

# **“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

Consolidated Financial Statements and  
Independent Auditor’s Report  
for the year ended 31 December 2024

# **“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

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## “SILK WAY AIRLINES” LIMITED LIABILITY COMPANY

### STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the consolidated financial position of “Silk Way Airlines” Limited Liability Company and its subsidiaries (the “Group”) as at 31 December 2024, consolidated statements of profit or loss and other comprehensive income for the year then ended, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and of material accounting policy information and notes to the consolidated financial statements in compliance with IFRS Accounting Standards.

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and consolidated financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS Accounting Standards;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

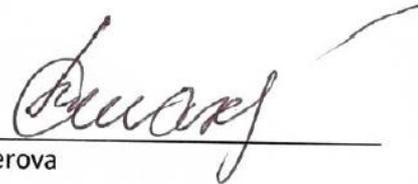
The consolidated financial statements for the year ended 31 December 2024 were authorised for issue by management on 30 June 2025.

On behalf of Management:



Mr. Rahim Islamov  
Director

Baku, the Republic of Azerbaijan  
30 June 2025



Ms. Tatyana Aleskerova  
Chief Accountant

Baku, the Republic of Azerbaijan  
30 June 2025



## INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Supervisory Board of "Silk Way Airlines" Limited Liability Company

### Opinion

We have audited the consolidated financial statements of "Silk Way Airlines" Limited Liability Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte + Touche LLC

30 June 2025



**“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(in thousands of Azerbaijani Manats)**

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	5	2,427,470	2,068,662
Other operating income		10,180	17,488
<b>Total revenue</b>		<b>2,437,650</b>	<b>2,086,150</b>
<b>Expenses</b>			
Fuel		(780,000)	(794,558)
Handling, landing and navigation charges		(364,091)	(336,848)
Depreciation	15, 16	(294,524)	(195,888)
Staff costs	7	(116,838)	(108,539)
Commissions		(112,483)	(85,633)
Aircraft and engine lease costs	6	(72,086)	(57,949)
Engineering and maintenance		(65,998)	(53,491)
Crew rental and other crew costs		(51,090)	(46,700)
Trucking costs		(43,561)	(32,585)
Materials expenses		(39,283)	(44,172)
Taxes, other than income tax	12	(31,630)	(30,084)
Fees for transportation by chartered flights		(620)	(187)
Other costs	11	(47,082)	(50,928)
<b>Total operating expenses</b>		<b>(2,019,286)</b>	<b>(1,837,562)</b>
<b>Operating profit</b>		<b>418,364</b>	<b>248,588</b>
Finance costs	8	(99,803)	(75,378)
Corporate social responsibility expenses	9	(47,167)	(44,605)
Foreign exchange loss		(23,380)	(32,218)
Net loss on revaluation of aircraft and engines	15, 16	(6,820)	(50,510)
Finance income		22,153	10,039
Foreign exchange gain		17,305	32,437
Gain / (loss) from sale of property and equipment		12,024	(1,157)
Recoveries from financial assets, net <sup>1</sup>	21, 30	3,991	2,813
Other income	10	5,021	46,742
<b>Profit before income tax</b>		<b>301,688</b>	<b>136,751</b>
Income tax expense	13	(63,896)	(34,833)
<b>Profit for the year</b>		<b>237,792</b>	<b>101,918</b>
Other comprehensive income for the year, net of income tax		(1,067)	(499)
<b>Total comprehensive income for the year</b>		<b>236,725</b>	<b>101,419</b>
Profit for the year attributable to:			
Owners of the Company		232,885	100,277
Non-controlling interests		4,907	1,641
Total comprehensive income for the year attributable to:			
Owners of the Company		231,818	99,778
Non-controlling interests		4,907	1,641

<sup>1</sup> 2024 impairment includes AZN 64 amounts due from related parties recovered through profit or loss. AZN 3,420 previously recognized ECL was written-off as bad debt in 2024.

The accompanying notes are an integral part of these consolidated financial statements.

**“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2024**

*(in thousands of Azerbaijani Manats)*

	Notes	31 December 2024	31 December 2023
<b>Non-current assets</b>			
Right-of-use assets	15	1,160,297	1,250,372
Property and equipment	16	592,595	624,305
Advances paid	17	577,626	424,119
Aircraft spare parts	18	35,203	29,359
Security deposits		16,036	19,444
Other long-term assets		4,090	5,421
<b>Total non-current assets</b>		<b>2,385,847</b>	<b>2,353,020</b>
<b>Current assets</b>			
Bank deposits	20	878,390	674,390
Trade and other receivables	21	179,013	160,936
Cash and cash equivalents	19	83,182	78,496
Restricted cash	19	21,878	23,241
Advances paid	17	20,454	23,771
Inventories	18	20,213	18,183
Amounts due from related parties	30	19,393	30,020
Other current assets		2,395	6,719
<b>Total current assets</b>		<b>1,224,918</b>	<b>1,015,756</b>
<b>Total assets</b>		<b>3,610,765</b>	<b>3,368,776</b>
<b>Equity</b>			
Charter capital	22	33,503	33,503
Retained earnings		1,406,032	1,184,164
Properties revaluation reserve	23	386,706	393,232
Equity attributable to owners of the Company		1,826,241	1,610,899
Non-controlling interest		9,800	5,229
<b>Total equity</b>		<b>1,836,041</b>	<b>1,616,128</b>
<b>Non-current liabilities</b>			
Lease liabilities	25	566,403	685,047
Loans and borrowings	26	374,137	366,718
Deferred tax liabilities	14	137,522	102,434
Provisions	27	-	1,395
<b>Total non-current liabilities</b>		<b>1,078,062</b>	<b>1,155,594</b>

**“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2024**

*(in thousands of Azerbaijani Manats)*

	Notes	31 December 2024	31 December 2023
<b>Current liabilities</b>			
Loans and borrowings	26	301,445	199,274
Trade and other payables	25	208,761	234,615
Lease liabilities	25	174,128	146,622
Current income tax liabilities		-	3,256
Other liabilities		12,328	13,287
<b>Total current liabilities</b>		<b>696,662</b>	<b>597,054</b>
<b>Total liabilities</b>		<b>1,774,724</b>	<b>1,752,648</b>
<b>Total equity and liabilities</b>		<b>3,610,765</b>	<b>3,368,776</b>

The accompanying notes are an integral part of these consolidated financial statements.

“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(in thousands of Azerbaijani Manats)**

	Notes	Equity attributable to equity holders of the parent			Attributable to owners of the parent	Non-controlling interest	Total equity
		Charter capital	Properties revaluation reserve	Retained earnings			
<b>Balance at 1 January 2023</b>		<b>33,503</b>	<b>394,495</b>	<b>1,083,123</b>	<b>1,511,121</b>	-	<b>1,511,121</b>
Profit for the year		-	-	100,277	100,277	1,641	101,918
Other comprehensive income for the year		-	(499)	-	(499)	-	(499)
<b>Total Comprehensive income for the year</b>		<b>-</b>	<b>(499)</b>	<b>100,277</b>	<b>99,778</b>	<b>1,641</b>	<b>101,419</b>
Acquisition of subsidiary shares by minority interest	22	-	-	-	-	3,588	3,588
Utilisation of revaluation reserve	23	-	(764)	764	-	-	-
<b>Balance at 31 December 2023</b>		<b>33,503</b>	<b>393,232</b>	<b>1,184,164</b>	<b>1,610,899</b>	<b>5,229</b>	<b>1,616,128</b>
Profit for the year		-	-	232,885	232,885	4,907	237,792
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>232,885</b>	<b>232,885</b>	<b>4,907</b>	<b>237,792</b>
Transfer of revaluation gain upon derecognition of assets		-	(5,459)	5,459	-	-	-
Other comprehensive income for the year		-	(1,067)	-	(1,067)	-	(1,067)
Dividends		-	-	(16,476)	(16,476)	(336)	(16,812)
<b>Balance at 31 December 2024</b>		<b>33,503</b>	<b>386,706</b>	<b>1,406,032</b>	<b>1,826,241</b>	<b>9,800</b>	<b>1,836,041</b>

The accompanying notes are an integral part of these consolidated financial statements.

**“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(in thousands of Azerbaijani Manats)**

	Note	Year ended 31 December 2024	Year ended 31 December 2023
Profit for the year before tax		301,688	136,751
<i>Adjustments for:</i>			
Depreciation	15, 16	294,524	195,888
Finance costs	8	99,803	75,378
Foreign exchange loss		23,380	32,218
Net loss on revaluation of aircraft and engines	16	6,820	50,510
Finance income <sup>1</sup>		(22,153)	(10,039)
Foreign exchange gain		(17,305)	(32,437)
(Gain) / loss on disposal of property and equipment		(12,024)	1,157
Recoveries from financial assets, net <sup>1</sup>	21, 30	(3,991)	(2,813)
Gain on derecognition of re-delivery provision	10, 27	(1,395)	(30,358)
Gain on early termination of lease	10	(1,152)	(14,427)
<b>Operating cash flow before movements in working capital</b>		<b>668,195</b>	<b>401,828</b>
Change in trade and other payables		161,652	244,693
Change in amounts due to related parties		25,235	23,370
Change in other current assets		3,157	4,328
Change in advances paid		3,058	13,812
Change in other long-term assets		1,332	(1,717)
Change in trade and other receivables		(202,486)	(236,336)
Change in amounts due from related parties		(59,738)	(111,011)
Change in inventories		(7,874)	17,459
Change in other liabilities		(692)	4,286
<b>Cash generated by operating activities</b>		<b>591,839</b>	<b>360,712</b>
Income tax paid		(2,139)	(62,000)
Interest paid		(74,868)	(59,366)
<b>Net cash generated by operating activities</b>		<b>514,832</b>	<b>239,346</b>
<b>Investing activities</b>			
Bank deposits placement	20	(878,390)	(674,390)
Advance payments for aircraft and engine purchase	17	(108,863)	(170,094)
Payments for property and equipment purchases and overhauls		(82,670)	(40,946)
Advance payments for aircraft repair services	17	(59,105)	(36,455)
Advance payments for construction of new airport		(10,569)	-
Advance payments for flight simulator purchase	17	(7,253)	(20,744)
Security deposit payments		(178)	(443)
Bank deposit withdrawal	20	674,390	425,000
Cash proceeds from disposal of property and equipment		125,072	28
Interest received for bank deposits	20	19,228	7,601
Cash proceeds from finance lease receivables		1,167	15,001
Cash released from collateral		-	20,400
<b>Net cash used in investing activities</b>		<b>(327,171)</b>	<b>(475,042)</b>

**“SILK WAY AIRLINES” LIMITED LIABILITY COMPANY**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(in thousands of Azerbaijani Manats)**

	Note	Year ended 31 December 2024	Year ended 31 December 2023
<b>Financing activities</b>			
Principal payments on loans and borrowings	26	(162,792)	(113,289)
Principal payments on lease liabilities	25	(131,691)	(269,022)
Advance payment for lease liabilities	19	(21,878)	(23,241)
Dividends paid	22	(16,812)	-
Proceeds from loans and borrowings	26	153,076	303,390
Acquisition of subsidiary shares by minority interest	22	-	3,588
<b>Net cash used in financing activities</b>		<b>(180,097)</b>	<b>(98,574)</b>
<b>Net change in cash and cash equivalents</b>		<b>7,564</b>	<b>(334,270)</b>
Foreign currency effect on cash		(2,878)	(311)
<b>Cash and cash equivalents, beginning of the year</b>	19	<b>78,496</b>	<b>413,077</b>
<b>Cash and cash equivalents, end of the year</b>	19	<b>83,182</b>	<b>78,496</b>

<sup>1</sup>2024 impairment includes AZN 63 due from related parties recovered through profit or loss. AZN 3,420 previously recognized ECL was written-off as bad debt in 2024.

The following non-cash transactions were not included in consolidated statement of cash flows for the year ended 31 December 2024 and 31 December 2023:

- (a) Recognition of right-of-use assets of AZN 90,542 through lease liabilities (2023: AZN 488,929) (Note 26);
- (b) Capitalisation of pre-delivery payments of AZN 20,882 (2023: 166,228) (Note 17) by transfer from advances paid for purchase of aircraft and engines (2023: advance payments for purchase of aircraft and engines to right-of-use assets) to right-of-use assets;
- (c) Capitalisation of AZN 10,624 for overhauls of engines by transfer from advances paid for aircraft service providers under power-by-hour (PBH) (2023: AZN 10,130) to right-of-use assets;
- (d) Derecognition of right-of-use assets of AZN 45,244 upon termination of lease contract against lease liabilities (2023: AZN 138,120) (Note 15);
- (e) Transfer of payments from restricted cash of AZN 23,241 to lease liabilities (2023: nil);
- (f) Acquisition of aircraft through asset acquisition (STLC Europe Seven Leasing Limited) of AZN 94,011 (2023: nil) (Note 10);
- (g) Offset of amount due from related parties and trade and other payables of AZN 380 (2023: AZN 87,969);
- (h) Offset of amount due from related parties and amount due to related parties (within other liabilities) of AZN 20,358 (2023: AZN 19,475);
- (i) Offset of trade and other receivables with trade and other payables of AZN 271,472 (2023: AZN 191,227);
- (j) Offset of trade and other receivables with current income tax liabilities of AZN 29,658 (2023: AZN 30,426).

The accompanying notes are an integral part of these consolidated financial statements.