equivalents at the beginning of the year	14	**18,790**	**14,632**
Cash and cash equivalents at the end of the year	14	**27,192**	**18,790**

Financing transactions that did not require the use of cash and cash equivalents were excluded from the separate statement of cash flows and are disclosed in Note 26.

Notes to the Separate Financial Statements

1 Gazprom Armenia CJSC and its Operations

These separate financial statements have been prepared for the year ended 31 December 2024 for Gazprom Armenia CJSC (the "Company").

The Company was incorporated and is domiciled in the Republic of Armenia. The Company is a closed joint stock company limited by its shares and was set up in accordance with regulations of the Republic of Armenia.

Registered address and place of business. The Company's registered address is #43 Tbilisi Highway, Yerevan 0091, Republic of Armenia.

As of 31 December 2024, and 2023, the Company's immediate and ultimate parent company was PAO Gazprom and the Company was ultimately controlled by the Government of the Russian Federation.

Principal activity. The Company's principal business activity is import and distribution of natural gas, the operation of the gas pipeline system in the Republic of Armenia and production of electricity through its thermal (gas) power plant (5th power unit of the Hrazdan Thermal Power Plant). The Company has an exclusive license for distribution of gas within the Republic of Armenia. The tariffs for gas transportation and distribution are established by the Public Services Regulatory Commission of the Republic of Armenia (the "PSRC").

Gas tariff (VAT inclusive) per type of subscribers are follows:

a) For socially insecure subscribers: for less than 600 cubic meter annual consumption is AMD 100,000 per 1000 cubic meter, and for above 600 cubic meter annual consumption is AMD 143,700 per 1,000 cubic meters.
b) For greenhouses operating in the field of agriculture for consumption during 1 November till 31 March period is AMD equivalent of USD 233.9 per 1,000 cubic meters, for the remaining period the same as described in point (d).
c) For agricultural food processors: AMD equivalent of USD 233.9 per 1,000 cubic meters,
d) For remaining subscribers with less than 10,000 cubic meters monthly consumption is AMD 143,700 per 1,000 cubic meters and for the subscribers consuming more than 10,000 cubic meters of gas per month has changed to AMD equivalent of USD 265.81 per 1,000 cubic meters.

The majority of the natural gas is purchased from Gazprom Export LLC (entity under common control of the parent company), refer to Note 6.

The operations of the Company are within the Republic of Armenia.

2 Operating Environment of the Company

The Company's operations are primarily located in Armenia. Consequently, the Company is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

Additionally, continuous military conflicts between Armenia and Azerbaijan eventually leading to Azerbaijan remaining in effective control of Nagorno-Karabakh territory in September 2023 and ongoing military conflict between the Russian Federation and Ukraine have increased the level of uncertainty in the business environment. The situation between Armenia and Azerbaijan continues to be tense due to ongoing disagreements regarding the delimitation of borders between Armenia and Azerbaijan.

The separate financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

3 Summary of Material Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

The separate financial statements of the Company represent the results and financial position of Gazprom Armenia CJSC and do not include results and financial position of subsidiaries. Preparation of separate financial statements is required by Republic of Armenia legislation. These separate financial statements should be read in conjunction with the Group’s consolidated financial statements as of and for the year ended 31 December 2024 authorised on 27 February 2025 which are available to the users at the Company’s premises and website.

The separate financial statements are presented in millions of Armenian drams (“AMD”), except where it is specifically stated otherwise.

The principal accounting policies applied in the preparation of these separate financial statements are the same as compared with those applied in the previous year and are set out below.

Investments in subsidiaries and affiliates. Investments in subsidiaries are stated at cost less any recognized impairment losses.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised, if the Company has confidence that the future economic benefits form the use of the asset will exceed the original standards of performance, while the replaceable parts are retired. The cost of major repairs is amortised over the remaining useful lives of the relevant property, plant and equipment.

At each end of the reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year within other operating income or expenses.

Depreciation. Land and construction in progress are not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	8 to 83
Pipeline and tanks	10 to 83
Other plant and equipment	5 to 25

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period (Note 8).

The technological gas is classified as property, plant and equipment and it is depreciated over the estimated useful lives of the pipelines and tanks.

Impairment of non-financial assets. Non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Financial instruments

Recognition and initial measurement. Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets. On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above, or FVOCI, are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the Central Bank of Armenia (CBA). The Company have an option to either accept the revised rate or redeem the loan at par without penalty. The Company considers these loans as in essence floating rate loans.

Financial liabilities – Classification, subsequent measurement and gains and losses. Financial liabilities are classified as measured at amortised and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Modification of financial assets and financial liabilities

Financial assets. If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities. The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBA key rate, if the loan contract entitles banks to do so and the Company has an option to either accept the revised rate or redeem the loan at par without penalty. The Company y treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment 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 interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition of financial assets. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Derecognition of financial liabilities. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting. Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost (AC) using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis for gas and first in first out basis for the other types of the inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset, which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the separate financial statements are authorised for issue are disclosed in the subsequent events.

Revenue recognition. Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of value added taxes.

The Company defines the following performance obligations: sales of natural gas (natural gas distribution), transportation of natural gas and sales of electricity.

The Company recognises revenue from the sales of natural gas when control of the good has transferred, being when the gas is delivered to the customer, the customer has full discretion over it and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The Company sells natural gas under fixed-price contracts. A receivable is recognised when the goods are delivered to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time with regards to transportation of natural gas, sales of electricity and other services rendered, because the customer receives and uses the respective benefits simultaneously. Customers are invoiced on a monthly basis based on the actual volume of electricity sold/natural gas transported in the respective calendar month. Revenue is recognised in the amount that the Company has the right to invoice, as this amount corresponds directly with the value to the customer of the Company's performance completed to date.

The Company does not have significant contract assets in respect of the contracts with customers. Contract liabilities are recognised with regards to the prepayments received from the customers and represent the Company's obligation to transfer goods or services to a customer for which the Company has received consideration. It is presented within trade and other payables in the separate statement of financial position.

Contracts for all types of revenue do not contain a significant financing component, as the terms of payments agreed by contracting parties do not provide to the customers or to the Company significant benefit of financing. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Interest income is recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums or discounts.

4 Use of Estimates and Judgements

The Company makes estimates and assumptions that affect the amounts recognised in the separate financial statements and the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

***Estimate of ECL**.* Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements is included in Notes 11 and 28.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company.

The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5 New Standards and Interpretations Not Yet Adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these separate financial statements.

(a) IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.
The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

(b) Other standards

The following new and amended standards are not expected to have a significant impact on the Company's separate financial statements.

- Lack of Exchangeability (Amendments to IAS 21).
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties as at 31 December 2024 and 2023 were as follows:

	2024			**2023**		
In millions of Armenian Drams	**Entities under common control**	**Subsidiary companies**	**Shareholder**	**Entities under common control**	**Subsidiary companies**	**Shareholder**
Loans and borrowings provided	-	800	10,306	-	300	-
Trade and other receivables	-	64	-	-	340	
Prepayments for non-current assets	-	43	-	-	-	-
Trade and other payables	(22,448)	(1,387)	(2)	(19,492)	(1,591)	(1)

The transactions with related parties for the year ended 31 December 2024 and 2023 were as follows:

	2024			2023		
In millions of Armenian Drams	**Entities under common control**	**Subsidiary companies**	**Shareholder**	**Entities under common control**	**Subsidiary companies**	**Shareholder**
Purchases of gas	(157,136)	-	-	(161,194)	-	-
Cost of transportation of gas	-	(4,190)	-	-	(3,226)	-
Trust management income	-	3,587	-	-	2,619	-
Purchases of other services and materials	(51)	(970)	-	(57)	(650)	(5)
Sale of other services and materials	-	-	-	-	264	-
Interest expense	-	-	-	2	-	-
Dividend income	-	1,269	-	-	646	-
Revenue	-	654	-	-	-	-
Other income	-	45	-	-	61	-
Other expenses	7	(3,451)	9	-	(3,374)	(5)

Key management compensation is presented below:

In millions of Armenian Drams	**2024**	**2023**
Short-term benefits:		
– Salaries	705	885
– Short-term bonuses	138	39
Total	**843**	**924**

There are AMD 6 million accrued liabilities in respect of key management compensation as at 31 December 2024 (2023: AMD 37 million). Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

7 Investments in Subsidiaries

In millions of Armenian Drams	**2024**	**2023**
Investments in AEG-Service LLC	4,652	4,652
Investments in Transgaz LLC	2,503	2,503
Investments in Armavir gasmash LLC	1,310	1,310
Investments in Avtogas LLC	353	353
Investments in Butan LLC	248	248
Investments in Exploitation and Maintenance of the Corporate Technologic Communications LLC	5	5
Total	**9,071**	**9,071**

Subsidiaries are presented in the table below:

Subsidiary	Country of incorporation	2024 Ownership/voting	2023 Ownership/voting
Armavir gasmash LLC	Republic of Armenia	100%	100%
Avtogas LLC	Republic of Armenia	100%	100%
Butan LLC	Republic of Armenia	100%	100%
Transgaz LLC	Republic of Armenia	100%	100%
Exploitation and Maintenance of the Corporate Technologic Communications LLC	Republic of Armenia	100%	100%
AEG-Service LLC	Republic of Armenia	100%	100%
Pozhtekhnika LLC	Republic of Armenia	100%	100%

Principal activities of the subsidiaries are as follows:

Armavir gasmash LLC produces gas and other industry related equipment.

Avtogas LLC performs storage and sale of compressed gas, exploitation and maintenance of car gas fuelling stations, installation of gas equipment.

Butan LLC performs purchase and subsequent resale of liquid gas, repair and attestation of liquid gas cylinders and exploitation of gas filling stations.

Transgaz LLC performs transportation of natural gas over the territory of the Republic of Armenia and management of underground gas storages.

Exploitation and Maintenance of the Corporate Technologic Communications LLC provides communication and IT services.

AEG-Service LLC provides technical maintenance of gas-distributing (in-house) gas networks and gas equipment of industrial customers.

Pozhtekhnika LLC imports and sales fire-fighting equipment and performs work on refuelling and repair of fire extinguishers.

8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In millions of Armenian Drams	**Land and buildings**	**Pipelines and tanks**	**Other plant and equipment**	**Construction in progress**	**Total**
Cost					
Balance at 1 January 2023	**77,182**	**220,472**	**211,427**	**12,763**	**521,844**
Additions	89	1	2,004	13,412	15,506
Disposals	(21)	(138)	(408)	(39)	(606)
Transfers	1,020	14,998	2,992	(19,010)	-
Balance at 31 December 2023	**78,270**	**235,333**	**216,015**	**7,126**	**536,744**
Additions	505	104	1,844	12,363	14,816
Disposals	(641)	(234)	(649)	(115)	(1,639)
Transfers	87	8,279	3,428	(11,794)	-
Balance at 31 December 2024	**78,221**	**243,482**	**220,638**	**7,580**	**549,921**
Depreciation					
Balance at 1 January 2023	**(10,419)**	**(122,682)**	**(76,446)**	**(235)**	**(209,782)**
Depreciation	(1,493)	(6,533)	(9,970)	-	(17,996)
Impairment	(235)	(405)	(105)	(431)	(1,176)
Disposals	12	34	393	21	460
Transfers	5	12	(17)	-	-
Balance at 31 December 2023	**(12,130)**	**(129,574)**	**(86,145)**	**(645)**	**(228,494)**
Depreciation	(1,521)	(6,557)	(10,139)	-	(18,217)
Impairment	(531)	(87)	(93)	(35)	(746)
Disposals	555	192	649	56	1,452
Transfers	1	5	(6)	-	-
Balance at 31 December 2024	**(13,626)**	**(136,021)**	**(95,734)**	**(624)**	**(246,005)**
Carrying amount					
At 1 January 2023	**66,763**	**97,790**	**134,981**	**12,528**	**312,062**
At 31 December 2023	**66,140**	**105,759**	**129,870**	**6,481**	**308,250**
At 31 December 2024	**64,595**	**107,461**	**124,904**	**6,956**	**303,916**

Out of the total depreciation charge of AMD 18,293 million for the year ended 31 December 2024 (2023: AMD 17,996 million) AMD 17,371 million is charged to cost of sales (2023: AMD 17,079 million), refer to Note 19, AMD 310 million to general and administrative expenses (2023: AMD 294 million), refer to Note 21, AMD 612 million to other operating expenses (2023: AMD 623 million), refer to Note 22.

9 Prepayments for Non-current Assets

Movements in prepayments for non-current assets were as follows:

In millions of Armenian Drams	**Prepayments for acquisition of property plant and equipment**
Balance at 1 January 2023	**850**
Additions	2,492
Prepayments transferred to construction in progress on receipt of related goods and services	(2,393)
Balance at 31 December 2023 and at 1 January 2024	**949**
Additions	3,956
Prepayments transferred to construction in progress on receipt of related goods and services	(4,223)
Balance at 31 December 2024	**682**

10 Inventories

In millions of Armenian Drams	**2024**	**2023**
Gas in gas storages and pipeline system	8,317	8,238
Raw and other materials	10,318	11,084
Other inventories	66	63
Write down of inventories	(1,159)	(1,434)
Total inventories	**17,542**	**17,951**

In 2024 the cost of inventories recognised as an expense within the cost of sales amounted to AMD 157,236 million (2023: AMD 160,932 million), refer to Note 19.

11 Trade and Other Receivables

In millions of Armenian Drams	**2024**	**2023**
Trade receivables:		
– Non-residential sector	15,451	17,304
– Residential sector	22,555	18,747
Other financial receivables	7,164	6,878
Frozen amounts under OFAC sanctions*	487	497
Less credit loss allowance	(7,097)	(7,109)
Total financial assets within trade and other receivables	**38,560**	**36,317**
Prepayments	394	263
Taxes refundable	1	1
Amount on the unified tax account	69	24
Less credit loss allowance	(4)	-
Total trade and other receivables	**39,020**	**36,605**

* Frozen amounts under OFAC sanctions represent the cash paid for borrowings, which was blocked by correspondence bank according to sanctions applied against lenders by Office of Foreign Assets Control. The management of the Company is currently taking actions to apply to United States Department of the Treasury to unblock the cash amount.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate. The primary geographical market for almost all of the Company's customers is Republic of Armenia.

The Company transacts with individuals and corporate customers in sales of goods and rendering of services. Approximately 5% (2023: 9%) of the Company's revenue is attributable to sales transactions with a single customer.

The Company does not require collateral in respect of trade and other receivables.

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers and corporate customers not assessed individually, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for customers in different segments based on the type of services purchased. Loss rates are based on actual credit loss experience over the past three years. For collectively assessed receivables an impairment rate of 100% was applied to gross trade and other receivables from customers overdue by more than 365 days, with lower impairment rates applied for ageing categories of trade and other receivables that are overdue for shorter periods.

The following table provides information about the exposure to credit risk and ECLs for corporate and individual trade receivables assessed collectively as at 31 December 2024.

In millions of Armenian Drams	**Gross corporate customers assessed collectively**	**Expected credit losses**	**Expected credit loss rates**	**Net corporate customers assessed collectively**
Not past due	9,868	(42)	(0.4%)	9,826
Past due 1 - 30 days	114	(8)	(7.0%)	106
Past due 31 - 90 days	17	(3)	(17.6%)	14
Past due 91 - 180 days	31	(11)	(35.5%)	20
Past due 181 - 365 days	122	(106)	(86.9%)	16
More than one year	337	(337)	(100.0%)	-
	10,489	**(507)**	**(4.8%)**	**9,982**

In millions of Armenian Drams	**Gross individual customers assessed collectively**	**Expected credit losses**	**Expected credit loss rates**	**Net individual customers assessed collectively**
Not past due	22,481	(3)	(0.01%)	22,480
Past due 1 - 30 days	25	(1)	(4.2%)	23
Past due 31 - 90 days	4	-	(0.0%)	4
Past due 91 - 180 days	3	(1)	(33.3%)	2
Past due 181 - 365 days	8	(5)	(71.4%)	2
More than one year	34	(34)	(100.0%)	-
	22,555	**(44)**	**(0.2%)**	**22,511**

The following table provides information about the exposure to credit risk and ECLs for corporate and individual trade receivables assessed collectively as at 31 December 2023.

In millions of Armenian Drams	**Gross corporate customers assessed collectively**	**Expected credit losses**	**Expected credit loss rates**	**Net corporate customers assessed collectively**
Not past due	8,690	(15)	(0.2%)	8,675
Past due 1 - 30 days	731	(16)	(2.2%)	715
Past due 31 - 90 days	240	(13)	(5.4%)	227
Past due 91 - 180 days	35	(5)	(14.3%)	30
Past due 181 - 365 days	158	(122)	(77.2%)	36
More than one year	272	(272)	(100%)	-
	10,126	**(443)**	**(4.4%)**	**9,683**

In millions of Armenian Drams	**Gross individual customers assessed collectively**	**Expected credit losses**	**Expected credit loss rates**	**Net individual customers assessed collectively**
Not past due	18,650	(5)	0.03%	18,645
Past due 1 - 30 days	18	-	0.00%	18
Past due 31 - 90 days	13	-	0.00%	13
Past due 91 - 180 days	4	(1)	(25.0%)	3
Past due 181 - 365 days	17	(13)	(76.5%)	4
More than one year	45	(45)	(100%)	-
	18,747	**(64)**	**(0.3%)**	**18,683**

The Company assesses trade receivables from corporate customers with outstanding balance of greater than AMD 1 billion and those with evident impairment indicators individually. The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody’s rating agency. The Company calculates an ECL rate for individually assessed trade receivables based on delinquency status and actual credit loss experience over the past two years.

The following table sets out information about exposure to credit risk, ECLs and credit quality of trade receivables and other financial assets assessed individually as at 31 December 2024:

In millions of Armenian Drams	**Lifetime ECL not impaired**	**Lifetime ECL impaired**	**Total**
Gross corporate customers and other financial assets assessed individually	**5,903**	**6,223**	**12,126**
Expected credit losses	(323)	(6,223)	**(6,546)**
Net corporate customers and other financial assets assessed individually	**5,580**	**-**	**5,580**

Individually assessed corporate customers of AMD 5,903 million are neither past due nor impaired. These receivables are internally assigned a credit rating of Ba3.

Individually assessed corporate customers of AMD 6,223 million (mainly other financial assets) are past due more than 365 days.

The following table sets out information about exposure to credit risk, ECLs and credit quality of trade receivables and other financial assets assessed individually as at 31 December 2023:

In millions of Armenian Drams	**Lifetime ECL not impaired**	**Lifetime ECL impaired**	**Total**
Gross corporate customers and other financial assets assessed individually	**7,864**	**6,192**	**14,056**
Expected credit losses	(410)	(6,192)	(6,602)
Net corporate customers and other financial assets assessed individually	**7,454**	**-**	**7,454**

Individually assessed corporate customers of AMD 7,864 million are neither past due nor impaired. Individually assessed corporate customers of AMD 6,192 million are past due more than 365 days.

Movements in the impairment provision for trade and other receivables are as follows:

In millions of Armenian Drams	**2024**	**2023**
Provision for impairment at 1 January	**7,109**	**6,983**
Net provision for impairment during the year	744	148
Amounts written off during the year against reserve amount	(752)	(22)
Provision for impairment at 31 December	**7,101**	**7,109**

None of the Company’s customers have external credit ratings assigned. Majority of the Company’s customers have more than 10 years of trading history with the Company, as since its establishment, the Company has been the only licensed entity to provide gas distribution and supply of gas services.

12 Borrowings provided

In millions of Armenian Drams	**2024**	**2023**
Non-current		
Borrowings provided to shareholder	10,306	-
Borrowings provided to third parties	88	-
Non-current borrowings provided	**10,394**	**-**
Current		
Borrowings provided to subsidiaries	800	300
Borrowings provided to third parties	9	-
Current borrowings provided	**809**	**300**
Total borrowings provided	**11,203**	**300**

In millions of Armenian Drams	Currency	Nominal interest rate	Year of maturity	31 December 2024 Face value	31 December 2024 Carrying amount	31 December 2023 Face value	31 December 2023 Carrying amount
Borrowings provided to shareholder	RUB	0.0%	2025	11,501	10,306	-	-
Borrowings provided to related parties	AMD	0.0%	On demand	800	800	300	300
Borrowings provided to third parties	AMD	0.0%	On demand	97	97	-	-
Total borrowings provided				**12,398**	**11,203**	**300**	**300**

The fair value of borrowings provided to shareholder is categorized as Level 3 in fair value hierarchy. The management used discount rate of 11.6% to estimate the fair values of borrowing given to shareholder on initial recognition.

The difference between the nominal amount and fair value of AMD 1,067 thousand (net of deferred taxes) on initial recognition was recognised as capital distribution.

The Company provides borrowings to shareholder and other parties which are not secured. None of the borrowers have external credit rating. The Company does not expect the borrowers to fail to meet their obligations.

Per management assessment the rating of counterparties approximates to B3 according to Moody's rating scale. The management estimates the ECL for borrowings provided to be not significant for the presentation in the separate financial statements.

13 Term Deposits

In millions of Armenian Drams	2024	2023
Non-current		
Ameriabank CJSC	500	-
Non-current term deposits	**500**	**-**
Current		
Ardshinbank CJSC	1,152	930
VTB Armenia Bank	1,006	4,023
ACBA Bank OJSC	221	224
Ameriabank CJSC	1	-
Current term deposits	**2,380**	**5,177**
Total term deposits	**2,880**	**5,177**

Term deposits are held at top 10 Armenian banks and are not impaired or past due (2023: top 10 Armenian banks, current and not impaired or past due). The information on interest rates is presented in Note 28. The Company holds majority of its term deposits with Armenian banks rated Ba3 by Moody's rating agency and the Company does not expect the banks to fail to meet their obligations.

14 Cash and Cash Equivalents

In millions of Armenian Drams	**2024**	**2023**
Bank balances payable on demand	25,260	17,898
Cash in transit	1930	890
Cash on hand	2	2
Total cash and cash equivalents	**27,192**	**18,790**

Cash and cash equivalents are held at top 3 Armenian banks and are not impaired or past due (2023: top 10 Armenian banks, current and not impaired or past due). The Company holds majority of its cash and cash equivalents with Armenian banks rated Ba3 by Moody's rating agency and the Company does not expect the banks to fail to meet their obligations.

15 Share Capital

In millions of Armenian Drams	**Number of outstanding shares**	**Ordinary shares net of transaction costs**
At 31 December 2023	**73,807,598**	**370,932**
At 31 December 2024	**73,807,598**	**315,158**

During the year the Company reduced share capital through reduction of par value of outstanding shares by AMD 55,774 million. At 31 December 2024 the total authorised number of ordinary shares was 73,807,598 shares (2023: 73,807,598 shares) with a par value of AMD 4,270 per share (in 2023: AMD 5,026). The amount of transaction costs included in the share capital is nil as at 31 December 2024 (in 2023: AMD 62 million). All issued ordinary shares are fully paid as at 31 December 2024 and 2023.

During 2024 the Company declared and fully paid dividends of AMD 11,883 million. No dividends were declared and paid in 2023. Dividend per ordinary share for 2024 amounted to AMD 161.

16 Government Grants

The Company obtained government grants for construction of automated gas measurement system and recognised them in deferred income as follows:

In millions of Armenian Drams	**2024**	**2023**
Deferred income at 1 January	56	94
Amortisation of deferred income to match related depreciation	(11)	(38)
Deferred income at 31 December	**45**	**56**

17 Trade and Other Payables

In millions of Armenian Drams	**2024**	**2023**
Trade payables	25,037	22,585
Other financial payables	2,482	2,058
Total financial payables within trade and other payables at AC	***27,519***	**24,643**
Taxes payable	2,149	5,907
Prepayments received	1,584	1,517
Accrued employee benefit costs	6,578	1,236
Total trade and other payables	**37,830**	**33,303**

At 31 December 2024, trade and other financial payables of AMD 22,820 million are denominated in US Dollars (31 December 2023: AMD 19,731 million) of which AMD 22,414 million (31 December 2023: AMD 19,491 million) represents trade payable for purchase of natural gas.

18 Analysis of Revenue by Category

The Company generates revenue primarily from distribution and sale of gas and electricity.

Services rendered include income from transportation of natural gas, hotel services, network connection activities and maintenance of customers' gas distribution systems and gas safety equipment, as well as educational and sports and health services.

All revenues are from contracts with customers and disaggregated as follows:

In millions of Armenian Drams	**2024**	**2023**
Gas distribution	217,403	226,123
Sale of electricity*	21,517	18,061
Services rendered	6,676	6,718
Other	2	2
Total revenue	**245,598**	**250,904**

* Starting from 2022 the Company receives around USD 32 million capacity fee/payment annually in regard of the 5th power unit of Hrazdan Thermal Power Plant (the Plant).

19 Cost of Sales

(a) Cost of sales of gas distribution and other revenue

In millions of Armenian Drams	**2024**	**2023**
Cost of purchased gas	146,265	153,979
Staff costs	16,957	13,869
Depreciation	10,342	10,200
Technological losses (including own needs)	8,358	8,454
Services and repair and maintenance	8,315	6,955
Cost of gas transportation	3,856	3,519
Cost of inventory other than gas	3,330	3,440
Other expenses	840	699
Total cost of sales of gas distribution and other revenue	**198,263**	**201,115**

(b) Cost of sales of sale of electricity

In millions of Armenian Drams	2024	2023
Cost of purchased gas	7,445	3,217
Depreciation	7,029	6,879
Staff costs	1,079	843
Services and repair and maintenance	334	199
Cost of inventory other than gas	196	127
Other expenses	4	4
Total cost of sales of sale of electricity	**16,087**	**11,269**
Total cost of sales	**214,350**	**212,384**

20 Other Operating Income

In millions of Armenian Drams	2024	2023
Trust management income	3,587	2,619
Dividend income	1,269	646
Income from foreign currency translations	319	1,631
Income from fines and penalties	199	336
Rental income	178	186
Foreign exchange gains, less losses	119	-
Net gain on disposal of property, plant and equipment	39	158
Net gain from sales of other inventory	17	22
Income from granted property, plant and equipment	11	38
Recovery of provision for impairment of trade and other receivables (Note 11)	-	529
Income from reversal of provision for inventory write-down	-	47
Recovery of impairment of property, plant and equipment	-	18
Other income	212	161
Total other operating income	**5,950**	**6,391**

21 General and Administrative Expenses

In millions of Armenian Drams	2024	2023
Staff costs	6,486	5,746
Collection expenses	1,117	1,077
Repair and maintenance	339	231
Depreciation	310	294
Representation and travel expenses	288	221
Taxes other than income tax	238	137
Fuel expense	149	121
Cost of inventory other than gas	113	110
Utilities	108	112
Professional services	66	67
Telecommunication expenses	52	63
Selling expenses	31	6
Bank charges	17	17
Other general and administrative expenses	1,012	896
Total general and administrative expenses	**10,326**	**9,098**

22 Other Operating Expenses

In millions of Armenian Drams	**2024**	**2023**
Impairment losses on financial and contract assets	744	677
Impairment of property, plant and equipment	730	1176
Depreciation	612	623
Social infrastructure maintenance expenses	469	389
Payments to PSRC	358	398
Provision for inventory write-down	36	203
Fines and penalties	8	3
Expenses from foreign currency translations	-	812
Foreign exchange losses, less gains	-	787
Other expenses	1,351	1114
Total other operating expenses	**4,308**	**6,182**

23 Finance Income

In millions of Armenian Drams	**2024**	**2023**
Interest income on cash and cash equivalents	1,429	596
Interest income on term deposits	466	165
Unwinding of discount on financial assets	21	74
Net foreign exchange gains on loans and borrowings	-	167
Interest income on borrowings provided	-	160
Total finance income	**1,916**	**1,162**

24 Finance Costs

In millions of Armenian Drams	**2024**	**2023**
Net foreign exchange losses on borrowings provided	723	-
Interest expense on financial liabilities measured at amortised cost	-	917
Total finance costs	**723**	**917**

25 Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

In millions of Armenian Drams	**2024**	**2023**
Current tax	203	814
Deferred tax	4,427	5,404
Income tax expense	**4,630**	**6,218**

(b) Reconciliation between the tax charge and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Company's 2024 income is 18% (2023: 18%). Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Armenian Drams	**2024**	**2023**
Profit before tax	**23,757**	**29,876**
Theoretical tax (charge)/credit at statutory rate of 18% (2023: 18%)	(4,276)	(5,378)
Tax effect of items which are not deductible or assessable for taxation purposes:		
− Income which is exempt from taxation	376	466
− Non-deductible expenses	(730)	(684)
Correction of prior year PPE tax base	-	(579)
Under/(over) provided in prior years	-	(43)
Income tax expense for the year	**(4,630)**	**(6,218)**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in the Republic of Armenia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 18% (2023: 18%).

The tax effect of the movements in the temporary differences for the year ended 31 December 2024 are:

In millions of Armenian Drams	**1 January 2024**	**(Charged)/credited to profit or loss**	**Change through equity**	**31 December 2024**
Tax effect of temporary differences and tax losses carried forward				
Property, plant and equipment	(10,390)	(3,630)	-	(14,020)
Borrowings provided	-	(30)	234	204
Inventories	261	(5)	-	256
Other non-current assets	14	3	-	17
Trade and other receivables	1,740	(739)	-	1,001
Government grants	9	(1)	-	8
Trade and other payables	(230)	(25)	-	(255)
Net deferred tax asset/(liability)	**(8,596)**	**(4,427)**	**234**	**(12,789)**
Recognised deferred tax liability	**(8,596)**	**(4,427)**	**234**	**(12,789)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2023 are:

In millions of Armenian Drams	**1 January 2023**	**(Charged)/credited to profit or loss**	**31 December 2023**
Tax effect of temporary differences and tax losses carried forward			
Property, plant and equipment	(5,356)	(5,034)	(10,390)
Other non-current assets	12	2	14
Inventories	233	28	261
Trade and other receivables	1,723	17	1,740
Loans and borrowings	63	(63)	-
Government grants	1	8	9
Trade and other payables	(312)	82	(230)
Tax loss carried forward	444	(444)	-
Net deferred tax liability	**(3,193)**	**(5,404)**	**(8,596)**
Recognised deferred tax liability	**(3,193)**	**(5,404)**	**(8,596)**

26 Significant Non-cash Financing Activities

Financing transactions that did not require the use of cash and cash equivalents and were excluded from the separate cash flow statement are as follows:

In millions of Armenian Drams	**2024**	**2023**
Non-cash financing activities		
Proceeds from borrowings in the form of restructuring of the accounts payable for the gas	-	2,704
Total non-cash financing activities	**-**	**2,704**

Since 1 April 2019, if the payable under the contract for purchase of natural gas with related party is not paid within 35 days after falling due, it is restructured to loan, carrying annual rate of 5.04%.

27 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these separate financial statements.

Tax contingencies. Tax and customs legislation of the Republic of Armenia which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Tax administration of the Republic of Armenia is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Capital expenditure commitments. As at 31 December 2024 the Company entered into several contracts for the purchase of construction services. The commitments related to these contracts amounted to AMD 1,045 million (31 December 2023: AMD 800 million).

Operating lease commitments. Where the Company is the lessee, cancellation term with one-month notification is applied. The total amount of non-cancellable portion of future lease payments is not considered material by the management.

Environmental matters. The enforcement of environmental regulation in the Republic of Armenia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

28 Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company’s sales of products on credit terms and other transactions with counterparties giving rise to financial assets. The Company’s maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the separate statement of financial position.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or Companys of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Company’s management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Note 11.

Credit risks concentration. The Company is exposed to concentrations of credit risk. At 31 December 2024 the Company had three counterparties (2023: four counterparties) with aggregated balances of accounts receivable above AMD 1,000 million. The aggregated amount of these balances was AMD 10,448 million (2023: AMD 12,251 million) or 23% of the gross amount of trade and other financial receivables (2023: 28% of the gross amount of trade and other financial receivables).

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored monthly. The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

In millions of Armenian Drams	At 31 December 2024			At 31 December 2023		
	Monetary financial assets	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
US Dollars	304	(22,820)	(22,516)	315	(19,812)	(19,497)
Euros	6	(17)	(11)	73	-	73
Russian Roubles	10,321	(44)	10,277	15	(10)	5
Total	**10,631**	**(22,881)**	**(12,250)**	**403**	**(19,822)**	**(19,419)**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Company entities with all other variables held constant:

In millions of Armenian Drams	**2024**	**2023**
Impact on profit or loss before taxes		
US Dollar strengthening by 10% (2023: strengthening by 10%)	(2,252)	(1,950)
US Dollar weakening by 10% (2023: weakening by 10%)	2,252	1,950
Euro strengthening by 10% (2023: strengthening by 10%)	(1)	7
Euro weakening by 10% (2023: weakening by 10%)	1	(7)
Russian roubles strengthening by 10% (2023: strengthening by 10%)	1,028	1
Russian roubles weakening by 10% (2023: weakening by 10%)	(1,028)	(1)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of Armenian Drams	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
31 December 2024					
Interest bearing financial assets	24,671	-	11,312	1,874	37,857
Interest bearing financial liabilities	(22,414)	-	-	-	(22,414)
Net interest sensitivity gap at 31 December 2024	**2,257**	**-**	**11,312**	**1,874**	**15,443**
31 December 2023					
Interest bearing financial assets	17,409	500	-	4,677	22,586
Interest bearing financial liabilities	(19,491)	-	-	-	(19,491)
Net interest sensitivity gap at 31 December 2023	**(2,082)**	**500**	**-**	**4,677**	**3,095**

The Company does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Company's business.

The Company monitors interest rates for its financial instruments. All financial assets and liabilities of the Company have fixed interest rates.

The table below summarises effective interest rates at the respective end of the reporting period based on reports reviewed by key management personnel:

	2024			**2023**		
In % p.a.	**AMD**	**USD**	**RUR**	**AMD**	**USD**	**RUR**
Assets						
Term deposits	5.0 – 10.0	3.8	-	6.0 – 10.0	4.05	-
Borrowings provided	-	-	11.6	-	-	-
Cash and cash equivalents	1.0 – 5.0	-	-	1.0 – 5.0	-	-
Liabilities						
Loans and borrowings	-	-	-	-	5.04 – 9.5	-

The sign "-" in the table above means that the Company does not have the respective assets or liabilities in the corresponding currency.

Other price risk. The Company has no exposure to equity price risk.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources.

Liquidity risk is managed by the Finance Department of the Company. Management monitors monthly rolling forecasts of the Company's cash flows.

The Finance Department monitors monthly position of the Company, as well as during the assessment in the process of acquisition of new potential borrowings and loans and prepares reports to Finance Director of the Company, who is ultimately responsible for maintaining required level of liquidity.

The Company seeks to maintain a stable funding base primarily consisting of amounts due to other banks and debt securities. The Company invests the funds in diversified portfolios of liquid assets to respond quickly and smoothly to unforeseen liquidity requirements. The Company's liquidity portfolio as at 31 December 2024 comprises term deposits (Note 13) and cash and cash equivalents (Note 14) and borrowings provided (Note 12) (in 2023: term deposits and cash and cash equivalents). Management estimates that the liquidity portfolio can be realised in cash within a day in order to meet unforeseen liquidity requirements.

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Company's Finance Department.

The tables below show liabilities at 31 December 2024 and 2023 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows including future interest payments and gross loan commitments. Such undiscounted cash flows differ from the amount included in the separate statement of financial position because the separate statement of financial position amount is based on discounted cash flows.

The maturity analysis of financial liabilities at 31 December 2024 is as follows:

In millions of Armenian Drams	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Trade and other payables	27,519	-	-	-	27,519
Total future payments, including future principal and interest payments	**27,519**	**-**	**-**	**-**	**27,519**

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

In millions of Armenian Drams	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Loans and borrowings	-	-	-	-	-
Trade and other payables	24,643	-	-	-	24,643
Total future payments, including future principal and interest payments	**24,643**	**-**	**-**	**-**	**24,643**

29 Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers total capital under management to be equity as shown in the separate statement of financial position. The amount of capital that the Company managed as of 31 December 2024 was AMD 361,404 million (31 December 2023: AMD 355,227 million).

The Company is not subject to externally imposed capital requirements.

30 Fair Value of Financial Instruments

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Fair values of liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The discount rates used ranged from 5% p.a. to 11% p.a. depending on the length and currency of the liability.

The estimated fair value of all the financial assets and liabilities approximates their carrying amounts.

31 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2024:

In millions of Armenian Drams	**Amortised cost 2024**
Assets	
Borrowings given (Note 12)	
− Borrowings given	11,203
Trade and other receivables (Note 11)	
− Trade and other receivables, net	38,556
Term deposits (Note 13)	
− Deposits with original maturities more than three months	2,880
Cash and cash equivalents (Note 14)	
− Bank balances payable on demand	25,260
− Cash in transit	1,930
− Cash on hand	2
Total financial assets	**79,831**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2023:

In millions of Armenian Drams	**Amortised cost 2023**
Assets	
Trade and other receivables (Note 11)	
− Trade and other receivables, net	36,317
Term deposits (Note 13)	
− Deposits with original maturities more than three months	4,677
Cash and cash equivalents (Note 14)	
− Bank balances payable on demand	17,898
− Short term deposits	500
− Cash in transit	890
− Cash on hand	2
Total financial assets	**60,284**

All of the Company’s financial liabilities are carried at amortised cost as of 31 December 2024 and 2023.