



**NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROGRAM-PROJECT 2**

**LOAN NUMBER 2729-ARM**

**FINANCED BY ASIAN DEVELOPMENT BANK**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For period from 01 January 2025 to 31 December 2025**

**YEREVAN  
June 2026**

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## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The management of the "Road Department" Fund (the "Organization" or "Fund") is responsible for the preparation and fair presentation of the special purpose financial statements for the period 01 January 2025 to 31 December 2025 of "North-South Road Corridor Investment Program - Project 2" (the Project) financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") in compliance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) and the "Loan Disbursement Handbook" (as updated) issued by ADB.

In preparing the special purpose financial statements, Organization's management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the year period from 01 January 2025 to 31 December 2025.

*Organization's Management is also responsible for:*

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with IPSAS - Cash Basis and the ADB Guidelines;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Loan Agreement, and ADB related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- Insuring that the RA Government's co-financing is provided and used in accordance with the Loan Agreement and for the purposes for which it has been provided;
- Complying with the financial covenants under Article IV of the Loan Agreement;
- Procuring financed Works, Goods and Services in accordance with the Loan Agreement; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period 01 January 2025 to 31 December 2025 were signed on 30 June 2026 by the management of "Road Department" Fund.

Arkadi Cherchinyan

Executive Director



Shushanik Grigoryan

Chief Financial Officer  
Head of Financial Management, Accounting  
and Reporting Department



## INDEPENDENT AUDITOR'S REPORT

To the Management of the "Road Department" Fund

### ***Qualified Opinion***

We have audited the special purpose financial statements of "North-South Road Corridor Investment Program - Project 2" ("the Project") financed by the Asian Development Bank Loan 2729-ARM ("Loan Agreement") concluded between the Republic of Armenia ("RoA") and Asian Development Bank ("ADB"), and implemented by the "Road Department" Fund (the "Organization" or "Fund"), which comprise the statement of cash receipts and payments for the period 01 January 2025 to 31 December 2025, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying special purpose financial statements present fairly, in all material respects, the cash flows for the period 01 January 2025 to 31 December 2025 in accordance with International Public Sector Accounting Standards: Financial Reporting Under the Cash Basis of Accounting, (IPSAS-Cash Basis) and the "Loan Disbursement Handbook" (as updated) issued by ADB.

### ***Basis for Qualified Opinion***

The statement of cash receipts and payments includes prepayments made to the constructor (Corsan Corviam Construcccion S.A) of 27,612,508 USD, which was initially charged under the category "Works". Subsequent to the payment, the Organization have initiated legal proceedings against Corsan Corviam Construcccion S.A. (see Note 14). While the payment was appropriately recorded under the cash basis of accounting when made, the ultimate recoverability of this amount is uncertain and subject to the outcome of the legal proceedings. Thus, this amount does not qualify as an eligible 'Works' expenditure under the Loan Agreement terms, as no construction services were received, until the arbitrage process will be completed and decision will be announced.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB"). 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 Project and of the Organization 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 requirements in accordance with IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### ***Emphasis of Matter- Cash Basis of Accounting***

We draw attention to Note 2 to the financial statements, which describes that special purpose financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for other purposes. Our opinion is not modified in respect of this matter.

### ***Responsibilities of the Management for the Financial Statements***

Management of the Organization is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") and "Loan Disbursement Handbook" (as updated) issued by ADB, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility for the Audit of the Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures.

We communicate with management 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.

## **Report on Other Legal Requirements**

To comply with the terms of the Loan Agreement, the Organization's management shall insure that:

1. Loan funds have been used in accordance with the conditions of the Loan Agreement concluded between the Asian Development Bank (ADB) and the Republic of Armenia, and ADB Guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. The Government's co-financing is provided and used accordance with the Loan Agreement and for the purposes for which it has been provided;
3. The financial covenants under Article IV of the Loan Agreement have been complied with;
4. Financed Works, Goods and Services have been procured in accordance with the Loan Agreement.

In our opinion, except for the matter described in Bases for Qualified Opinion section, the Organization's management has, in all material respects, complied with the above requirements for the period 01 January 2025 to 31 December 2025.

"BDO Armenia" CJSC  
30 June 2026

Vahagn Sahakyan, FCCA  
Managing Partner



## STATEMENT OF CASH RECEIPTS AND PAYMENTS

North-South Road Corridor Investment Program -Project 2  
ADB Loan 2729-ARM  
For the period 01 January 2025 to 31 December 2025

|                                        | Note | Year ended<br>31.12.2024 | Year ended<br>31.12.2025 | Cumulative<br>as at 31.12.2025 | Year ended<br>31.12.2023 | Cumulative<br>as at 31.12.2023 |
|----------------------------------------|------|--------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|
|                                        |      | USD                      | USD                      | USD                            | USD                      | USD                            |
| <b>Cash Receipts</b>                   |      |                          |                          |                                |                          |                                |
| ADB Loan 2729-ARM financing            | 10   | 25,464,581               | 3,701,497                | 160,110,545                    | 14,757,494               | 130,944,467                    |
| The Republic of Armenia co-financing   |      | 5,321,440                | 30,025,846               | 55,711,806                     | 1,377,025                | 20,364,520                     |
| <b>Total financing</b>                 |      | <b>30,786,021</b>        | <b>33,727,343</b>        | <b>215,822,351</b>             | <b>16,134,519</b>        | <b>151,308,987</b>             |
| <b>Payments for</b>                    | 8    |                          |                          |                                |                          |                                |
| Works_paid by ADB                      |      | 24,073,101               | 3,452,693                | 143,378,356                    | 13,722,856               | 115,852,562                    |
| Consulting Services_paid by ADB        |      | 1,391,480                | 248,804                  | 12,732,189                     | 1,034,638                | 11,091,905                     |
| Works_paid by GOV                      |      | -                        | 25,569,590               | 25,569,590                     | -                        | -                              |
| Consulting Services_paid by GOV        |      | -                        | 1,208,388                | 1,208,388                      | -                        | -                              |
| Interest                               |      | -                        | -                        | 4,000,000                      | -                        | 4,000,000                      |
| Taxes, duties                          |      | 5,321,440                | 2,803,047                | 27,689,931                     | 1,375,942                | 19,565,444                     |
| Other works                            |      | -                        | -                        | 146,899                        | -                        | 146,899                        |
| Other consulting services              |      | -                        | -                        | 234,381                        | -                        | 234,381                        |
| Project Management Cost                |      | -                        | 444,821                  | 444,821                        | -                        | -                              |
| <b>Total Payments</b>                  |      | <b>30,786,021</b>        | <b>33,727,343</b>        | <b>215,404,555</b>             | <b>16,133,436</b>        | <b>150,891,191</b>             |
| Foreign currency gain/(loss)           |      | (6,964)                  | -                        | (417,796)                      | 372                      | (410,833)                      |
| <b>Net increase/(decrease) in cash</b> |      | <b>(6,964)</b>           | <b>-</b>                 | <b>0</b>                       | <b>1,455</b>             | <b>6,964</b>                   |
| Opening cash balance                   | 11   | 6,964                    | -                        | -                              | 5,509                    | -                              |
| Closing cash balance                   | 11   | -                        | -                        | -                              | 6,964                    | 6,964                          |

The financial statements were signed by the management of "Road Department" Fund on 30 June 2026. The accompanying notes form an integral part of these project financial statements.

Arkadi Cherchinyan  
Executive Director

Shushanik Grigoryan

Chief Financial Officer -  
Head of Financial Management, Accounting  
and Reporting Department

## NOTES TO THE FINANCIAL STATEMENTS

### *North-South Road Corridor Investment Program-Project 2*

#### *ADB Loan 2729-ARM*

*For the period 01 January 2025 to 31 December 2025*

#### **1. General information**

##### **1.1. Project financing**

According to the Scope Financing Agreement between the Republic of Armenia (RoA) and the Asian Development Bank (ADB) signed on 15 September 2009, ADB agreed to provide the RoA multi-tranche financial facility in the total amount of 500 million USD (United States Dollars) to finance the North-South Road Corridor Investment Program.

Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based. Each loan constitutes a separate tranche. Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

According to the Loan Agreement North-South Road Corridor Investment Program-Project 2 (special operations) ("Project", or "Tranche 2") between the RoA and the ADB on 30 May 2011, ADB provided the RoA the Loan 2729-ARM in the total amount of 170,000,000 USD. The Loan is provided for financing the Tranche-2.

In accordance with letter agreement dated 17 June 2016, submitted between Ministry of Transport, Communication and Information Technology of the RoA and the ADB, a reallocation of ADB 2729-ARM loan from Tranche 2 was agreed to fund USD 6,000,000 expenditures of the Tranche 1.

Co-financing is provided through the state budget resources of the RoA. The co-financing is provided to cover taxes and duties applicable.

The Tranche 2 Project closed on 31 December 2024 and 4 months has been set of as Winding-Up period which is till 30 April 2025.

##### **1.2. Project objectives**

The Project's goals financed by the loan 2729-ARM are:

- (i) Facilitate efficient sub regional road transport transit;
- (ii) Increase trade flows and competitiveness;
- (iii) Lower transport costs;
- (iv) Increase mobility and accessibility to markets, jobs and social services;
- (v) Improve governance.

The Project's components are:

- Reconstruction of approximately 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road
- Consulting services and Project management, including preparation of feasibility studies and detailed design of subsequent Project's proposed for financing under the Investment Program, construction supervision, preparation of tender documents, procurement and capacity building;

### 1.3. The Project Budget

The Project updated budget totals 210,000,000 US dollars.

Taxes and duties imposed by the tax laws of the Republic of Armenia are not paid through the Loan funds. Those are paid from co-financing funds provided by the Republic of Armenia.

| Category                      | ADB Loan 2729-ARM /Project-2/ |             |                    | The Republic of Armenia* | Total              |
|-------------------------------|-------------------------------|-------------|--------------------|--------------------------|--------------------|
|                               | Initial                       | Reallocated | Updated            |                          |                    |
|                               | USD                           | USD         | USD                |                          |                    |
| Works                         | 149,700,000                   | 2,200,954   | 151,900,954        | -                        | 151,900,954        |
| Consulting Services           | 7,000,000                     | 6,799,046   | 13,799,046         | -                        | 13,799,046         |
| Interest                      | 10,000,000                    | (6,000,000) | 4,000,000          | -                        | 4,000,000          |
| Other (including local taxes) | -                             | -           | -                  | 32,000,000               | 32,000,000         |
| Unallocated                   | 3,300,000                     | (3,000,000) | 300,000            | 8,000,000                | 8,300,000          |
| <b>Total</b>                  | <b>170,000,000</b>            | <b>-</b>    | <b>170,000,000</b> | <b>40,000,000</b>        | <b>210,000,000</b> |

\*The budget is an estimate of the Republic of Armenia Government commitment to cover taxes and duties arising during the implementation of the project.

The Total budget does not include funds allocated by the Republic of Armenia for Land Acquisition and Resettlement Plan activities.

The implementation of activities from 1 May 2025 onward has continued using financing provided by the Government of the Republic of Armenia. In accordance with the letter dated 21 December 2012, the Government of the Republic of Armenia committed to finance any funding gap under Tranche 2, as well as any cost overruns arising or incurred during the implementation of Tranche 2. Accordingly, all outstanding payments under existing contracts and any additional implementation costs incurred after the project closure date are financed from the co-financing funds of the Government of the Republic of Armenia.

### 1.4. The Project Implementation Unit

The Project is implemented by "Road Department" Fund (the "Organization" or "Fund"). The Fund is the legal successor of the "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization and "Transport Project Implementation Unit" State Institution. The reorganization was implemented in accordance with the Government of the Republic of Armenia Decree N 1304-A dated 15.12.2016.

In accordance with the Government of the RoA Decree N 1298 dated 06.08.2021 "Road Department" Non-Commercial Organization has been reorganized to the "Road Department" Fund.

The Fund is a non-commercial legal entity. Until 20 June 2019 the governing state authority of the Organization was the Ministry of Transport, Communication and Information Technology of the Republic of Armenia, then the Ministry of Territorial Administration and Infrastructure following the Government of the Republic of Armenia Decree N733-N dated 06.06.2019.

The main goal of the Organization is the efficient implementation of projects in the transport sector, including the implementation program of modernization of North-South Road Corridor Investment Program and Northern Corridor.

Effective from 1 May 2025, all outstanding payments under the existing contracts, as well as the project management cost required for the implementation of the Project, are financed from the co-financing funds of the Government of the Republic of Armenia. Furthermore, the Government of the Republic of Armenia has committed to finance any funding gap under Tranche 2, as well as any cost overruns arising or incurred during the implementation of Tranche 2.

The legal and operating address of the Fund is: Government House 3, Yerevan, the Republic of Armenia.

### 1.5. Land Acquisition and Resettlement Plan (LARP)

The Project implementation requires land acquisition and resettlement of persons affected. The Republic of Armenia Government by the decree N 1139-N dated 6 Sept 2012 approved land acquisition and resettlement plan for North-South Road Corridor Investment Program-Project 2 (road section between towns of Ashtarak and Talin).

LARP is wholly financed by the Republic of Armenia Government. The cost of LARP was determined as 2,304,485 thousand Armenian Drams. The Government provided total amount to "Organization for Implementation of North-South Road Corridor Investment Program" State Non-Commercial Organization in year 2012. In accordance with the Republic of Armenia Government Decree N 603-N dated 12.06.2014, on 21 July 2014 an additional amount of 958,826 thousand AMD was provided for financing of LARP.

According to Government of the Republic of Armenia Decree N 626-N dated 23.05.2019 the lands necessary for the replacement of the existing communication lines on from 40+000-km to 47+400-km section of the Ashtarak-Talin have been recognized as of public superior interest.

According to Government of the Republic of Armenia Decree N 777-N dated 20.06.2019 the lands necessary for the replacement of the existing communication lines on from 37+544.68-km to 40+000 and from 47+400-km to 71+500-km section of the Ashtarak-Talin have been recognized as of public superior interest.

For the measurement, inventory and assessment of the affected property the contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Uptime" LLC. A contract for the provision of consulting services has been signed. At present, the Consultant has been completed the measurement, inventory and ownership assessment of the affected areas of the 8 km road section (29+600-km to 37+544.68-km) bypassing the archeological sites near Agarak community of Aragatsotn region of the Republic of Armenia and to those of communication lines of Ashtarak-Talin section (29+600-km to 37+544.68-km).

In order to carry out the process of ownership transfer process of the lands a consulting contract is concluded on 15.11.2018 between "Transport Project Implementation Organization" SNCO and "Media-Model" LLC. At present, the drafts of acquisition contracts for lands aligned to 8 km road bypassing the archeological site of Agarak community of Aragatsotn region of the Republic of Armenia (29+600-km to 37+544.68-km) and those of Ashtarak-Talin section (40+000-km to 47+400-km) in order to send them to the affected persons. The land acquisition process of the mentioned affected properties is completed.

With additional scope of LARP implementation based on dividing the Works in two Sections: Section 1 or Lot 1 for 8 km from 29+600 to km 37+545 and Section 2 or Lot 2 34 km from 37+545 to km 71+435 for implementing Lot 2 it was needed to acquire 345 new lands with additional budget 710,378.81 thousand AMD out of which in FY 2023 has been spent 200,066.0 thousand AMD.

In the previous reporting period, the implementation Consultant launched the acquisition process for 317 land plots. A total of 317 draft acquisition contracts were issued to all owners, land users, and leaseholders. Of these, 284 contracts were signed, expropriation was initiated for 14 land plots (all the expropriation cases were resolved during the reporting period in favor of the RDF), and for 19 land plots, new EDD is required due to technical cadastral issues that hindered land acquisition. The implementation of Lot 2 has been completed. Annual approved budget for 2024 amounted 517,850 thousand AMD and the total spent amount was 517,850 thousand AMD.

During the reporting period, the RD initiated the procurement of consulting services for the preparation of Addendum No. 5, which will cover 19 land plots, as well as additional land plots affected by the revised designs for the midfield and access roads in Ujan, Kosh, Nor Bazmaberd, and Arutch communities.

## **Significant accounting policies**

### **2.1 Preparation and presentation of financial statements**

The Project financial statements are prepared in accordance with the International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (IPSASB) and presented in accordance with “Loan Disbursement Handbook” (updated) issued by Asian Development Bank.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

### **2.2 Cash basis of accounting**

The financial statements are prepared and presented using the cash basis of accounting.

Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid.

Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

### **2.3 Reporting currency**

The Project functional statements are presented in United States Dollars (USD).

### **2.4 Foreign currency transactions**

Foreign currency is a currency other than the reporting currency of the Project.

Project accounts are maintained, and transactions are made in USD and Armenian Drams (AMD). Transactions denominated in AMD are translated into USD as follows:

- a) Contributions of the Republic of Armenia and expenditures covered through them expressed in AMD are translated into USD at the CBA average exchange rate announced at the previous date of transaction.
- b) Payments to contractors and suppliers expressed in AMD that are covered through the financing received from ADB are translated into USD:
  - Before 1 March 2021, at the exchange rates announced at the previous date of payment.
  - Since 1 March 2021, at the foreign exchange selling rates set by the Central Bank of RoA at the date of payment.
- c) Payments to contractors expressed in AMD and paid through direct payments by ADB are translated into USD at the actual conversion rate.

The average exchange rate issued by the CBA as at 31 December 2025 is USD 1 = 381.4 AMD (at 31.12.2024: USD 1 = 396.56).

### **2.5 Cash**

Cash comprise bank accounts balances.

### **2.6 Taxes**

All applicable taxes are paid in accordance with tax regulations of the Republic of Armenia.

### **2.7 Budget**

The expenditure budget is created based on actual accumulated expenditures for the last period plus the updated annual budget for the reporting period.

## 2. Statement of loan withdrawals

*ADB Loan 2729-ARM*

*For the period 01 January 2025 to 31 December 2025*

*In USD*

| Application number    | Value date | Expenditure category |                                 |                     |
|-----------------------|------------|----------------------|---------------------------------|---------------------|
|                       |            | Works_paid by ADB    | Consulting services_paid by ADB | Total               |
|                       |            | 1                    | 2                               |                     |
| WA000149              | 31-Jan-25  | 1,081,390.08         | -                               | 1,081,390.08        |
| WA000150              | 31-Jan-25  | 1,509,257.20         | -                               | 1,509,257.20        |
| WA000151              | 24-Jan-25  | -                    | 131,420.52                      | 131,420.52          |
| WA000152              | 17-Mar-25  | -                    | 110,362.39                      | 110,362.39          |
| WA000153              | 28-Mar-25  | 862,045.86           | -                               | 862,045.86          |
| WA000154              | 20-May-25  | -                    | 7,020.81                        | 7,020.81            |
| <b>Total for 2025</b> |            | <b>3,452,693.14</b>  | <b>248,803.72</b>               | <b>3,701,496.86</b> |

### 3. Statement of project resources

The Statement of Project Resources discloses assets, liabilities and net assets of the Project as at reporting date. It is prepared on an accrual basis that is transactions are recognized when they occur (and not when cash is received or paid).

|                                | Note | As at<br>31.12.2025<br>USD | As at<br>31.12.2024<br>USD | As at<br>31.12.2023<br>USD |
|--------------------------------|------|----------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                  |      |                            |                            |                            |
| Cash                           | 11   | -                          | -                          | 6,964                      |
| Prepayments                    | 12   | 27,612,508                 | 35,616,576                 | 37,556,740                 |
| <b>Total assets</b>            |      | <b>27,612,508</b>          | <b>35,616,576.37</b>       | <b>37,563,704</b>          |
| <b>LIABILITIES</b>             |      |                            |                            |                            |
| Payables                       | 13   | 13,871,180                 | 14,840,035                 | 9,781,021                  |
| <b>Total liabilities</b>       |      | <b>13,871,180</b>          | <b>14,840,034.71</b>       | <b>9,781,021</b>           |
| <b>NET ASSETS</b>              |      |                            |                            |                            |
| <b>Funds received</b>          |      |                            |                            |                            |
| ADB Loan 2729-ARM              | 10   | 160,110,545                | 156,409,049                | 130,944,468                |
| Government of RoA co-financing |      | 55,711,806                 | 25,685,960                 | 20,364,520                 |
|                                |      | <b>215,822,351</b>         | <b>182,095,009</b>         | <b>151,308,989</b>         |
| <b>Cumulative expenses</b>     |      |                            |                            |                            |
| Project expenses               |      | (197,663,226)              | (156,900,670)              | (119,115,473)              |
| Interest                       |      | -                          | -                          | -                          |
|                                |      | (4,000,000)                | (4,000,000)                | (4,000,000)                |
| Foreign currency loss          |      | (201,663,226)              | (160,900,670)              | (123,115,473)              |
| <b>Total net assets</b>        |      | <b>(417,796)</b>           | <b>( 6,964)</b>            | <b>(410,833)</b>           |

#### 4. Statement of uses of funds by project activity

For the period 01 January 2025 to 31 December 2025  
In USD

| Project Activity                                                                                                           | Expenditures      |                           | Financing source     |                           | Financing source      |                                   |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|----------------------|---------------------------|-----------------------|-----------------------------------|
|                                                                                                                            | Year End          | Total<br>Cumulative as at | ADB Loan<br>2729-ARM | RoA financing<br>Year End | ADB Loan 2729-<br>ARM | RoA financing<br>Cumulative as at |
|                                                                                                                            |                   |                           |                      |                           |                       |                                   |
|                                                                                                                            | 31.12.2025        | 31.12.2025                |                      | 31.12.2025                |                       | 31.12.2025                        |
| Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road | 29,022,283        | 182,460,672               | 3,452,693            | 25,569,590                | 143,378,356           | 39,082,316                        |
| Other works                                                                                                                | -                 | 146,899                   | -                    | -                         | -                     | 146,899                           |
| Consulting services and Project management                                                                                 | 4,260,238         | 28,352,163                | 248,804              | 4,011,435                 | 12,732,189            | 15,619,974                        |
| Maintenance costs                                                                                                          | 444,821           | 444,821                   |                      | 444,821                   |                       | 444,821                           |
| Interest                                                                                                                   | -                 | 4,000,000                 | -                    | -                         | 4,000,000             | -                                 |
| <b>Total</b>                                                                                                               | <b>33,727,342</b> | <b>215,404,555</b>        | <b>3,701,497</b>     | <b>30,025,846</b>         | <b>160,110,545</b>    | <b>55,294,010</b>                 |

For the year ended 31 December 2024  
In USD

| Project Activity                                                                                                           | Expenditures      |                    | Financing source  |                  | Financing source   |                   |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|-------------------|------------------|--------------------|-------------------|
|                                                                                                                            | Total             |                    | ADB Loan 2729-ARM | RoA financing    | ADB Loan 2729-ARM  | RoA financing     |
|                                                                                                                            | Year ended        | Cumulative as at   | Year ended        |                  | Cumulative as at   |                   |
|                                                                                                                            | 31.12.2024        | 31.12.2024         | 31.12.2024        |                  | 31.12.2024         |                   |
| Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road | 24,073,100        | 153,438,389        | 24,073,100        | -                | 139,925,663        | 13,512,726        |
| Other works                                                                                                                | -                 | 146,899            | -                 | -                | -                  | 146,899           |
| Consulting services and Project management                                                                                 | 6,712,920         | 24,091,924         | 1,391,480         | 5,321,440        | 12,483,385         | 11,608,539        |
| Interest                                                                                                                   | -                 | 4,000,000          | -                 | -                | 4,000,000          | -                 |
| <b>Total</b>                                                                                                               | <b>30,786,021</b> | <b>181,677,212</b> | <b>25,464,581</b> | <b>5,321,440</b> | <b>156,409,048</b> | <b>25,268,164</b> |

For the year ended 31 December 2023  
In USD

| Project Activity                                                                                                           | Expenditures      |                    | Financing source  |                  | Financing source   |                   |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|-------------------|------------------|--------------------|-------------------|
|                                                                                                                            | Total             |                    | ADB Loan 2729-ARM | RoA financing    | ADB Loan 2729-ARM  | RoA financing     |
|                                                                                                                            | Year ended        | Cumulative as at   | Year ended        |                  | Cumulative as at   |                   |
|                                                                                                                            | 31.12.2023        | 31.12.2023         | 31.12.2023        |                  | 31.12.2023         |                   |
| Reconstruction of 41.3 km of two-lane road section between towns of Ashtarak and Talin and widening it into four-lane road | 13,722,856        | 129,365,288        | 13,722,856        | -                | 115,852,562        | 13,512,726        |
| Other works                                                                                                                | -                 | 146,899            | -                 | -                | -                  | 146,899           |
| Consulting services and Project management                                                                                 | 2,410,580         | 17,379,004         | 1,034,638         | 1,375,942        | 11,091,905         | 6,287,099         |
| Interest                                                                                                                   | -                 | 4,000,000          | -                 | -                | 4,000,000          | -                 |
| <b>Total</b>                                                                                                               | <b>16,133,436</b> | <b>150,891,191</b> | <b>14,757,494</b> | <b>1,375,942</b> | <b>130,944,467</b> | <b>19,946,724</b> |

## 5. Compliance with the covenants in the Loan agreement

Financial covenants under Article IV of the Loan Agreement ADB 2729-ARM is follows:

| Covenant description                                                                                                                                                                                                                                                                    | Note                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintain separate accounts for the Project.                                                                                                                                                                                                                                             | ADB Loan financing is wholly done through Direct Payments -so no separate account is held by the Organization; the Government of RoA co-financing is done through separate account.                                                                            |
| Related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by the independent auditors whose qualifications, experience and terms of reference are acceptable by ADB.                                                       | Financial statements are audited annually in accordance with ISAs; the auditor is selected from the short-listed audit firms whose qualification and experience are preliminary confirmed by the ADB; terms of reference are preliminary confirmed by the ADB. |
| Furnish to ADB audited financial statements till six months after the end of each related financial year.                                                                                                                                                                               | The financial statements for the period 01 January 2025 to 31 December 2025 will be submitted to ADB by 30 June 2026.                                                                                                                                          |
| Furnish to ADB other information concerning to accounts and financial statements and the audit thereof as ADB shall from time-to-time reasonable request.                                                                                                                               | Any requested information by the ADB was furnished at due time.                                                                                                                                                                                                |
| Enable ADB upon its request to discuss the financial statements of the Project and its financial affairs related to the Project with the auditor appointed and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. | The Organization will follow the covenant when such a request by the ADB is made.                                                                                                                                                                              |
| The Organization shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.                                                                                                                                                | The Organization enables any such request by the ADB.                                                                                                                                                                                                          |

## 6. Report on Project's implementation progress

| Category                        | Cumulative as at<br>31.12.2025 | Budget             | Implementation* |
|---------------------------------|--------------------------------|--------------------|-----------------|
|                                 | USD                            | USD                | %               |
| Works                           | 143,378,356                    | 151,900,954        | 94%             |
| Consulting Services             | 12,732,189                     | 13,799,046         | 92%             |
| Interest and Commitment Charges | 4,000,000                      | 4,000,000          | 100%            |
| Other (including local taxes)   | 55,294,010                     | 32,000,000         | 173%            |
| Unallocated                     | -                              | 8,300,000          | n/a             |
| <b>Total</b>                    | <b>215,404,554</b>             | <b>210,000,000</b> | <b>103%</b>     |

(\*) The Loan Agreement was signed on 30 May 2011, the deadline for loan disbursements was initially set at 31 Dec 2014, then extended till 30 June 2017, then extended till 14 Sept 2019. On 27 May 2019 the Ministry of Finance of Republic of Armenia requested from ADB to extend Closing Loan Agreement till 31 December 2024. The Closing date of Tranche 2 was set at 31 December 2023.

Based on the Amendment to the Loan Agreement dated 22 November 2023 the Closing date of Tranche 2 was set at 31 December 2024.

The ADB disbursements for Tranche 2 have been set as of 30 April 2025. The further payments will be done by Government of Armenia. The Project will be closed in 2027.

As of 1 May 2025, the project financed under ADB Loan No. 2729 (Tranche 2) was officially closed.

The implementation of activities from 1 May 2025 onward has continued using financing provided by the Government of the Republic of Armenia. In accordance with the letter dated 21 December 2012, the Government of the Republic of Armenia committed to finance any funding gap under Tranche 2, as well as any cost overruns arising or incurred during the implementation of Tranche 2. Accordingly, all outstanding payments under existing contracts and any additional implementation costs incurred after the project closure date are financed from the co-financing funds of the Government of the Republic of Armenia.

## 7. Report on project's disbursement progress

**For the period 31 December 2025**

*In USD*

| Category                  | Actual            |                    | Budget            |                    | Variance           |                    |
|---------------------------|-------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
|                           | Year ended        | Cumulative as at   | Year ended        | Cumulative as at   | Year ended         | Cumulative as at   |
|                           | 31.12.2025        | 31.12.2025         | 31.12.2025        | 31.12.2025         | 31.12.2025         | 31.12.2025         |
| Works(ADB)                | 3,452,693         | 143,378,356        | 3,552,319         | 142,128,135        | (99,626)           | 1,250,221          |
| Consulting Services(ADB)  | 248,804           | 12,732,189         | 250,990           | 13,210,606         | (2,186)            | (478,418)          |
| Interest                  | -                 | 4,000,000          | -                 | 4,000,000          | -                  | -                  |
| Works(GOA)                | 25,569,590        | 25,569,590         | 29,961,846        | 29,961,846         | (4,392,256)        | (4,392,256)        |
| Consulting Services(GOA)  | 1,208,388         | 1,208,388          | 1,290,767         | 1,290,767          | (82,379)           | (82,379)           |
| Other (taxes)             | 2,803,047         | 27,689,931         | -                 | 30,387,371         | 2,803,047          | (2,697,440)        |
| Other works               | -                 | 146,899            | -                 | 146,899            | -                  | -                  |
| Other consulting services | -                 | 234,381            | -                 | 234,381            | -                  | -                  |
| Project Management Cost   | 444,821           | 444,821            | 463,879           | 463,879            | (19,058)           | (19,058)           |
| <b>Total</b>              | <b>33,727,342</b> | <b>215,404,555</b> | <b>35,519,801</b> | <b>221,823,884</b> | <b>(1,773,401)</b> | <b>(6,419,330)</b> |

**For the year ended 31 December 2024**

*In USD*

| Category                  | Actual            |                    | Budget            |                    | Variance           |                    |
|---------------------------|-------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
|                           | Year ended        | Cumulative as at   | Year ended        | Cumulative as at   | Year ended         | Cumulative as at   |
|                           | 31.12.2024        | 31.12.2024         | 31.12.2024        | 31.12.2024         | 31.12.2024         | 31.12.2024         |
| Works                     | 24,073,100        | 139,925,663        | 22,733,109        | 138,575,816        | 1,339,991          | 1,349,847          |
| Consulting Services       | 1,391,480         | 12,483,385         | 1,798,918         | 12,959,616         | (407,438)          | -476,231           |
| Interest                  | -                 | 4,000,000          | -                 | 4,000,000          | -                  | -                  |
| Other (taxes)             | 5,321,440         | 24,886,884         | 10,807,297        | 30,387,371         | (5,485,857)        | -5,500,487         |
| Other works               | -                 | 146,899            | -                 | 146,899            | -                  | -                  |
| Other consulting services | -                 | 234,381            | -                 | 234,381            | -                  | -                  |
| <b>Total</b>              | <b>30,786,021</b> | <b>131,677,212</b> | <b>35,339,325</b> | <b>186,304,083</b> | <b>(4,553,304)</b> | <b>(4,626,871)</b> |

**For the year ended 31 December 2023**

*In USD*

| Category                  | Actual            |                    | Budget            |                    | Variance        |                  |
|---------------------------|-------------------|--------------------|-------------------|--------------------|-----------------|------------------|
|                           | Year ended        | Cumulative as at   | Year ended        | Cumulative as at   | Year ended      | Cumulative as at |
|                           | 31.12.2023        | 31.12.2023         | 31.12.2023        | 31.12.2023         | 31.12.2023      | 31.12.2023       |
| Works                     | 13,722,856        | 15,852,562         | 13,713,001        | 115,842,707        | 9,856           | 9,856            |
| Consulting Services       | 1,034,638         | 11,091,905         | 1,103,431         | 11,160,698         | (68,793)        | (68,793)         |
| Interest                  | -                 | 4,000,000          | -                 | 4,000,000          | -               | -                |
| Other (taxes)             | 1,375,942         | 19,565,444         | 1,390,572         | 19,580,074         | (14,630)        | (14,630)         |
| Other works               | -                 | 146,899            | -                 | 146,899            | -               | -                |
| Other consulting services | -                 | 234,381            | -                 | 234,381            | -               | -                |
| <b>Total</b>              | <b>16,133,436</b> | <b>150,891,191</b> | <b>16,207,003</b> | <b>150,964,758</b> | <b>(73,567)</b> | <b>(73,567)</b>  |

## 8. Report on actual withdrawn amounts

*In USD*

| Category                  | Period from 01.01.2025 to 31.12.2025 |                                       |                   | Cumulative as at 31.12.2025 |                                       |                    |
|---------------------------|--------------------------------------|---------------------------------------|-------------------|-----------------------------|---------------------------------------|--------------------|
|                           | ADB Loan<br>2729-ARM                 | Government<br>of RoA co-<br>financing | Total             | ADB Loan<br>2729-ARM        | Government<br>of RoA co-<br>financing | Total              |
| Works                     | 3,452,693                            | 25,569,590                            | 29,022,283        | 143,378,356                 | 39,082,316                            | 182,460,672        |
| Consulting Services       | 248,804                              | 1,208,388                             | 1,457,192         | 12,732,189                  | 5,790,014                             | 18,522,203         |
| Interest                  | -                                    | -                                     | -                 | 4,000,000                   | -                                     | 4,000,000          |
| Other works               | -                                    | 2,803,047                             | 2,803,047         | -                           | 9,742,478                             | 9,742,478          |
| Other consulting services | -                                    | -                                     | -                 | -                           | 234,381                               | 234,381            |
| Project Management Cost   | -                                    | 444,821                               | 444,821           | -                           | 444,821                               | 444,821            |
| <b>Total</b>              | <b>3,701,497</b>                     | <b>30,025,846</b>                     | <b>33,727,342</b> | <b>160,110,545</b>          | <b>55,294,010</b>                     | <b>215,404,555</b> |

*In USD*

| Category                  | Year ended 31.12.2024 |                                       |                   | Cumulative as at 31.12.2024 |                                       |                    |
|---------------------------|-----------------------|---------------------------------------|-------------------|-----------------------------|---------------------------------------|--------------------|
|                           | ADB Loan<br>2729-ARM  | Government<br>of RoA co-<br>financing | Total             | ADB Loan<br>2729-ARM        | Government<br>of RoA co-<br>financing | Total              |
| Works                     | 24,073,100            | -                                     | 24,073,100        | 139,925,663                 | 13,512,726                            | 153,438,389        |
| Consulting Services       | 1,391,480             | -                                     | 1,391,480         | 12,483,385                  | 4,581,626                             | 17,065,011         |
| Interest                  | -                     | -                                     | -                 | 4,000,000                   | -                                     | 4,000,000          |
| Other works               | -                     | 5,321,440                             | 5,321,440         | -                           | 6,939,431                             | 6,939,431          |
| Other consulting services | -                     | -                                     | -                 | -                           | 234,381                               | 234,381            |
| <b>Total</b>              | <b>25,464,581</b>     | <b>5,321,440</b>                      | <b>30,786,021</b> | <b>156,409,048</b>          | <b>25,268,164</b>                     | <b>181,677,212</b> |

*In USD*

| Category                  | Year ended 31.12.2023 |                                       |                   | Cumulative as at 31.12.2023 |                                       |                    |
|---------------------------|-----------------------|---------------------------------------|-------------------|-----------------------------|---------------------------------------|--------------------|
|                           | ADB Loan<br>2729-ARM  | Government<br>of RoA co-<br>financing | Total             | ADB Loan<br>2729-ARM        | Government<br>of RoA co-<br>financing | Total              |
| Works                     | 13,722,856            | -                                     | 13,722,856        | 115,852,562                 | 13,512,726                            | 129,365,288        |
| Consulting Services       | 1,034,638             | -                                     | 1,034,638         | 11,091,905                  | 4,581,626                             | 15,673,531         |
| Interest                  | -                     | -                                     | -                 | 4,000,000                   | -                                     | 4,000,000          |
| Other works               | -                     | 1,375,942                             | 1,375,942         | -                           | 1,617,991                             | 1,617,991          |
| Other consulting services | -                     | -                                     | -                 | -                           | 234,381                               | 234,381            |
| <b>Total</b>              | <b>14,757,494</b>     | <b>1,375,942</b>                      | <b>16,133,436</b> | <b>130,944,467</b>          | <b>19,946,724</b>                     | <b>150,891,191</b> |

## 9. ADB Loan 2729-ARM financing

|                | Year ended<br>31.12.2025 | Year ended<br>31.12.2024 | Cumulative as at<br>31.12.2025 |
|----------------|--------------------------|--------------------------|--------------------------------|
|                | USD                      | USD                      | USD                            |
| Direct Payment | 3,701,496.86             | 25,464,581               | 156,110,545                    |
| Interest       | -                        | -                        | 4,000,000                      |
| <b>Total</b>   | <b>3,701,497</b>         | <b>25,464,581</b>        | <b>160,110,545</b>             |

## 10. Cash

|                                   | As at<br>31.12.2025<br>USD | As at<br>31.12.2024<br>USD | As at<br>31.12.2023<br>USD |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Current account, RoA co-financing | -                          | -                          | 6,964                      |
| <b>Total</b>                      | <b>-</b>                   | <b>-</b>                   | <b>6,964</b>               |

## 11. Prepayments

| Prepayments                                                          | As at 31.12.2025<br>USD | As at 31.12.2024<br>USD | As at 31.12.2023<br>USD |
|----------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Corsan Corviam Construcccion S.A.                                    | 27,612,508              | 27,612,508              | 27,612,508              |
| JV A.A.B. Project LLC-M/s Dineshchandra R Agrawal Infracon Pvt. Ltd. | -                       | 405,558                 | 2,189,630               |
| Armenian Branch of Levantina, Ingenieria y Construcccion             | -                       | 7,598,511               | 7,598,511               |
| EGIS International Armenian Branch                                   | -                       | -                       | 156,091                 |
| <b>Total</b>                                                         | <b>27,612,508</b>       | <b>35,616,576</b>       | <b>37,556,740</b>       |

## 12. Payables

| Payables                                                             | As at 31.12.2025<br>USD | As at 31.12.2024<br>USD | As at 31.12.2023<br>USD |
|----------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Armenian Branch of Levantina, Ingenieria y Construcccion             | 3,699,872               | 3,094,604.79            | 364,594.38              |
| Uptime LLC                                                           | -                       | 1,664.82                | -                       |
| EGIS International Armenian Branch                                   | 143,491.33              | 213,855.36              | 25,596.98               |
| Corsan Corviam Construcccion S.A.                                    | 8,977,715.00            | 8,977,715.00            | 8,977,715.00            |
| JV A.A.B. Project LLC-M/s Dineshchandra R Agrawal Infracon Pvt. Ltd. | 1,050,101.49            | 2,552,194.74            | 367,519.00              |
| Media Model LLC                                                      | -                       | -                       | 25,596.98               |
| Other consulting services                                            | -                       | -                       | 19,999.11               |
| <b>Total</b>                                                         | <b>13,871,179.89</b>    | <b>14,840,034.71</b>    | <b>9,781,021.45</b>     |

### 13. Litigations

- a) In November 2019 the Ministry of Territorial Administration and Infrastructure of the Republic of Armenia submitted a petition to the International Trade Chamber to initiate arbitration process against the Corsan Corviam Construcción S.A .  
By Decision No. 1285-AG of the Government of the Republic of Armenia, dated 27 July 2023, the Settlement Agreement was approved.  
The Agreement was signed by Corsan on 31 July 2023, by the Bank on 4 August 2023, and by the Ministry of Territorial Administration and Infrastructure on 9 August 2023.  
In accordance with the Settlement Agreement, the Ministry and Corsan jointly requested the Spanish court and the arbitral tribunal to terminate the related legal proceedings.  
As a result, the Spanish court proceedings ended on 9 December 2024, and the arbitration proceedings ended on 30 December 2024.  
However, the Settlement Agreement is still confidential.

## ANNEX. EXPENDITURE DETAILS BY ITEMS

North-South Road Corridor Investment Program -Project 2  
ADB Loan 2729-ARM  
For the period 01.01.2025 to 31.12.2025  
In USD

| Description                               |                          | Year ended   | Year ended    | Contract                                                                |
|-------------------------------------------|--------------------------|--------------|---------------|-------------------------------------------------------------------------|
|                                           |                          | 31.12.2025   | 31.12.2024    |                                                                         |
|                                           |                          | Paid amount  | Paid amount   |                                                                         |
|                                           |                          |              |               |                                                                         |
|                                           | Works                    |              |               |                                                                         |
| Construction                              |                          | 3,452,693.14 | 24,073,100.46 | Contract No: CW-ICB -T2-2021/1, Contract No: CW-ICB -T2-2022/2          |
| Total Construction (financing ADB)        |                          | 3,452,693.14 | 24,073,100.46 |                                                                         |
|                                           | Consulting services      |              |               |                                                                         |
| Engineering service                       |                          | 241,783      | 1,277,252     | ADB/T2/CS/SSS/01-T2                                                     |
| Implementation of CAP/LARP addendum       |                          | -            | 107,244       | Contract for consultants services dated 15.11.2018 ADB/NS/CS/CQS/2018-2 |
| Audit                                     |                          | 7,021        | 6,984         | Contract for auditing services dated 16.10.2017 02CS0004                |
| Total Consulting Services (financing ADB) |                          | 248,804      | 1,391,481     |                                                                         |
|                                           | Works                    |              |               |                                                                         |
| Construction                              |                          | 25,569,590   |               | Contract No: CW-ICB -T2-2021/1, Contract No: CW-ICB -T2-2022/2          |
| Total Construction (financing GOA)        |                          | 25,569,590   |               |                                                                         |
|                                           | Consulting services      |              |               |                                                                         |
| Engineering service                       |                          | 1,207,004    |               | ADB/T2/CS/SSS/01-T2                                                     |
| Implementation of CAP/LARP addendum       |                          |              |               |                                                                         |
| Audit                                     |                          | 1,385        |               | Contract for auditing services dated 16.10.2017 02CS0004                |
| Project Management Cost                   |                          | 444,821      |               |                                                                         |
| Total Consulting services (financing GOA) |                          | 1,653,209    |               |                                                                         |
|                                           | Taxes financing from GOA |              |               |                                                                         |
| Construction                              |                          | 2,720,048.17 | 5,094,289.58  |                                                                         |
| Engineering service                       |                          | 82,999       | 225,758       |                                                                         |
| Audit                                     |                          | -            | 1,392         |                                                                         |
| Total expenses GOA fund                   |                          | 2,803,047    | 5,321,440     |                                                                         |
| Total expenditures                        |                          | 33,727,342   | 30,786,021    |                                                                         |