

**SILK WAY WEST
AIRLINES
LIMITED LIABILITY
COMPANY**

Consolidated Financial Statements
for the year ended 31 December 2020

SILK WAY WEST AIRLINES LIMITED LIABILITY COMPANY

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SILK WAY WEST 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 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the financial position of "Silk Way West Airlines" Limited Liability Company and its branch (the "Group") as at 31 December 2020, the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and 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 financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- 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 2020 were authorised for issue by management on 13 August 2021.

On behalf of Management:


Mr. Wolfgang Meier
President

Baku, the Republic of Azerbaijan
13 August 2021




Mr. Mirsamad Movsumzada
Financial Executive Vice-President

INDEPENDENT AUDITOR'S REPORT

To the Owner and Management of Silk Way West Airlines Limited Liability Company.

Opinion

We have audited the consolidated financial statements of Silk Way West Airlines Limited Liability Company and its branch (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 (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 International Financial Reporting Standards, 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.

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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 scepticism 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 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 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 LIA

13 August 2021



SILK WAY WEST AIRLINES LIMITED LIABILITY COMPANY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Azerbaijani Manats)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019*
Revenue	6	2,353,002	1,049,706
Other operating income	7	35,574	8,435
Expenses			
Fuel		(387,191)	(301,633)
Handling, landing and navigation charges		(330,095)	(219,572)
Aircraft and engine lease costs	8	(183,045)	(148,147)
Depreciation	12,14	(172,098)	(131,259)
Fees for transportation by chartered flights		(102,867)	(50,840)
Commissions		(81,042)	(27,305)
Engineering and maintenance		(58,857)	(66,127)
Staff costs		(48,455)	(34,102)
Trucking costs		(47,631)	(26,511)
Net (losses) / gains on investment property revaluation	13	(23,453)	3,723
Taxes other than income tax		(28,563)	(32,988)
Other operating expenses		(98,003)	(104,065)
Operating profit / (loss)		827,276	(80,685)
Finance cost, net	9	(52,696)	(62,840)
Impairment losses (including reversals of impairment losses) on financial assets		(5,253)	(213)
Net gain / (loss) on revaluation of right-of-use asset / fixed assets	12,14	688	(9,511)
Other income, net		4,597	12,001
Foreign exchange gain / (loss), net		6,219	(1,451)
Profit / (loss) before income tax		780,831	(142,699)
Income tax (expense) / benefit	10	(64,569)	28,828
Net profit / (loss) for the year		716,262	(113,871)
Other comprehensive income:			
Revaluation (loss) / gain, net	25	(85,870)	54,532
Total comprehensive income / (loss) for the year		630,392	(59,339)

*Certain amounts shown here do not correspond to the 2019 consolidated financial statements and reflect reclassifications made as detailed in Note 4.

The notes on pages 9 to 53 form an integral part of these financial statements.

SILK WAY WEST AIRLINES LIMITED LIABILITY COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(in thousands of Azerbaijani Manats)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property and equipment	12	157,047	110,588
Investment property	13	67,915	82,263
Right-of-use Asset	14	954,192	1,101,626
Amounts due from related parties	28	-	20,511
Other long-term assets	24	77,715	18,008
Security deposit	21	21,900	12,201
Total non-current assets		1,278,769	1,345,197
Current assets			
Trade and other receivables	15	177,926	102,443
Cash and bank balances	22	196,266	14,758
Amounts due from related parties, current portion	28	56,623	30,071
Advances to suppliers		16,345	23,972
Other assets	16	9,353	18,219
Total current assets		456,513	189,463
Total assets		1,735,282	1,534,660
EQUITY AND LIABILITIES			
Equity			
Share capital	17	123,279	138,875
Additional paid-in capital		11,439	-
Accumulated deficit		(31,579)	(649,258)
Revaluation reserves	25	234,356	320,226
Total equity / (deficit)		337,495	(190,157)
Non-current liabilities			
Lease liability, non-current portion	19	613,190	494,087
Amounts due to related parties	28	-	200,811
Loans and borrowings, non-current portion	20	279,369	324,309
Provisions	23	92,281	72,170
Deferred tax liability	11	65,723	39,047
Total non-current liabilities		1,050,563	1,130,424
Current liabilities			
Trade and other payables	18	135,324	202,266
Amounts due to related parties, current portion	28	83,774	13,055
Lease liability, current portion	19	85,754	319,315
Loans and borrowings, current portion	20	18,309	52,227
Current income tax payable		16,420	-
Other liabilities		2,136	5,557
Advances from customers		5,507	1,973
Total current liabilities		347,224	594,393
Total equity and liabilities		1,735,282	1,534,660

The notes on pages 9 to 53 form an integral part of these financial statements.