

“Azfen” LLC

International Financial Reporting Standards
Financial Statements and
Independent Auditor’s Report

31 December 2025

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Tel: +994 12 4886610
Fax: +994 12 4886609
www.bdo.az

BDO Azerbaijan LLC
15 8 November Avenue
Azure Business Centre
Baku AZ1025, Azerbaijan

Independent Auditor's Report

To the Board of Directors of "Azfen" LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of "Azfen" LLC (the Company), which comprise the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, the statement cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a loss before tax of AZN 1,778,063 during the year ended 31 December 2025 (2024: 30,624,238). As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Board of Directors 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.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

BDO Azerbaijan LLC

30 April 2026

Baku, Azerbaijan

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2025

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the financial statements of "Azfen" LLC ("the Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31 December 2025, the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRSs")

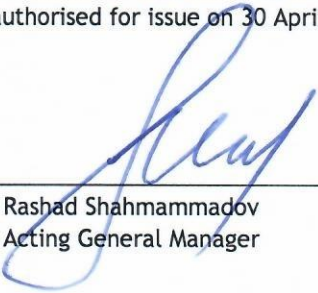
In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRSs;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Azerbaijan Republic;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

On behalf of the Company's management the financial statements for the year ended 31 December 2025 were authorised for issue on 30 April 2026 by:


Rashad Shahmammadov
Acting General Manager




Ali Ozcan
Deputy General Manager on Finance

"Azfen" LLC
Statement of Financial Position as at 31 December 2025
In Azerbaijani Manats

	Note	31 December 2025	31 December 2024
ASSETS			
Current assets			
Cash and cash equivalents	5	57,343,600	48,595,713
Restricted cash	5	1,778,750	6,802,617
Trade receivables	6	26,580,389	24,823,044
Contract assets	6, 17	15,190,038	4,590,431
Inventories	8	13,818,461	5,395,159
Other receivables and other current assets	9	4,159,239	4,015,816
Total current assets		118,870,477	94,222,780
Non-current assets			
Property, plant and equipment	12	132,124,826	136,214,169
Intangible assets	13	269,714	386,086
Deferred tax asset	15	18,516,975	16,523,065
Total non-current assets		150,911,515	153,123,320
TOTAL ASSETS		269,781,992	247,346,100
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	10	11,990,556	5,487,016
Contract liabilities	17	16,804,732	3,326,881
Other payables	11	15,154,883	12,916,229
Total current liabilities		43,950,171	21,730,126
Equity			
Charter fund	16	276,885	276,885
Retained earnings		225,554,936	225,339,089
Total equity		225,831,821	225,615,974
TOTAL LIABILITIES AND EQUITY		269,781,992	247,346,100

Notes on pages 10-39 are an integral part of these financial statements.


Rashad Shahmammadov
Acting General Manager

30 April 2026

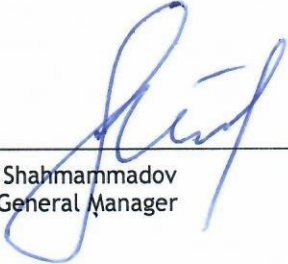



Ali Ozcan
Deputy General Manager on Finance

“Azfen” LLC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2025
In Azerbaijani Manats

	Note	For the year ended 31 December 2025	For the year ended 31 December 2024
Revenue from contract with customers	17	113,096,795	75,216,670
Contract costs	18	(112,787,047)	(98,880,801)
Gross profit / (loss)		309,748	(23,664,131)
Administrative expenses	19	(8,714,602)	(6,168,546)
Foreign exchange gain / (loss), net		363,884	(193,706)
Finance income		1,056,482	143,813
Other gain / (loss), net	20	5,081,935	(1,139,024)
Other operating income		124,490	397,356
Loss before tax		(1,778,063)	(30,624,238)
Income tax credit	15	1,993,910	4,709,662
Net profit / (loss) for the year		215,847	(25,914,576)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		215,847	(25,914,576)

Notes on pages 10-39 are an integral part of these financial statements.


Rashad Shahmammadov
Acting General Manager




Ali Ozcan
Deputy General Manager on Finance

30 April 2026

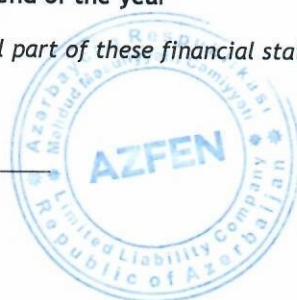
"Azfen" LLC
Statement of Cash Flows for the year ended 31 December 2025
In Azerbaijani Manats

	Note	Year ended 31 December 2025	Year ended 31 December 2024
Cash flows from operating activities:			
Loss before tax		(1,778,063)	(30,624,238)
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation of property, plant and equipment	12	5,090,678	6,784,831
Amortisation of intangible assets	13	130,184	131,683
Reversal of provision for slow moving and obsolete inventories	8	(4,888,977)	-
Other receivables balance written off		-	148,859
Loss on disposal of property, plant and equipment	12	13,787	109,200
Movement in liability for unused vacation		1,631,625	472,769
Finance cost		(1,056,482)	(143,813)
Change in provision for expected credit loss	5	(13,061)	(53,809)
<i>Working capital adjustments</i>			
Decrease/(increase) in restricted cash		5,023,867	(5,197,276)
(Increase) in trade receivables		(1,757,345)	(3,074,452)
(Increase)/decrease in inventories		(3,534,325)	4,486,395
(Increase)/decrease in contract assets		(10,599,607)	25,636,692
(Increase) /decrease in other receivables and other current assets		(143,423)	11,664,737
Increase in contract liabilities		13,477,851	3,326,881
Increase/(decrease) in trade payables		6,503,540	(8,338,614)
Increase in other payables and expenses accrual		607,029	1,463,906
Cash generated from operating activities		8,707,278	6,793,751
Income taxes paid	15	-	(1,722,850)
Net cash generated from operating activities		8,707,278	5,070,901
Cash flows from investing activities:			
Purchase of property, plant and equipment	12	(1,015,122)	(252,701)
Purchase of intangible assets	13	(13,812)	(3,196)
Interest received		1,056,482	143,813
Net cash generated / (used in) investing activities		27,548	(112,084)
Cash flows from financing activities:			
Payment of lease liabilities	14	-	(237,188)
Net cash used in financing activities		-	(237,188)
Net increase in cash and cash equivalents		8,734,826	4,721,629
Movement in ECL for cash and cash equivalents	5	13,061	53,809
Cash and cash equivalents at the beginning of the year	5	48,595,713	43,820,275
Cash and cash equivalents at the end of the year	5	57,343,600	48,595,713

Notes on pages 10-39 are an integral part of these financial statements.

Rashad Shahmammadov
Acting General Manager

30 April 2026



Ali Ozcan
Deputy General Manager on Finance

"Azfen" LLC
Statements of Changes in Equity for the year ended 31 December 2025
In Azerbaijani Manats

	Note	Charter fund	Retained earnings	Total
As at 1 January 2024		276,885	251,253,665	251,530,550
Net loss for the year		-	(25,914,576)	(25,914,576)
As at 31 December 2024		276,885	225,339,089	225,615,974
Net profit for the year		-	215,847	215,847
As at 31 December 2025		276,885	225,554,936	225,831,821

Notes on pages 10-39 are an integral part of these financial statements.


 Rashad Shahmammadov
 Acting General Manager




 Ali Ozcan
 Deputy General Manager on Finance

30 April 2026

1. General information

The Company and its operations

“Azfen” LLC (the “Company”) was established as a joint venture under the laws of the Republic of Azerbaijan on 11 January 1996 between the State Oil Company of the Azerbaijan Republic (“SOCAR”) and Tekfen İnşaat ve Tesisat A.Ş. (“Tekfen”) with 60% and 40% shareholding interest, respectively. The Company was formed with primary purpose of performing construction, engineering and related services in Azerbaijan, specifically related to oil interests owned by oil and gas companies such as SOCAR and Azerbaijan International Operating Company (“AIOC”).

In 2014, the Company established the branch office in Georgia, for the purpose of performing construction services in Georgia.

In December 2023, the Company changed its legal structure from Joint Venture to Limited Liability Company with no changes to shareholding interests.

The Company is located in Baku and had an average of 1,417 employees during the year (2024: 1,211).

The Company’s registered legal address is 31 Istiglaliyat Street, Baku AZ1001, the Republic of Azerbaijan.

Major projects

Georgian Pipeline Company – “AZF-098”

The project is associated with civil construction, installation of structures, fabrication of mechanical systems, mechanical installation works, as well as repair services for instrumentation and electrical equipment within the Georgian Region.

Oil Refinery named after Heydar Aliyev “AZF-103”

The project is associated with the provision of design, engineering, procurement, and installation services as part of the Modernisation of the Oil Refinery named after Heydar Aliyev. It also includes construction and installation works at the Socar Methanol Plant, major tank overhaul at the same refinery, and construction-installation activities at Azerikimya Production Unit.

BP Exploration (Caspian Sea) Limited – “AZF-105”

The project includes brownfield modification works of the Azeri Central East (ACE) platform, construction and fabrication services for Shah Deniz Alpha power supply, offshore services on the Shah Deniz platform, fabrication services for the Well Jumper project, and activities under the STEL (Sangachal Terminal Electrification) project. In addition, the project includes provision of construction, fabrication, electrical and instrumentation services for various industrial and civil works within the Republic of Azerbaijan performed for multiple counterparties

BP Exploration (Shah Deniz) Limited – “AZF-109”

The project is associated with the Shah Deniz Compression (SDC) project, which involves the development of an offshore compression platform integrated into existing Shah Deniz operations. The scope of work includes engineering, procurement (excluding Company-provided items), fabrication, assembly and construction of topside modules, including the integrated deck structure supporting gas compression systems and associated facilities.

The works further comprise installation and integration of mechanical, electrical and control systems, as well as testing, mechanical completion and preparation for loadout of the platform modules. The project forms part of the expansion of gas production capacity through the implementation of electrically driven compression facilities.

Intec Energy Solutions LLC – “AZF-110”

The project relates to the turnkey (EPC) construction of a 240 MW solar power plant, known as the “Shafag Project”.

2. Basis of preparation and material accounting policies

2.1. Basis of preparation

The financial statements of the Company presented herein have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under historical cost basis and are presented in Azerbaijani Manat ("AZN"), unless otherwise indicated.

The financial statements provide comparative information in respect of the previous period.

Going concern

The Company reported a net profit of AZN 215,847 for the year ended 31 December 2025, compared to a net loss of AZN 25,914,576 for the year ended 31 December 2024. This improvement reflects the execution of ongoing projects during the current year. Notwithstanding the return to profitability, the level of profit remains modest and the Company's operations continue to be highly dependent on the successful execution and timing of project-based activities.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future. Management has performed an assessment of the Company's ability to continue as a going concern, covering a period of at least 12 months from the date of approval of these financial statements. Based on this assessment, management has neither the intention nor the necessity of liquidation, ceasing operations, or seeking protection from creditors under the laws and regulations of the Republic of Azerbaijan.

In performing this assessment, management has considered the Company's current financial position, available cash resources, the absence of significant external borrowings, and its ability to meet liabilities as they fall due. The Company is currently engaged in several oil and gas projects, including gas compression platform works and other ongoing construction and fabrication activities, which are expected to generate adequate cash inflows based on current forecasts. Management has prepared detailed cash flow forecasts and budgets covering the period 2026-2028, based on key assumptions regarding project execution timelines and contractual cash inflows, which indicate that the Company will be able to meet its obligations as they fall due over assessment period.

The Company continues to actively participate in tenders with major industry participants at both international and local levels. While the outcome and timing of such tenders are inherently uncertain, management expects that these activities will support the future project pipeline and utilization of the Company's operational capacity.

The Company's operations are project-driven and therefore subject to fluctuations in workload depending on the timing and availability of contracts. Accordingly, the assessment of going concern involves significant judgement, particularly in relation to the timing of project execution, expected cash inflows from existing contracts, and the outcome of ongoing tender processes. Management has considered these uncertainties in its forecasts and performed sensitivity analyses, including scenarios involving delays in project execution and reductions in projected cash inflows.

Based on the assessment performed, management considers the application of the going concern basis of accounting to be appropriate in the preparation of these financial statements. Although the Company reported a net profit of AZN 215,847 for the year, its operations remain subject to the inherent risks and uncertainties associated with project-based activities. Accordingly, management has concluded that these conditions give rise to a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Nevertheless, management believes that the Company is a creditworthy and established participant in the industry, with a history of profitability and positive performance trends. The Company continues to actively participate in tender processes and expects to secure additional contracts in the near future. Furthermore, based on its current financial position and projected cash flows, management is satisfied that the Company has sufficient liquid resources to continue its operations for at least the next 12 months. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Company be unable to continue as a going concern.

2.2. Summary of material accounting policies

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- The Company does not have a right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities

Revenue from contract with customers

The Company is in the business of providing construction, engineering and related services to the customers. Revenue from contracts with customers is recognised when performance obligations are satisfied and control of the services is transferred to the customer. Revenue is measured at the transaction price, being the amount of consideration to which the Company expects to be entitled in exchange for transferring services, excluding amounts collected on behalf of third parties.

Construction contracts

Revenue from construction contracts is recognised either over time or at a point in time, depending on when performance obligations are satisfied and control of the services is transferred to the customer.

Revenue is recognised over time where the Company's performance creates or enhances an asset controlled by the customer or where the asset has no alternative use and the Company has an enforceable right to payment for performance completed to date.

Where this criteria is not met, revenue is recognised at a point in time, typically upon completion and acceptance of the work by the customer.

Where the Company engages third parties in the execution of construction contracts, it assesses whether it acts as a principal or an agent based on whether it controls the services before they are transferred to the customer.

Contract revenue

For long-term construction contracts recognised over time, the Company measures progress using an input method based on the proportion of contract costs incurred to date relative to total estimated contract costs. This method best reflects the transfer of services to customers, as there is a direct relationship between the Company's efforts and the satisfaction of performance obligations.

Management reviews estimated total contract costs, progress of contracts and expected outcomes at each reporting date and updates revenue recognised accordingly.

Variations, claims and incentive payments are included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty is resolved. Management assesses such amounts based on the status of negotiations with customers and available supporting evidence.

Significant financing component

For some transactions, the receipt of the consideration does not match the timing of the transfer of goods or services to the customer. The Company receives advance payments from customers according to the construction contracts, i.e. the Company effectively receives financing from the customers, for which services are performed within one year or less after receipt of payment. Accordingly, the Company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

The Company disaggregates contract revenues from contracts with customers by revenue lines, geographical area and timing of transfer of goods or services (e.g. revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time).

Contract costs

Costs incurred ranging from materials, service, direct and indirect labour, maintenance, depreciation expenses to meals, insurance, business trips, bank and other expenses in fulfilling construction contracts are recognised as expenses in the period in which they are incurred, unless they meet the criteria for recognition as an asset. Costs to fulfil a contract are recognised as an asset when they relate directly to a contract, generate or enhance resources that will be used in satisfying performance obligations, and are expected to be recovered.

General and administrative expenses are associated with day-to-day and administrative activities of the Company and are recognised as expenses when incurred. The Company disaggregates both contract costs and general and administrative expenses by nature.

A provision for expected losses on onerous contracts is recognised immediately when such losses are identified.

Contract balances

Contract assets

If the Company performs by transferring construction services to customer before the customer pays consideration or before payment is due, i.e. when revenue recognised under contracts with customers exceeds progress billings (unbilled receivables), the Company presents the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset represents the Company's conditional right to consideration in exchange for construction services that the Company has transferred to the customers and is reclassified to trade receivables when rights to consideration become unconditional, i.e. services are accepted by the customer and accordingly invoiced to the customer. Contract assets are subject to impairment assessment.

Trade receivables

Trade receivables are recognised initially at the amount of consideration (transaction price) due from the customer that is unconditional (i.e., only the passage of time is required before payment of the consideration is due) and subsequently measured at amortised cost less provision for expected credit loss ("ECL"). Trade receivables are subject to impairment assessment.

Contract liabilities

A contract liability is recognised when the Company receives consideration or has an unconditional right to consideration (i.e. the amount is receivable) before transferring the related services to the customer.

Contract liabilities arise when billings to customers exceed revenue recognised for the related contracts.

Contract liabilities are recognised as revenue when the Company performs its obligations under the contract (i.e. satisfies performance obligations).

Net contract assets and contract liabilities

The majority of contracts with customers contain both contract asset and contract liability positions. At the end of reporting period, these positions are netted on a contract basis and presented as either a contract asset or a contract liability in the statement of financial position depending on the relationship between the entity's performance and the customer's payment.

Costs to obtain contract

Assets are recognised for the incremental costs of obtaining a contract with a customer (if recoverable) and costs incurred to fulfil a contract when they directly relate to the contract, are expected to be recoverable and generate or enhance resources used in satisfying performance obligations. The Company applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less.

Inventories

Inventories are stated at the lower of cost or net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, being valued on an average cost ("AVCO") method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated cost of completion and costs necessary to make a sale.

Assessment of net realisable value of inventories is performed in each reporting period and the amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

For construction projects, the materials have been produced especially for the projects are included in the project costs when they are delivered to contract sites and installed as of reporting period.

Property, plant and equipment

The initial cost of an asset purchased comprises its purchase price, transportation costs, customs duties, installation costs and any other costs directly attributable to bringing the asset into construction site and condition necessary for it to be capable of operating in the manner intended by management. The cost of an asset also includes the initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, as well as borrowing costs for qualifying assets, where applicable. Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

The cost of replacing major parts or components of property, plant and equipment is capitalised and the replaced part is retired. Additionally, significant renovation and overhaul expenses over property, plant and equipment items arising at subsequent dates are capitalised and included in each asset's value. All other repair and maintenance costs are recognised in profit or loss as incurred.

An item of property, plant, and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its expected future use or disposal. Any gain or loss arising on the disposal or retirement of an item of property plant and equipment is determined as the difference between proceeds from sales and the carrying amount of the asset and is recognised in profit or loss.

At each reporting period, the Company assesses whether there is an indication that property, plant and equipment items may be impaired.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Assets under construction (if any) are not depreciated. Land is not depreciated and carried at cost less accumulated impairment. Depreciation of property, plant and equipment items begins when they are available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

The estimated useful lives of the Company’s property, plant and equipment are as follows:

- Buildings 5 to 50 years
- Machinery and equipment 4 to 25 years
- Furniture and fittings 4 to 10 years
- Motor vehicles 3 to 13 years

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life unless scrap value is significant.

The expected useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets primarily include computer software licences and rights which are capitalised on the basis of all costs incurred to acquire the specific software licences and rights. Computer software licences which are the intangible assets with finite lives ranging from 1 to 10 years, are amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired as described below in section Impairment of tangible and intangible assets. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each annual reporting period, with the effect of any changes being treated as change in estimate and accounted for on a prospective basis.

The estimated useful lives of the Company’s rights and licenses are varied from 1 till 10 years.

Intangible assets with indefinite useful lives (if any) are not amortised but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from disposal of an intangible asset, measured as the difference between the net disposal proceeds from disposal and the carrying amount of the asset, are recognised in the profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each reporting date, the Company assesses whether there are any indicators that the carrying amount of tangible and intangible assets may not be recoverable. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that an asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, being the higher of its fair value less costs of disposal and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses are recognised in profit or loss.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are reversed when there is an indication that the impairment loss recognised in prior periods no longer exists or has decreased. The carrying amount of the asset is increased to its revised recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (if any), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised and added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs (if any) are recognised in the statement of profit and loss in the period in which they are incurred.

Foreign currency transactions

All amounts in these financial statements are presented in Azerbaijani Manats ("AZN"), unless otherwise stated.

The functional currency of the Company and the presentation currency for the financial statements is AZN.

Transactions executed in currencies other than AZN (foreign currencies) are initially recorded by applying the appropriate rates of exchanges prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange gains and losses resulting from the re-measurement are recognised in profit or loss.

Non-monetary items carried at a fair value (if any) that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost using the exchange prevailing at the dates of the initial transactions are not retranslated.

The Company used the following official exchange rates in the preparation of these financial statements:

	31 December 2025	31 December 2024
USD	1.7000	1.7000
EUR	2.0022	1.7724
GBP	2.2970	2.1382
GEL	0.6316	0.6091
TRY	0.0396	0.0485

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Depending on their classification at initial recognition, financial instruments are subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which practical expedient is applied, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which practical expedient is applied are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Overall, the Company has not designated any financial assets upon initial recognition as at fair value through other comprehensive income (OCI), and fair value through profit or loss.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at FVPL.

Financial assets at amortised cost (debt instruments)

The Company measured financial assets at amortised cost as both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subjected to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes current and deposit accounts as well as restricted accounts at several local and international banks and trade receivables from third parties.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company developed a methodology in accordance with the requirements of IFRS 9, which describes the rules for impairment and calculation of provision for impairment of financial instruments.

In accordance with the requirements of IFRS 9, the Company applies the model of expected credit losses for the purposes of provisioning financial instruments, the key principle of which is the timely reflection of the deterioration or improvement of the credit quality of financial instruments taking into account current and forecast information. The amount of expected credit losses recognised as a provision for impairment depends on the degree of change in the credit quality of the financial instrument from the date of its initial recognition.

The expected credit losses for financial instruments are estimated using one of the below approaches:

- Simplified approach – is applied to:
 - Receivables from government;
 - Receivables from corporates;
- General approach – is applied to all financial instruments subject to provisioning in accordance with IFRS 9 and for which approach for credit adjusted and Simplified approach are not applied;
- Credit adjusted approach – is applied to financial instruments that are credit impaired at initial recognition.

General approach estimation of expected credit losses

In accordance with the general approach, at the recognition date all financial instruments are treated as Stage 1, then, depending on the degree of increase in credit risk from the initial recognition date for subsequent reporting dates, the Company assigns financial instruments to one of the following stages:

- Stage 1 – financial instruments without significant increase in credit risk and without signs of impairment, for which the expected credit losses are calculated within 1 year.
- Stage 2 – financial instruments with significant increase in credit risk, but with no signs of impairment, for which expected credit losses are calculated over the lifetime of the financial instrument (impairment sign is 30+ overdue days).
- Stage 3 – financial instruments that shows signs of impairment, for which expected credit losses are calculated over the lifetime of the financial instrument (impairment sign is 90+ overdue days or when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company).

Simplified approach

Under this approach the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

At every reporting date, the Company evaluates whether there is any change in credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the instrument.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL) and payables, loans and borrowings as other financial liabilities where appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories as described below:

- Financial liabilities at FVTPL;
- Financial liabilities at amortised cost.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where either the financial liability is held for trading, or it is designated upon initial recognition as at FVTPL. Financial liabilities at FVTPL are stated at a fair value with any gains or losses arising on remeasurement recognised in profit or loss. The Company has not designated any financial liability at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The effective interest method is method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of financial liability on initial recognition. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability of the Company is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks which are free from encumbrances (demand deposits).

Restricted cash

Restricted cash is presented separately from cash and cash equivalents for the purposes of cash flow statement and represent cash available on VAT deposit account.

Trade payables

Trade payables are recognised when the counterparty performed its obligations under the contract and billed. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

Transaction with related parties

Related parties are disclosed in accordance with IAS 24 Related Party Disclosures.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arm's length basis.

Taxes

Azerbaijani tax system consists of two alternative taxation regimes: the statutory tax regime governed by the Tax Code, and the tax regime established by the existing Production Sharing Agreements (PSAs).

In addition, the Host Government Agreement relating to the South Caucasus Pipeline (SCP), signed between the Government of the Republic of Azerbaijan and the relevant project participants, provides for a specific taxation regime.

Types of taxes existing in the Republic of Azerbaijan include profit tax, value added tax, withholding tax, property tax, and payroll taxes (personal income tax and mandatory state social insurance contributions), among others. As Azerbaijani law and practice are relatively new with little existing precedent, it is necessary to understand that laws and their interpretation may rapidly change, thus creating uncertainties and areas of conflict.

Tax declarations together with other regulatory compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of different authorities, who are enabled by law to impose fines, penalties, and interest charges. These facts may reveal tax risks in the Republic of Azerbaijan.

The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review.

Corporate income tax

The income tax charge comprises current tax and deferred tax and is recognised on the profit or loss unless it relates to items or transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax

Current income tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax

Deferred income tax is provided using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in Company, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Company, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax Code of the Republic of Azerbaijan allows 5-year carry forward of tax losses.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets against deferred tax liabilities relate to income taxes levied by the same taxation authority on same taxable entity which intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value-added tax

The tax authorities permit the settlement of sales and purchases value-added tax ("VAT") on a net basis.

VAT payable

VAT payable represents VAT related to sales net of VAT on purchases which have been settled at the reporting date. Following the updates in Tax Code of Azerbaijan Republic, starting from 1 January 2020, VAT related to sales is payable to tax authorities upon receipt of payment. Where ECL has been recognised for impairment of receivables, impairment charge is recorded for the gross amount of the receivable, including VAT where applicable. The related VAT payable is maintained until the receivable is written off for tax purposes.

In accordance with provisions of ACG and Shah Deniz PSAs, the Company is charged with zero per cent VAT related to Hydrocarbon Activities or Oil-Gas operations on the territory of the Republic of the Azerbaijan under the respective PSAs according to VAT exemption certifications issued by tax authorities and effective until 1 June 2025 and 31 July 2025 respectively.

VAT recoverable

VAT recoverable relates to VAT on purchases which have not been settled at the reporting date, and thus not claimed in tax declarations. VAT recoverable is reclaimable against VAT on sales upon payment for the purchases.

Taxes other than corporate income tax

Taxes, other than on income, are recorded within contract cost and administrative expenses.

Employee benefits

Wages, salaries, contributions to the Social Protection Fund of the Republic of Azerbaijan, paid annual leave and sick leave, bonuses, and non-monetary benefits (e.g. health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Company.

Provisions for liabilities and charges

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the cash outflows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks and uncertainties specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense (if any).

When some portion or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably and the expense relating to provision is presented in the statement of profit or loss net of any reimbursement.

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term leases and leases of low-value assets recognition exemption for its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3. Change in accounting policies and disclosures

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

The following standards and amendments are effective for the year ended 31 December 2025. These standards and amendments are either not relevant to the Company's operations or did not have a significant impact on the financial statements, other than certain additional disclosure:

- Amendments to IAS 1 - Classification of liabilities as current or non-current
- Amendments to IAS 1 - Disclosure of accounting policies
- Amendments to IAS 1 - Non-current liabilities with covenants
- Amendments to IFRS 16 - Lease liability in a sale and leaseback
- Amendments to IAS 7 - Supplier finance arrangements
- Amendments to IFRS 7 - Supplier finance arrangements
- Amendments to IAS 21 - Lack of Exchangeability
- Amendments to IFRS 16 - Clarification on how seller- lessee subsequently measures sale and lease back transactions

New standards, interpretations and amendments not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

The following amendments are effective for periods beginning on or after 1 January 2026:

- Amendments to IFRS 7 and IFRS 9 relating to classification and measurement of financial instruments and other topics

IFRS 18 has been issued by the IASB and is effective for annual periods beginning on or after 1 January 2027.

IFRS 19 has been issued by the IASB and is effective for annual periods beginning on or after 1 January 2027.

The Company is currently assessing the potential impact of these standards and amendments.

4. Accounting judgements, estimates and assumptions

The preparation of the Company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company’s accounting policies, management has made judgements, which have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revenue recognition

Construction contracts

The Company recognises revenue from long-term construction contracts over time based on the stage of completion of the contract. Determining the stage of completion requires management judgement, including the assessment that costs incurred to date relative to total estimated costs provide an appropriate measure of progress towards completion.

Where the outcome of a construction contract cannot be measured reliably, revenue is recognised only to the extent of costs incurred.

Construction cost estimates

The Company calculates “the remaining costs necessary to complete construction projects” through its internally developed projections. Factors such as escalation in material prices, labour costs and other costs are included in the projections based on best estimate of management as of the reporting date. Any unanticipated escalation in the subsequent periods will require the reassessment of the remaining estimated costs.

Changes in estimated contract costs, transaction price or contract modifications are accounted for as changes in estimates in accordance with IAS 8, with the cumulative effect recognised in profit or loss in the period in which the change occurs.

Provision for expected credit loss

The Company uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on credit rating of financial institutions. The provision matrix is initially based on the Company’s historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets

Management assesses whether there are any indicators of possible impairment of all non-financial assets each reporting date based on events or circumstances that indicate the carrying value of assets may not be recoverable. Such indicators include changes in the Company’s business plans, changes in material prices leading to unprofitable performances, changes in performer services and etc. Goodwill and intangible assets with indefinite useful life are tested for impairment annually and at other times when impairment indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budgets for project to which assets belong.

Useful lives of property plant and equipment and intangible assets

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets with finite lives. This estimate is based on projected period over which the Company expects to consume economic benefits from the asset. Management increases the depreciation charge where useful lives are less than previously estimated lives. The useful lives are reviewed at least at each financial year-end. Changes in any of the above conditions or estimates may result in adjustments to future depreciation and amortisation charges.

5. Cash and cash equivalents and restricted cash

Cash and cash equivalents comprised the following as at 31 December:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash at banks	57,468,992	48,734,166
Less - allowance for expected credit losses	(125,392)	(138,453)
Total cash and cash equivalents	<u>57,343,600</u>	<u>48,595,713</u>

Set out below is the movement in the provision for expected credit losses of cash and cash equivalents:

	<u>31 December 2025</u>	<u>31 December 2024</u>
As at 1 January	(138,453)	(192,262)
Change in provision for ECL	13,061	53,809
As at 31 December	<u>(125,392)</u>	<u>(138,453)</u>

Restricted cash

Restricted cash comprised the following at 31 December:

	<u>31 December 2025</u>	<u>31 December 2024</u>
VAT deposit account	1,778,750	6,802,617
Total restricted cash	<u>1,778,750</u>	<u>6,802,617</u>

Effective 1 January 2008 the state tax authorities introduced VAT deposit accounts and enforced payments of input and output VAT via these accounts. In order to comply with this tax regulation, the Company has opened a VAT deposit account. In accordance with this regulation, the balance on VAT deposit account may only be withdrawn with a 45 days' notice to the tax authorities.

6. Trade receivables and contract assets

Trade receivables

Trade receivables comprised the following 31 December:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables from third parties	18,105,065	6,608,735
Trade receivables from related parties (see Note 7)	8,506,153	18,425,173
Less - allowance for expected credit losses	(30,829)	(210,864)
Total trade receivables	<u>26,580,389</u>	<u>24,823,044</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets

As at 31 December 2025, the Company had contract assets of AZN 15,190,038 (2024: 4,590,431 AZN) which were net of a provision for expected credit losses of AZN 20,705 (2024: AZN 34,354).

7. Balances and transaction with related parties

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding are detailed below.

Sales to related parties

	For the year ended 31 December 2025	For the year ended 31 December 2024
Heydar Aliyev Oil Refinery	26,433,668	13,238,459
Azerikimya Production Unit	1,612,496	9,179,678
Caspian Drilling Company	1,797,666	-
Carbamide Plant	275,314	-
SOCAR Midstream Operations LLC	252,405	62,677
SOCAR Midstream Gas Operations LLC	241,796	-
SOCAR Methanol Plant	109,781	-
SOCAR Gas Processing Plant	43,121	-
Total sales to related parties	30,766,247	22,480,814

Gross trade receivables from related parties

	31 December 2025	31 December 2024
Heydar Aliyev Oil Refinery	8,011,278	8,742,024
Caspian Drilling Company	306,449	-
SOCAR Midstream Operations LLC	188,426	-
Azerikimya Production Unit	-	9,482,808
Tekfen İnşaat ve Tesisat A.Ş.	-	198,046
Tekfen Mühendislik A.Ş.	-	2,295
Total gross trade receivables from related parties	8,506,153	18,425,173

Gross contract assets from related parties

	31 December 2025	31 December 2024
Heydar Aliyev Oil Refinery	7,347,271	1,734,954
Azerikimya Production Unit	-	1,207,406
Total gross contract assets from related parties	7,347,271	2,942,360

Advances given to related parties

	31 December 2025	31 December 2024
SOCAR Petroleum CJSC	50,035	66,370
Total advances given to related parties	50,035	66,370

"Azfen" LLC

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Purchases from related parties

	For the year ended 31 December 2025	For the year ended 31 December 2024
SOCAR Petroleum OJSC	571,116	461,432
SOCAR CAPE LLC	569,529	1,828,068
Tekfen İnşaat ve Tesisat A.Ş.	548,571	1,186,432
SOCAR KBR LLC	521,624	-
SOCAR Petroleum Georgia	237,558	484,251
Caspian Innovation Center	111,061	154,387
Cenub Tikinti Servis OJSC	89,587	47,029
SOCAR Oil and Gas Construction Trust	88,041	-
SOCAR IT and Communications Department	51,550	51,610
Tekfen Mühendislik A.Ş.	18,000	117,810
Azerigas Production Unit ("Azerigas PU")	2,733	2,169
SOCAR STP LLC	-	6,660
Total purchases from related parties	2,809,370	4,339,848

Trade payables due to related parties

	31 December 2025	31 December 2024
SOCAR CAPE LLC	362,699	93,224
SOCAR Petroleum Georgia	139,637	156,517
SOCAR Oil and Gas Construction Trust	79,539	-
Caspian Innovation Center	30,892	30,892
Tekfen Mühendislik A.Ş.	21,240	-
SOCAR IT and Communications Department	8,299	6,879
Azerigas Production Unit ("Azerigas PU")	890	568
Tekfen İnşaat ve Tesisat A.Ş.	-	291,255
Total trade payables due to related parties	643,196	579,335

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided for any related party receivables or payables.

Compensation of key management personnel of the Company

Key management personnel of the Company comprise individuals who have authority and responsibility for planning, directing and controlling the activities of the Company, including the General Manager, Acting General Manager (appointed during the year), and Deputy General Manager on Finance.

During the year ended 31 December 2025, there were changes in the composition of key management personnel, including the departure of the General Manager and the First Deputy General Manager, and the subsequent appointment of an Acting General Manager.

Key management personnel are entitled to salaries and other benefits in accordance with the approved payroll matrix and performance results of the Company.

The total compensation of key management personnel for the years ended 31 December 2025 and 2024 is presented below.

	For the year ended 31 December 2025	For the year ended 31 December 2024
Salaries and other short-term benefits	2,120,905	2,089,545
Total compensation of key management personnel	2,120,905	2,089,545

8. Inventories

	<u>31 December 2025</u>	<u>31 December 2024</u>
Inventories at construction site (at cost)	24,222,923	20,688,598
Provision for slow moving and obsolete inventories	(10,404,462)	(15,293,439)
Total inventories	13,818,461	5,395,159

Inventories at construction site includes cost of materials that have been delivered on construction site or set aside for use on construction site but not yet installed as of 31 December 2025 are included in inventory. Inventories are recorded at lower of cost or net realisable value.

Provision for slow moving and obsolete inventories

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at beginning of the year	15,293,439	15,293,439
Provision (reversed) / charged during the year	(4,888,977)	-
Balance at end of the year	10,404,462	15,293,439

During the year, management reassessed the slow moving and obsolete inventories recognised in prior periods. As certain inventory items are now expected to be utilised in new contracts entered into during the year, a reversal of 4,888,977 AZN was recognised in profit or loss. This is recognised in other loss, net (see Note 20).

9. Other receivables and other current assets

Other receivables and other current assets comprised the following at 31 December:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances given	3,394,726	3,700,844
Other receivables	764,513	314,972
Tax recoverable	-	-
Total other receivables and other current assets	4,159,239	4,015,816

Advance payments as at 31 December 2025 and 31 December 2024 are primarily represented by prepayments made to suppliers for construction works, engineering services, purchase of materials for construction works and other related services performed for construction projects in which the Company participates either as a contractor or subcontractor.

Tax recoverable is represented by net recoverable amount from tax authorities, which will be recovered by means of an offset against future tax liabilities (sales VAT, WHT, income taxes) or as a direct cash refund. As at 31 December 2025, the Company have no tax recoverable balance by the tax authorities.

10. Trade payables

Trade payables comprised the following at 31 December:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade payables to third parties	11,347,360	4,907,681
Trade payables to related parties (Note 7)	643,196	579,335
Total trade payables	11,990,556	5,487,016

Trade payables are non-interest bearing and are normally settled on 60-day terms.

11. Other payables

Other payables comprise the following at 31 December:

	31 December 2025	31 December 2024
Payables to employees	8,155,350	5,275,103
Other tax payables	2,127,627	2,439,242
Social security contributions	1,291,503	1,255,724
Other	3,580,403	3,946,160
Total other payables	15,154,883	12,916,229

Payables to employees are represented by short-term employee benefits including payable of salaries, related payments of employees and accrual of compensation for unused vacation days in exchange for service rendered by employees.

Tax payables represent offset of taxes receivables, tax prepayments and taxes payables regarding all taxes to which the Company is subject except for corporate income tax. Under Azerbaijani tax legislation, taxpayers are eligible for offsetting their taxes payable with taxes receivable and tax prepayments and the Company selected this approach for its reporting purposes.

The balance of tax payables is related to the Company's operations in Georgia.

12. Property, plant and equipment

Property, plant and equipment comprised the following:

	Building	Machinery & equipment	Motor vehicles	Furniture & fixtures	Land	Total
Cost value						
At 1 January 2024	44,578,840	82,189,723	11,586,013	3,360,769	95,552,504	237,267,849
Additions	-	208,807	-	43,894	-	252,701
Disposals	(82,453)	(984,198)	(78,787)	(290,845)	-	(1,436,283)
At 31 December 2024	44,496,387	81,414,332	11,507,226	3,113,818	95,552,504	236,084,267
Additions	-	953,499	-	61,623	-	1,015,122
Disposals	-	(807,567)	-	(77,073)	-	(884,640)
At 31 December 2025	44,496,387	81,560,264	11,507,226	3,098,368	95,552,504	236,214,749
Accumulated depreciation						
At 1 January 2024	(4,767,490)	(75,177,697)	(11,495,068)	(2,972,095)	-	(94,412,350)
Charge for the year	(2,984,399)	(3,560,684)	(59,178)	(180,570)	-	(6,784,831)
Disposals	-	969,628	78,787	278,668	-	1,327,083
At 31 December 2024	(7,751,889)	(77,768,753)	(11,475,459)	(2,873,997)	-	(99,870,098)
Charge for the year	(2,961,235)	(1,956,824)	(30,486)	(142,133)	-	(5,090,678)
Disposals	-	793,780	-	77,073	-	870,853
At 31 December 2025	(10,713,124)	(78,931,797)	(11,505,945)	(2,939,057)	-	(104,089,923)
Book value						
At 31 December 2024	36,744,498	3,645,579	31,767	239,821	95,552,504	136,214,169
At 31 December 2025	33,783,263	2,628,467	1,281	159,311	95,552,504	132,124,826

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13. Intangible assets

Intangible assets comprised the following:

	<u>Rights and licences with definite useful life</u>
Cost value	
At 1 January 2024	1,210,346
Additions	3,196
Disposals	(41,347)
At 31 December 2024	<u>1,172,195</u>
Additions	13,812
Disposals	(26,546)
At 31 December 2025	<u>1,159,461</u>
Accumulated amortisation	
At 1 January 2024	(695,773)
Charge for the year	(131,683)
Disposals	41,347
At 31 December 2024	<u>(786,109)</u>
Charge for the year	(130,184)
Disposals	26,546
At 31 December 2025	<u>(889,747)</u>
Book value	
At 31 December 2024	<u>386,086</u>
At 31 December 2025	<u>269,714</u>

14. Lease Liability and Right-of-use asset

As at 31 December 2025, the Company do not have any lease arrangements that give rise to the recognition of right-of-use assets or lease liabilities.

During 2024, the Company fully settled its lease liabilities (237k AZN) and no lease balances remained as at 31 December 2024.

15. Income tax

The Company is subject to Azerbaijani and Georgia corporate taxes in which it carries out its operations. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and deducting non-taxable income.

In the Republic of Azerbaijan, advance corporate income tax payments are made on a quarterly basis. The corporate income tax rate in 2025 was 20% (2024: 20%).

The major components of income tax expense for the year ended 31 December 2025 and 2024 are:

	<u>For the year ended 31 December 2025</u>	<u>For the year ended 31 December 2024</u>
Current income tax		
Current income tax expense	-	-
Adjustments in respect of current income tax of previous year	-	1,722,850
Deferred tax		
Relating to origination and reversal of temporary differences	(1,993,910)	(6,432,512)
Income tax (benefit) / charge expense reported in the statement of profit or loss	<u>(1,993,910)</u>	<u>4,709,662</u>

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Total charge for the year can be reconciled to the accounting profit /loss as follows. Income tax is calculated on taxable income, which differs significantly from IFRSs. The reconciliation between the expected and the actual taxation charge is provided below:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Loss before tax	(1,778,063)	(30,624,238)
Statutory tax rate	20%	20%
Theoretical tax benefit at the statutory tax rate	(355,613)	(6,124,848)
Tax effect of items which are not deductible or assessable for the taxation purposes:		
Income and expenses which are exempt from taxation	154,645	207,222
Non-deductible expenses for tax purposes	458,846	953,311
Adjustments in respect of current income tax of previous years	-	1,722,850
Other	(2,251,788)	(1,468,197)
Income tax benefit reported in the statement of profit or loss and other comprehensive income	(1,993,910)	(4,709,662)

Non-deductible expenses mainly comprised of social and employee-related expenses, as well as expenses for write off of balances, which were not expected to be deductible from taxable income in future.

Income and expenses, which were exempt from taxation, were related to projects that were based on export pipelines and other similar agreements. In accordance with Article 122.3 of Tax Code of Azerbaijan Republic, export pipelines and other similar agreements are not subject to taxation.

In 2025, the Company used its right to fully offset corporate income tax prepayment against its tax liabilities such as sales VAT, WHT, PIT etc.

Movement of current income tax payable and prepayment balance for the years ended 31 December 2025 and 2024 was as follows:

	31 December 2025	31 December 2024
Opening balance as of 1 January	-	-
Current income tax expense	-	-
Adjustments in respect of current income tax of previous year	-	(1,722,850)
Offset against other taxes payable	-	-
Payment during the year	-	1,722,850
Closing balance as of 31 December	-	-

Differences between IFRSs and applicable domestic tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases based on the Company recognises deferred tax assets and liabilities. The tax effect of the movements in these temporary differences which result in the recognition of revenue and expenses in different reporting periods for IFRSs and tax purposes is detailed below:

	31 December 2025	31 December 2024
Tax effect of deductible/(taxable) temporary differences		
Trade receivables	1,647,786	55,910
Depreciation/amortisation differences of PPE and other intangible assets	2,480,502	2,391,644
Other receivables and current assets	(40,685)	24,739
Other payables and expense accruals	1,266,973	715,777
Contract assets and contract liabilities, net	(3,267,460)	(495,622)
Inventory	1,044,791	1,476,933
Losses available for offsetting against future taxable income	15,375,078	12,353,739
Other	9,990	(55)
Net deferred tax assets	18,516,975	16,523,065

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Movement of deferred tax assets for the years ended 31 December 2025 and 2024 was as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Opening balance as of 1 January	16,523,065	10,090,553
Deferred income tax credit / expense	1,993,910	6,432,512
Closing balance as of 31 December	<u>18,516,975</u>	<u>16,523,065</u>

16. Equity

The Company’s original authorised chartered fund was USD 100,000 in 1996. Both SOCAR and Tekfen made additional chartered fund contributions in 1997, 1998, 1999.

As of 31 December 2025 and 2024 the share capital held is as follows:

Shareholders	%	<u>31 December 2025</u>	%	<u>31 December 2024</u>
SOCAR	60%	165,497	60%	165,497
TEKFEN	40%	111,388	40%	111,388
Nominal capital	<u>100%</u>	<u>276,885</u>	<u>100%</u>	<u>276,885</u>

In 2025 and 2024 the Company has not declared any dividends.

17. Revenue from contracts with customers

Disaggregated revenue information

The disaggregation of the Company’s revenue from contracts with customers is as follows:

	<u>For the year ended 31 December 2025</u>	<u>For the year ended 31 December 2024</u>
Type of goods or services		
Construction	113,096,795	75,216,670
Total revenue from contracts with customers	<u>113,096,795</u>	<u>75,216,670</u>
Geographical markets		
Azerbaijan	97,151,491	65,425,526
Georgia	15,945,304	9,791,144
Total revenue from contracts with customers	<u>113,096,795</u>	<u>75,216,670</u>
Timing of revenue recognition		
Service transferred at a point in time	73,092,733	71,582,519
Services transferred over time	40,004,062	3,634,151
Total revenue from contracts with customers	<u>113,096,795</u>	<u>75,216,670</u>

The Company did not recognise revenue in reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price). The revenue recognised in reporting period that was included in the contract liability balance at the beginning of period was AZN 3,326,881 (2024: nil).

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables (Note 6)	26,580,389	24,823,044
Contract assets (Note 6)	15,190,038	4,590,431
Contract liabilities	<u>16,804,732</u>	<u>3,326,881</u>

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Contract assets relate to revenue recognised for construction services where the Company's right to consideration is conditional on factors other than the passage of time. Contract assets are net of a provision for expected credit losses of AZN 20,705 (2024: AZN 34,354).

Contract liabilities primarily relate to advance consideration received from customers and amounts billed in excess of revenue recognised for the related contracts.

18. Contract costs

An analysis of the Company's contract costs for the year, is as follows:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Payroll expenses and change in unused vacation provision	(51,531,463)	(47,946,157)
Service expenses	(18,100,099)	(14,666,226)
Materials	(17,557,906)	(13,152,589)
Depreciation and amortization	(5,118,600)	(6,812,011)
Machine-mechanism services	(4,475,518)	(2,498,991)
Meal expense	(3,703,604)	(2,828,650)
Transportation expenses	(2,855,177)	(2,384,219)
Security expenses	(1,373,338)	(545,785)
Property tax	(1,333,215)	(1,415,819)
Fuel expenses	(1,272,230)	(1,482,022)
Insurance expenses	(666,258)	(408,820)
Technical services and repair expenses	(653,300)	(837,078)
Office expenses	(571,064)	(508,668)
Trash dumping	(506,951)	(261,784)
Utilities expenses	(458,094)	(389,291)
Testing expenses	(436,816)	(479,454)
Engineering expenses	(381,185)	(388,348)
Medical expenses	(355,405)	(265,494)
Training expenses	(350,992)	(131,990)
Rent	(307,346)	(509,099)
Communication expenses	(241,292)	(231,179)
Bank expenses	(201,985)	(285,000)
Other	(335,209)	(452,127)
Total contract costs	(112,787,047)	(98,880,801)

19. Administrative expenses

Analysis of the Company's administrative expenses for the year, is as follows:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Payroll expenses and change in unused vacation provision	(6,753,679)	(5,190,703)
Depreciation and amortisation	(102,262)	(104,503)
Other administrative expenses	(1,858,661)	(873,340)
Total administrative expenses	(8,714,602)	(6,168,546)

20. Other gain/(loss), net

Analysis of the Company’s other losses for the year, is as follows:

	For the year ended 31 December 2025	For the year ended 31 December 2024
Penalties and sanctions	-	(1,001,205)
(Write-off)/Recovery of other receivables	-	(148,859)
Loss on PPE and intangible assets disposal	(13,787)	(109,200)
Change in provision for ECL	206,745	120,240
Change in provision for write-down of inventories	4,888,977	-
Other gain/(loss), net	5,081,935	(1,139,024)

21. Commitments and contingencies

Operating environment

The Company operates primarily in the Republic of Azerbaijan. The Azerbaijani economy is influenced by ongoing economic reforms and developments in the legal, tax and regulatory environment, as well as fluctuations in global oil prices and exchange rate stability.

Management monitors developments in the operating environment and takes appropriate measures to mitigate potential risks and support the sustainability of the Company’s operations.

Geopolitical developments

Global geopolitical developments, including ongoing conflicts in various regions, may impact the Company through volatility in energy prices, supply chain disruptions and changes in the broader economic environment.

As at the reporting date, the Company has not identified any significant direct impact of these developments on its operations; however, management continues to monitor the situation.

Defects liability

Based on the agreements signed with clients, the Company provides warranties for its contracting business activities; with these agreements, the Company warrants along the warranty periods for all the work performed. If any defects have been proved by clients, the Company has to perform remedial work and borne the related cost.

Bank guarantees

To guarantee different aspects of the Company’s obligations towards its customers under construction contracts the Company provides bank guarantees. Total value of outstanding guarantees at 31 December 2025 USD 12.4 million and AZN 2.8 million (AZN 24 million) (31 December 2024: USD 18.75 million and AZN 3.15 million (AZN 35 million)). There are no restrictions placed on the Company’s accounts or other assets to secure these guarantees. The Company expects that it will execute on all of its contracts and there will be no cash outflows under these guarantees.

22. Financial risk management

Financial instruments and fair values

The carrying amounts of financial instruments that are not carried at fair value in the financial statements approximate their fair value.

In the ordinary course of business, the Company is exposed to credit, liquidity and market risks. Market risk arises from fluctuating prices on commodities purchased and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on degree of price volatility, such fluctuations in market prices may create volatility in the Company's financial position. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. To effectively manage the variety of exposures that may impact financial results, the Company's overriding strategy is to maintain a strong financial position. Although there are no structured formal management procedures, management of the Company identifies and evaluates financial risks with reference to the current market position.

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of the following risks:

- Market risk – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The Company is only exposed to currency risk.
- Credit risk – the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.
- Liquidity risk – representing a maturity analysis for financial liabilities that shows the remaining contractual maturities and a description of how the Company manages the inherent liquidity risk.

Financial risk factors

The Company's activities expose it to a variety of financial risk; market risk (including currency risk, fair value interest risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

Foreign currency sensitivity

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign currency denominated assets (cash and trade receivables) and liabilities (trade payables) give rise to foreign exchange exposure. The Company does not have any formal procedures on managing currency risk, however, management is quite well informed on the tendencies in the economy and has undertaken several steps to minimise its currency risks. The following table demonstrates AZN equivalent of financial instruments denominated in foreign currencies.

	At 31 December 2025			At 31 December 2024		
	AZN equivalent of USD	AZN equivalent of EUR	AZN equivalent of GBP	AZN equivalent of USD	AZN equivalent of EUR	AZN equivalent of GBP
Cash and banks	37,617,546	206,827	3,585,506	35,508,070	178,374	3,931,316
Trade receivables	4,386,724	-	532,180	4,708,743	-	-
Trade payables	(1,578,924)	(145,626)	(112,631)	(425,423)	(23,642)	(17,859)
Net foreign currency position	40,425,346	61,201	4,005,055	39,791,390	154,732	3,913,457

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The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro and GBP exchange rates, with all other variables held constant, of the Company’s post-tax profit (due to changes in the fair value of monetary assets and liabilities represented by bank balances, trade receivables and trade payables). The Company’s exposure to foreign currency changes for all other currencies is not material.

	Increase/ (decrease) USD	Effect on profit before tax AZN	Increase/ (decrease) EUR	Effect on profit before tax AZN	Increase/ (decrease) GBP	Effect on profit before tax AZN
2025	2%	808,507	9.76%	5,973	8.60%	344,435
	(2%)	(808,507)	(5.37%)	(3,287)	(8.72%)	(349,241)
2024	2%	795,828	8.59%	13,291	9.24%	361,603
	(2%)	(795,828)	(5.53%)	(8,557)	(10.20%)	(399,173)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primary trade receivables) and from its financing activities, including deposits with banks.

The Company evaluates the concentration of risk with respect to trade receivables and cash and cash equivalents (excluding cash on hand) as low, as it deals only with recognised, reputable parties. The Company’s maximum exposure to credit risk is generally reflected as the book value of financial assets in the statement of financial position and is presented by class of assets as shown in the table below as at 31 December:

	31 December 2025	31 December 2024
Cash and cash equivalents (Note 5)	57,343,600	48,595,713
Restricted cash (Note 5)	1,778,750	6,802,617
Trade receivables (Note 6)	26,580,389	24,823,044
Total maximum exposure to credit risk	85,702,739	80,221,374

The Company places its cash in reputable financial institutions in the Azerbaijan Republic with good financial position and good debt service. The Company continually monitors the status of the banks where its accounts are maintained. In addition, the Company’s all restricted cash balance is placed in Government treasury account.

Trade receivables consist primarily of balances with local and foreign customers, including related parties, for construction, engineering and related services performed.

The management of the Company believes that the Company is not exposed to high credit risk as the impairment provision has already been accrued in the accompanying financial statements for all debtors which are not expected to be recovered in the future.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flow.

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The maturity analysis of financial liabilities at 31 December 2025 is as follows:

	1 to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Trade payables (Note 10)	11,990,556	-	-	11,990,556
Contract liabilities (Note 17)	16,804,732	-	-	16,804,732
Total future payments	28,795,288	-	-	28,795,288

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

	1 to 3 months	3 to 12 months	Over 1 year	Total
Liabilities				
Trade payables (Note 10)	5,487,016	-	-	5,487,016
Contract liabilities (Note 17)	3,326,881	-	-	3,326,881
Current lease liability (Note 14)	-	-	-	-
Total future payments	8,813,897	-	-	8,813,897

Capital risk management

The primary objective of the Company’s capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions to support its business activities. The Company manages its capital and believes that it will be able to continue as a going concern while maximizing the return to stakeholders.

The Company’s overall strategy remains unchanged from 2024.

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

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks end remaining maturities.

23. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no financial instruments held by the Company which are measured at fair value as of December 31, 2025 and December 31, 2024.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

24. Subsequent events

No subsequent events have occurred that would require recognition or disclosure in the financial statements.