

**“SPACE AGENCY OF THE REPUBLIC OF
AZERBAIJAN (AZERCOSMOS)”
PUBLIC LEGAL ENTITY**

**International Financial Reporting Standards
Financial Statements and
Independent Auditors’ Report**
For the Year Ended December 31, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the financial statements of the "Space Agency of the Republic of Azerbaijan (Azercosmos)" Public Legal Entity (the "Agency").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Agency as at December 31, 2022, the results of its operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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 IFRS has 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 Agency 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 Agency;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Agency, and which enable them to ensure that the financial statements of the Agency comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Azerbaijan;
- Taking such steps that are reasonably available to them to safeguard the assets of the Agency; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended December 31, 2022 were authorized for issue on April 12, 2023 by the Management.

INDEPENDENT AUDITORS' REPORT

To the Shareholder and Management of the "Space Agency of the Republic of Azerbaijan (Azercosmos)" Public Legal Entity:

Opinion

We have audited the financial statements of "Space Agency of the Republic of Azerbaijan (Azercosmos)" Public Legal Entity (the "Agency"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2022 and its financial performance and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Agency, the accounting processes and controls, and the industry in which the Agency operates.

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 IFRS, 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 Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 skepticism 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 Agency'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 Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Agency 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 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.

From the matters communicated with those charged with governance, we determine those matters that were of the most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Azerbaijan

April 12, 2023
Baku, the Republic of Azerbaijan

**“SPACE AGENCY OF THE REPUBLIC OF AZERBAIJAN (AZERCOSMOS)” PUBLIC
LEGAL ENTITY**

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022**

<i>In Azerbaijani Manats</i>	Notes	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property and equipment	8	354,598,908	375,342,180
Intangible assets		622,680	215,726
Finance lease receivables	9	109,578,456	117,400,398
Other non-current assets	10	2,150,308	3,090,906
Total non-current assets		466,950,352	496,049,210
Current assets			
Cash and cash equivalents	11	10,951,094	31,952,749
Trade receivables	12	12,636,062	8,768,427
Finance lease receivables	9	14,921,710	14,921,710
Other current assets	13	3,156,067	2,764,617
Total current assets		41,664,933	58,407,503
TOTAL ASSETS		508,615,285	554,456,713
Equity			
Charter capital	14	272,605,880	169,305,880
Additional paid-in capital	14	166,817,822	157,714,569
Accumulated losses		(292,870,086)	(294,298,785)
TOTAL EQUITY		146,553,616	32,721,664
LIABILITIES			
Non-current liabilities			
Borrowings	15	325,558,910	323,135,537
Total non-current liabilities		325,558,910	323,135,537
Current liabilities			
Trade payables and accrued liabilities		1,142,081	911,392
Borrowings	15	31,170,720	196,805,467
Deferred income	16	3,222,200	-
Other current liabilities	17	967,758	882,653
Total current liabilities		36,502,759	198,599,512
TOTAL LIABILITIES		362,061,669	521,735,049
TOTAL LIABILITIES AND EQUITY		508,615,285	554,456,713

“SPACE AGENCY OF THE REPUBLIC OF AZERBAIJAN (AZERCOSMOS)” PUBLIC LEGAL ENTITY

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**

<i>In Azerbaijani Manats</i>	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Revenues	18	49,548,257	57,803,643
Cost of services	19	(45,137,419)	(50,484,169)
Gross profit		4,410,838	7,319,474
General and administrative expenses	20	(14,392,751)	(10,206,423)
Recovery/(charge) of expected credit losses on trade receivables	12	1,451,110	(1,286,982)
Operating loss		(8,530,803)	(4,173,931)
Finance cost	21	(15,232,897)	(16,428,176)
Finance income	22	7,393,058	7,839,111
Other income, net	23	10,073,725	14,965,247
Foreign exchange gain, net		7,725,616	12,326,054
Profit before income tax		1,428,699	14,528,305
Income tax expense		-	-
Net profit for the year		1,428,699	14,528,305
Total comprehensive income for the year		1,428,699	14,528,305

**“SPACE AGENCY OF THE REPUBLIC OF AZERBAIJAN (AZERCOSMOS)” PUBLIC
LEGAL ENTITY**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

<i>In Azerbaijani Manats</i>	Charter capital	Additional paid-in capital	Accumulated losses	Total equity
Balance at January 1, 2021	169,305,880	127,323,663	(308,827,090)	(12,197,547)
Total comprehensive income for the year	-	-	14,528,305	14,528,305
Increase in additional paid-in capital	-	30,390,906	-	30,390,906
Balance at December 31, 2021	169,305,880	157,714,569	(294,298,785)	32,721,664
Total comprehensive income for the year	-	-	1,428,699	1,428,699
Transfer from additional paid-in capital to charter capital	103,300,000	(103,300,000)	-	-
Increase in additional paid-in capital	-	112,403,253	-	112,403,253
Balance at December 31, 2022	272,605,880	166,817,822	(292,870,086)	146,553,616

“SPACE AGENCY OF THE REPUBLIC OF AZERBAIJAN (AZERCOSMOS)” PUBLIC LEGAL ENTITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

<i>In Azerbaijani Manats</i>	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities			
Profit before income tax		1,428,699	14,528,305
<i>Adjustments for:</i>			
Depreciation expense	8	33,122,469	37,087,017
Amortization expense		157,193	105,380
Finance income on lease receivable	9	(7,393,058)	(7,839,111)
Interest expense on borrowings	21	15,232,897	16,098,272
(Recovery)/charge of expected credit losses on trade receivables	12	(1,451,110)	1,286,982
(Reversal of impairment loss)/impairment loss on property and equipment	8	(8,585,770)	21,826,346
Foreign exchange gain, net		(7,725,616)	(12,326,054)
Loss on disposal of intangible assets		-	31,223
Loss on disposal of property and equipment		1,016	14,031
Net loss on equity instruments at fair value through profit or loss	23	773,127	-
Government grants	23	(1,527,800)	-
Share of profit on investment	10	(156,532)	(16,108)
Operating cash flows before working capital changes:		23,875,515	70,796,283
Change in trade receivables		(2,349,769)	281,743
Change in other current assets		(395,642)	(1,113,686)
Change in trade payables and accrued liabilities		283,812	(444,774)
Change in other current liabilities		85,105	(2,338,977)
Cash generated from operating activities before interest paid		21,499,021	67,180,589
Interest paid	15	(8,704,680)	(7,537,311)
Net cash from operating activities		12,794,341	59,643,278
Cash flows from investing activities			
Purchase of property and equipment		(2,894,443)	(1,584,067)
Purchase of intangible assets		(564,147)	(199,417)
Proceeds from finance lease	9	15,215,000	15,215,000
Grant received from the Government		4,750,000	-
Dividend received		156,532	16,108
Net cash from investing activities		16,662,942	13,447,624
Cash flows from financing activities			
Increase in additional paid-in capital		23,000,000	27,300,000
Repayment of borrowings	15	(73,012,242)	(75,847,596)
Net cash used in financing activities		(50,012,242)	(48,547,596)
Net (decrease)/increase in cash and cash equivalents		(20,554,959)	24,543,306
Effect of exchange rate changes on cash and cash equivalents		(446,696)	(188,873)
Cash and cash equivalents at the beginning of the year	11	31,952,749	7,598,316
Cash and cash equivalents at the end of the year	11	10,951,094	31,952,749