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LOAN NUMBER 8615-AM

# Loan Agreement

(Power Sector Financial Recovery Program)

between

REPUBLIC OF ARMENIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated *May 12*, 2016

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**LOAN AGREEMENT**

AGREEMENT dated May 12, 2016, between REPUBLIC OF ARMENIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty million dollars (US\$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement, ("Loan"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into accounts specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the objective of the Program. To this end, the Borrower shall:
- (a) carry out the Program through MENR, and
- (b) coordinate with the following entities which will assist MENR in the implementation of the Program: (i) ANPP to participate in activities under Parts A and B of the Program; (ii) YTPC to participate in activities under Parts A, B, C, and E of the Program, and (iii) PSRC to participate in activities under Part D of the Program, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following: (i) that ANPP and/or YTPC shall have failed to comply with any of its obligations under the respective ANPP Subsidiary Agreement or YTPC Subsidiary Agreement, so as to affect materially and adversely, in the opinion of the Bank, the Borrower's ability to perform its obligations under this Agreement; and (ii) that the Program has been modified and/or suspended so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to achieve the original Program objectives.

- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The ANPP Subsidiary Agreement has been executed on behalf of the Borrower (acting through MoF) and ANPP, in a manner acceptable to the Bank.
  - (b) The YTPC Subsidiary Agreement has been executed on behalf of the Borrower (acting through MoF) and YTPC, in a manner acceptable to the Bank.
- 5.02. The Additional Legal Matters consists of the following.
- (a) The Borrower, through a legal opinion satisfactory to the Bank, issued by the Borrower's counsel acceptable to the Bank, indicates that the ANPP Subsidiary Agreement and the YTPC Subsidiary Agreement referred to in Section 5.01 above have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and each ANPP and YTPC, and are legally binding upon the Borrower in accordance with their terms.
  - (b) ANPP and YTPC, through a legal opinion satisfactory to the Bank, issued by ANPP and YTPC's respective counsels, acceptable to the Bank, indicate that their respective ANPP Subsidiary Agreement and YTPC Subsidiary Agreement, have been duly authorized by, and executed and delivered on behalf of, ANPP and YTPC, and are legally binding upon ANPP and YTPC, in accordance with their respective terms.
- 5.03. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance of the Republic of Armenia  
1 Melik-Adamyanyan St.  
Yerevan 0010  
Republic of Armenia  
Facsimile:  
+ 374- 11-800132

6.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:

248423(MCI) or  
64145(MCI)

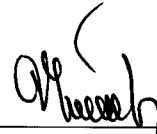
Facsimile:

1-202-477-6391

AGREED at Yerevan, Republic of Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By



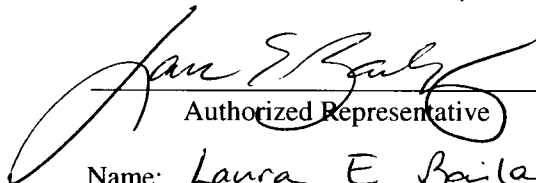
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Authorized Representative

Name: Gagik Khachatryan

Title: Minister of Finance

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



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Authorized Representative

Name: Laura E Bailey

Title: Country Manager

## SCHEDULE 1

### Program Description

The proposed Program development objective is to support the Borrower's efforts to maintain adequate and reliable electricity supply through improvement of the financial standing of the state-owned power generation companies and the private power distribution company.

The Program consists of the following selected set of activities under the Borrower's Power Sector Financial Recovery Program:

- A. Elimination of cash outflows of state-owned power companies for non-core business related reasons through: (i) establishment of a prohibition of non-core business related expenditures, lending, and borrowing for ANPP and YTPC; and (ii) liquidation of Haigasard state-owned CJSC.
- B. Reduction of expensive commercial loans and recovery of receivables through: (i) refinancing of the principal amounts of commercial loans of ANPP and YTPC listed in Supplemental Letter; and (ii) recovery of receivables of ANPP and YTPC for electricity supplied to Electric Networks of Armenia (ENA).
- C. Repayment of the payable of YTPC with Yerevan GGM branch of Gazprom Armenia CJSC under a contract referred to in Supplemental Letter No. 3.
- D. Modification of tariffs to fully reflect the cost of electricity supply through: (i) amendment of ENA's license to allow adjusting the tariff margin by the full size of loss (profit) incurred due to mismatch between actual and forecast cost of electricity purchased by ENA; and (ii) revision of tariff-setting methodology to allow adjusting the tariff by the full size of natural gas purchase related loss (profit) incurred due to fluctuation of AMD/US\$ exchange rate.
- E. Maintenance of the generation capacity of the gas turbine at YTPC's Combined Cycle Gas Turbine plant (CCGT), through replacement of some components of the gas turbine.

## SCHEDULE 2

### Program Execution

#### Section I. Implementation Arrangements

##### A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

1. the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

##### B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Borrower shall carry out the Program, and cause the Program to be carried out, in accordance with the provisions of the Bank’s Anti-Corruption Guidelines.

##### C. Other Program Institutional and Implementation Arrangements

###### 1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Borrower shall maintain or cause to be maintained during the implementation of the Program the offices, units, and branches within MENR, MoF, ANPP, YTPC, PSRC and/or any other relevant entity, each assigned with technical, environmental, and social safeguards, fiduciary and other Program related responsibilities for implementing their respective parts of the Program, all with powers, functions, capacity, staffing and resources satisfactory to the Bank to fulfill their respective functions under the Program.

###### 2. Subsidiary Agreements

- (a) The Borrower shall make part of the Loan proceeds available to each ANPP and YTPC under a subsidiary agreement between the Borrower and the ANPP (the ANPP Subsidiary Agreement) and a subsidiary agreement between the Borrower and YTPC (the YTPC Subsidiary Agreement), respectively, under terms and conditions approved by the Bank, which shall include, *inter-alia*, the following:
  - (i) The obligation of the Borrower to make available to ANPP and to YTPC under the ANPP Subsidiary Agreement and the YTPC Subsidiary Agreement the respective portion of the Loan proceeds as Sub-loans: ANPP (28.5 %) and



YTPC (71.5 %) subject to the achievement of the DLRs/DLIs set forth in the table in Section IV.A.2 of Schedule 2 of this Agreement and corresponding verification process.

- (ii) The amount of the Sub-loans to ANPP and YTPC shall be made available in Dollars or any other currency that may be selected by the Borrower for the Loan from time to time in accordance with the provisions of Section 2.08 of this Agreement.

The principal amount of the Sub-loans to ANPP and YTPC shall be repaid by ANPP and YTPC to the Borrower in Dollars, or any other currency that may be selected by the Borrower for the Loan from time to time in accordance with the provisions of Section 2.08 of this Agreement, in semi-annual installments over 25 years, including a grace period of 14.5 years.

- (iii) (A) Interest on the principal amount of the Sub-loans to ANPP and YTPC withdrawn and outstanding from time to time shall be charged and paid at the same rate applicable to the Loan (without additional margin) pursuant to the provisions of Section 2.05 of this Agreement, and (B) a commitment charge shall be charged and paid on the unwithdrawn balance of the Sub-loans to ANPP and YTPC, determined according to the provisions of Section 2.04 of this Agreement.
- (iv) The obligation of ANPP and YTPC to carry out their respective activities under the Program as set forth in this Agreement; the ANPP Subsidiary Agreement and the YTPC Subsidiary Agreement respectively, all in a manner satisfactory to the Bank.
- (v) The obligation of ANPP and YTPC to comply with the Anti-Corruption Guidelines.
- (vi) The obligation of ANPP and YTPC to not incur any expenditures, indebtedness, or any liability or provide loans or grants, for purposes not related to ANPP's and/or YTPC's "core business" of providing energy generation services. For the purposes of this paragraph:
  - (a) The term "indebtedness" means any obligation (whether incurred as principal or surety) for the payment or repayment of money, whether present or future, actual or contingent.
  - (b) Indebtedness shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into; and/or (C) any other transaction that results in the creation of liabilities.
  - (c) The term "grants" means the provision of financing to another entity without a repayment obligation for said entity.

- (d) The term “loans” means the provision of financing to another entity with a repayment obligation for said entity.
- (e) The term “core business” (as used, *inter-alia* in DLIs 3 and 4) means the energy generation (electric and/or thermal energy, in the case of YTPC and electric energy, in the case of ANPP) through facilities owned or controlled by ANPP and/or YTPC respectively, and sold or to be sold to the Borrower’s electricity and/or heat transmission and/or distribution networks, and/or exported or to be exported.
- (b) The Borrower shall exercise its rights under the ANPP Subsidiary Agreement and the YTPC Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the ANPP Subsidiary Agreement and/or the YTPC Subsidiary Agreement or any of their provisions.

**Section II. Excluded Activities**

The Borrower shall ensure that the Program excludes any activities which:

- A. in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost fifty million Dollars (\$50,000,000) equivalent or more per contract; (2) goods, estimated to cost thirty million Dollars (\$30,000,000) equivalent or more per contract; (3) non-consulting services, estimated to cost twenty million Dollars (\$20,000,000) equivalent or more per contract; or (4) consultants’ services, estimated to cost fifteen million Dollars (15,000,000) equivalent or more per contract.

**Section III. Program Monitoring, Reporting and Evaluation; Audits**

**A. Program Reports**

The Borrower shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 5.08 of the General Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

**B. Program Financial Audits**

Without limitation on the generality of Section I.A of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower:

- (i) through MENR, shall have the Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later

than six (6) months after the end of such period and shall be made publicly available in a timely manner, as acceptable to the Bank; and

- (ii) shall cause ANPP and YTPC to:
  - (a) have their financial statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions, with each financial statement audit covering the period of one fiscal year of ANPP and YTPC, respectively; and
  - (b) furnish to the Borrower and the Bank ANPP's and YTPC's financial statements, not later than six (6) months after the end of their respective fiscal years; and
  - (c) make ANPP's and YTPC's financial statements for their respective fiscal years publicly available in a timely manner, as acceptable to the Bank.

**C. Independent Verification of DLRs/DLIs**

The Borrower shall:

- (a) cause YTPC to hire, not later than two months after the Effectiveness Date of this Agreement, an independent third party entity or entities ("Independent Verification Agent(s)" or "IVA(s)") under terms of reference satisfactory to the Bank, to carry out the verification of compliance of DLRs and DLIs under Categories (1) through (9) as set forth in the table under Section IV.A.2. of this Schedule;
- (b) cause the Settlement Center CJSC to carry out the verification of compliance for DLR and DLI under Category (10) of the table under Section IV.A.2 of this Schedule;
- (c) carry out throughout the implementation of the Program a verification process guided by a Verification Protocol agreed with the Bank, through the IVA(s) hired pursuant to paragraph (a) above, to ascertain whether the DLRs/DLIs have been achieved for the period(s) under review; and
- (d) furnish to the Bank corresponding verification reports, in form and substance acceptable to the Bank, by not later than thirty (30) days after the end of each of the periods referred to in paragraph (c) above.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

- 1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Borrower to: (a) pay the Front-end Fee; and (b) finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2

of this Part A. For purposes of this paragraph, “Program Expenditures” means expenditures incurred in connection with: (i) principal amounts of outstanding commercial loans as described in Supplemental Letter No. 3; (ii) repayment of the payable for natural gas (the payable under the contract with Yerevan GGM of Gazprom Armenia CJSC detailed in Supplemental Letter for supply of gas to generate power for domestic needs); (iii) Program audits and IVA; and (iii) overhaul of YTPC gas turbine at CCGT.

2. The following table specifies each category of withdrawal of the proceeds of the Loan (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Loan to each Category:

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
(1) DLI #1: Decision at shareholder meetings of ANPP and YTPC, prohibiting the non-core business related expenditures, lending and borrowing by the above companies.	No Decision	DLR # 1: Shareholders of ANPP and YTPC have met and made a decision prohibiting their non-core business related expenditures, lending and borrowing, in a manner satisfactory to the Bank, by June 30, 2016.	DLI #1: US\$2,832,000
(2) DLI #2: Liquidation of Haigasard.	Exists as legal entity	<p>DLR # 2.1 (US\$1,000,000): Shareholders of Haigasard met and: (i) made a decision to liquidate, and (ii) approved the liquidation plan that covers all key aspects and steps required for liquidation of entities under the Borrower’s applicable legislation and contains a timetable for liquidation with clear indication of roles and responsibilities of involved parties, all in a manner satisfactory to the Bank by December 31, 2016.</p> <p>DLR # 2.2 (US\$500,000): Liquidation Commission appointed by the shareholders of Haigasard has completed the revaluation of assets of the company in accordance with the Borrower’s legislation, by December 31, 2018.</p> <p>DLR # 2.3 (US\$500,000): Haigasard’s liquidation is completed and registered by State</p>	DLI #2: US\$2,000,000

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		Register of the Legal Entities of the Ministry of Justice in accordance with the Borrower's legislation, by December 31, 2020.	
(3) DLI # 3: No new non-core business related expenditures, borrowing and lending incurred by ANPP.	ANPP incurs non-core business related expenditures, borrowing and lending	<p>DLR # 3.1 (US\$1,900,000): ANPP has not incurred in any new non-core business related expenditures, borrowing and lending during the period from the date of signing of this Loan Agreement till the end of Borrower's FY 2016.</p> <p>DLR # 3.2 (US\$200,000): ANPP has not incurred in any new non-core business related expenditures, borrowing and lending during the Borrower's FY 2017.</p> <p>DLR # 3.3 (US\$200,000): ANPP has not incurred in any new non-core business related expenditures, borrowing and lending during the Borrower's FY 2018.</p> <p>DLR # 3.4 (US\$200,000): ANPP has not incurred in any new non-core business related expenditures, borrowing and lending during the Borrower's FY 2019.</p>	DLI #3: US\$ 2,500,000
(4) DLI # 4: No new non-core business related expenditures, borrowing and lending incurred by YTPC	YTPC incurs non-core business related expenditures, borrowing, and lending	<p>DLR # 4.1 (US\$1,900,000): YTPC has not incurred in any new non-core business related expenditures, borrowing and lending during the period from the date of signing of this Loan Agreement till the end of Borrower's FY 2016</p> <p>DLR # 4.2 (US\$200,000): YTPC has not incurred in any new non-core business related expenditures, borrowing and lending during the Borrower's FY 2017.</p> <p>DLR # 4.3 (US\$200,000): YTPC has not incurred in any new non-</p>	DLI #4: US\$2,500,000

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		<p>core business related expenditures, borrowing and lending during the Borrower's FY 2018.</p> <p>DLR # 4.4 (US\$200,000): YTPC has not incurred in any new non-core business related expenditures, borrowing and lending during the Borrower's FY 2019.</p>	
(5) DLI # 5: Reduction of principal amount of outstanding commercial loans of ANPP	US\$0	<p>DLR # 5.1: Prior Result (US\$1,086,000): ANPP has reduced the principal amount of the outstanding commercial loans by at least US\$2,172,000 during the period of February 1, 2016 and the day preceding the date of signing of the Loan Agreement.</p> <p>DLR # 5.2 (US\$1,414,000): ANPP has reduced the principal amount of the outstanding commercial loans by at least US\$2,828,000 during the period between the date of signing of the Loan Agreement and December 31, 2016.</p> <p>DLR # 5.3 (US\$1,760,000): ANPP has reduced the principle amount of the outstanding commercial loans by US\$3,520,000 during the period between January 1, 2017 and June 30, 2017.</p>	<p>DLI #5: US\$4,260,000</p> <p>Allocation for DLI 5.1 is based on US US\$0.50 for each US\$1 of reduction of the principal amount of the loan.</p>
(6) DLI # 6: Reduction of principal amount of outstanding commercial loans of YTPC	US\$0	<p>DLR # 6.1 (US\$500,000): YTPC has reduced the principal amount of the outstanding commercial loans by at least US\$1,000,000 during the period between February 1, 2016 and June 30, 2016.</p> <p>DLR # 6.2 (US\$800,000): YTPC has reduced the principal amount of the outstanding commercial loans by at least US\$1,600,000 during the period between July 1, 2016 and December 31, 2016</p>	<p>DLI #6: US\$2,300,000</p> <p>Allocation for DLI 5.1 is based on US US\$0.50 for each US\$1 of reduction of the principal amount of the loan</p>

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		DLR # 6.3 (US\$1,000,000): YTPC has reduced the principle amount of the outstanding commercial loans by US\$2,000,000 during the period between January 1, 2017 and June 30, 2017.	
(7) DLI #7: Reduction of YTPC's gas payable under Contract referred to in Supplemental Letter	AMD12,161,961,848	<p>DLR # 7.1: Prior Result (US\$780,000): YTPC's balance payable under this contract reduced to AMD 10,861,961,848 as of the day preceding the date of signing of the Loan Agreement.</p> <p>DLR # 7.2 (US\$120,000): YTPC's balance payable under this contract reduced to at least AMD 10,661,961,848 as of June 30, 2016.</p> <p>DLR # 7.3 (US\$600,000): YTPC's balance payable under this contract reduced to at least AMD 9,661,961,848 as of December 31, 2016.</p> <p>DLR # 7.4 (US\$900,000): YTPC's balance payable under this contract reduced to at least AMD 8,161,961,848 as of June 30, 2017.</p> <p>DLR # 7.5 (US\$1,200,000): YTPC's balance payable under this contract reduced to at least AMD 6,161,961,848 as of December 31, 2017.</p> <p>DLR # 7.6 (US\$600,000): YTPC's balance payable under this contract reduced to at least AMD 5,161,961,848 as of December 31, 2018.</p> <p>DLR # 7.7 (US\$600,000): YTPC's balance of payable under this contract reduced to at least AMD</p>	DLI #7: US\$4,982,000  Allocation for DLI 7 is based on US\$0.6 for each AMD 1,000 of reduction of the balance of payable.

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		<p>4,161,961,848 as of December 31, 2019.</p> <p>DLR # 7.8 (US\$182,000): YTPC's balance of payable under this contract reduced to at least AMD 3,858,961,848 as of December 31, 2020.</p>	
<p>(8) DLI # 8: ENA's tariff margin for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period plus the associated interest expense (revenue)</p>	<p>None</p>	<p>DLR # 8.1 (US\$1,000,000): ENA's license is amended by PSRC by June 30, 2016 and ENA's margin is adjusted (by December 31, 2016 for the Borrower's fiscal year 2016) to fully reflect the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period plus the associated interest expense (revenue).</p> <p>DLR # 8.2 (US\$400,000): ENA's margin is adjusted by PSRC (by December 31, 2017 for the Borrower's fiscal year 2017) and for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period.</p> <p>DLR # 8.3 (US\$200,000): ENA's margin is adjusted by PSRC (by December 31, 2018 for the Borrower's fiscal year 2018) and for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period.</p> <p>DLR # 8.4 (US\$200,000): ENA's margin is adjusted by PSRC (by</p>	<p>DLI #8: US\$2,000,000</p>



Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		<p>December 31, 2019 for the Borrower's fiscal year 2019) and for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period.</p> <p>DLR # 8.5 (US\$200,000): ENA's margin is adjusted by PSRC (by December 31, 2020 for the Borrower's fiscal year 2020) and for each new tariff period fully reflects the loss (revenue) accrued due to difference between the forecast and actual cost of electricity purchased by ENA during the preceding tariff period.</p>	
<p>(9) DLI # 9: Tariffs for YTPC and Hrazdan TPP for each new tariff period fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period</p>	<p>None</p>	<p>DLR # 9.1 (US\$1,000,000): Tariff-setting methodology is revised by PSRC by June 30, 2016 and tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC (by December 31, 2016 for the Borrower's fiscal year 2016) to fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period.</p> <p>DLR # 9.2 (US\$400,000): Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC (by December 31, 2017 for the Borrower's fiscal year 2017) to fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period.</p>	<p>DLI # 9: US\$2,000,000</p>

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		<p>DLR # 9.3 (US\$200,000): Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC (by December 31, 2018 for the Borrower's fiscal year 2018) to fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period.</p> <p>DLI # 9.4 (US\$200,000): Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC (by December 31, 2019 for the Borrower's fiscal year 2019) to fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period.</p> <p>DLR # 9.5:(US\$200,000): Tariffs for YTPC and Hrazdan TPP for each new tariff period are revised by PSRC (by December 31, 2020 for the Borrower's fiscal year 2020) to fully reflect the loss (revenue) resulting from difference between forecast and actual cost of purchased natural gas due to fluctuation of AMD/US\$ exchange rate during the preceding period.</p>	
(10) DLI # 10: Electricity supplied by YTPC is maintained	1400 Gigawatt-hours per year	<p>DLR # 10.1 (US\$1,721,000): YTPC supplied to the power transmission network at least 1400 GWh of electricity during the period between January 1, 2016 and December 31, 2016.</p> <p>DLR # 10.2 (US\$1,630,000): YTPC supplied to the power transmission network at least 1400 GWh of electricity during the</p>	DLI #10: US\$4,551,000

Category (including Disbursement Linked Indicator as applicable)	Baseline	Disbursement Linked Result (as applicable)	Amount of the Loan Allocated (expressed in USD)
		<p>period between January 1, 2017 and December 31, 2017.</p> <p>DLR # 10.3 (US\$400,000): YTPC supplied at least 1400 GWh of electricity during the period between January 1, 2018 and December 31, 2018.</p> <p>DLR # 10.4 (US\$400,000): YTPC supplied to the power transmission network at least 1400 GWh of electricity during the period between January 1, 2019 and December 31, 2019.</p> <p>DLR # 10.5 (US\$400,000): YTPC supplied to the power transmission network at least 1400 GWh of electricity during the period between January 1, 2020 and December 31, 2020.</p>	
(11) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions	Not applicable	Not applicable	US\$75,000
<b>TOTAL AMOUNT</b>			<b><u>US\$30,000,000</u></b>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for purposes of Section 2.05 of the General Conditions, for payments for Program Expenditures made prior to the date of this Agreement; except that withdrawals up to an aggregate amount not to exceed: (i) seven hundred and eighty thousand dollars (US\$780,000) may be made for such payments made prior to this date but on or after February 1, 2016 for results achieved under Category (7); and (ii) one million eighty six thousand dollars (US\$1,086,000) may be made for such payments made prior to this date but on or after February 1, 2016 for results achieved under Category (5).
  - (b) for any DLR under Category (1) through (10) , until and unless the Borrower has furnished evidence satisfactory to the Bank that the DLRs set forth in the above

table have been achieved. The evidence of the achievement of the DLRs shall be verified in accordance with the provisions of the Verification Protocol agreed with the Bank, and, shall have been confirmed by the Independent Verification Agent (IVA); and

- (c) unless otherwise agreed by the Bank, for any subsequent DLR in the event that: (i) a reversal of a previous DLR has occurred in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program; and (ii) said previous DLR has already been vetted by the IVA(s) using the Verification Protocol agreed with the Bank, and for which the corresponding disbursements have been already made by the Bank. The Borrower shall refund the disbursements already made by the Bank for said previous DLR promptly upon notice thereof by the Bank.
2. (a) Notwithstanding the provisions of Part B.1(c) of this Section:
- (i) The Borrower may withdraw an amount not to exceed the equivalent of seven million two hundred twenty thousand dollars (US\$7,220,000) as an advance, to be split between ANPP (28.5 %) and YTPC (71.5 %); provided that if in the opinion of the Bank any given DLR is not achieved (or only partially achieved) by the date by which the said DLRs is set to be achieved, the Borrower shall refund such advance to the Bank promptly upon notice thereof by the Bank. Except as otherwise agreed with the Borrower, the Bank shall cancel the amounts so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Bank shall specify by notice to the Borrower.
  - (ii) If the Bank is not satisfied that any of the DLRs has been achieved by the date by which the said DLRs are set to be achieved, the Bank may at any time, by notice to the Borrower, decide, in its sole discretion to cancel all or a portion of the proceeds of the Loan then allocated to said DLRs.
3. The Closing Date is July 30, 2021.
4. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the total amount of Program Expenditures paid by the Borrower, exclusive of any such expenditures financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.

**Section V. Other Undertakings**

The Borrower shall make all reasonable efforts to achieve and maintain the long-term financial sustainability of the Borrower's power generation and distribution sector. To this end, the Borrower shall immediately inform the Bank of any situation that could arise that makes it improbable that such sustainability can be achieved and maintained.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each November 15 and May 15, Beginning November 15, 2030 through May 15, 2040.	4.76 %
On November 15, 2040	4.80 %

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Section I. Definitions

1. "AMD" or "Armenian Dram", means the Borrower's national currency.
2. "ANPP" or "Armenian Nuclear Power Plant" or "Haykakan Atomayin Elektrakayan CJSC", means the closed joint stock company of the Republic of Armenia, established pursuant to the Borrower's Decree No. 169, dated March 19, 1999 and registered in the State Register of the Borrower.
3. ANPP Subsidiary Agreement means the agreement referred to in Section I.C.2 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to ANPP.
4. "Anti-Corruption Guidelines" means the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012, and revised July 10, 2015.
5. "Borrower's Power Sector Financial Recovery Program" means the Borrower's plan consisting in a broad set of initiatives and actions to ensure the financial viability and improve the management of the power system, as approved through the Borrower's Decree No. 6 dated February 18, 2016.
6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
7. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
8. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Loan allocated to said result may be withdrawn in accordance with the provisions of said Section IV.
9. "ENA" or "Electric Networks of Armenia Closed Joint Stock Company" means the privately owned power company registered in the State Register of Legal Entities of the Ministry of Justice on April 21, 1997 that operates and develops the distribution network in the Borrower's territory.
10. "ENA's License" means the license No. 0092 issued by PSRC on August 30, 2002 that allowed ENA to operate and develop the distribution network in the Borrower's territory.
11. "Gazprom Armenia Closed Joint Stock Company" means the privately owned gas transmission and distribution company registered in the State Register of Legal Entities of the Borrower's Ministry of Justice on December 30, 1997 that operates and develops the gas transmission and distribution network in the Borrower's territory.



12. “Haigasard CJSC” or “Hagasard” means the closed joint stock company of the Republic of Armenia, established pursuant to the Borrower’s Decree No. 538 dated November 27, 1997 and regulated through the Borrower’s Decree No. 568 dated September 18, 1998, the Executive Order No. 256 - GM of the Ministry of Energy dated August 14, 1998, the Executive Order No. 43-SS of Ministry of Energy, and the Government Decree No. 1694-N dated November 6, 2011.
13. “Hrazdan TPP”, “Hrazdan Thermal Power Plant” or “Hrazdani Energetik Kazmakerputyun” means the open joint stock company registered in the State Register of Legal Entities of the Ministry of Justice September 24, 2004.
14. “IVA” or “Independent Verification Agent” means the third party entity to be hired by YTPC under terms of reference satisfactory to the Bank, for the purposes of the independent verification of DLRs and DLIs as described under Section III. C. of Schedule 2 of this Agreement.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
16. “MENR” means the Borrower’s Ministry of Energy and Natural Resources.
17. “MoF” means the Borrower’s Ministry of Finance.
18. “Prior Result” means the result achieved under Category (7) as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement and found acceptable by the Bank.
19. “Program” means the activities described in Schedule 1 to this Agreement, which are a subset of activities included under the “Borrower’s Power Sector Financial Recovery Program”, approved pursuant the Borrower’s Decree No. 6 dated February 18, 2016.
20. “PSRC” means Public Services Regulator Commission of the Republic of Armenia, established pursuant to the Borrower’s Energy Law of 1997 as “Armenia Energy Regulatory Commission”, renamed through the Law on the Regulatory Body for Public Services of 2004, as amended.
21. “Settlement Center CJSC” means the closed joint stock company of the Republic of Armenia, established pursuant to the Borrower’s Decree No. 1663-A dated October 10, 2002 and registered in the State Register of the Borrower, responsible for commercial settlements between the power generation companies and the power distribution companies.
22. “Sub-loans” means the part of the proceeds of the Loan transferred to ANPP and YTPC pursuant to their respective ANPP Subsidiary Agreement and YTPC Subsidiary Agreement.
23. “Supplemental Letter” means the letter from the Borrower to the Bank of even date as this Agreement, referred to in paragraph B of Schedule 1 to this Agreement and under Category (7) as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

24. "Verification Protocol" means the protocol setting forth the actions and mechanisms required for verification of DLIs and DLRs as agreed with the Bank, and referred to in Section III. C (c) of Schedule 2 to this Agreement.
25. "Yerevan GGM branch of Gazprom Armenia CJSC" means the Gazprom Armenia Closed Joint Stock Company subsidiary company registered in the State Register of Legal Entities of the Borrower's Ministry of Justice on October 3, 2000, that provides the natural gas supply and gas sales in the Borrower's internal market.
26. "YTPC" means the Yerevan Thermal Power Centre Closed Joint Stock Company of the Republic of Armenia, a closed joint stock company, established pursuant to the Borrower's Decree No. 169, dated March 19, 1999 and registered in the State Register of the Borrower.
27. "YTPC Subsidiary Agreement" means the agreement referred to in Section I.C.2 of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to YTPC.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Bank to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements;".
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the

Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank.”

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

“Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.
9. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

  - (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).
  - (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
10. Section 7.01, *Cancellation by the Borrower*, is modified to read: “The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance.”
11. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled “*Misprocurement*”, is deleted, and subsequent paragraphs are re-lettered accordingly.
12. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.
13. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
14. A new paragraph 19 is inserted with the following definition of “Commitment Charge”, and the remaining paragraphs are renumbered accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
15. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

16. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."
17. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest."
18. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.