



STATE OIL FUND OF THE
REPUBLIC OF AZERBAIJAN

ANNUAL REPORT 2024



Dedicated to the 25th anniversary of the State Oil Fund of the Republic of Azerbaijan.



25 YEARS
1999 - 2024

Oil is a major wealth of Azerbaijan which
belongs not only to this generation,
but also to future generations.

National Leader of the Republic of Azerbaijan

Heydar Aliyev



1999

1999

The President of Azerbaijan, Heydar Aliyev signs a Decree to establish SOFAZ.

2001

The President of Azerbaijan approves “Rules on preparation and execution of the annual program of revenues and expenditures (budget) of SOFAZ”.

2002

SOFAZ finances the share of Azerbaijan in the Baku-Tbilisi-Ceyhan Main Export Pipeline project.

2003

SOFAZ begins to transfer its assets to the state budget.

2006

SOFAZ finances "Oguz-Gabala-Baku water pipeline construction" and "Reconstruction of Samur-Absheron irrigation system" projects.

2007

SOFAZ receives the United Nations Public Service Award for “Improving Transparency, Accountability and Responsiveness in the Public Service”.



2008

SOFAZ finances the "State Program on education of Azerbaijan youth abroad in the years 2007-2015".

2009

SOFAZ hosts the inaugural meeting of the International Forum of Sovereign Wealth Funds in Baku.

2009

The ceremony of laying the foundation stone of SOFAZ's new administrative building takes place with the participation of the President of Azerbaijan Ilham Aliyev.

2014

The opening ceremony of SOFAZ's new administrative building takes place with the participation of the President of Azerbaijan Ilham Aliyev.

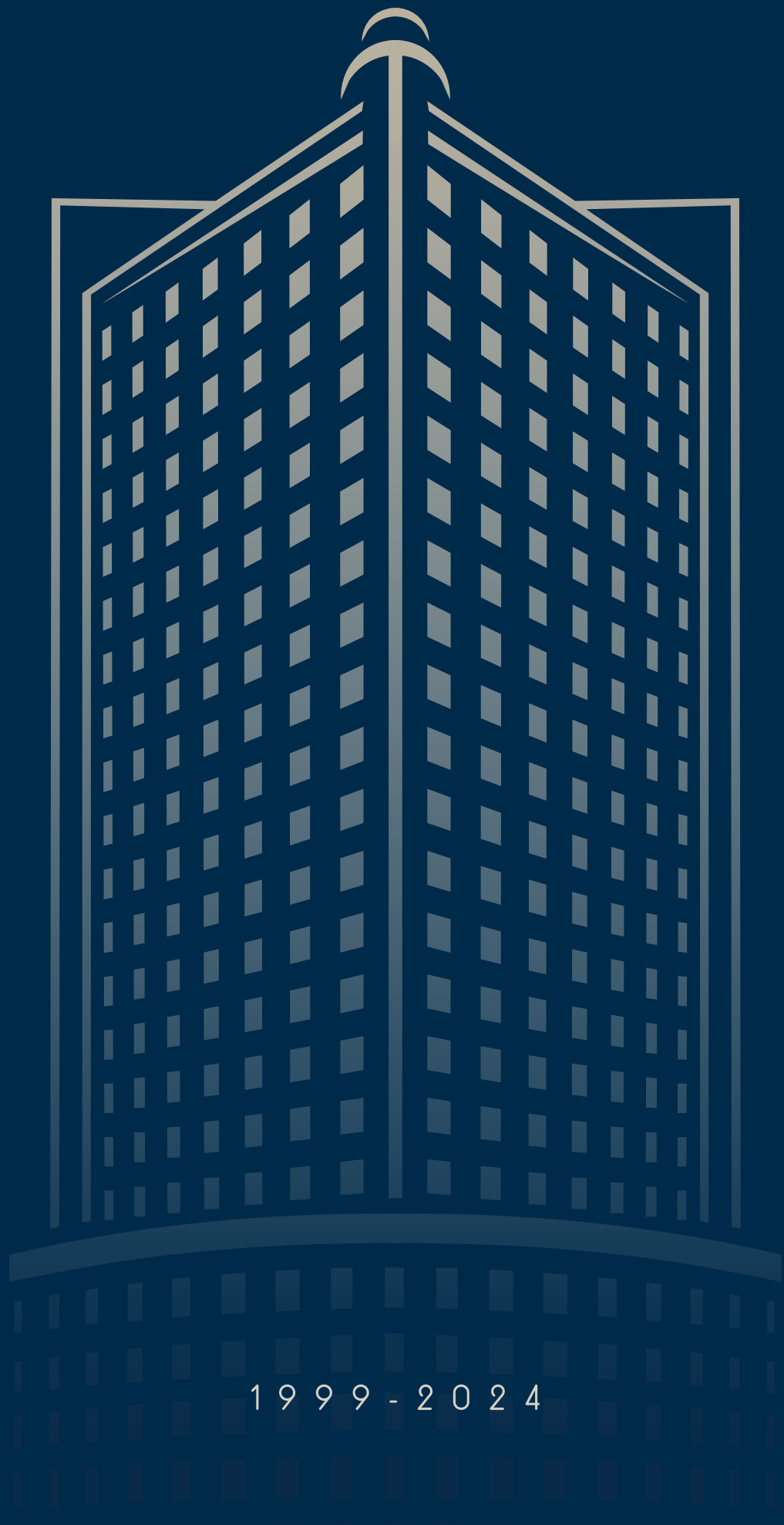
2022

The 14th Annual Meeting of the International Forum of Sovereign Wealth Funds (IFSFW) is organized by SOFAZ in Baku on November 14-17 under the title “Mobilising Capital for Change”.

2024

The Executive Director of SOFAZ (State Oil Fund of the Republic of Azerbaijan) has been elected as the Vice-Chair of the Board of the International Forum of Sovereign Wealth Funds.

2024



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1/ KEY FIGURES

As of the end of 2024, SOFAZ's assets under management (AuM) had grown to 60.0 billion USD, up from 56.1 billion USD in the previous period. The portfolio was distributed as follows: 46.9% (28.2 billion USD) in fixed income, 26.6% (16.0 billion USD) in equities, 5.9% (3.5 billion USD) in real estate, and 20.6% (12.4 billion USD) in gold.

Chart 1. Growth in assets (USD billion)

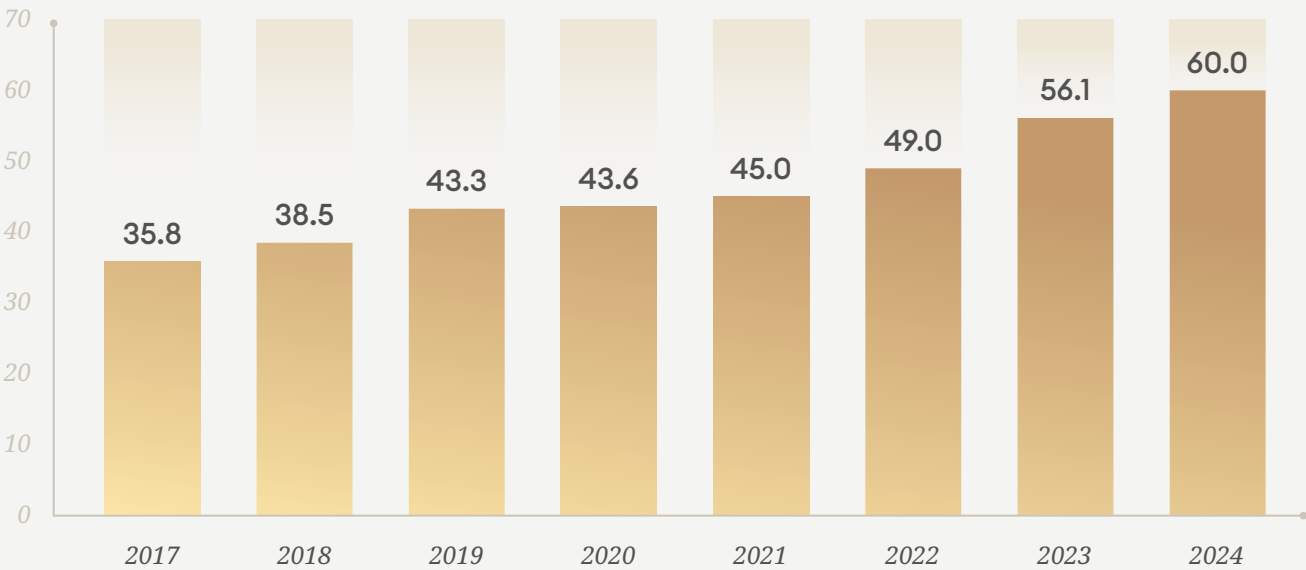
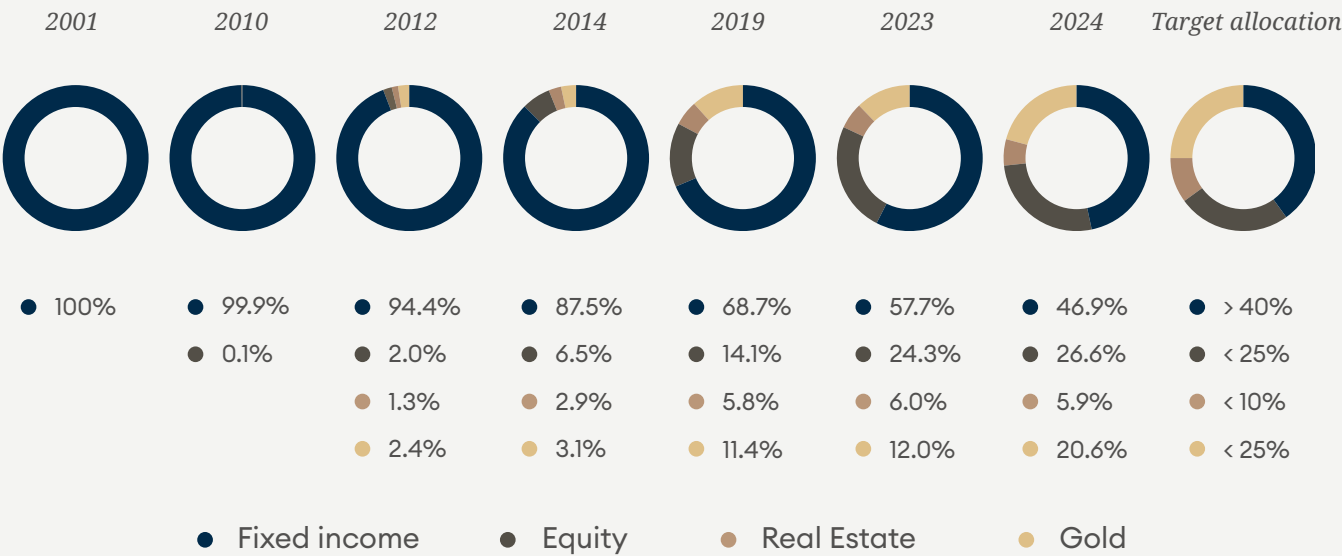


Chart 2. Asset allocation dynamics



As of the end of 2024, SOFAZ had allocated its investments across 64 countries and held 18 currencies.

Chart 3. Currency composition

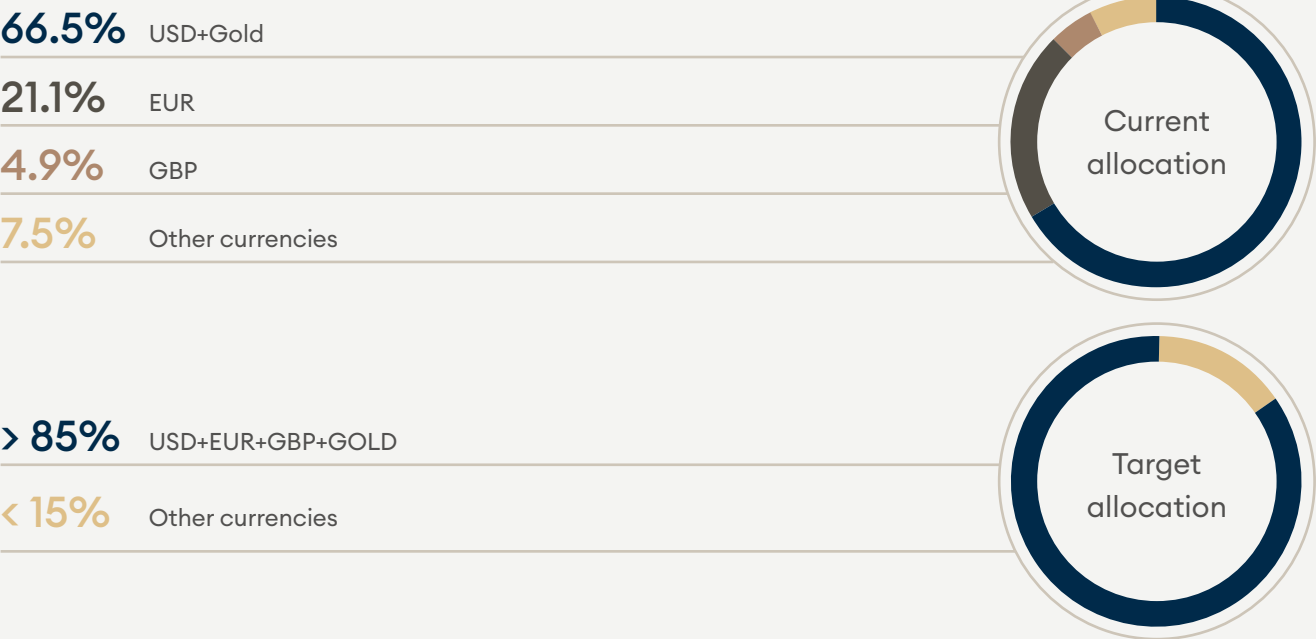
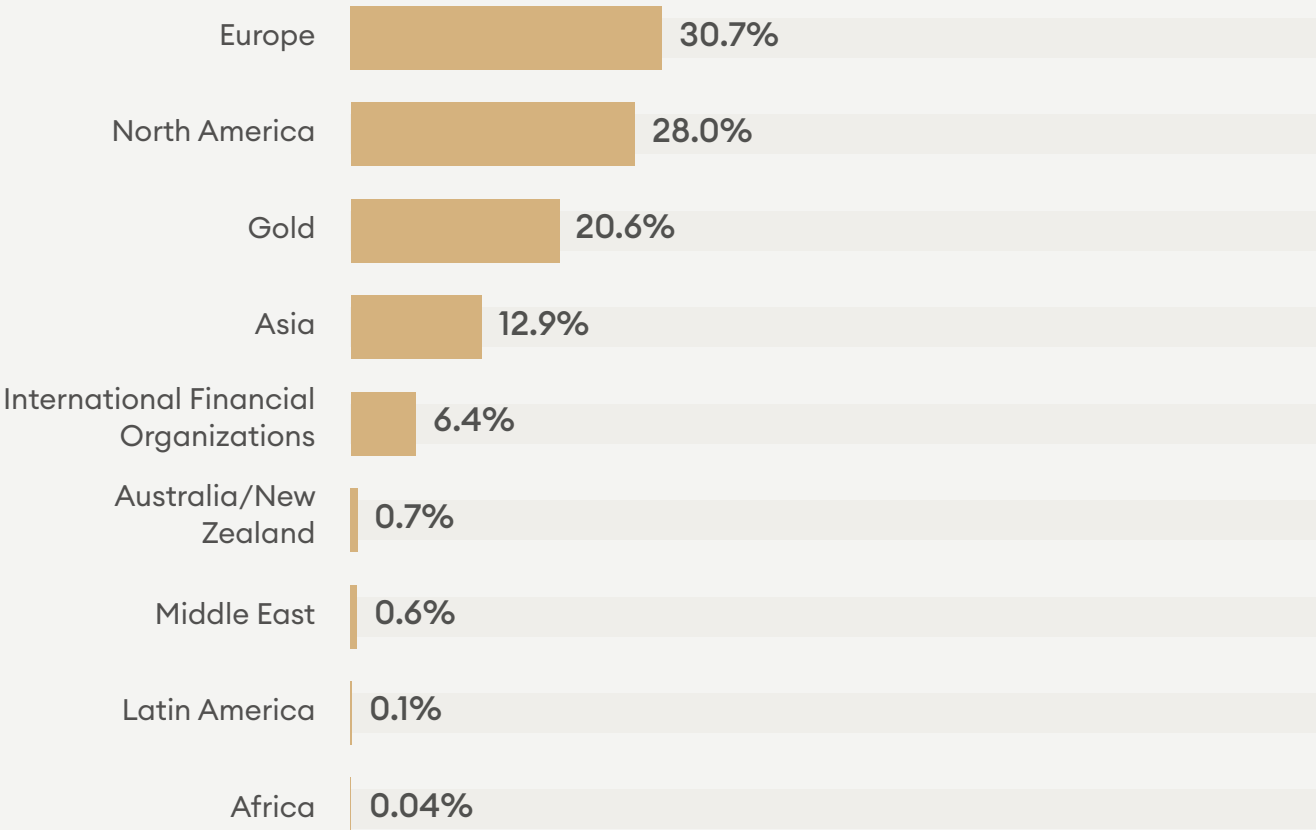


Chart 4. Geographical distribution



Since its inception up until the end of 2024 SOFAZ has generated a total of 15 billion USD gain in absolute terms, equivalent to an annualized return of 2.6%*. In 2024, the Fund's return was 6.0%.

Chart 5. Annualized rate of return on investment portfolio¹

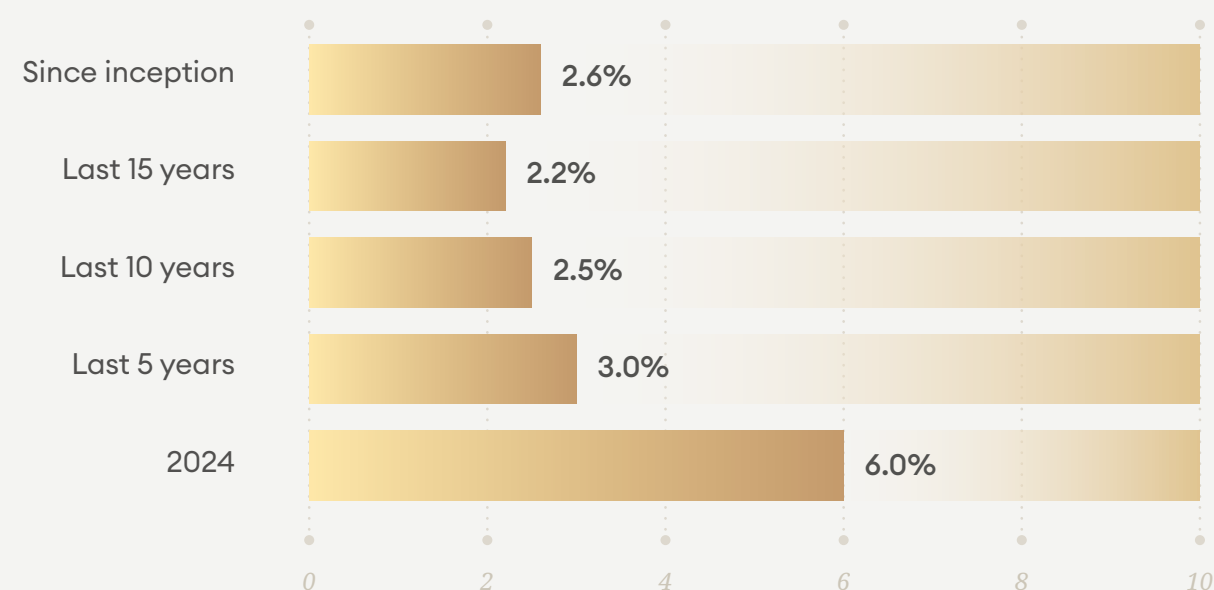
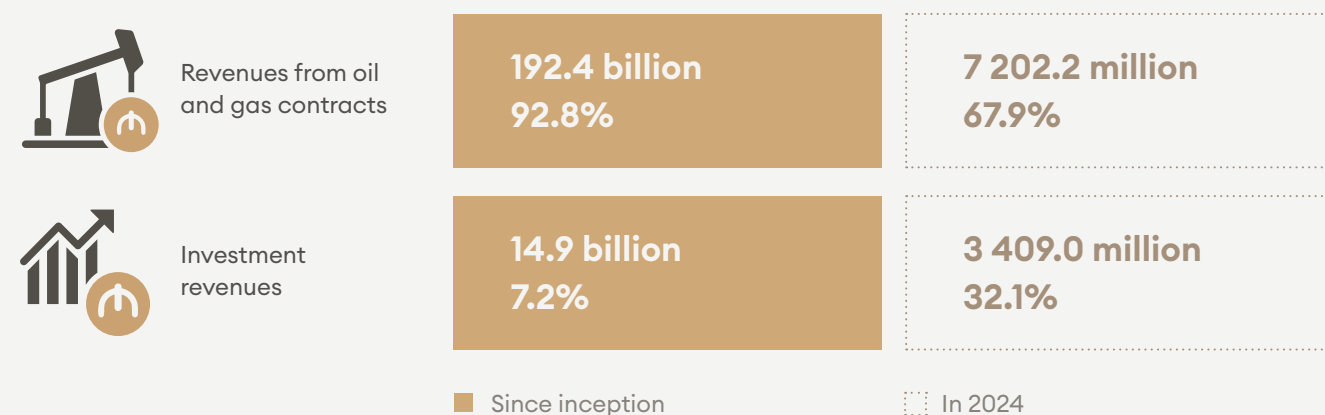


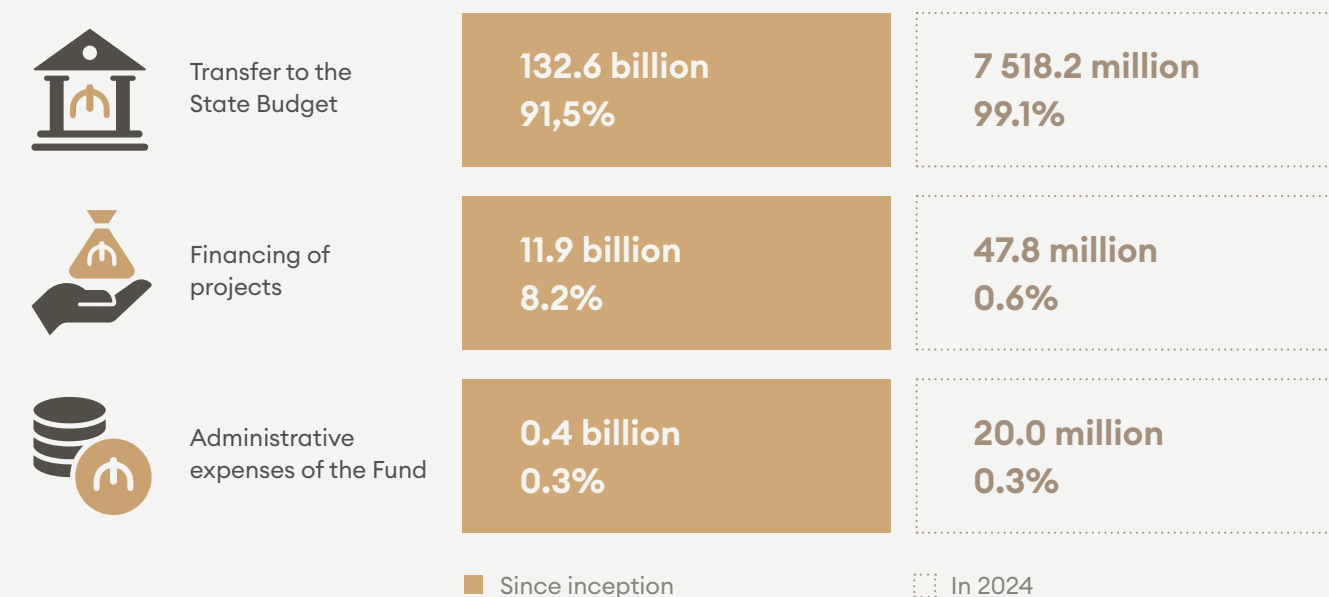
Illustration 1. Budget income of SOFAZ (USD)



¹ Unless otherwise indicated in the report, all return figures are expressed in local currencies and are not adjusted for currency fluctuations.



Illustration 2. Budget expenditure of SOFAZ (USD)



SOFAZ: A CLOSER LOOK

2.1 / About

2.2 / Mission

2.3 / Objective

2.4 / Values

2.5 / Legal framework

2.1 / About

The date 20 September 1994 marked a significant milestone in the history of modern Azerbaijan. Under the leadership of the national leader Heydar Aliyev, Azerbaijan signed a groundbreaking Production Sharing Agreement (PSA) with a consortium of 11 international oil companies from seven nations on the exploration and exploitation of oil fields in Azerbaijan's sector of the Caspian Sea – Azeri-Chirag-Gunashli. Dubbed the “Contract of the Century”, this transformative agreement spurred the signing of many other oil contracts in subsequent years.

Owing to the successful realization of the National Oil Strategy laid out by Heydar Aliyev, Azerbaijan has ensured its energy security and become a reliable country and partner in the international arena. The three pillars of the National Oil Strategy are the attraction of foreign investments and expertise to the development of the country's oil and gas resources; the establishment of multi-optional export routes; and the efficient and transparent management of revenues.

Ilham Aliyev, who at the time was the vice-president of the State Oil Company of the Azerbaijan Republic, played an increasingly prominent role in the realization of the National Oil Strategy.

Ilham Aliyev's successful diplomatic mission, direct initiative, and forethoughtful proposals led to the idea of establishing SOFAZ in order to enable the prudent management of oil revenues. As proposed by Ilham Aliyev, the experience of similar sovereign wealth funds abroad was thoroughly evaluated, and consequently, SOFAZ was established in accordance with Decree No. 240 of the national leader Heydar Aliyev on 29 December 1999. SOFAZ is a mechanism for the accumulation of energy-related earnings and their efficient management for future generations.

SOFAZ is structured as an extra-budgetary fund and functions as a legal entity separate from the government or central bank. The SOFAZ Statute was approved in 2000.

2.2 / Mission

Our mission is to transform depletable hydrocarbon reserves into financial assets generating perpetual income for current and future generations.

2.3 / Objective

Our objective is to ensure the accumulation and effective management of foreign currency and other assets generated from the implementation of oil and gas exploration and development agreements as well as from the Fund's own activities, in the best interest of citizens and future generations of the Republic of Azerbaijan.

2.4 / Values



Integrity

We conduct our activity in accordance with the highest moral standards and ethical principles of society. We are honest and truthful in all our words and actions.



Respect

We thoughtfully and carefully consider individual differences and ideas of others by complying with the highest moral standards, ethical principles and professional standards of society.



Result-oriented Teamwork

We aim at accomplishing concrete results with productive and sincere cooperation of the team.



Responsible Initiative

We boldly take responsibility and initiative in order to achieve the timely and quality execution of the tasks arising from the Fund's objectives and mission.



Transparency and Accountability

We deliver full, timely, accurate and up-to-date information to all stakeholders within the framework of our activities.

2.5 / Legal framework

SOFAZ's operations are guided by the Constitution and laws of the Republic of Azerbaijan, decrees and orders of the President of the Republic of Azerbaijan, as well as the SOFAZ Statute.

SOFAZ's funding and withdrawal rules are clearly defined by the Statute of the State Oil Fund of the Republic of Azerbaijan and the "Rules on the preparation and execution of the annual programme of revenues and expenditures (budget) of the State Oil Fund of the Republic of Azerbaijan". According to the Law of the Republic of Azerbaijan "On the budget system", all SOFAZ expenditures, except for operating expenditures and expenses on placement of its funds in international banks and other financial

institutions, are incorporated into an annual consolidated government budget presented to the Parliament for approval. Thus, indirectly, all citizens participate in the discussions on the SOFAZ budget. In compliance with this law, SOFAZ can make only the expenditures envisaged in its budget.

SOFAZ's investment and risk management policies are defined by Investment Policy approved by the President of the Republic of Azerbaijan after review by the Supervisory Board. According to the Investment Policy, SOFAZ's investment decisions should aim to maximize risk-adjusted returns. SOFAZ makes its investment decisions in accordance with the requirements of the Investment Policy.



MANAGEMENT

3.1 / The Supervisory Board

3.2 / SOFAZ Management

3.3 / Transparency and Accountability

3.4 / Organisational Structure

3.1 / The Supervisory Board

The Supervisory Board, consisting of representatives of the state authorities and public organizations, carries out general oversight of SOFAZ's operations. The board reviews and evaluates SOFAZ's draft annual

budget, annual report, and financial statements, along with an audit report. Members of the Supervisory Board are approved by the President of the Republic of Azerbaijan.

In 2024, according to the Order, the Supervisory Board had the following members:

| Ali Asadov

Chairman of the Supervisory Board
Prime Minister of the Republic of Azerbaijan

| Musa Gasimli²

Member of the Supervisory Board
Deputy Chair of the Milli Majlis

| Shahmar Movsumov

Member of the Supervisory Board

Assistant to the President of the Republic of Azerbaijan – Head of the Division of Economic Issues and Innovative Development Policy of the Presidential Administration of the Republic of Azerbaijan

| Natig Amirov

Member of the Supervisory Board
Assistant to the President of the Republic of Azerbaijan – Head of the Division of Economic Policy and Industrial Issues of the Presidential Administration of the Republic of Azerbaijan

| Mikayil Jabbarov

Member of the Supervisory Board
Minister of the Economy of the Republic of Azerbaijan

| Sahil Babayev³

Member of the Supervisory Board
Minister of Finance of the Republic of Azerbaijan

| Taleh Kazimov

Member of the Supervisory Board
Chairman of the Central Bank of the Republic of Azerbaijan

² Deputy Chair of the Milli Majlis (National Assembly) of the Republic of Azerbaijan, Musa Gasimli, has been a member of the Supervisory Board since October 2024.

³ By the relevant Decree of the President of the Republic of Azerbaijan dated February 6, 2025, Sahil Babayev was appointed Minister of Finance of the Republic of Azerbaijan.

3.2 / SOFAZ Management

Israfil Mammadov

CEO

Rovshan Javadov

Deputy CEO

Bahrüz Bahramov

Deputy CEO⁴

3.3 / Transparency and Accountability

Transparency and accountability have been the key principles in SOFAZ's operations since its inception. Regular auditing of SOFAZ's financial statements by a reputable international audit firm is used as the primary safeguard to ensure the transparency of SOFAZ's operations. SOFAZ's financial performance in 2023 was audited by PricewaterhouseCoopers Audit Azerbaijan LLC.

SOFAZ's public relations are managed in accordance with its Information Policy. SOFAZ's Information Policy has been developed in accordance with the Law of the Republic of Azerbaijan "On access to information" with the purpose of the efficient management of SOFAZ's information exchange with stakeholders and the public, and to protect and develop its transparent state entity reputation. The Information Policy defines the principles, purposes, and objectives of the provision of information about SOFAZ's operations and activities to stakeholders and the public to meet the purposes and objectives of the Fund.

The Fund regularly issues press releases about its assets, investment activities, revenues and expenditures and projects, as well as events and meetings organized by SOFAZ.

To ensure the transparency of SOFAZ's activities, the Fund publishes relevant information, including quarterly revenue and expenditure statements, and annual reports on its official website (<https://oilfund.az/>) and on its official pages on social media sites.

SOFAZ is always open to questions from the public and responds to all verbal and written Fund-related enquiries within the timeframe prescribed by the Law of the Republic of Azerbaijan "On access to information".

Additionally, every year SOFAZ conducts a self-assessment on how well sovereign wealth fund complies with each of the Santiago Principles- a framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as sound, prudent investment practices by the sovereign wealth funds.



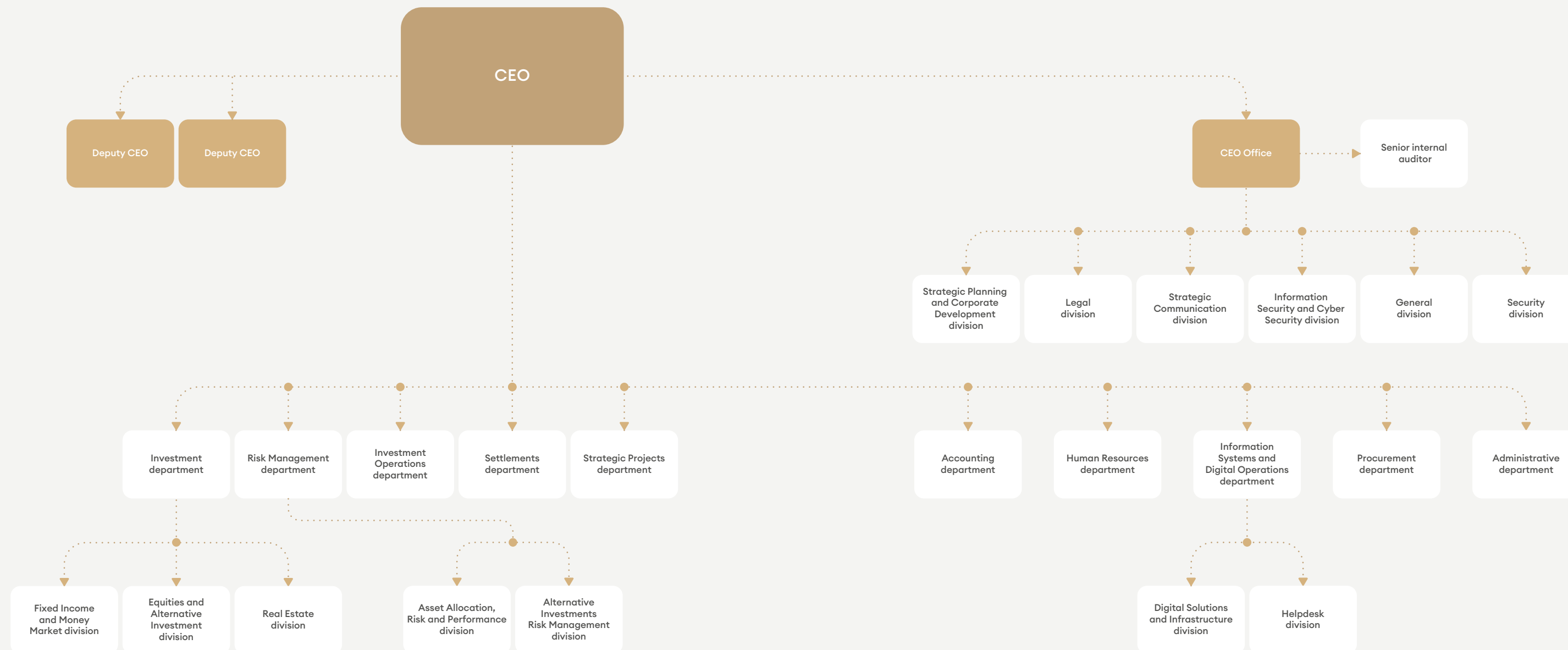
SOFAZ has earned international recognition for its exemplary performance in asset management, corporate governance, institution building, and transparency. SOFAZ has been placed among the top sovereign wealth funds in the Linaburg-Maduell transparency index, developed at the Sovereign Wealth Fund Institute. In addition, in both 2016 and 2019, SOFAZ was ranked among the top five most transparent sovereign wealth funds out of over 60 funds evaluated in the Sovereign Wealth Fund Transparency and Accountability Scoreboard published by the Peterson Institute for International Economics. The 2019 scoreboard is based on an assessment of a broad range of elements, including asset management, governance, resilience, transparency and accountability.

SOFAZ achieved nearly the highest scores in each category and sub-category in the 2019 assessment. Furthermore, SOFAZ was ranked 5th in the Generally Accepted Principles and Practices (GAPP) assessment, developed by the Peterson Institute for International Economics to evaluate the implementation of the Santiago Principles.

⁴ By the relevant Decree of the President of the Republic of Azerbaijan dated June 12, 2024 Bahrüz Bahramov was appointed Deputy CEO of the State Oil Fund of the Republic of Azerbaijan (SOFAZ).

3.4 / Organisational Structure

Illustration 3. SOFAZ's Organisational Structure⁵



⁵The organisational structure of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) was approved in May 2025.

INVESTMENTS

In 2024, global markets navigated a complex environment of uncertainties, driven by divergent economic growth across major regions, an evolving political landscape, and ongoing advancements in technology.

4.1 / Investment strategy

4.2 / Investment Performance

4.3 / Fixed Income Investments

4.4 / SOFAZ Public Equity Portfolio

4.5 / Private equity portfolio

4.6 / Real Estate Investments

4.7 / Integration of ESG Principles into Investment Portfolio

4.8 / Risk Management

4.9 / Managing Legal and Compliance Risks

Both global equities and bonds posted positive returns for the year. Equity markets continued their strong run from the previous year with another double-digit return in 2024, largely driven by robust performance of U.S. stocks, underpinned by optimism surrounding advancements in artificial intelligence (AI) on the backdrop of resilient US corporate earnings and economic growth. Bond markets also returned positive, mostly driven by high coupon income, in a high-rate environment. However, the rise in yields towards the end of the year partially offset returns.

The year marked a growing divergence in economic performance across major economies. The United States showed healthy economic growth and robust financial market performance in the face of historically high interest rates, while regions such as the Eurozone and the UK underperformed amid a weaker macroeconomic backdrop. The outstanding strength of the U.S. economy led market participants to refer to the phenomenon as “U.S. exceptionalism”.

Meanwhile, major central banks began cautiously easing monetary policy after several years of aggressive tightening. However, the pace and scope of rate cuts remained measured, reflecting concerns over sticky core inflation, tight labor markets, and inflation rates that remained above 2% target.

Uncertainties regarding the political landscape, especially the expectations and speculation on the result of the U.S. presidential election and the implications of consequent policies were also a major driver of market moves across different assets.

Expectations of U.S. tariffs on other countries drove the U.S. dollar higher and the currencies of its major trading partners lower. Meanwhile, Treasury yields rose on higher inflation expectations and U.S. stock indices rallied further on expected tax cuts and deregulation. Gold prices rose amid growing uncertainty and continued central bank demand.

Overall, 2024 was a year marked by many uncertainties likely representing a transition phase toward a new global investment landscape shaped by evolving economic, technological, and policy dynamics.

4.1 /

Investment strategy

The investment strategy of SOFAZ aims to maximize long-term risk-adjusted returns through broad diversification across asset classes and geographies, while actively monitoring and analyzing the macroeconomic environment to ensure stable investment performance.

SOFAZ’s investment portfolio is managed in accordance with the “Rules on managing the foreign currency assets of SOFAZ” (hereinafter referred to as the “Investment Guidelines”)

and the Investment policy, the latter of which is reviewed on an annual basis.

The Investment Guidelines defines the permissible asset classes, credit quality limits for counterparties, and core principles of SOFAZ’s asset management. The Investment Policy defines the Fund’s investment objectives, asset and currency allocations, benchmarks, risk limits, and minimum requirements for engaging external managers.

Table 1. Target asset allocation

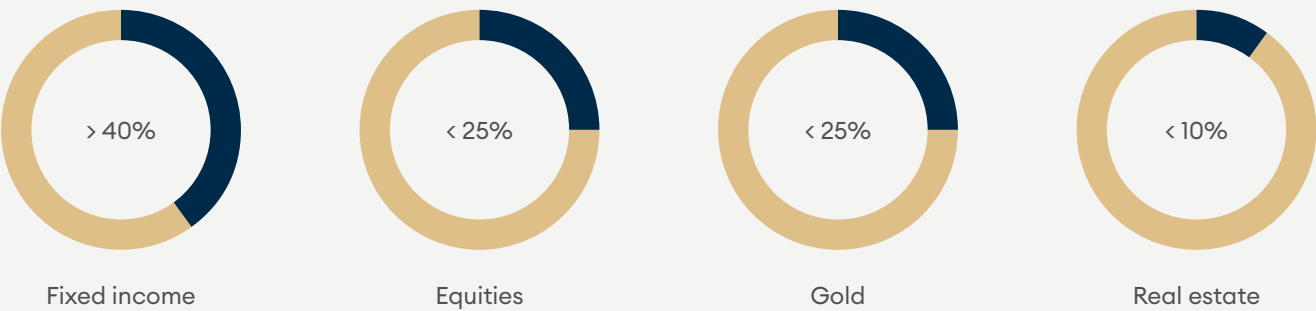


Table 2. Investment directions and strategies

Asset classes		Strategy employed
Traditional	Fixed income	Exposure through bonds and money market instruments
	Public equity	Exposure to global equities
Alternative	Private equity	Exposure through private equity funds and co-investments
	Real estate	Exposure through real estate funds and co-investments
	Gold	Exposure through physical purchase

Geographical allocation of investment portfolio

Table 3. Geographical allocation of investment portfolio (thousands USD)



Total Investment portfolio

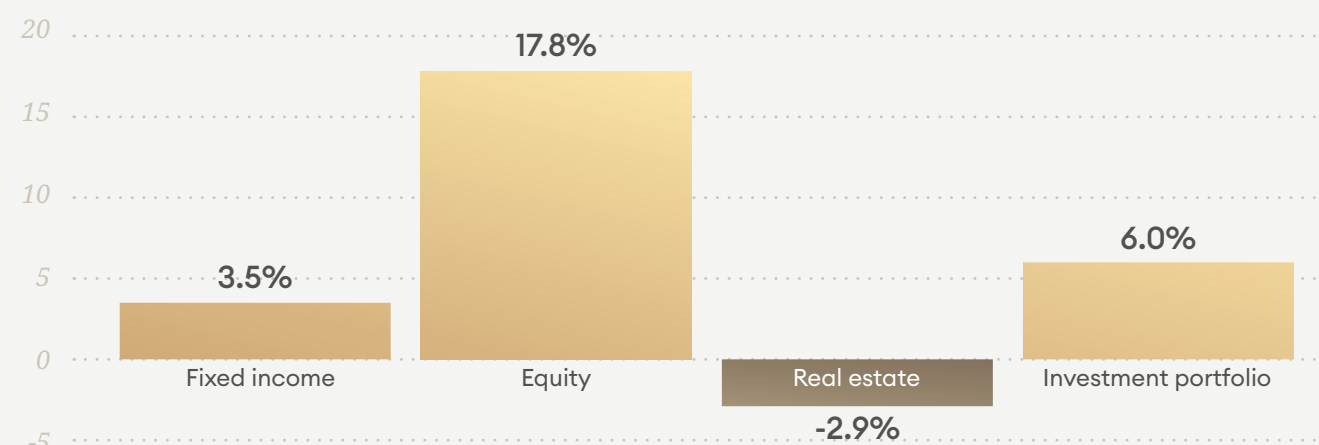
60,031,544

4.2 / Investment Performance

In 2024, SOFAZ achieved a return of 6.0%*, driven by a 3.5% return from fixed-income investments, 17.8% from equity investments, and a 2.9% decline in real estate investments.

The fixed income sub-portfolio outperformed the benchmark by a margin of 0.1%, whereas the equity sub-portfolio (excluding AzRigs) underperformed by 3.4%.

Chart 6. Performance of Investment portfolio by asset class*



* In performance analysis, changes in the value of gold investments are attributed to the FX effect.

Chart 7. Quarterly returns

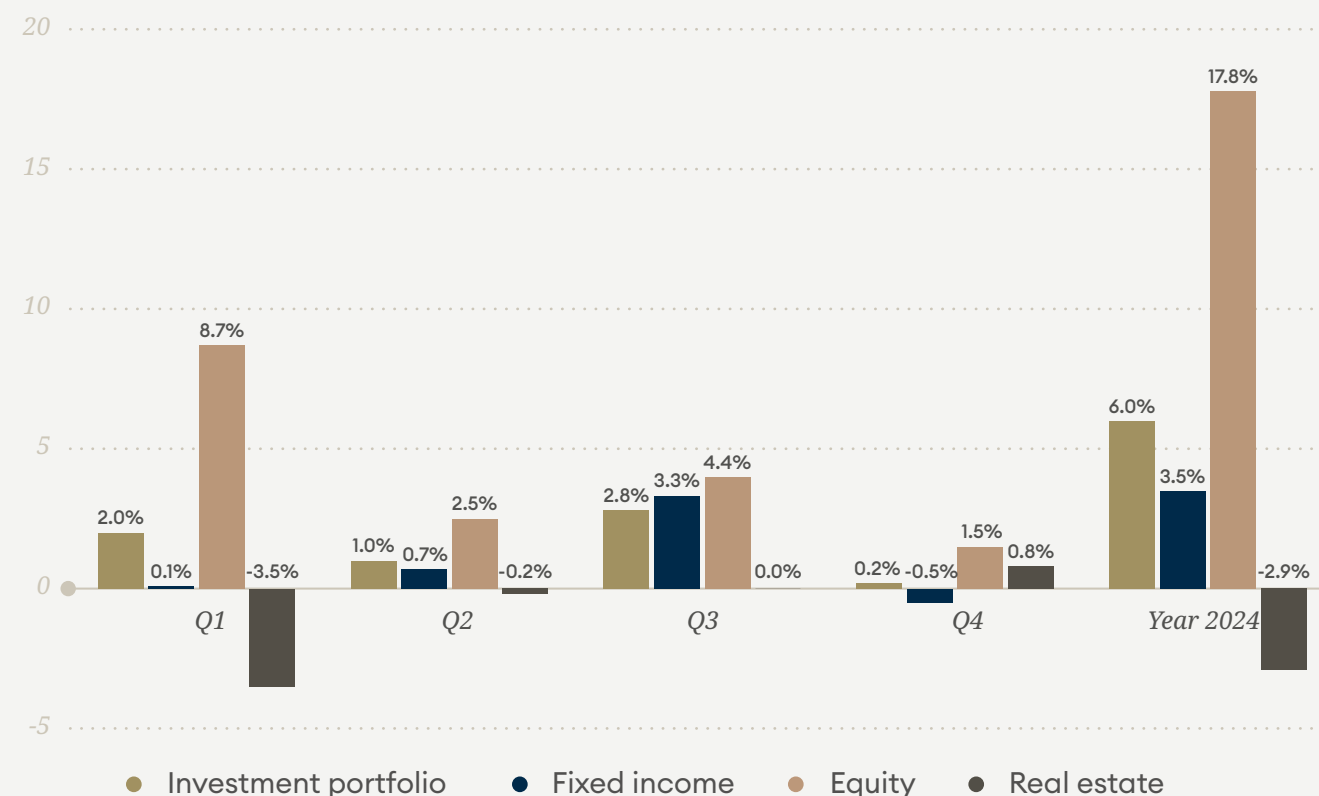


Table 4. Historical returns over the last five years in percentage

Asset class	2024	2023	2022	2021	2020
Fixed income	3.5%	5.1%	-3.8%	0.1%	2.5%
Equities	17.8%	20.7%	-16.7%	22.8%	8.2%
Real estate	-2.9%	-4.2%	9.2%	12.5%	-1.5%
Investment portfolio return	6.0%	7.1%	-5.2%	4.5%	2.8%

Table 5. Historical returns over the last five years in millions USD

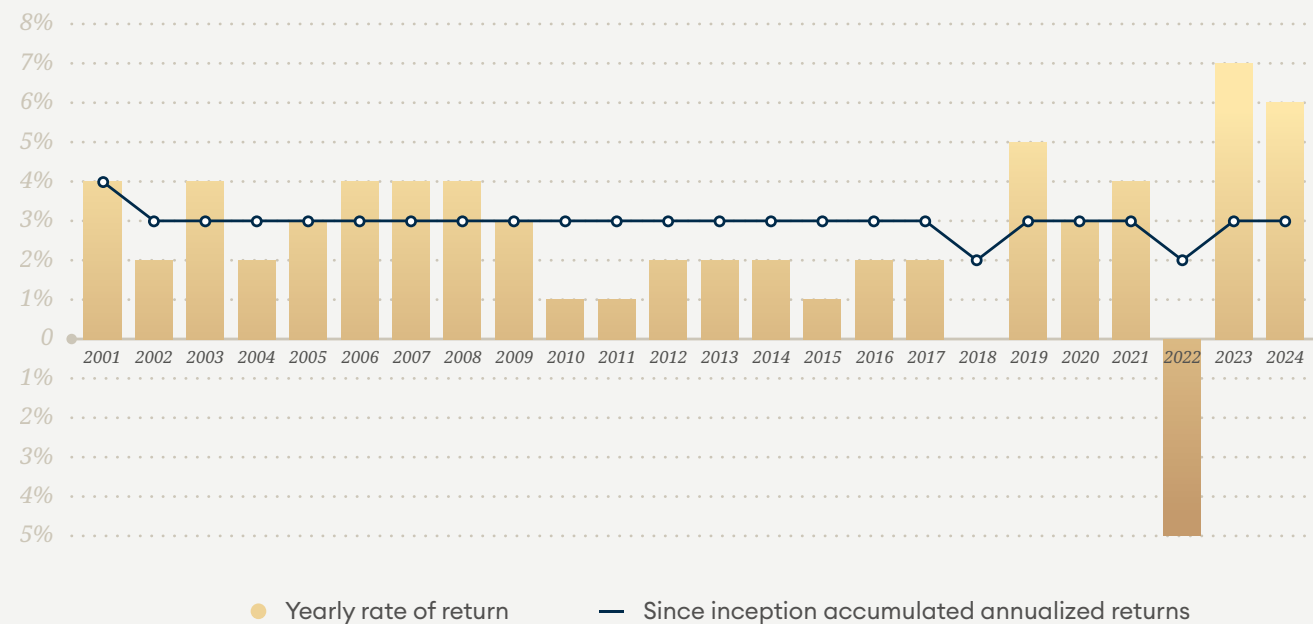
Asset class	2024	2023	2022	2021	2020
Fixed income	1 078	1 636	(1 107)	27	686
Equities	2 420	2 228	(1 608)	1 581	521
Real estate	(96)	(135)	254	327	(43)
Investment portfolio return	3 401	3 728	(2 461)	1 934	1 164

Table 6. Historical contribution returns over the last five years

Asset class	2024	2023	2022	2021	2020
Fixed income	1.9%	3.1%	-2.4%	0.1%	1.6%
Equities	4.3%	4.3%	-3.3%	3.7%	1.3%
Real estate	-0.2%	-0.3%	0.6%	0.8%	-0.1%
Investment portfolio return	6.0%	7.1%	-5.2%	4.5%	2.8%

SOFAZ's yearly and since inception accumulated annualized returns are provided below.

Chart 8. Historical returns



4.3 / Fixed Income Investments

In 2024, SOFAZ's fixed income investments returned 3.5% in local currency terms, with performance shaped by fluctuating interest rate expectations, shifting macroeconomic outlooks, and evolving policy signals across key markets.

Benchmark 10-year government bond yields of the US, the UK, and Germany fluctuated within a wide range throughout the year, driven by changing expectations regarding growth, inflation, policy rates, and prevailing uncertainties.

The Fund's fixed income investments are primarily comprised of bonds issued by governments, government agencies, international organizations, and corporations. These investments are spread across six

currency portfolios: USD, EUR, GBP, CNY, TRY and AUD. Each currency portfolio has its own corresponding benchmark index. The size and distribution of the Fund's fixed income investments are typically determined by these benchmarks, which are used as a standard for measuring the performance of the Fund's fixed income investments.

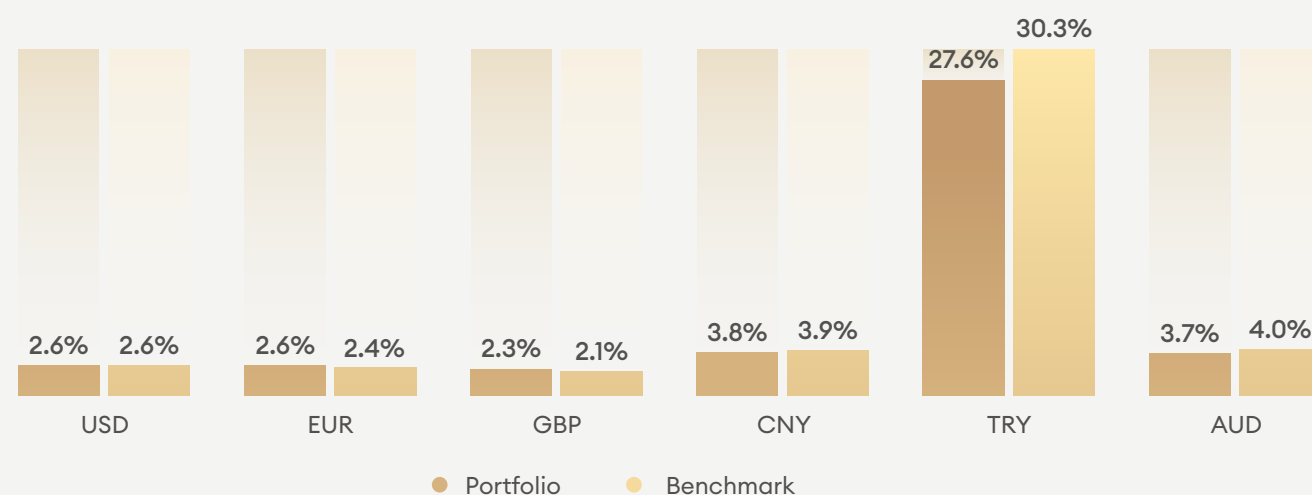
While the Fund seeks to closely replicate the composition and risk characteristics of its benchmarks, active discretion is exercised to adjust allocations based on market developments and the broader economic outlook. This approach enables the Fund to pursue enhanced returns while maintaining a prudent level of risk.

Table 7. Currency composition for fixed income investments

Currency	Holdings (millions of USD)	Percentage share
USD	14 633.8	52.0%
EUR	9 312.8	33.1%
GBP	2 233.7	7.9%
CNY	1 550.1	5.5%
SAR	200.2	0.7%
TRY	122.6	0.4%
AUD	103.3	0.4%



Chart 9. Portfolio vs. benchmark index returns*



* Chart does not include returns from money market instruments.

Internally managed USD-denominated bond holdings returned 2.6%, outperforming the return of its benchmark by 0.02%. This positive contribution was mainly coming from positions in government-related bonds, which provided excess yield to the portfolio versus its corresponding benchmark index.

The US economy continued its resilience and strong growth in 2024. The labor market continued to add jobs, and the unemployment rate stayed low. While inflation slowed first during the year, it didn't hit the 2% target and started to reaccelerate towards the end of the year. Although the Federal Reserve started loosening monetary policy by decreasing benchmark rates by 100 basis points, they cautioned against further cuts due to persistent inflationary pressures.

Passive quantitative tightening continued, leading to a further reduction in the Fed's balance sheet over the year. In the bond markets, the benchmark 10-year Treasury yield fluctuated within a wide range of 3.6% and 4.7%. The year began with rising yields, only to drop later during the year when an unexpected rise in the unemployment rate sparked fears of a recession across several asset markets. However, labor market data in the coming months reassured markets by

showing that the unemployment rate had dropped back. Yields rebounded afterwards and continued their upward move, on the back of increased inflation expectations because of the proposed US tariffs on other countries, proposed tax cuts and expected high borrowing needs of the government amid large fiscal deficits. Another significant and notable move in US fixed income markets was the big steepening of the treasury curve (2-year versus 10-year point), which went from close to -50bps to above +30bps throughout the year. Eventually, the Fed's last meeting of the year reaffirmed its position of being cautious with rate cuts, citing slower progress on the inflation front.

The EUR fixed income portfolio returned 2.6%, outperforming the corresponding benchmark index by 0.2%, primarily due to underweight positions in Germany and France versus Italy, Spain and other periphery countries. In addition, existing and maintained positions in securities of government-related entities provided excess yield to the portfolio versus its benchmark index.

The Eurozone economy expanded only modestly in 2024, reflecting a mix of headwinds. Germany, the region's largest economy, remained under pressure, while

France and Italy saw only moderate growth. France has also experienced intense political turmoil, resulting in a no-confidence vote and hurdles in fiscal consolidation plan through a fragmented parliament. All of this has led to a significant upward repricing in French spreads, as well as a downgrade in credit rating from AA to AA-. Spain, however, stood out with stronger momentum, benefiting from a robust services sector and increased labor market strength. As a result, Spain is one of the few countries that is projected to be able to pay down its debt.

Overall, high interest rates and external uncertainties weighed on business investment and consumer spending, keeping economic activity subdued. The negative economic impact on core and semi-core nations has been asymmetric in comparison to periphery nations, with periphery nations showing greater resilience. This divergence was also reflected in the European bond markets, with sovereign spreads between core and peripheral nations converging over the year.

Inflation, which had been a major concern in previous years, gradually eased throughout 2024. However, price pressures persisted, particularly in the services sector, keeping consumer costs elevated in some areas. The ECB changed course in 2024, pivoting from a restrictive stance to a more accommodative approach. After maintaining high interest rates in the first half of the year, the central bank cut rates by a total of 100 basis points throughout the year, as inflation cooled, and the economy showed subdued growth. This marked a significant shift from its aggressive tightening in previous years.

Eurozone bond markets reacted to both local and international developments, with benchmark borrowing costs fluctuating broadly in tandem with those of other major economies such as the US and the UK. The region's benchmark yield curve also steepened sharply during the year, making the curve upward sloping for the first time in nearly two years following a prolonged period of inversion.

Fixed income holdings in GBP returned 2.3%, outperforming the benchmark index by 0.2% as the portfolio benefited from tightening spreads of government-related bonds and the excess yield they provided to the portfolio.

The UK economy also showed modest growth in 2024, reflecting subdued demand and weak output growth. The labor market loosened, with job growth and demand slowing and the unemployment rate slightly rising. Inflation continued to slow during the year but reaccelerated slightly toward year-end. Wage growth remained high, and although services inflation had slowed from its highs, it still remained above target levels. Accordingly, the Bank of England cut its policy rate by a total of 50 basis points in the second half of the year and cautioned against faster cuts by citing inflationary pressures. Quantitative tightening continued, decreasing the size of the central bank's balance sheet, with indications that the program would continue in the coming years.

The government bond market followed these developments by pricing higher yields, however borrowing costs rose further when the new government announced their fiscal plans towards the end of the year, which unveiled increased borrowing (more than expected) alongside tax and spending rises. However, it is notable that most of the movements in UK government bond yields were driven by international developments, as evidenced by the benchmark 10-year yields of the US, the UK and the Eurozone moving broadly in tandem with one another.

Chart 10. 10Y Government Bond Yields

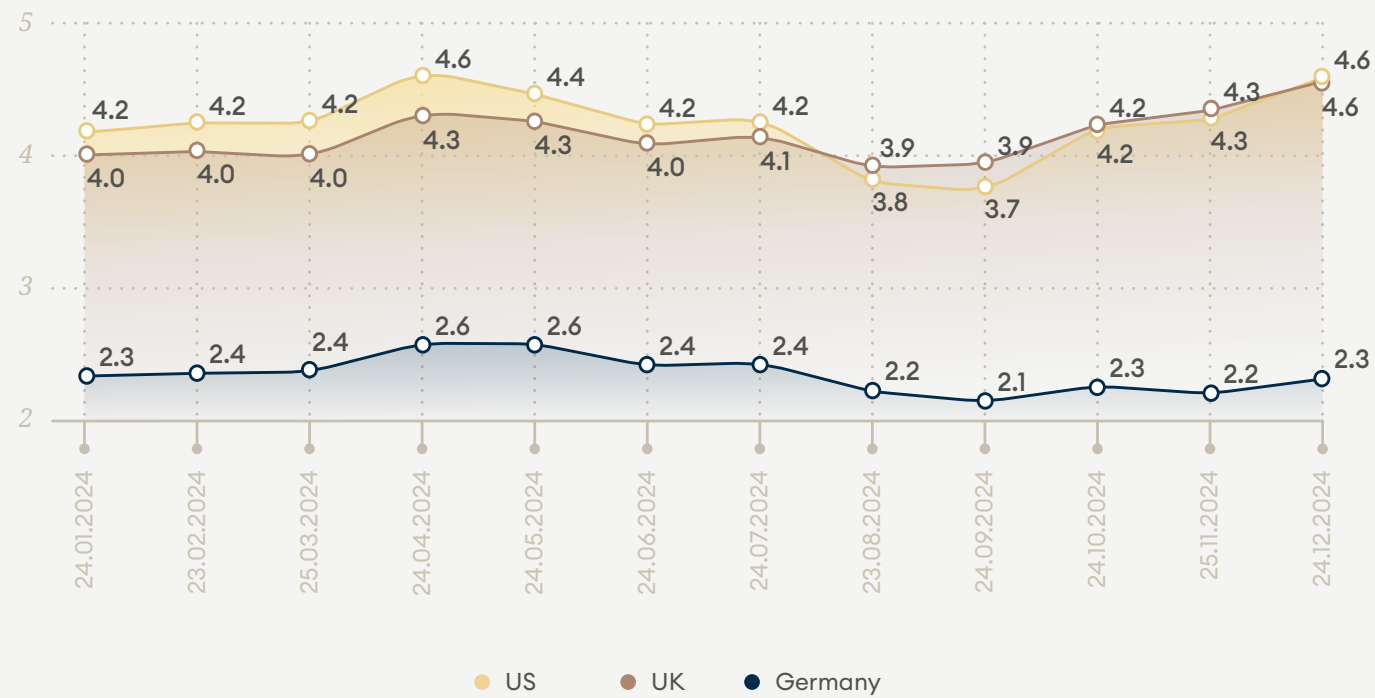
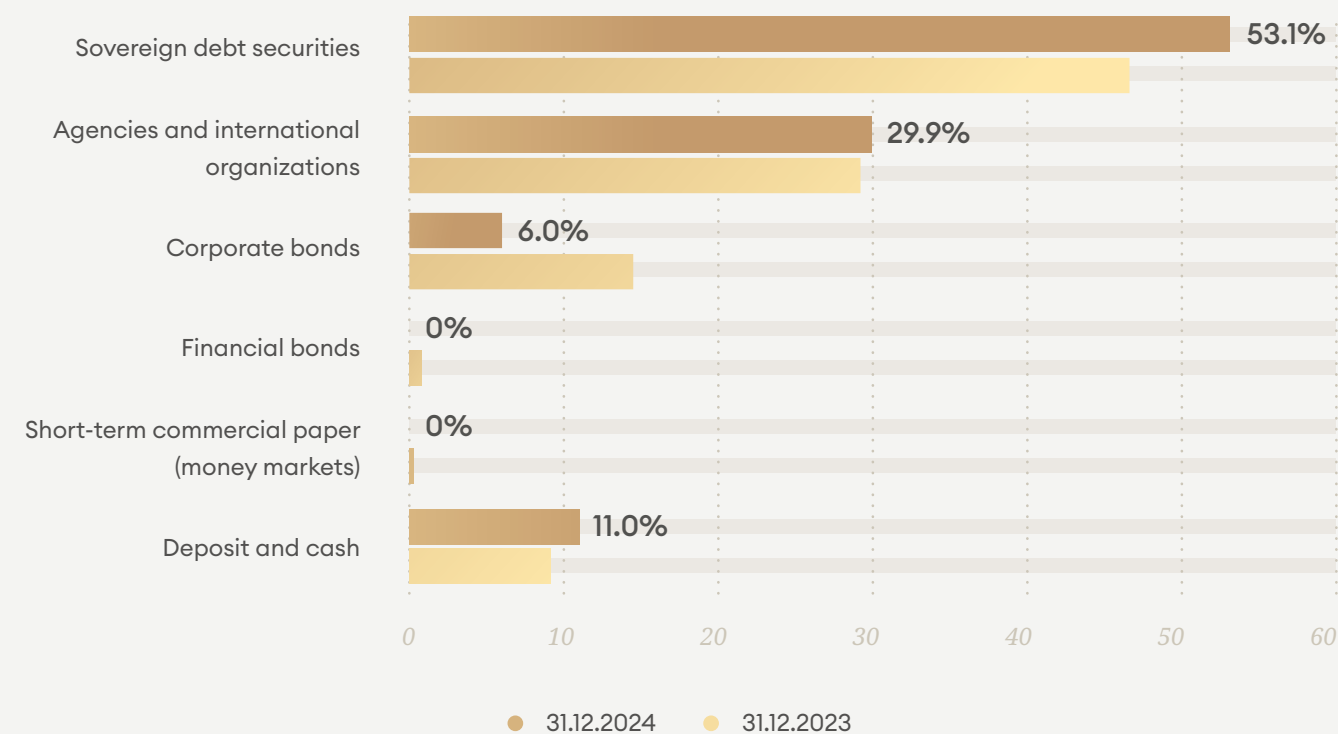


Table 8. Top 10 largest holdings (millions of USD)*

Issuer	Market value	Share in fixed income portfolio
United States Treasury Note/Bond	4 281.3	17.5%
Italy Buoni Poliennali Del Tesoro	2 372.8	9.7%
United Kingdom Gilt	2 109.9	8.6%
Spain Government Bond	1 643.2	6.7%
French Republic Government Bond OAT	1 614.8	6.6%
China Government Bond	876.3	3.6%
Asian Development Bank	792.2	3.2%
European Investment Bank	786.4	3.2%
Bundesrepublik Deutschland Bundesanleihe	785.5	3.2%
Kreditanstalt fuer Wiederaufbau	767.0	3.1%

Chart 11. Breakdown of fixed income portfolio by product types



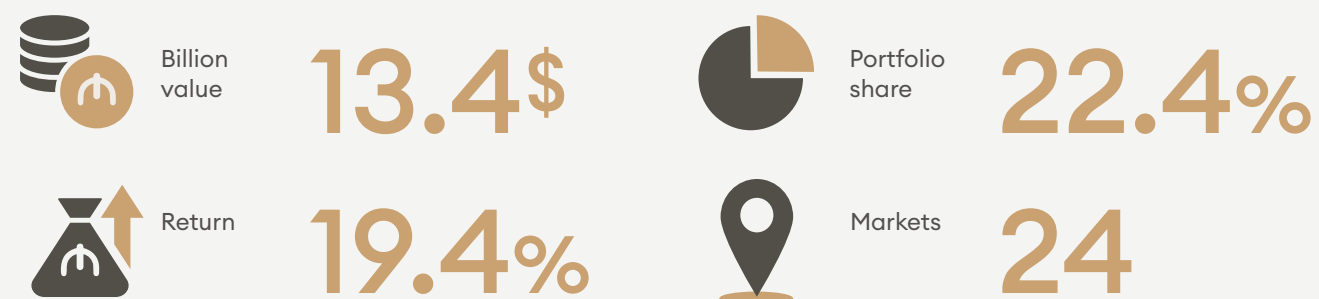
* Excludes bonds held in the SOFAZ's investment portfolio as a result of project-related investments made under Presidential decrees of the Republic of Azerbaijan.

4.4 / SOFAZ Public Equity Portfolio

In 2024, global equity markets delivered another year of strong performance, with our SOFAZ's public equity portfolio returning 19.4%. Market gains were supported by a combination of gradual monetary policy easing, resilient economic activity, and solid corporate earnings, which outweighed ongoing concerns related to geopolitical

tensions, the U.S. elections, and broader macroeconomic uncertainties. Despite these concerns, investor sentiment remained buoyant, particularly around robust consumer demand and technology-driven growth, helping sustain equity market momentum throughout the year.

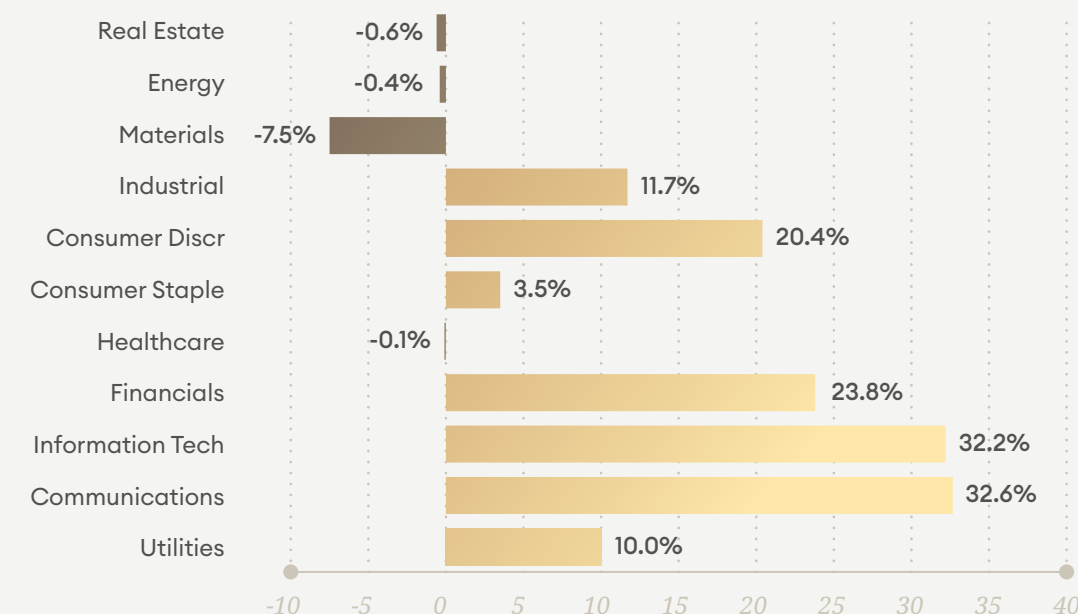
Table 9. Public equity investments



SOFAS's public equity portfolio grew to represent 22.4% of the total AUM by the end of 2024, up from 20.5% in 2023 due to the strong performance of stock markets. Our public equity investments increased in value by 19.4% in local terms throughout the year. Our goal is to keep a well-diversified equity portfolio, primarily invested in the MSCI World index, offering broad diversification across global markets and sectors. The portfolio tracking MSCI World index recorded a return of 21.5% in local terms in 2024 driven by a strong rally in U.S. equities supported by sustained momentum in AI and a resilient U.S. economy. In contrast, European equities posted only modest gains underperforming other global markets as the region's markets were weighed down by sluggish economic growth, unstable politics in key economies, and ongoing geopolitical headwinds. The portfolio tracking the MSCI Europe ex-UK index returned 7.7% in local terms in 2024.



Chart 13. MSCI World Sectors Performance



In 2024, Communication Services was the best-performing sector, supported by robust growth in digital advertising and resilient consumer spending. Information Technology followed closely, driven by AI-fueled growth and solid earnings from major tech firms. In contrast, the Materials sector recorded the weakest performance, weighed down by concerns over the U.S. economic outlook, a slowdown in China, and the impact of elevated global interest rates.

Our public equity portfolio extends across 23 global markets and is efficiently managed by external experts with extensive market knowledge. The responsibility for overseeing our public equity portfolio is distributed among five external managers: UBS Asset Management, State Street Global Advisors, Mellon Investments Corporation, BlackRock Investment Management, and Sumitomo Mitsui Trust International. These managers are entrusted with handling 3.9%, 3.7%, 4.7%, 4.9%, and 5.0% of the investment portfolio, respectively.

4.5 / Private equity portfolio

In 2024, amid a challenging market environment, our private equity portfolio delivered a 9.1% return despite headwinds from high interest rates, subdued market activity, and geopolitical uncertainty. Our investment approach remained focused on selective commitment, global diversification, and long-term partnerships with leading fund managers.

The year continued the trends observed in 2023, marked by muted fundraising activity and subdued returns across both private equity and infrastructure landscape. Persistently high interest rates and a lingering fundraising backlog from previous years hindered many fund managers from launching new funds. As a result, both the number of funds raised and the total capital committed declined on a year-on-year basis.

Exit activity remained constrained, with smaller-sized transactions dominating the landscape. Elevated financing costs posed challenges for larger deals, further contributing to a slowdown in liquidity events. Investor sentiment and appetite were further

dampened by heightened geopolitical tensions. Despite these headwinds, monetary easing measures initiated by several major central banks towards the end of the year signaled cautious optimism for a potential market recovery.

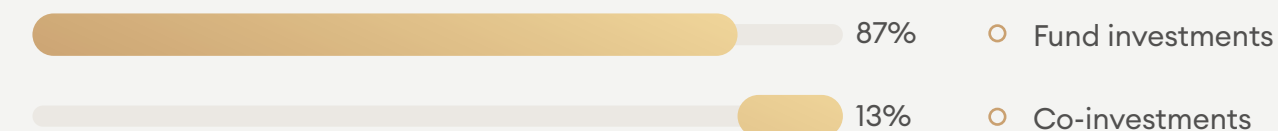


Table 10. Private Equity Portfolio snapshot



⁶ The indicated value figure shows since inception results excluding SOFAZ's investment into AzRigs.

We have made a total of 58 investments, comprising 46 fund investments, 12 co-investments across over 50 countries, collaborating with 25 trusted partners.



Amid this backdrop, SOFAZ represented selectiveness in its approach, prioritizing partnerships with top-tier fund managers.

In 2024, SOFAZ committed a total of USD 400 million across three funds and one co-investment.

Below are short descriptions of fund commitments made in 2024:

Table 11. SOFAZ's private equity investments in 2024⁷

Fund manager	Fund	Fund size	SOFAZ Commitment	Description
"EQT"	"EQT Infra VI"	EUR 21.5 billion	EUR 100 million	The fund invests in infrastructure assets across various sectors, employing a hands-on value creation approach to enhance operational performance and drive growth.
"Global Infrastructure Partners"	"GIP V"	USD 25 billion	USD 100 million	The fund aims to invest in high quality real infrastructure assets that are of significant scale and often market leaders in their respective sectors.
"CVC Capital Partners"	"CVC Strat Ops III"	EUR 5 billion	EUR 100 million	The fund targets industry leaders with a reduced risk profile and scope for active value creation over a longer hold period.

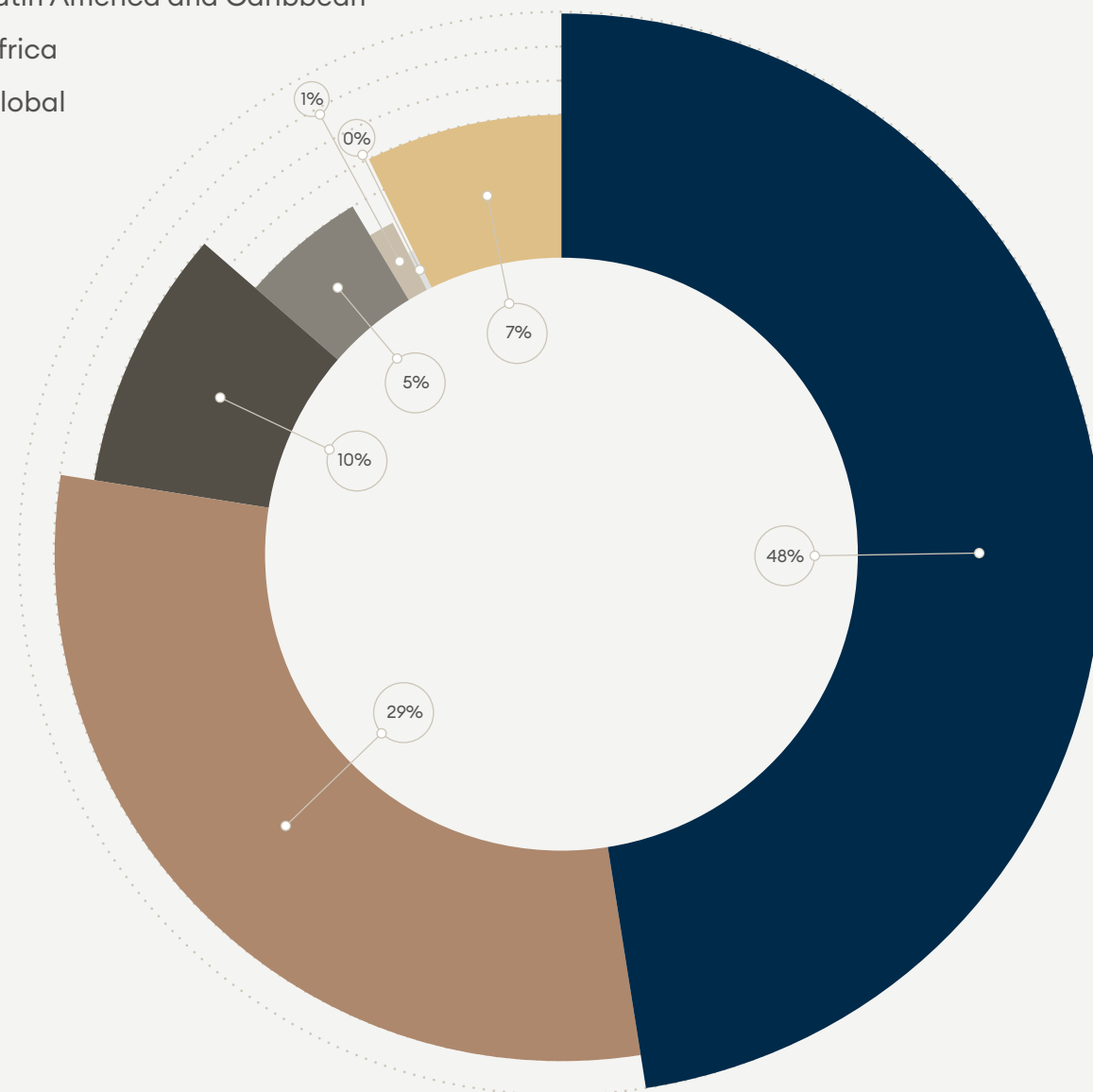
⁷ Fund sizes indicated above are target sizes at the time of SOFAZ's commitments and actual sizes may differ from these with some funds still raising capital in the market.

Chart 14. Breakdown of private equity portfolio by regions ⁸

A notable highlight of the year was SOFAZ's participation in a global investor consortium led by Brookfield to invest in GEMS Education, a UAE-based provider and one of the largest private education operators worldwide. SOFAZ committed USD 100 million to this opportunity.

North America and Europe based investments account for 78% of private equity investments.

- North America
- Europe
- Asia and Pacific
- Central Asia and North Africa
- Latin America and Caribbean
- Africa
- Global

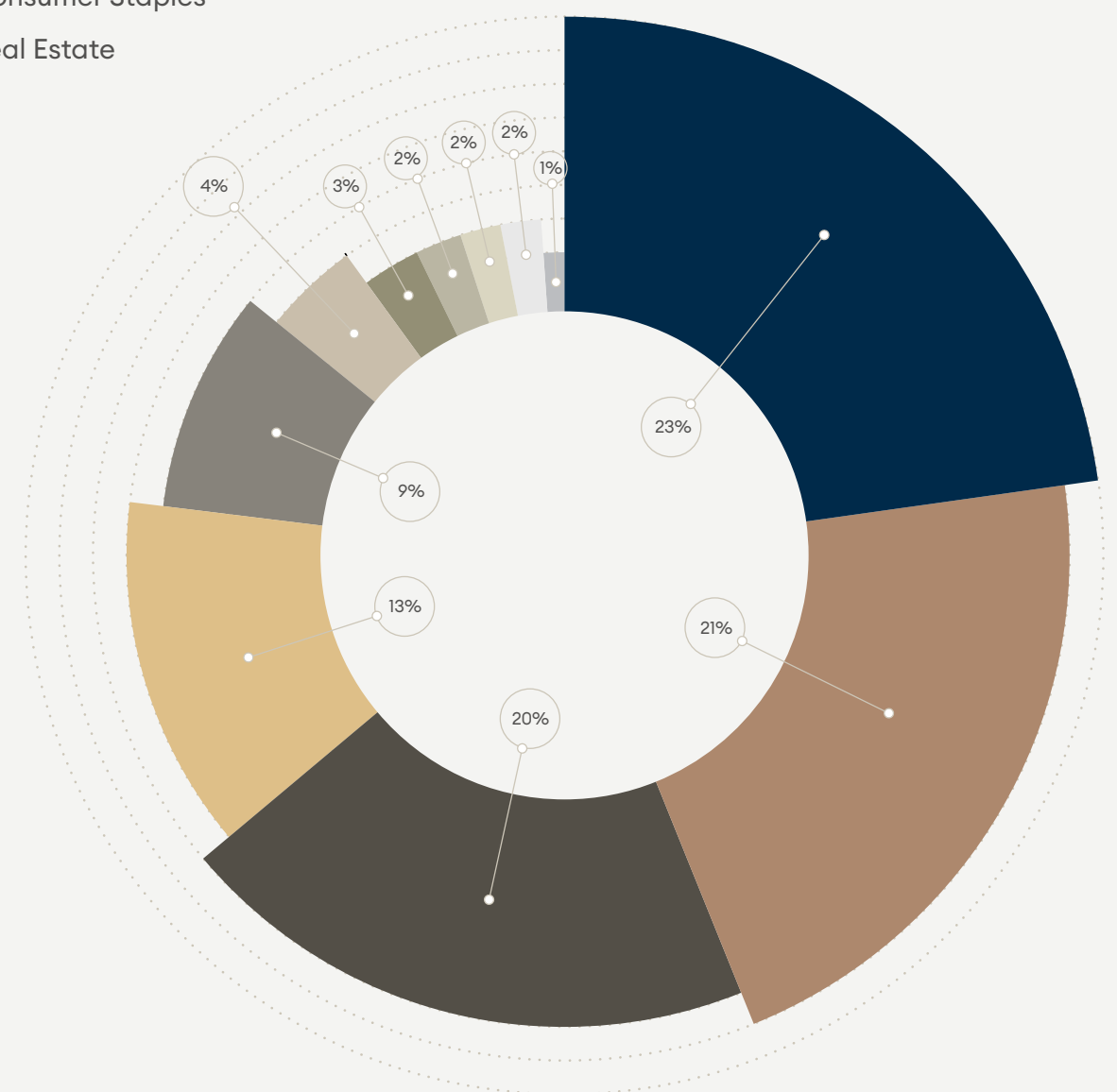


⁸ Information represented in charts 14 excludes SOFAZ's investment into AZRIGS.

Chart 15. Breakdown of private equity portfolio by sectors ⁹

- Financials
- Information Technology
- Industrials
- Consumer Discretionary
- Health Care
- Telecommunication Services
- Utilities
- Energy
- Materials
- Consumer Staples
- Real Estate

Information technology, financials and industrials dominate the sectoral allocation with a diversified focus.



⁹ Information represented in charts 15 excludes SOFAZ's investment into AZRIGS.

4.6 /

Real Estate Investments

In 2024, the global real estate market remained under pressure due to ongoing macroeconomic uncertainty and constrained liquidity, which also affected SOFAZ’s investment activity. While interest rates began to decline slightly, offering some relief to capitalization rates, a broad-based market recovery did not occur. As a result, investment transaction volumes and fundraising activity stayed subdued.

SOFAZ finalized two fund commitments totaling USD 200 million. This reflected the broader market trend, as 2024 marked the lowest fundraising year for the real estate sector since 2012. Most of the capital deployed was in line with SOFAZ’s strategic focus on medium- and high-risk strategies.

Tight financial conditions, weak economic growth, and structural changes continued to

weigh on the sector globally. In the U.S., persistently high interest rates dampened transaction activity and valuations, particularly in the office sector, while multifamily and logistics assets showed relative resilience despite elevated costs.

Europe experienced some early signs of stabilization, supported by easing inflation and lower rates in select markets. Residential demand outpaced supply, logistics remained strong, and ESG-compliant prime offices saw rental growth.

In Asia-Pacific, rate cuts became more widespread as inflation eased—except in Japan, where policy tightened slightly. The region shifted toward income-driven returns, with stable performance in prime office and logistics in markets like Australia and South Korea.



Globally, data centers and other alternative sectors continued to attract capital, although supply growth faced regulatory and infrastructure challenges. Selective opportunities in alternatives outperformed more traditional segments.

The real estate portfolio still serves as an important tool for diversification in our investment portfolio. Currently valued at USD 3.5 billion, this portfolio represents 5.9% of the total assets under management (AUM) of SOFAZ, with an upper limit of 10%. Over the course of its existence, real estate investments have yielded an accumulated annual compounded return of 4.9%, resulting in a gain of USD 1.0 billion.

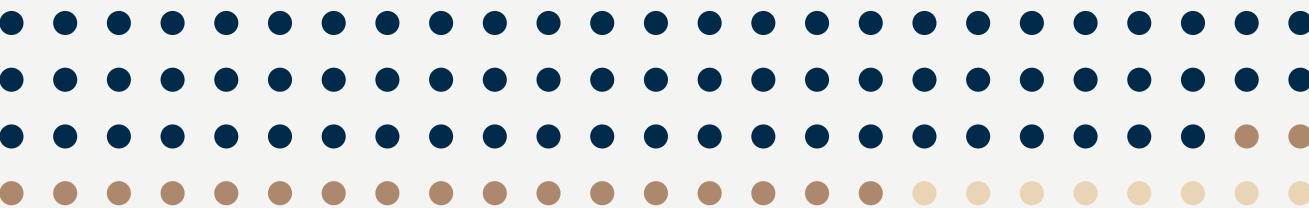
Table 12.



Real Estate Portfolio Snapshot

We’ve made a total of 56 investments, comprising 6 direct investments, 11 co-investments, and 39 fund investments across more than 30 countries, collaborating with 18 trusted partners. The portfolio is extensively diversified by regions, sectors and risk profiles. Real estate fund investments make up 71% of the portfolio.

Table 13.



73% Indirect investments 19% Direct investments 8% Co-investments

Chart 16. Breakdown of real estate portfolio by region

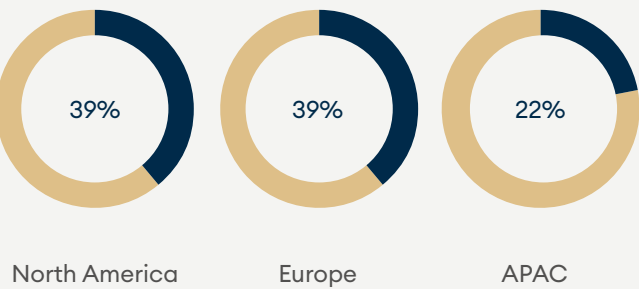
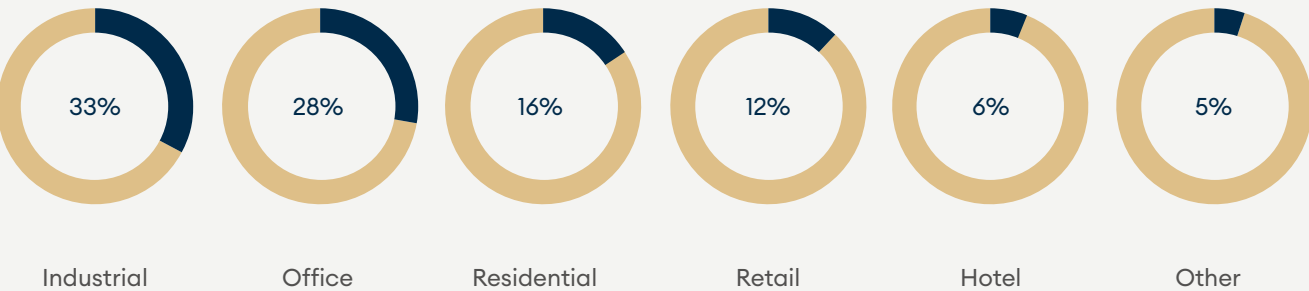


Chart 17. Breakdown of real estate portfolio by sectors



Real estate direct portfolio

Direct investments make 19% of our real estate portfolio with four assets located in Moscow, London, Paris and Tokyo. All four assets are independently valued on an annual basis.

2024 investments

Fund manager	Fund	Fond size (*)	SOFAZ Commitment	Description
Brookfield	“BSREP V”	USD 10 billion	USD 100 million	The fund invests in diversified opportunities in opportunistic risk profile globally
PGIM	“AVP V”	USD 704 million	USD 100 million	The fund invests in diversified opportunities in value-added risk profile across Asia Pacific region

(*) Some of the fund sizes indicated in the table are target sizes at the time of SOFAZ’s commitments and actual sizes may differ from these with some funds still raising capital in the market.





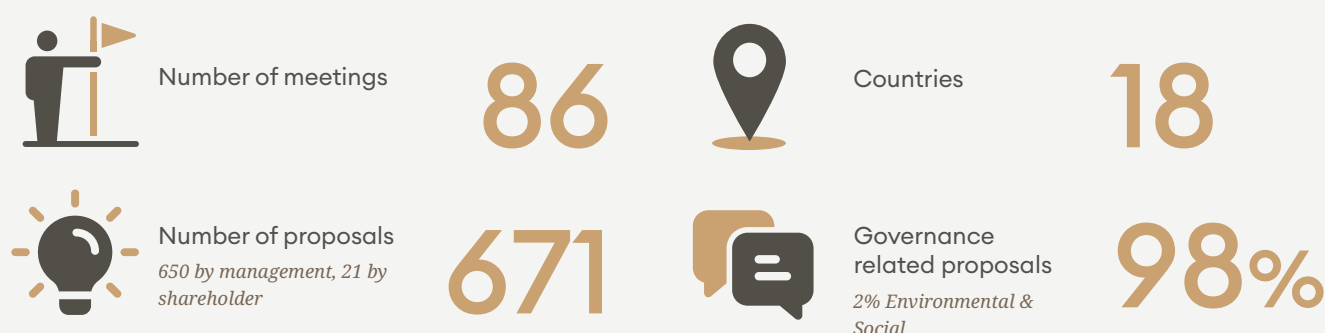
4.7 / Integration of ESG Principles into Investment Portfolio

In 2024, SOFAZ advanced from the foundational phase of ESG integration to active implementation across its investment portfolio. As part of this progression, a standardized ESG due diligence framework was applied to all new private equity and real estate commitments. The process evaluates investments across four core pillars: Firm Structure, Strategy, Engagement, and Risk Exposure.

Aligned with its long-term investment strategy, SOFAZ places strong emphasis on understanding how ESG factors are incorporated into investment processes, governance, and portfolio oversight to help

mitigate potential risks. This framework facilitates structured engagement with fund managers and companies and provides insight into their ESG frameworks and implementation practices.

In 2024, ESG due diligence was conducted on four private equity and two real estate investments using this approach. It enabled consistent evaluation of ESG practices at both the fund and asset levels, ensuring alignment with SOFAZ's sustainability objectives and reinforcing ongoing engagement with general partners on ESG-related risks and value creation.



SOFAZ also made significant progress in public equity by introducing a proxy voting framework, allowing for active participation in corporate governance matters and supporting responsible business practices. Since its implementation, SOFAZ has voted on 671 proposals across 86 shareholder meetings

in 18 countries, covering a range of environmental, social, and governance topics. This initiative reinforces SOFAZ's role as an engaged and responsible shareholder, helping to ensure that investee companies uphold strong governance while contributing to broader ESG goals

Chart 18. Alignment with management recommendation

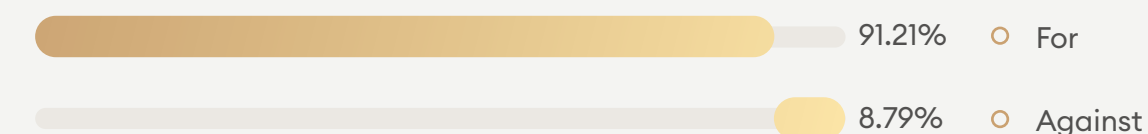


Chart 19. Region share

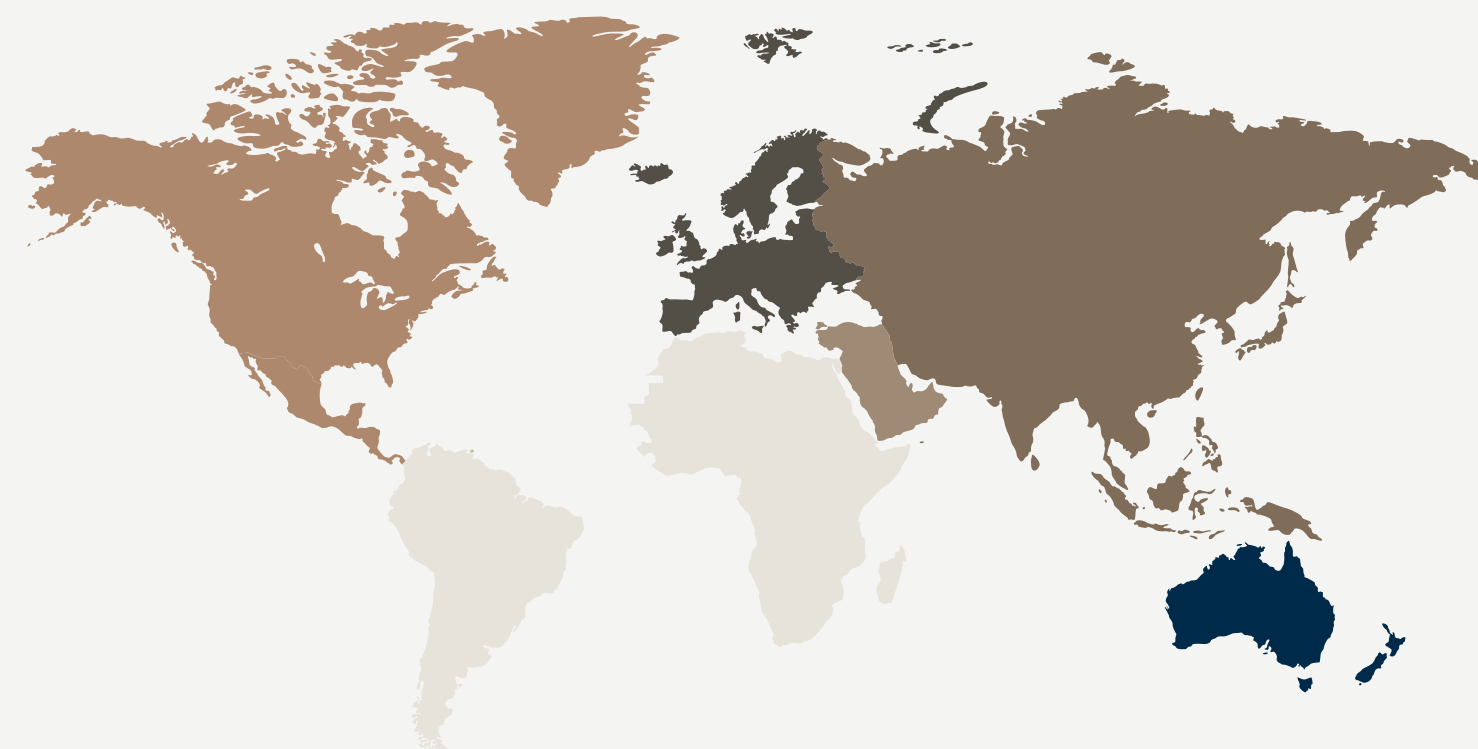
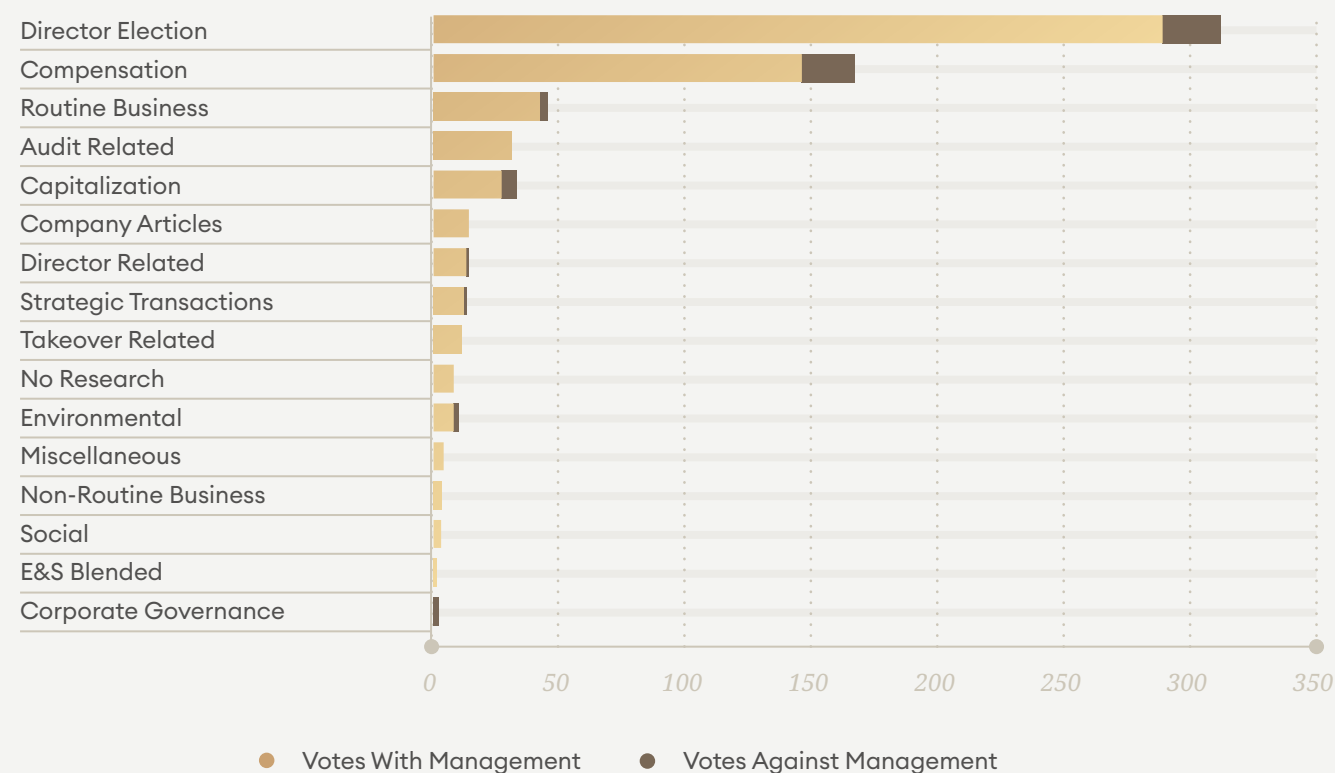


Chart 20. Meeting type



Chart 21. Votes by proposal theme



In line with its commitment to transparency and stakeholder engagement, SOFAZ launched a dedicated ESG section on its official website in 2024. This section provides a centralized source of information on the Fund's ESG philosophy, integration approach, and key initiatives. It outlines how ESG principles are embedded in SOFAZ's

investment strategy and governance framework, aiming to enhance public access to information and demonstrate accountability in the implementation of its sustainability agenda.



SOFAZ's Participation in COP29

A major highlight of the year was Azerbaijan's hosting of the 29th United Nations Climate Change Conference (COP29), marking a significant milestone in the country's engagement with global climate governance. The event served as an important platform for dialogue on sustainable finance, climate resilience, and economic diversification—further strengthening Azerbaijan's commitment to environmental sustainability and its transition toward a low-carbon economy.

Reflecting this national commitment, SOFAZ actively participated in COP29 and played a visible role in shaping the sustainable finance agenda. In collaboration with the

International Forum of Sovereign Wealth Funds (IFSWF), SOFAZ co-hosted high-level event titled "The Role of Sovereign Wealth Funds in Financing the Energy Transition." Held on COP's "Finance Day," the panel brought together global sovereign wealth funds and key institutions to discuss strategies for mobilizing capital, leveraging blended finance, and scaling investment in climate-related initiatives.

During the session, IFSWF issued a communique reaffirming its commitment to advancing portfolio decarbonization, expanding climate finance, and building partnerships to support the global energy transition. Obaid Amrane, Chair of IFSWF,



emphasized the responsibility and capacity of sovereign wealth funds to drive long-term sustainable development. Israfil Mammadov, CEO of SOFAZ and Deputy Chair of IFSWF, highlighted the Fund's strategic role in supporting Azerbaijan's sustainability agenda, reaffirming SOFAZ's dedication to responsible governance and long-term value creation in accordance with the Santiago Principles.

In a separate COP29 session focused on ESG practices, SOFAZ presented its integration strategy, sharing insights into its proxy voting framework, engagement with portfolio companies, and ESG due diligence in alternative asset classes. The discussion underscored the expanding role of sovereign investors in advancing transparency, accountability, and sustainability in global capital markets.



4.8 / Risk Management

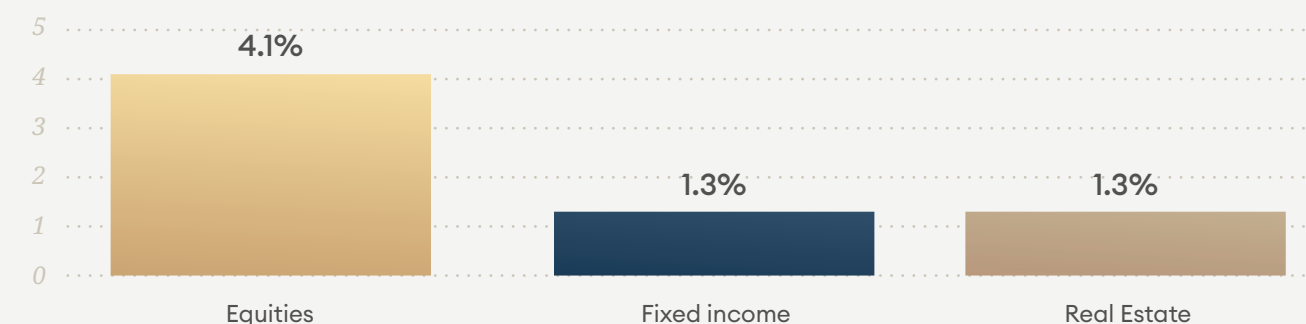
The Investment guidelines and Investment policy constitute the framework for risk management in SOFAZ. SOFAZ's risk management and monitoring procedures involve examining various types of risks. These include market risk, credit risk, liquidity risk, and other relevant indicators, which are reported to both internal and external audiences.

The Fund's market risk is influenced by factors such as changes in interest rates, credit risk premiums, share prices, exchange rates, gold prices and private assets' values. A range of measures and analyses, including but not

limited to duration, Value at Risk, tracking error, concentration analysis, scenario analysis and stress testing, are employed to gain a comprehensive understanding of the market risk associated with the Fund.

Value at Risk (VaR) is a commonly accepted metric for quantifying a portfolio's overall risk. We calculate the portfolio's VaR using both Monte Carlo and historical simulations. As of December 31, 2024, SOFAZ's 1-year horizon 95% VaR* was USD 4,056 million or 6.7% of Investment portfolio, compared to USD 3,601 million (6.4%) the previous year.

Chart 22. Contribution to total VaR by asset classes



* The overall VaR does not include the impact of gold investments' performance, it is treated as an FX effect.

To monitor the potential divergence between SOFAZ's sub-portfolio returns and their respective benchmarks, tracking error levels are regularly monitored and assessed. The ex-ante tracking error limit is set at 30 bps annually for externally managed equity

portfolios, and 100 bps annually for internally managed fixed income portfolios. The tables below show the tracking error figures as of December 31, 2024.

Table 14. Ex-ante tracking errors

Externally managed equity sub-portfolios	Tracking error
UBS Global Asset Management (MSCI World mandatu üzrə)	6
State Street Global Advisors	6
Mellon Investments Corporation	2
BlackRock Investment Management	6
Sumitomo Mitsui Trust International	4
UBS Global Asset Management (MSCI Europe ex UK mandatu üzrə)	12

Table 15. Tracking errors by the internally managed fixed income sub-portfolios

Internally managed fixed income sub-portfolios	Tracking errors
USD fixed income portfolio	20
EUR fixed income portfolio	14
GBP fixed income portfolio	19
AUD fixed income portfolio	18
CNY fixed income portfolio	27
TRY fixed income portfolio	115

According to SOFAZ's Investment policy, the duration for the fixed income sub-portfolio must remain within a range of ± 0.5 years

relative to the duration of the corresponding benchmark index.

Table 16. Durations of the sub-portfolio and benchmark

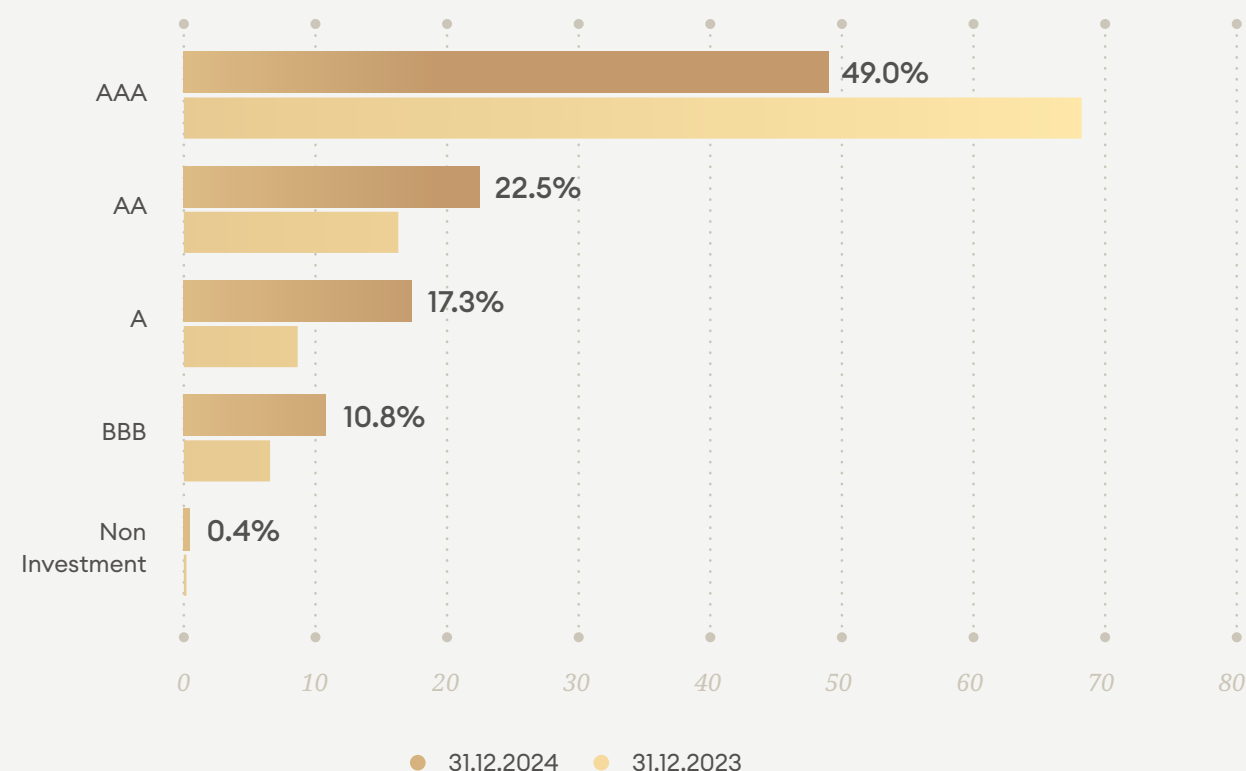
Internally managed fixed income portfolios	Sub-portfolio's duration	Benchmark's duration
USD fixed income portfolio	3.5	3.5
EUR fixed income portfolio	4.4	4.4
GBP fixed income portfolio	2.9	2.8
AUD fixed income portfolio	1.9	1.9
CNY fixed income portfolio	1.9	1.8
TRY fixed income portfolio	1.1	1.2



In addition to market risk considerations, SOFAZ places strong emphasis on maintaining robust liquidity risk management to ensure smooth daily operations and timely fulfillment of financial obligations. An internal cash management framework has been established to maintain sufficient liquidity levels and comply with the constraints outlined in the Investment policy.

Credit risk management is another essential aspect of SOFAZ's risk management procedures. Investment Guidelines impose limitations on securities' credit ratings within fixed income investments, as well as defining credit limits for counterparties, bank account and custodian services. The chart below displays the changes in the fixed income portfolio's credit rating-based composition from 2023 to 2024.

Chart 23. Composition of the fixed income portfolio by credit ratings



4.9 / Managing Legal and Compliance Risks

SOFAZ conducts its activities in compliance with all obligations under Azerbaijani laws, as well as the applicable laws of jurisdictions of investment destinations. The Fund's comprehensive compliance program comprises internal policies, procedures, controls, monitoring, and risk reporting.

We ensure that our internal policies, procedures, and systems are appropriately designed and implemented, consistent with applicable laws to advance the Fund's objectives while managing legal and compliance risks appropriately. Amid ever-evolving regulatory environment we closely track monitor regulatory developments to ensure that our internal policies, procedures, and systems reflect and address these changes.

As part of its compliance program, the Fund monitors for compliance with Investment Guidelines and Investment Policy in managing entrusted assets. These documents serve as the basis for all investments and risk management at SOFAZ and ensure transparency in its investment decisions. Among the others, these documents stipulate eligible assets, asset and currency allocations, benchmarks, risk limits, as well as other aspects of portfolio management.

The execution of a robust compliance program is further strengthened by an embedded culture of ethics and risk awareness, which encourages responsible staff conduct, effective risk management, and adherence to compliance requirements. Central to this framework is "SOFAZ's Rules of Ethical Conduct", which every employee is obligated to follow. According to the Rules of Ethical Conduct all staff must act in accordance with relevant legislation, while maintaining the highest levels of ethical standards and professionalism. The Rules of Ethical Conduct outline expectations such as maintaining honesty, fairness, and impartiality. These Rules of Ethical Conduct among others includes rules addressing conflicts of interest, the prevention of corruption and regulation of gifts, and reporting any ethical violations. New employees are introduced to the Rules of Ethical Conduct as part of their onboarding process.

Regular compliance training for employees covers essential subjects such as anti-corruption processes, conflicts of interest, updates on regulatory changes. Ongoing training and knowledge-sharing initiatives play a key role in deepening organizational awareness of risk and compliance reinforcing compliance culture. SOFAZ remains dedicated to conducting its activities in a manner which reflects ethical responsibility, professional excellence, and compliance with the law.

SOFAZ'S BUDGET

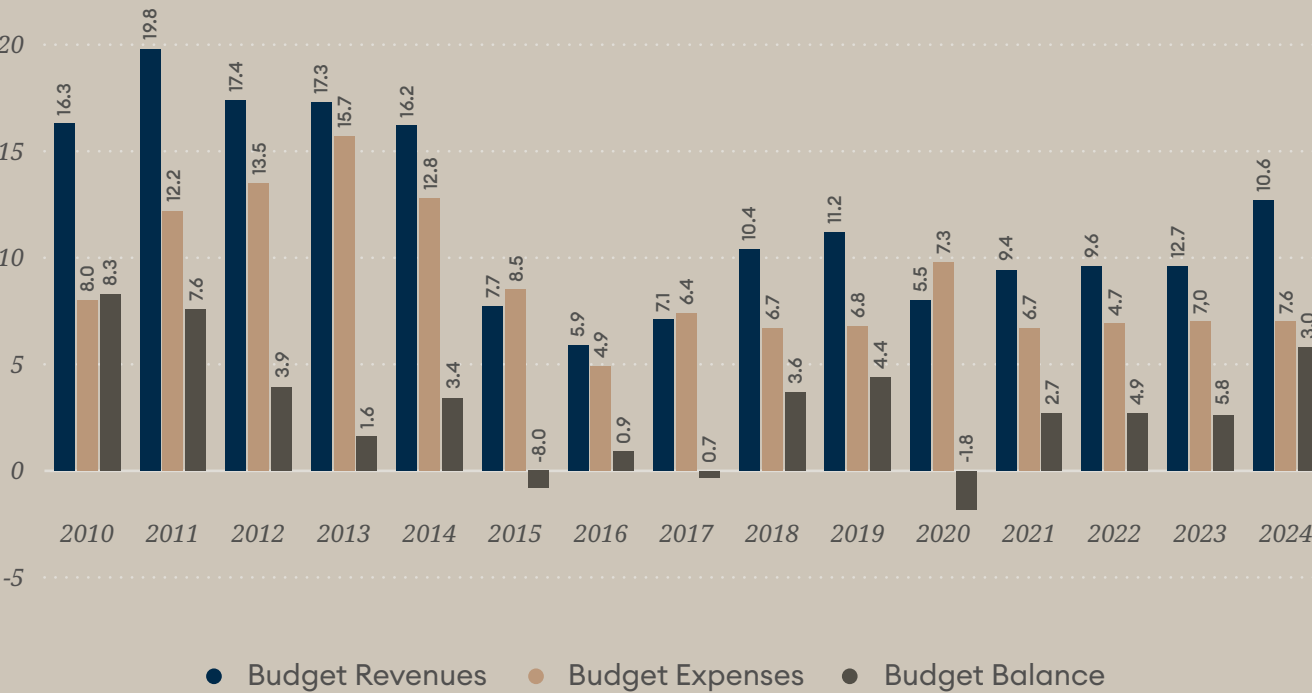
- 5.1 / Overview
- 5.2 / Budget execution: Revenues
- 5.3 / Budget execution: Expenditures

5.1 / Overview

The revenues of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) for the 2024 budget were initially approved at AZN 12,073.3 million, while expenditures were set at AZN 12,900.2 million. Due to amendments made to the state budget of the Republic of Azerbaijan for 2024, changes have also been made to SOFAZ's budget. As a result of these changes, SOFAZ's budget revenues have increased to AZN 14,109.2 million, while expenditures have risen to AZN 12,904.9 million.

In the reporting year, the budget revenues of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) amounted to AZN 18,039.0 million or USD 10,611.2 million, achieving 127.9% of the budgeted amount (AZN 14,109.2 million). Compared to 2023 (USD 12,742.3 million), SOFAZ's budget revenues in 2024 decreased by USD 2,131.1 million. In the same year, SOFAZ's budget expenditures totaled AZN 12,896.4 million or USD 7,586.1 million, reaching 99.9% of the budgeted amount (AZN 12,904.9 million). As a result, a budget surplus of AZN 5,142.6 million or USD 3,025.1 million was recorded in 2024.

Chart 24. SOFAZ revenues and expenses (in billion USD)

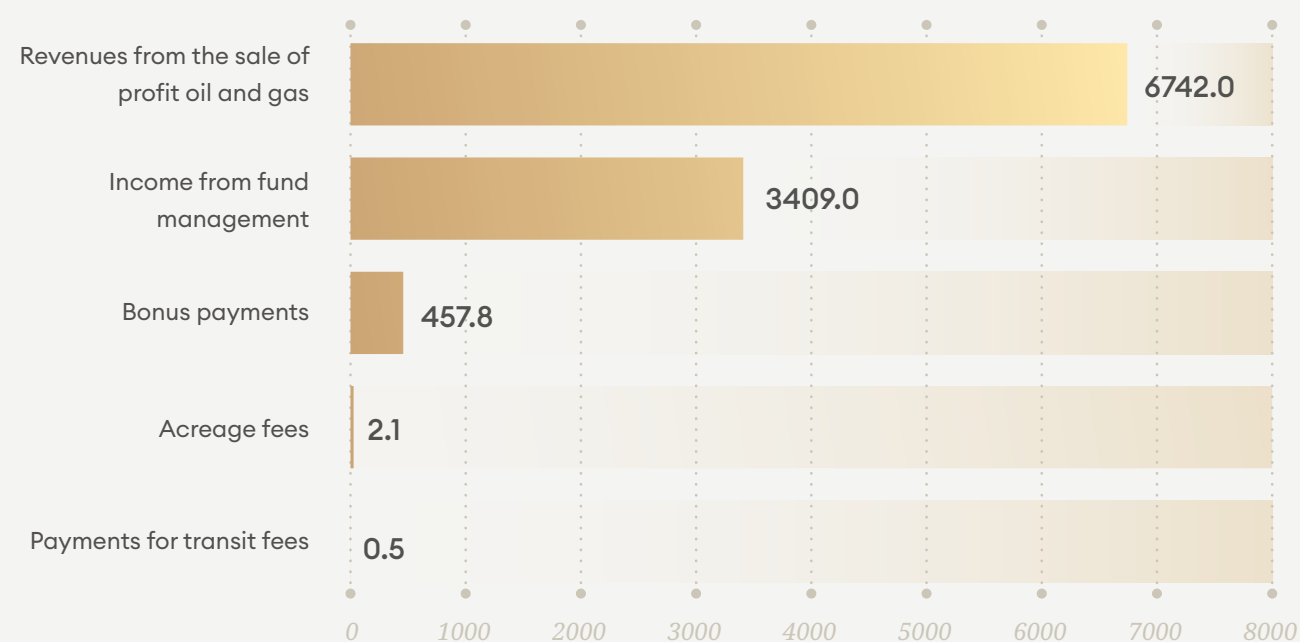


5.2 / Budget execution: Revenues

High oil and gas prices have created conditions for additional income.

In 2024, the sources of SOFAZ's budget revenues consisted of income from the sale of hydrocarbons belonging to the Republic of Azerbaijan, bonus payments, acreage fees, revenues from the transportation of oil and gas through Azerbaijan's territory (transit fees), and income generated from the management of SOFAZ's assets.

Chart 25. Revenues of SOFAZ (in million USD)



Revenues from the sale of profit oil and gas

Oil and gas revenues exceeded approved budget by 12.4%.

In 2024, AZN 11,461.4 million or USD 6,742.0 million was transferred to SOFAZ's budget from the sale of profit oil and gas, exceeding the budgeted amount (AZN 10,197.6 million) by 12.4%. However, compared to 2023 (USD 8,540.6 million), SOFAZ's revenues from profit oil and gas sales decreased by 21.1%. The

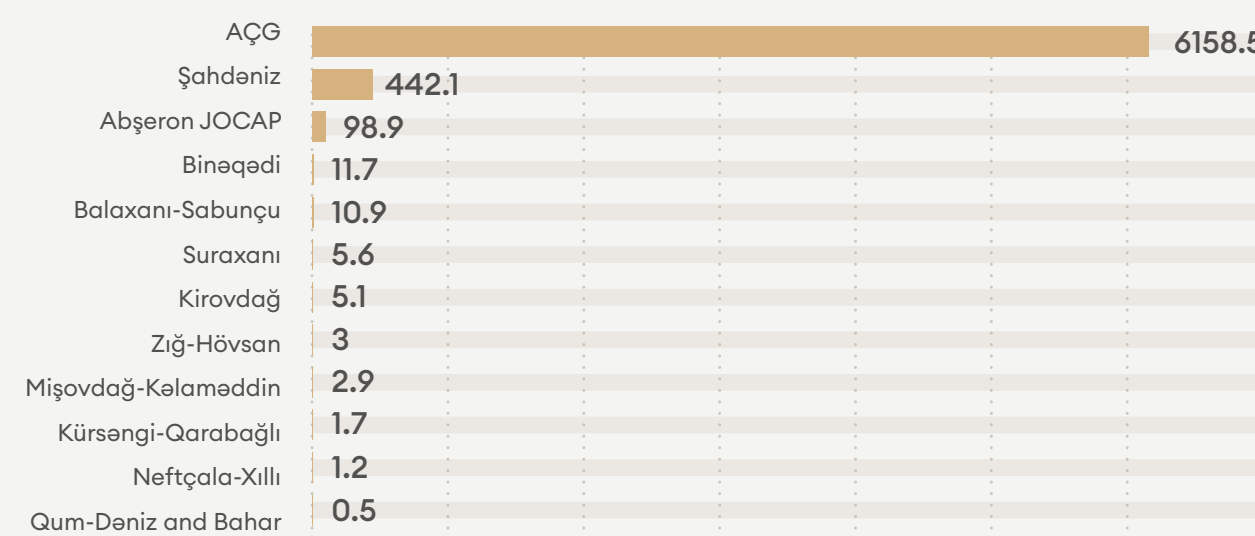
higher-than-expected actual average sales price of profit oil contributed to the increase in revenue under this category. In 2024, the average sales price of one barrel of oil in SOFAZ's budget was USD 82.3, with a net revenue price of USD 79.7, which was USD 1.1 lower than in 2023 (USD 83.4).

6.6 billion USD of revenue has been received by SOFAZ from the ACG and Shahdeniz fields together.

In 2024, under the Production Sharing Agreements (PSAs) for the development of offshore and onshore fields in Azerbaijan, revenues from the sale of profit oil extracted from the Azeri-Chirag-Gunashli (ACG) field accounted for approximately 91.3% (USD 6,158.5 million) of total income under this category. Revenues from the sale of natural

gas extracted from the Shah Deniz field amounted to USD 309.6 million, while condensate sales generated USD 132.5 million. For the Absheron JOCAP field, revenues from the sale of natural gas totaled USD 33.3 million, and condensate sales amounted to USD 65.6 million. Additionally, revenues from other fields reached USD 142.0 million.

Chart 26. Revenues from the sale of oil and gas in 2024 (in millions of USD)



Bonus payments

In 2024, SOFAZ received USD 457.8 million or AZN 778.2 million in bonus payments related to the signing or execution of oil and gas agreements. This revenue item was executed at 100.3% of the budgeted amount. These

revenues accounted for 4.3% of the total budget revenues.

Table 17. SOFAZ's proceeds from bonus payments in 2024

Name of issuing organization	Name of the field	Amount	
		million USD	million AZN
"BP"	ACG	182.25	309.82
"MOL Azerbaijan Ltd."		57.41	97.60
"Inpex Southwest Caspian Sea Ltd."		55.84	94.93
"Equinor"		43.61	74.14
"Exxon Azerbaijan Limited"		40.75	69.27
"TPAO"		34.38	58.44
"Itochu Oil Exploration (Azerbaijan) Inc."		21.89	37.22
"ONGC Videsh Limited"		13.86	23.56
"BP"	Shahdeniz	0.58	0.98
"NICO"		0.19	0.33
"TPAO"		0.37	0.62
"LUKOIL"		0.39	0.66
"Total"	Absheron	6.25	10.63
Total		457.8	778.22

Transit fees

In 2024, SOFAZ received USD 0.31 million (AZN 0.5 million) in revenue from the transportation of hydrocarbons through the territory of Azerbaijan (transit fees). This revenue item was executed at 310.1% of the amount approved in the budget (AZN 0.2 million). Transit fee revenues decreased in 2024. The decline in revenue under this item was due to the suspension of transportation via the Western Export Pipeline, caused by developments around Ukraine and restrictions related to shipments in the Black Sea.

Acreage fees

In 2024, under the agreement for the exploration, development, and production sharing of the Shafaq-Asiman offshore block in the Caspian Sea's Azerbaijani sector between SOCAR, BP Exploration (Azerbaijan) Limited, and SOCAR's joint oil company, a total of USD 2.1 million (or AZN 3.6 million) in acreage fees was transferred to SOFAZ. The revenues from this item were executed at approximately 100.0% of the budgeted amount.



Incomes generated from the management of SOFAZ assets.

In 2024, in line with SOFAZ's approved investment strategy, funds were allocated to debt obligations and money market instruments, equities, real estate, and gold portfolios. During the year, in a rising market environment, SOFAZ's assets grew by USD 3,409.0 million in value. The return on SOFAZ's

investment portfolio for the reporting year was 6.0%. Detailed information about this revenue item is provided in the "Investments" section of this report.

Table 18. The execution level of SOFAZ revenues for 2024

Revenue sources	Total revenues (million AZN)		Execution (%)
	Approved	Actual	
Net income obtained from the sales of hydrocarbons falling to the share of Azerbaijan (excluding expenditures on transportation, customs clearance and banking services, independent surveyor services, marketing and insurance, as well as the shareholder incomes received by SOCAR in the capacity of investor, shareholder or partner in different projects it is a party to)	10 197.59	11 461.38	112.4
Acreage fees paid by investors for the land they use for the exploitation of hydrocarbon reserves	3.60	3.60	100.0
Fees from the transit of oil and gas through the territory of the Republic of Azerbaijan	0.17	0.53	310.1
Bonus payments made by investors as part of the signing or execution of oil and gas contracts	775.89	778.22	100.3
Revenues obtained from the management of SOFAZ's assets	3 131.97	5 795.26	185.0
Total revenues	14 109.22	18 038.99	127.9

5.3 / Budget execution: Expenditures

In 2024, SOFAZ's budget expenditures were allocated for the transfer to the state budget, financing of the "State Program on increasing the international competitiveness of the higher education system in the Republic of Azerbaijan for 2019-2023", funding of the "State Program for 2022-2028 for youth to study in prestigious higher education

institutions of foreign countries" and administrative expenses related to the management of SOFAZ. A total of AZN 12,896.4 million or USD 7,586.1 million was allocated for these expenditures, which was 99.9% of the budgeted amount (AZN 12,904.9 million).

Chart 27. SOFAZ expenses in 2024 (in million AZN)

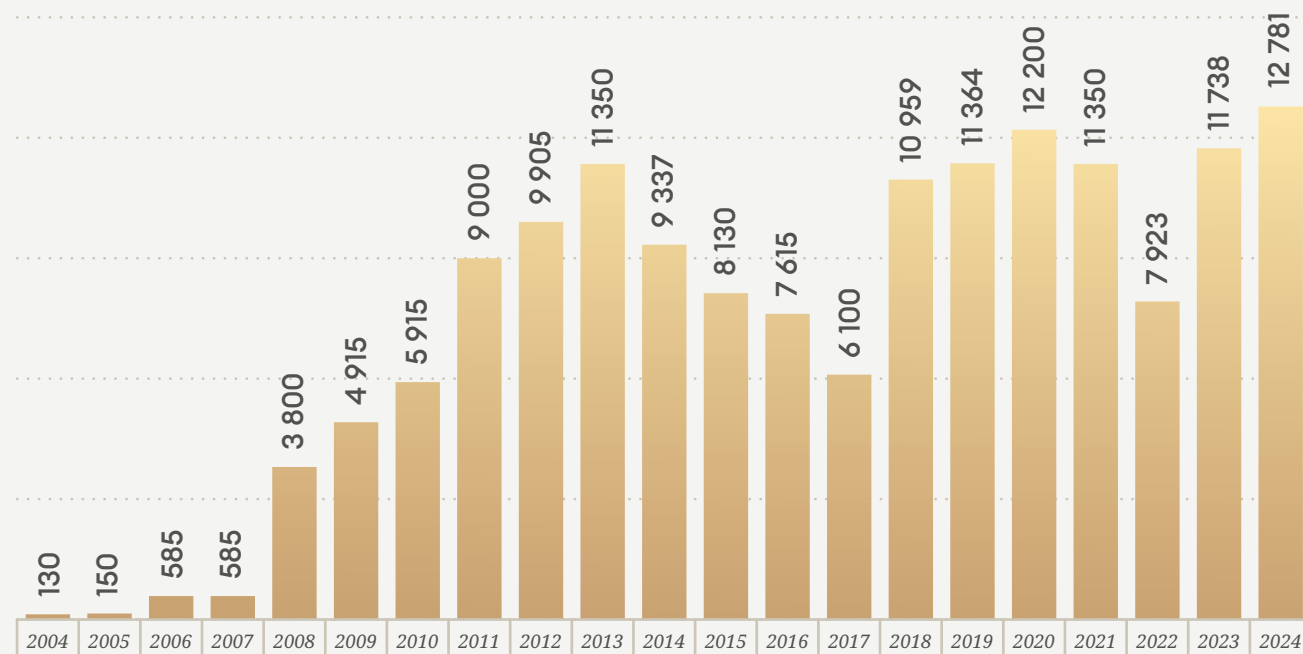
Transfers to the state budget:	12 781.0			
Financing "State Program for 2022-2028 for young people to study in prestigious higher education institutions of foreign countries"	47.33			
Administrative expenses of SOFAZ	34.08			
Financing "State Program on Increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan for 2019-2023"	33.95			

Transfers to the state budget

The amount of transfers to the state budget has increased

In 2024, AZN 12,781.0 million was transferred to the state budget, accounting for 34.3% of the state's revenue (AZN 37,164.2 million). At the same time, this transfer represented 33.9% of the state's expenditures (AZN 37,719.7 million). This expenditure item was executed at approximately 100.0% of the budgeted amount.

Chart 28. Distribution of transfers from SOFAZ to the state budget by year (in million AZN)



State Program on Increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan for 2019-2023

SOFAZ financed education of 262 doctoral students.

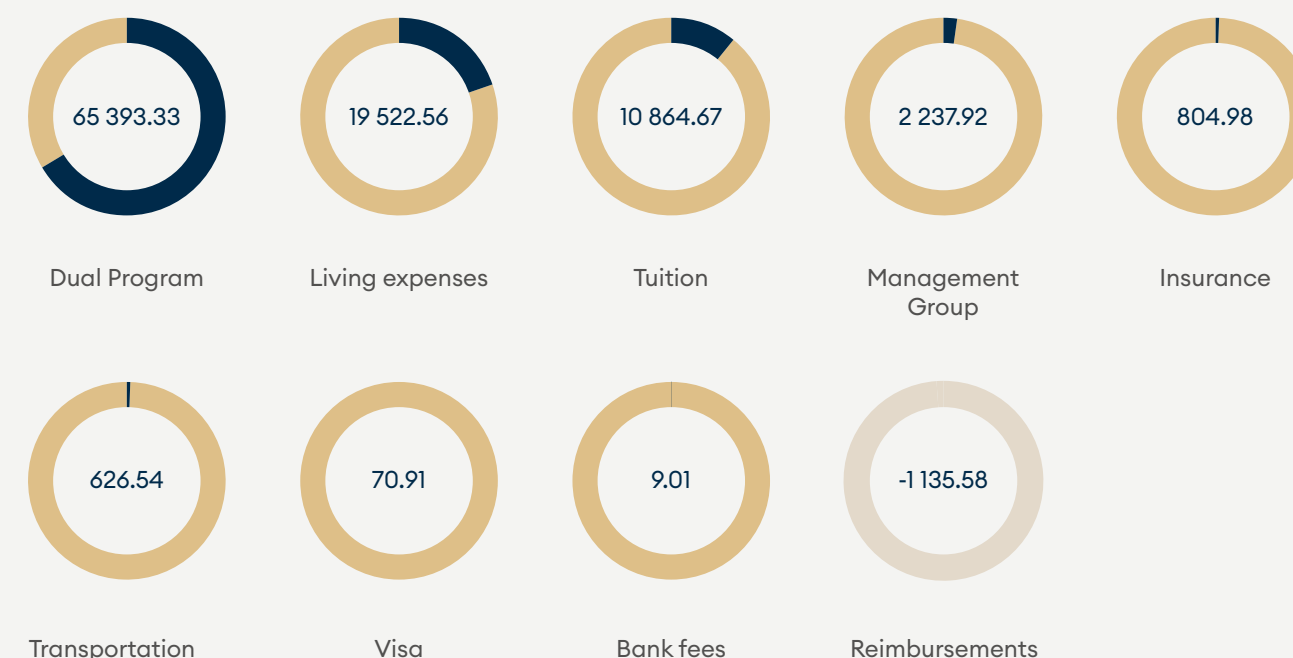
Within the framework of the State Program, based on the requests of the Ministry of Science and Education of the Republic of Azerbaijan (MoSE), AZN 33.9 million was allocated by SOFAZ during the year. This included AZN 10.65 million for the financing of doctoral studies (covering students' living, education, visa, insurance, registration, travel, and banking expenses), AZN 22.49 million for international dual degree programs, and AZN 0.80 million based on the approved expenditure estimate of the State Program Management Group.

By the end of 2024, the education-related expenses of a total of 262 doctoral students were financed within the framework of the State Program. Most of the doctoral students were studying in the fields of economics and management (64 students), natural sciences (58 students), and humanities and social sciences (37 students).

In SOFAZ's approved 2024 budget, AZN 38.2 million was allocated for financing the State Program; however, AZN 33.9 million was actually disbursed, resulting in an 11% under-execution of this expenditure item. In 2024, 6 international dual degree programs were financed under the dual diploma component. Under the approved budget of the State Program's Management Group (SPMG), which

includes salary payments, procurement of goods (works and services), social payments, and acquisition of non-financial assets, execution reached 97.6%, taking into account the AZN 804.4 thousand allocated by SOFAZ during the year and the AZN 79.3 thousand carried over from 2023.

Chart 29. Allocation of funds by expenditure directions within the State Program (in thousand manats)



Financing “State Program for the Education of Youth in Prestigious Higher Education Institutions Abroad for 2022-2028”

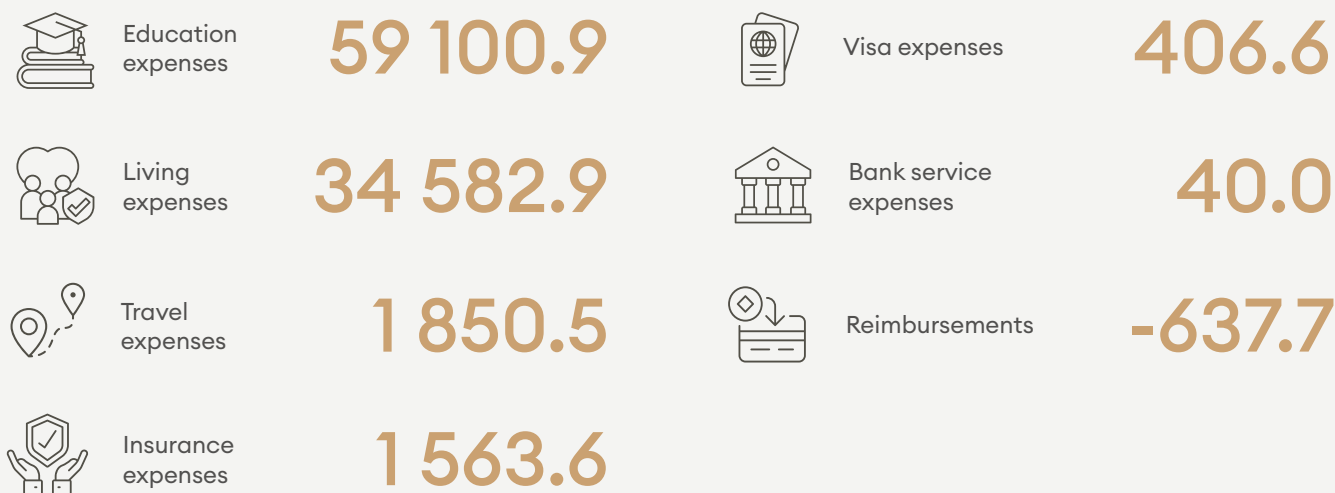
To cultivate human capital equipped with modern skills essential for the country’s rapid development—and to continue providing state support for talented youth pursuing education abroad—the State Program for the Education of Youth in Prestigious Higher Education Institutions Abroad for 2022–2026 was approved by Presidential Decree No. 3163 dated February 28, 2022. Under the amendments introduced by the Presidential Decree dated August 12, 2024, the implementation period of the Program was extended to 2028, and the annual quota for Azerbaijani citizens to study at top foreign

universities was increased to up to 500 students per year. According to the revised provisions, from 2022 to 2024, up to 80% of foreign study placements under the Program were allocated to master’s level education. Starting from 2025, no more than 25% of placements will be allocated to bachelor’s level, and no more than 20% to doctoral level education.

The implementation of this Program is carried out by the Ministry of Science and Education (MSE) through the State Program Implementation Unit established under the Ministry.

In 2024, a total of 950 students were funded by the SOFAZ, including 718 at the master’s level and 232 at the bachelor’s level. Against the AZN 47.459 million allocated in SOFAZ’s 2024 budget for this purpose, AZN 47.327 million was disbursed, resulting in a 99.7% execution rate for this expenditure line.

Chart 30. Breakdown of financial resources allocated by SOFAZ in 2024 under the State Program for for 2022–2028 (thousand AZN)



The execution of SOFAZ administrative expenses

Up to 11% of SOFAZ's estimated costs has been saved

In 2024, expenditures related to the management of SOFAZ amounted to AZN 34.1 million, or 89.1% of the approved budget AZN 38.2 million, marking a 4.0% increase compared to 2023. Within the expenditure breakdown, payment of labour were executed at AZN 11.5 million, corresponding to 75.0% of the forecast. Expenditures for the procurement of goods (works and services) were AZN 19.5 million or 111.1%, while expenditures for the acquisition of non-financial assets were AZN 3.1 million or 58.4%. Social payments were executed at AZN 42.5 thousand, which is 57.5% lower than the approved budget

Table 19. Implementation of the 2024 SOFAZ Budget by Administrative Expense Items (thousand AZN)

Expenses	Code	Approved	Actual	Executed (%)
Payment of labor	210000	15 348.44	11 499.63	74.92%
Procurement of goods (works and services)	220000	17 522.07	19 460.1	111.06%
Purchase of goods	221000	409.65	332.44	78.71%
Procurement of works and services	222000	16 407.03	18 421.2	112.28%
Payments related to membership in international organizations	223000	655.40	666.67	101.72%
Representation and promotion expenses	224000	50.00	49.79	99.58%
Social payments	270000	100.00	42.53	42.53%
Non-financial assets	310000	5 276.00	3 080.44	58.39%
<i>Total costs</i>		<i>38 246.51</i>	<i>34 082.71</i>	<i>89.11%</i>

Table 20. SOFAZ's expenses by 2024

Expenditure directions	Expenditures (million manat)		Execution (%)
	Approved	Actual	
Transfers to the 2024 state budget of the Republic of Azerbaijan	12 781.0	12 781.0	100.0
State Program on Increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan for 2019-2023	38.2	34.0	88.8
State Program for the Education of Youth in Prestigious Higher Education Institutions Abroad for 2022-2028	47.5	47.3	99.7
Administrative expenditures	38.2	34.1	89.1
<i>Total expenses</i>	<i>12 904.9</i>	<i>12 896.4</i>	<i>99.9</i>

Extra-budgetary expenses

In 2024, SOFAZ recorded a total of USD 936.6 million in extra-budgetary revenues resulting from exchange rate differences of the currencies included in its investment portfolio against the US dollar. Exchange rate

movements in US dollars, euros, pounds sterling, and other currencies led to extra-budgetary expenses of USD 1,055.0 million, while gold contributed USD 1,991.6 million in extra-budgetary revenues.

SPARKING AN IMPACT

The role of SOFAZ in ensuring macroeconomic stability

The main objective of the Fund is to ensure the accumulation and efficient management of foreign currency and other assets generated from the implementation of oil and gas exploration and development agreements, as well as from the Fund’s activities, for the citizens of the Republic of Azerbaijan and future generations. The Fund’s assets have been directed towards addressing national priorities and financing the construction or

reconstruction of critical infrastructure projects essential for the country’s socio-economic development. Budget expenditures and projects financed through transfers to the state budget aim to support macroeconomic and financial stability, reduce dependency on resource-based revenues, channel oil revenues into the development of human capital, and foster sustainable expansion of the non-oil sector.

As of the end of 2024, SOFAZ had accumulated a total reserve of 60.0 billion US dollars, accounting for 82% of the country’s

strategic foreign exchange reserves and 81% of its Gross Domestic Product (GDP).

Chart 31. Strategic foreign exchange reserves (in billions of USD)

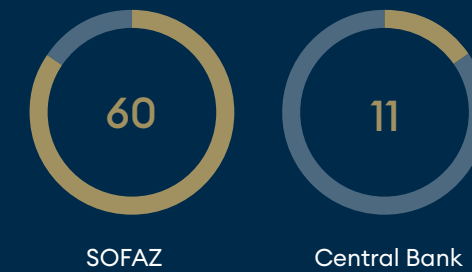
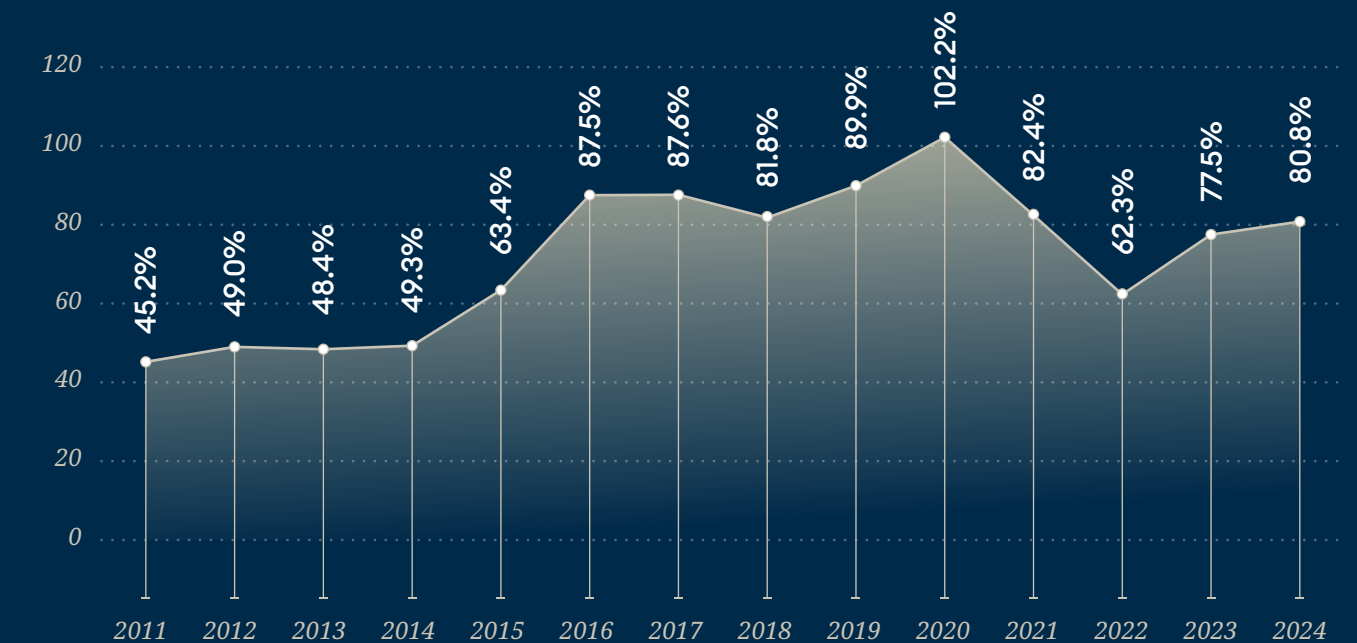


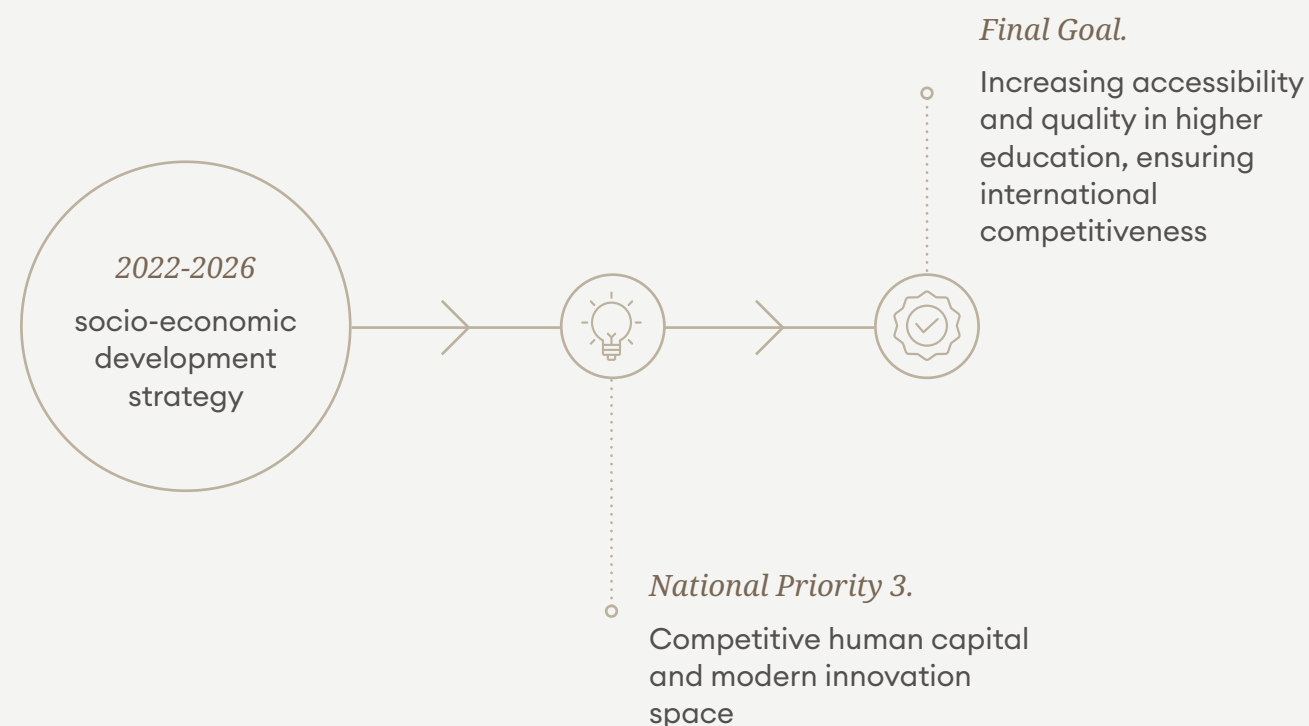
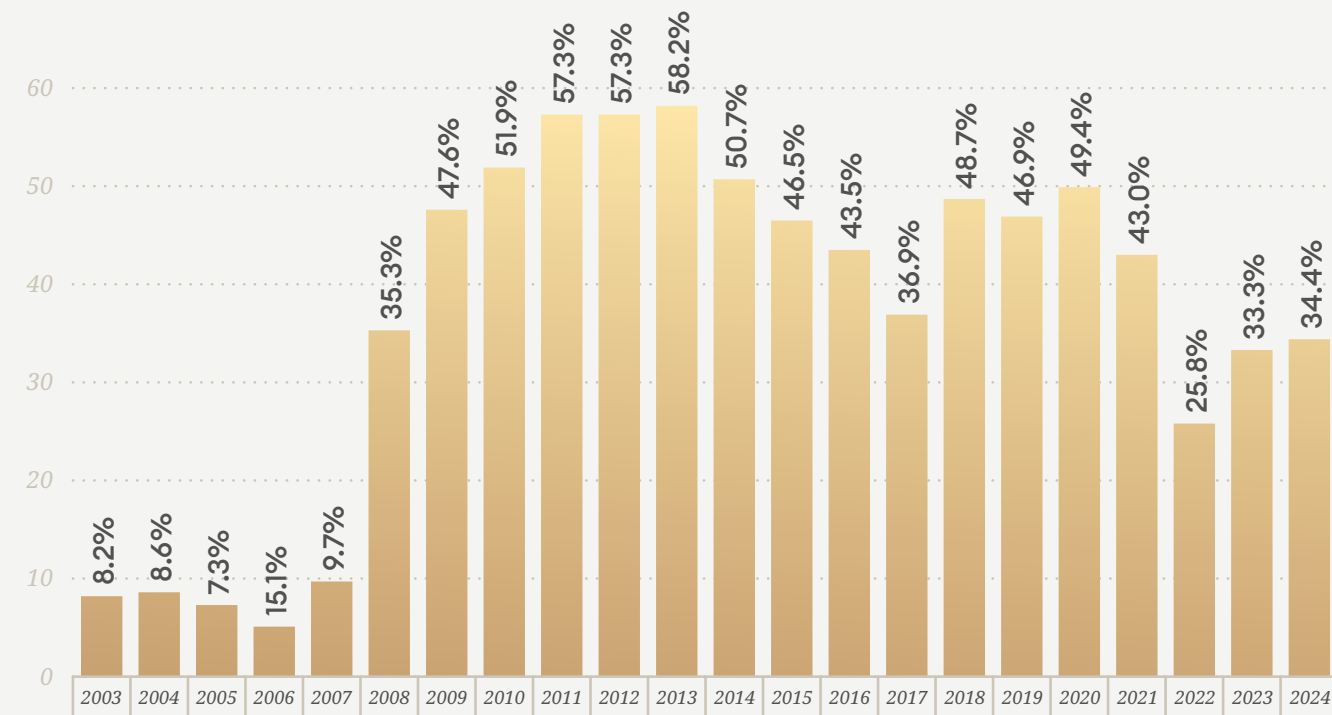
Chart 32. SOFAZ AUM as percentage of GDP



Between 2001 and 2024, a total of 132.6 billion US dollars was transferred to the state budget, and an additional 11.9 billion US dollars was allocated for the financing of projects, with a

focus on the need to develop the non-oil sector of the economy and enhance its competitiveness.

Chart 33. The ratio of SOFAZ's transfers to the state budget to state budget revenues



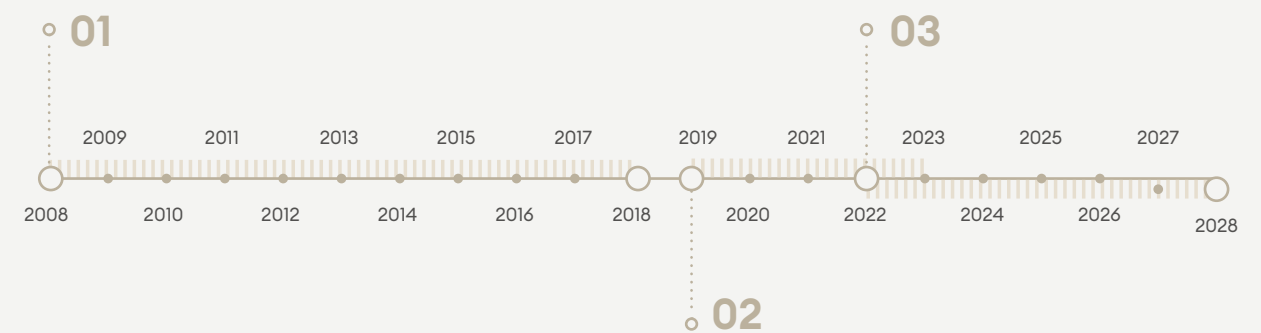
SOFAZ, guided by the Presidential Decree No. 2469 dated February 2, 2021, approving the “Azerbaijan 2030: National Priorities for Socio-Economic Development,” and Decree No. 3378 dated July 22, 2022, approving the “2022-2026 Socio-Economic Development Strategy of the Republic of Azerbaijan” has been contributing

for over 15 years to the development of highly skilled human capital through quality education. This includes supporting the international competitiveness of higher education institutions in terms of quality and ensuring accessibility in higher education.

Turning Black Gold into Human Capital

Acknowledging education as a key driver of individual and societal progress, SOFAZ has supported the country's principal overseas

education State Programs for nearly 15 years under its mission to transform oil wealth into human capital.



01

State Program on education of Azerbaijan youth abroad in the years 2007-2015

02

State Program for increasing the international competitiveness of the higher education system in the Republic of Azerbaijan for 2019-2023

03

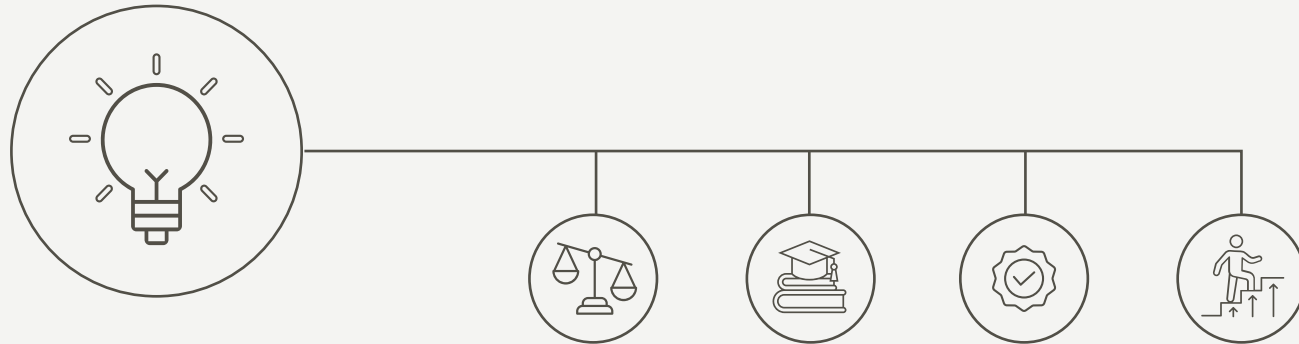
State Program for 2022-2028 for youth to study in prestigious higher education institutions of foreign countries

Shaping Future Leaders.

Through the implementation of the aforementioned state programs in cooperation with the Ministry of Science and Education, SOFAZ has contributed to positively shaping the futures of nearly 5,636

students—citizens of tomorrow—equipping them with the courage and capacity to build a better world both in Azerbaijan and beyond.

State Programs' main benefits encompass the following:



Reducing financial inequality

- Fulfilling potential of deserving students regardless their financial circumstances;
- Breaking cycle of poverty as successful graduates secure better job opportunities, higher incomes and improved living standards.



Build up Citizens of tomorrow

- Empowering future leaders with strong sense of responsibility;
- Encompassing personal, academic and professional development of graduates;
- Enhancing employability in globalized job market.



Access to outstanding global education

- International education for students from diverse socioeconomic backgrounds;
- Broadening intellectual horizons, boost academic enrichment;
- Creating valuable professional connections.



Enhancing global reputation of Azerbaijan

- Increasing economic growth due to knowledge transfer and bringing novelty to the country;
- Equipping students with global perspectives and deeper understanding of international affairs;
- Appreciation of different cultural backgrounds.

01

Diverse and inclusive learning environment enhances ability to navigate cultural differences. Our citizens study in 30 countries worldwide and gain global mindset and

intercultural understanding. Number of students studying abroad across geography by degrees:

State Program for the Education of Youth in Prestigious Higher Education Institutions Abroad for 2022–2028

Chart 33. Number of Bachelor degree students:

Europe		America	
United Kingdom	44	USA	23
Belgium	11	Canada	10
Netherlands	4	Australia/New Zealand	
Switzerland	1	Australia	1
Italy	1		
Asia			
Türkiye	126		
China	17		
Singapore	10		
Korea	2		
Israel	1		

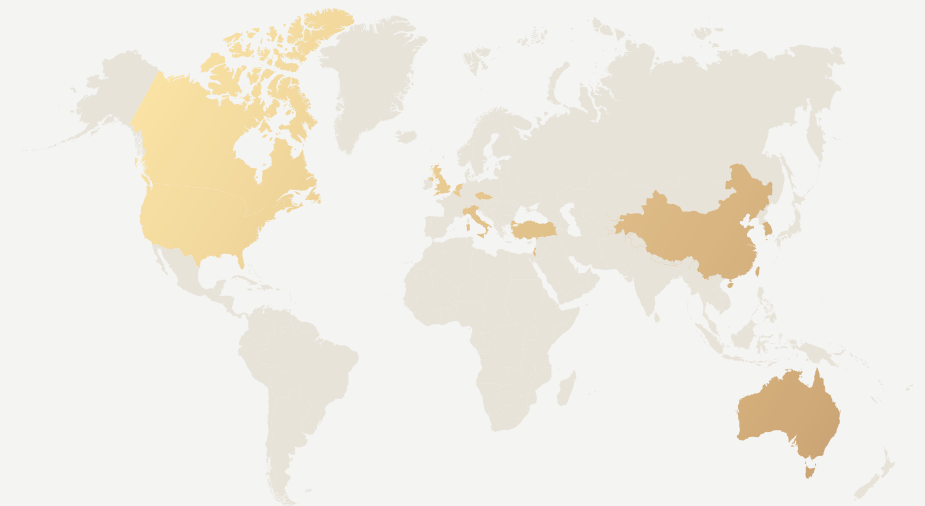
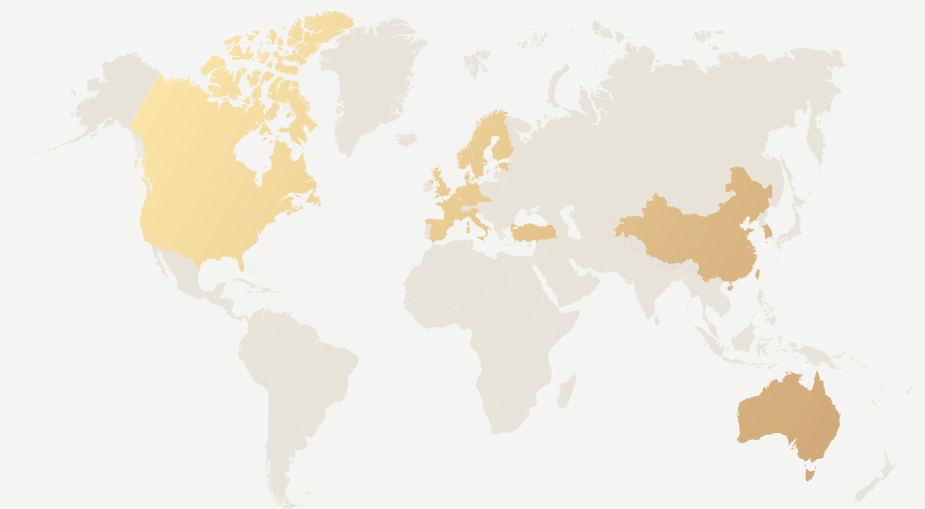


Chart 34. Number of Master degree students:

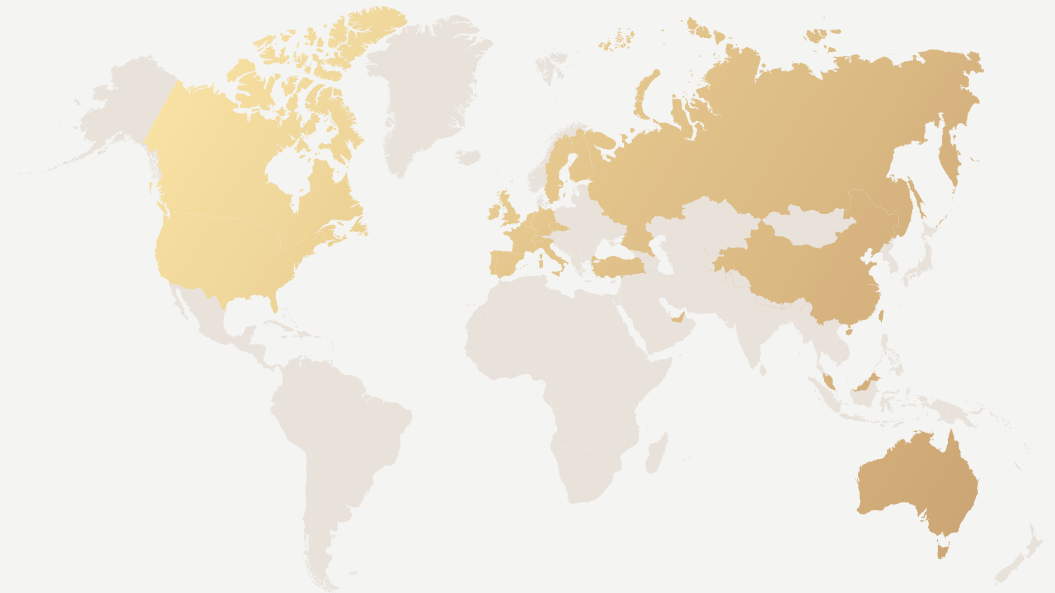
Europe		America	
United Kingdom	577	USA	151
Germany	55	Canada	3
Italy	32	Australia/New Zealand	
Netherlands	13	Australia	8
Switzerland	7		
Sweden	6		
Belgium	6		
France	5		
Estonia	4		
Finland	2		
Spain	3		
Denmark	2		
Norway	1		
Asia			
Türkiye	10		
Singapore	2		
China	1		
Korea	1		



State Program on Increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan for 2019-2023

Chart 35. Doktorantura pilləsi üzrə tələblərin ölkələr üzrə sayı

Europe		America	
United Kingdom	52	ABŞ	19
France	23	Kanada	5
Germany	20		
Italy	6	Australia/New Zealand	
Portugal	4	Avstraliya	1
Belgium	2		
Ireland	2		
Netherlands	2		
Spain	2		
Switzerland	1		
Luxembourg	1		
Czechia	1		
Sweden	1		
Finland	1		
Asia			
Türkiye	83		
Russia	1		
UAE	1		
China	1		
Malaysia	1		

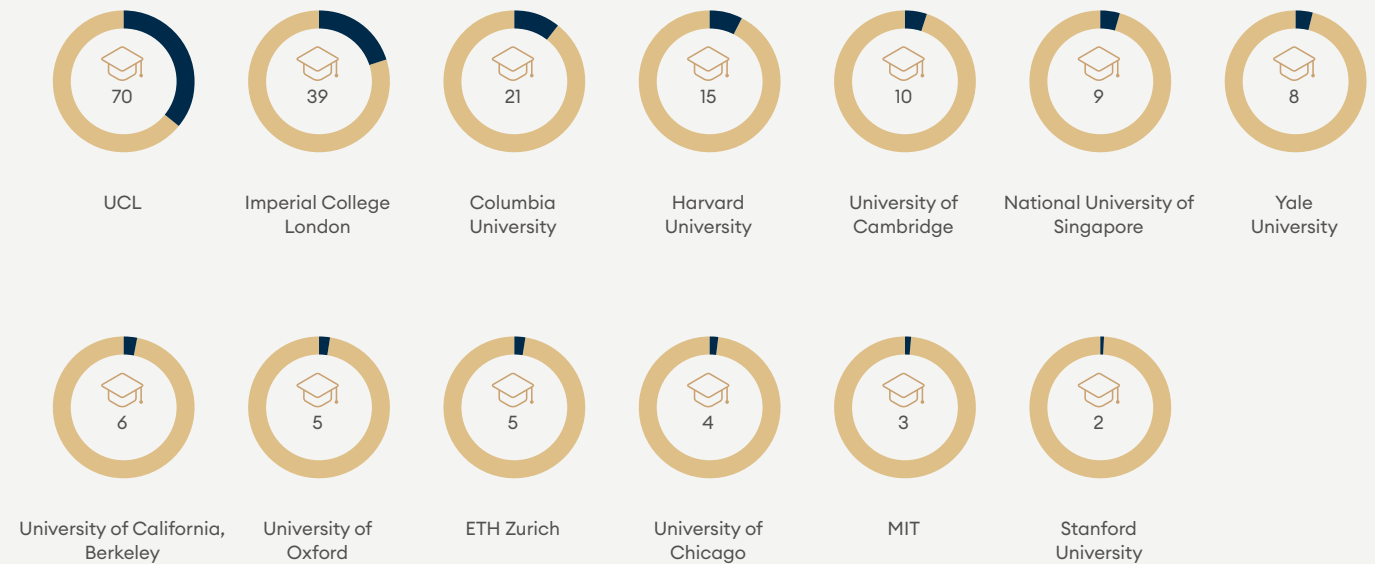


02

One of the features that makes 2022-2028 State program so unique is that Azerbaijanis admitted to the Top – 10 Universities are eligible to study in any field apart from priority

specialities. This empower gifted individuals to overcome socioeconomic barriers and give access to quality education at prestigious institutions irrespective of financial status.

Chart 36. Students studying in TOP10 universities



03

Students may choose from various countries and institutions based on their academic interests, career goals and cultural preferences, thereby enriching their educational experience

Chart 37. State Program 2019-2023 number of Students across study fields:

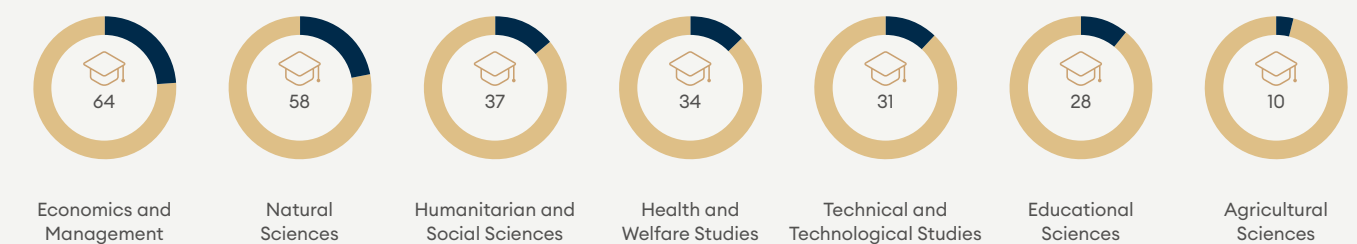


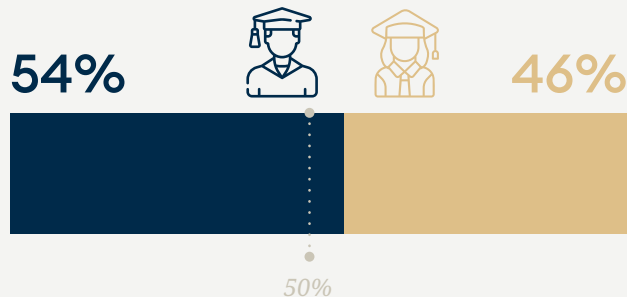
Chart 38. State Program 2022-2028 number of Students across study fields:



04

Support and promotion of gender balance in education as a guarantee of a more inclusive nation with diverse talents and perspectives.

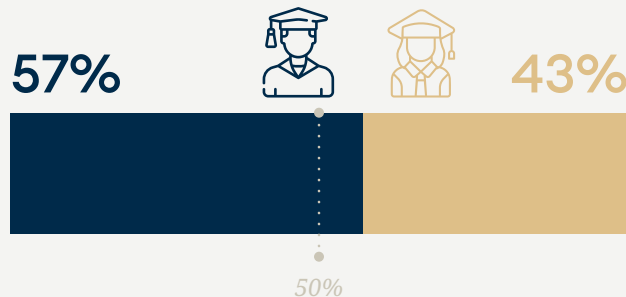
State Program 2019-2023



05

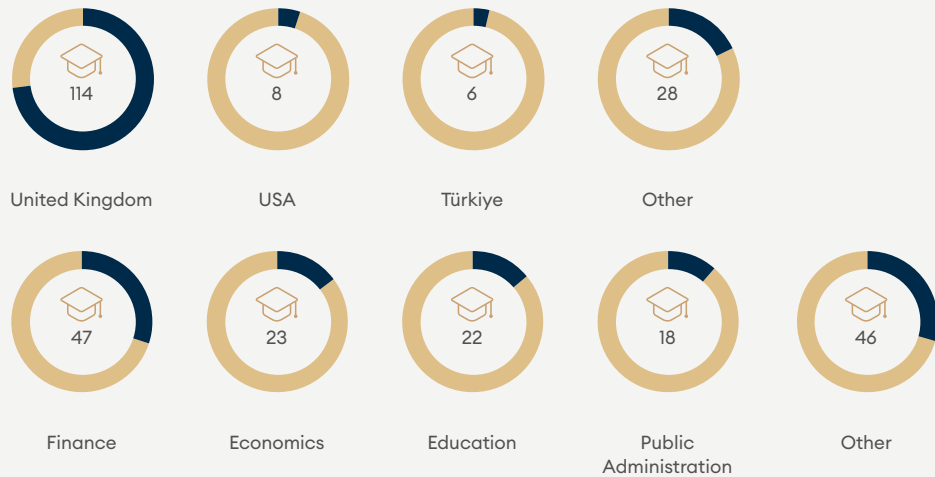
The State Program for 2022–2028 significantly contributes to enhancing the intellectual potential of the country and training professional personnel in various fields by

State Program 2022-2028



creating opportunities for Azerbaijani youth to receive high-quality education. Currently, 156 students have successfully completed their studies and graduated.

Chart 39. State Program 2022-2028 number of Graduates across countries and study fields



06

Financing International dual degree programs aim to create a competitive edge in the job market and comprehensive skill sets by combining expertise from two different university's education program.

Chart 40. International dual degree programs by fields

	6 Dual degree programs		1034 Students	14 Faculties
Master's degree	ADA	GW	124 Students 37 Graduates	- Computer Science and Data Analytics - Electrical engineering
	ASPU	GW	127 Students 41 Graduates	- Management (education management) - Education and human capital development, education policy and leadership
	BSU	HUJI	12 Students	Biotechnology
	ASOIU	WARWICK	40 Students	Renewable Energy
Bachelor's degree	BEU	INHA	400 Students	- Information technologies - Electrical engineering - Electronics engineering - Civil engineering
	ASAU	EGE	331 Students	- Agronomy - Agro-engineering - Plant Protection - Economics

ASOIU – Azerbaijan State Oil and Industry University
 ASPU – Azerbaijan State Pedagogical University
 ASAU – Azerbaijan State Agrarian University
 BEU – Baku Engineering University

BSU – Baku State University
 GW – George Washington University
 HUJI – The Hebrew University of Jerusalem
 INHA – Korean INHA University

TALENT DEVELOPMENT

Our Human Capital – The Driving Force Behind Our Success

As the sovereign wealth fund of the Republic of Azerbaijan, the State Oil Fund (SOFAZ) plays a pivotal role in shaping the country's socio-economic development and sustainable future. Every strategic investment we make and every project we implement is underpinned by an invisible yet powerful force: our human capital. Our employees are the cornerstone of the Fund's growth and the architects of its achievements.

At SOFAZ, we strive to create a working environment where every employee feels the value of their contribution, is encouraged to take initiative, and has ample opportunities for professional growth. For us, success is not solely measured by numbers—it is reflected in the strength of team spirit and the passion with which each employee approaches their work.

As an employer, we remain committed to key values that enhance employee motivation, promote equal opportunities, and support continuous development. We firmly believe that a successful future begins with strong and continuously developing human capital.

“Through structured training, mentorship, and feedback mechanisms, SOFAZ fosters a culture grounded in integrity, open communication, and meritocracy, where every employee's ideas and contributions are highly valued. This approach ensures innovation, adaptability, and sustainability.”

Our newly implemented human resources management system covers training and development, performance management, and recruitment processes, creating transparent career opportunities and promoting continuous growth.

Speaking at SOFAZ's annual meeting themed “From National Wealth to Sustainable Future,” Executive Director Israfil Mammadov emphasized the importance of human capital, stating:

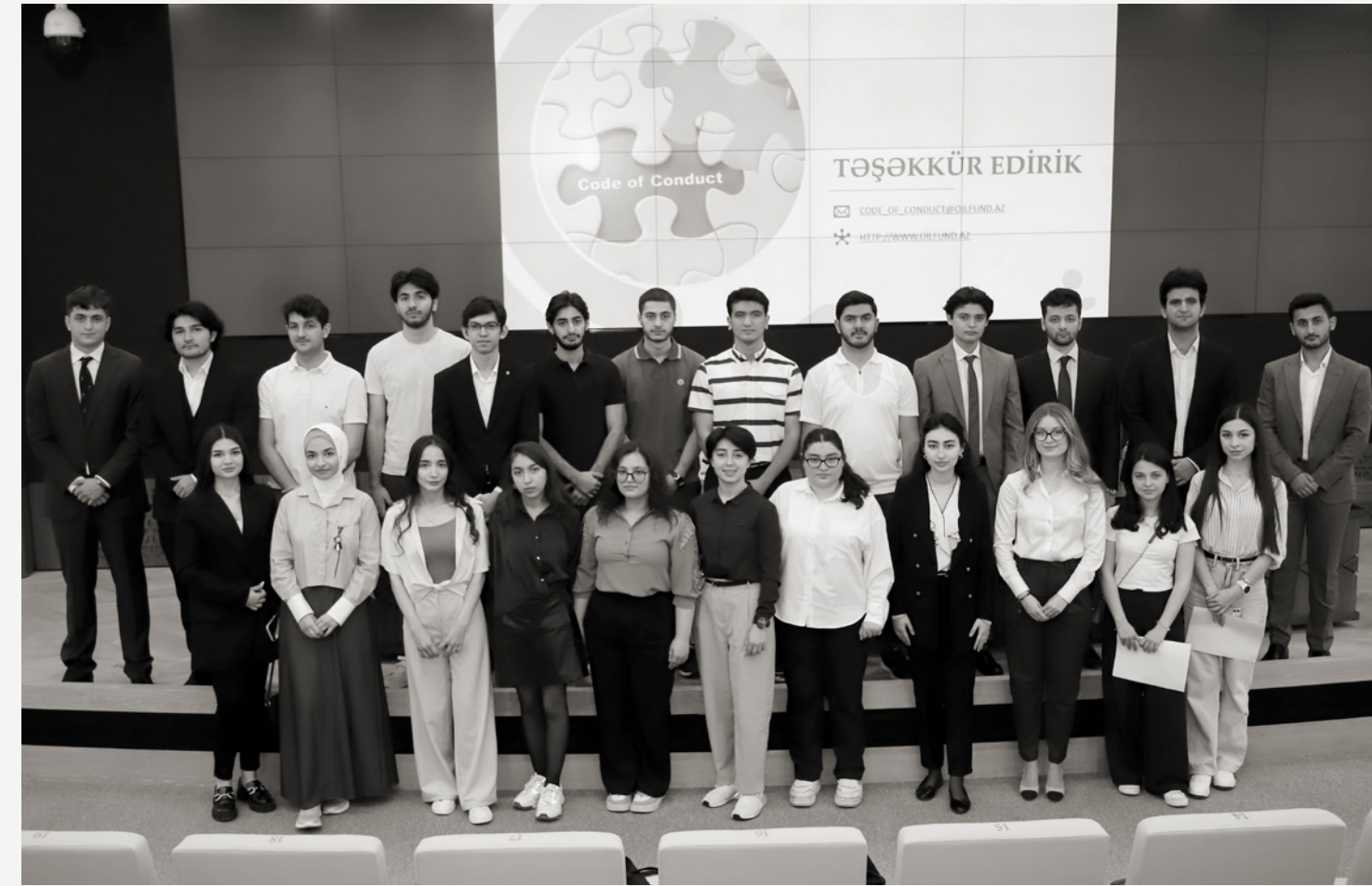
We deeply understand the importance of each employee's contribution and remain committed to creating opportunities where their knowledge, skills, and potential can flourish. These principles support both the

provision of equal opportunities and the realization of the Fund's long-term strategic vision. The dedicated work of our employees plays a crucial role in achieving the Fund's objectives and priorities.

As of the end of 2024, SOFAZ's workforce consisted of 156 employees, representing diverse segments of society across different age groups and genders. We place strong emphasis on gender balance: by the end of 2024, women made up 40% of the overall workforce and 15% of leadership positions.

A key focus of our diversity efforts is youth engagement. For over 20 years, SOFAZ has actively collaborated with talented students and graduates, implementing projects that enhance their professional skills, provide essential knowledge, and integrate them into a real work environment. Our traditional summer internship programs aim to introduce the country's promising youth to SOFAZ and support their professional development.

Through a comprehensive evaluation methodology, young talents participating in the internship program acquire essential organizational knowledge and experience via real mentorship and training. This experience not only contributes to shaping SOFAZ's future workforce but also strengthens the country's talent pool. Interns actively participate in real projects within various departments, honing crucial professional skills such as analytical thinking, decision-making, and teamwork. Their personal and professional development is closely monitored and evaluated throughout the program.



In 2024, a record 955 candidates applied to the SOFAZ summer internship program—an affirmation of the growing interest among young people in the opportunities created by SOFAZ and the value the Fund places on human capital. Applicants came from a wide range of academic backgrounds, including both local and international educational institutions.

To attract young talents, SOFAZ continues to expand its cooperation with leading local universities and global educational institutions through internship program exchanges, information sessions, and student visits to SOFAZ's headquarters. In 2024, several interactive information sessions were held, covering topics such as SOFAZ's activities, investment portfolio, the role of sovereign wealth funds globally, and financial markets. These sessions served as valuable platforms for exchanging knowledge between

students and industry experts, fostering the development of the country's future professionals.

Strengthening Organisational Capacity through Learning and Development

At SOFAZ, learning and development activities are guided by our Competency Model and aim to strengthen organizational capacity while supporting individual growth. A key achievement of the year was the integration of leadership learning into individual development plans and its alignment with leadership performance objectives. This made learning an integral part of leadership responsibility and contributed to both personal development and organizational efficiency.



Additionally, a leadership workshop was held to revisit the purpose, methods, and international approaches of competency-based assessments, ensuring ongoing awareness among managers. This helped enhance the objectivity of evaluations and the precision of development plans. The second phase of the Leaders Development Program was also successfully implemented to promote collective learning and strengthen the leadership capabilities of emerging line managers.

Learning and development remain one of the key pillars of SOFAZ's human capital strategy. Leadership development and the reinforcement of a continuous learning culture were among the top priorities throughout 2024.

"We are taking bold steps to build an institutionally resilient management system and create a fair working environment. Today, SOFAZ stands as a leading public institution in management practices comparable to international standards."



Performance Management as a Driver of Growth

At SOFAZ, performance management is a vital tool for organizational development. This approach enhances productivity, ensures transparency, and creates a supportive environment for professional growth. It also strengthens motivation, enables objective evaluation of results, and helps unlock employees' full potential. As a result, career development opportunities are expanded, boosting both employee satisfaction and the Fund's ability to meet its strategic goals.

Our employees also continue to test their skills in external fields. One of the most notable examples is the success of five SOFAZ employees in the prestigious "Yüksəliş" leadership competition, established by the Decree of the President of Azerbaijan, Ilham Aliyev. In 2024, out of 15,877 participants and five competition stages, Gunel Musayeva, Senior Analyst at the Real Estate Division of the Investment Department, emerged as one of the winners.



Gunel Musayeva

I believe the 'Yüksəliş' competition is a unique platform that allows us to truly measure our skills and potential. Throughout the competition, I discovered many things about myself and I am confident that this journey will continue to inspire new discoveries in the future.

8 / Santiago Principles

Self-Assessment

April, 2024

Narration of Principles / Sub-Principles	Responses
A. Legal Framework, Objectives, and Coordination with Macroeconomic Policies.	
<i>GAPP 1. Principle</i> The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).	Legal framework of SOFAZ is clearly defined in the “Statute of the State Oil Fund of the Republic of Azerbaijan” (hereinafter “Statute of SOFAZ”) approved by the decree of the President of the Republic of Azerbaijan. SOFAZ is a legal entity separate from the government or central bank. The Fund’s operation is guided by the Constitution and laws of the Republic of Azerbaijan, Presidential Decrees and resolutions, and the Fund’s Regulations.
<i>GAPP 1.1. Subprinciple</i> The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.	All relevant documents related to the legal basis and structure and the legal relationships between SOFAZ and the other government agencies are publicly disclosed and they are available on the Fund’s website.
<i>GAPP 1.2. Subprinciple</i> The key features of the SWF’s legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.	For further information: https://www.oilfund.az/storage/images/cotiii74r3.pdf
<i>GAPP 2. Principle</i> The policy purpose of the SWF should be clearly defined and publicly disclosed	SOFAZ was established for the purpose of accumulation and management of the revenues generated from implementation of oil and gas agreements. SOFAZ’s primary objectives are to help maintain macroeconomic stability in the country (neutralize negative impact of the currency inflows) and to generate wealth for present and future generations. Above discussed purpose of establishment, as well as the primary objectives are publicly disclosed on the Funds website. For further information: https://www.oilfund.az/storage/images/rt3csc0jvm.pdf https://www.oilfund.az/en/fund/about/mission

GAPP 3. Principle

Where the SWF’s activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

According to its bylaws, SOFAZ is not permitted to invest domestically. Expenditures of SOFAZ constitute part of the consolidated state budget approved by the Parliament. According to Budget System Law the consolidated state budget is being prepared in close consultation with all relevant government entities (Ministry of Finance, Ministry of Economy, etc.) and involvement of SOFAZ.

For further information:
<https://www.oilfund.az/storage/images/cotiii74r3.pdf>
<https://www.oilfund.az/storage/images/vvfbtvgrpz.pdf>
<https://www.oilfund.az/storage/uploads/emcjt8wiz.pdf>

GAPP 4. Principle

There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF’s general approach to funding, withdrawal, and spending operations.

SOFAZ’s Funding and Withdrawal rules are clearly defined by the “Statute of SOFAZ” and “Rules on the preparation and execution of the annual program of revenues and expenditures (budget) of the State Oil Fund of the Republic of Azerbaijan” (hereinafter “Rules on the budget of SOFAZ”) which are publicly disclosed on the Fund’s website.

GAPP 4.1. Subprinciple
The source of SWF funding should be publicly disclosed.

For further information:
<https://www.oilfund.az/storage/images/cotiii74r3.pdf>
<https://www.oilfund.az/storage/images/vvfbtvgrpz.pdf>
<https://www.oilfund.az/storage/uploads/emcjt8wiz.pdf>

GAPP 4.2. Subprinciple
The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

GAPP 5. Principle

The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

SOFAZ submits monthly statistical reports to the President and Ministry of Finance, as well as quarterly and yearly reports to the State Statistical Committee. SOFAZ also reports on its revenues and expenditures to the Parliamentary Chamber of Accounts and on other relevant information to the Ministry of Taxes, State Social Protection Fund and other relevant government agencies. Additionally, SOFAZ regularly provides the relevant information on its activities to the World Bank and International Monetary Fund.

All the relevant statistical data pertaining to the fund, is publicly disclosed on the Fund’s website (audited annual reports, quarterly statements, etc.).

For further information:
<https://www.oilfund.az/storage/images/cotiii74r3.pdf>
<https://www.oilfund.az/storage/images/vvfbtvgrpz.pdf>
<https://www.oilfund.az/storage/uploads/emcjt8wiz.pdf>
<https://www.oilfund.az/en/report-and-statistics/report-archive>

B. Institutional Framework and Governance Structure*GAPP 6. Principle*

The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

SOFAZ has a three-tier governance structure, with the President of the country being a supreme governing and reporting authority for the Fund.

SOFAZ has a three-tier governance structure, with the President of the country being a supreme governing and reporting authority for the Fund.

SOFAZ's activities are overseen by a Supervisory Board which is headed by the Prime Minister and consists of the Vice-Speaker of Parliament, Minister of Finance, Minister of Economy, Governor of the Central Bank and the Economic Advisor to the President.

The operational management of SOFAZ is vested in the Executive Director. The relevant duties and responsibilities of the President of the country, Supervisory Board and Executive Director are clearly defined in the "Statute of SOFAZ".

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

GAPP 7. Principle

The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations

The objectives of SOFAZ are clearly defined in "Statute of SOFAZ" approved by the President of the Republic of Azerbaijan.

Please see also the response on GAPP 5 and 6.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

GAPP 8. Principle

The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

The Supervisory Board of the Fund, which is headed by the Prime Minister and consists of the Minister of Finance, Governor of the Central Bank, Minister of Economy, Vice-Speaker of Parliament and the Economic Advisor to the President, have a clear mandate and adequate authority and competency to fulfil its functions. All roles and responsibilities of the Supervisory Board are clearly defined in the relevant legislation.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://oilfund.az/en/fund/Governance/supervisory>

GAPP 9. Principle

The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

"Statute of SOFAZ", "Rules on management of foreign currency assets of the State Oil Fund of the Republic of Azerbaijan" (hereinafter "Investment guidelines") and "Rules on the budget of SOFAZ" clearly define the role and responsibilities of the Executive Director.

In accordance with these role and responsibilities Executive Director has independence in operational management.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/storage/images/vvfbtvgrpz.pdf>

GAPP 10. Principle

The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

Accountability framework of SOFAZ is clearly defined in the "Statute of SOFAZ", "Investment guidelines", "Rules on the budget of SOFAZ" and Budget System Law all of which are available on the Fund's website. Fund produces and publicly discloses audited annual reports and quarterly reports. Information about Fund's activities is also disseminated through regular press conferences and published on the Fund's website.

See also response on GAPP 5.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/storage/images/vvfbtvgrpz.pdf>

<https://www.oilfund.az/storage/uploads/emcjt8wiz.pdf>

GAPP 11. Principle

An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

Since the start of its operations, SOFAZ has prepared annual reports and accompanying financial statements.

All financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

All annual reports and accompanying financial statements are published on the Fund's website.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://www.oilfund.az/en/report-and-statistics/report-archive>

<https://e-qanun.az/framework/1029>

GAPP 12. Principle

The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

ASince the start of its operations SOFAZ has been audited by reputable international audit firms. In line with the Public Procurement Law, the Fund conducts open market tender processes to select its auditor. Price Waterhouse Coopers has been appointed to audit SOFAZ financial statements for years 2016- 2018.

All annual reports and accompanying financial statements are available on the Fund's website.

SOFAZ also has Internal Audit department that prepares periodic internal audit reports.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://www.oilfund.az/en/report-and-statistics/report-archive>

<http://www.e-qanun.az/framework/1029>

GAPP 13. Principle

Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body, management and staff.

Professional and ethical standards are clearly defined in the "Investment Guidelines".

Management and staff of the Fund have to comply with ethical norms and rules of the International Financial Markets Association (ACI, Paris) and "Rules of Ethical Conduct for the Employees of SOFAZ".

For further information:

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/en/investments/investment>

<https://www.oilfund.az/en/fund/Governance/behavior-rules>

GAPP 14. Principle

Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

Fund's activities related to third parties are based on economic and financial grounds. Fund's "Investment Guidelines" and "Investment Policy" regulate SOFAZ's dealing with third parties.

All aspects of dealing with external managers are clearly defined in relevant documentation about Fund's activity. Appointment of external managers is carried out in compliance with the current legislation of Azerbaijan Republic on "State Procurement". External managers are selected on the basis of the criteria, such as credit rating of manager, assets under management, experience in the asset management industry, proposed rate of return and risk, proposed fees schedule etc. Compliance of the external managers' investments to their mandate is monitored daily. Performance of external managers' portfolios is monitored monthly.

For further information:

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/en/investments/investment>

GAPP 15. Principle

SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate

Fund conducts its operations and activities in host countries in compliance with all applicable regulatory and disclosure requirements of those host countries.

GAPP 16. Principle

The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

Fund's governance framework, objectives and its operational independence are clearly defined in the relevant legislation.

For further information:

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

<https://oilfund.az/en/fund/Governance/information>

GAPP 17. Principle

Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

Audited financial statements are published in Fund's annual report, which is publicly available. Quarterly reports and all other relevant financial information about the Fund's activities are published on the Fund's website. Disclosed financial information includes AUM, asset allocation, benchmark, annual rates of return, etc.

For further information:

<https://www.oilfund.az/en/report-and-statistics/report-archive>

<https://www.oilfund.az/en/investments/quarterly-investment-results>

C. Investment and Risk Management Framework

GAPP 18. Principle

The SWF’s investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

GAPP 18.1. Subprinciple

The investment policy should guide the SWF’s financial risk exposures and the possible use of leverage

GAPP 18.2. Subprinciple

The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

GAPP 18.3. Subprinciple

A description of the investment policy of the SWF should be publicly disclosed.

GAPP 19. Principle

The SWF’s investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

GAPP 19.1. Subprinciple

If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed

GAPP 19.2. Subprinciple

The management of an SWF’s assets should be consistent with what is generally accepted as sound asset management principles.

“Investment Guidelines” and “Investment Policy” set up SOFAZ’s asset management framework and ensure the transparency in its investment decisions. Among the others, they define strategic asset allocation, currency composition, benchmarks, risk limits, minimum requirements for the Fund’s external managers and limitations on the investment directions, as well as the credit quality limits for Fund’s counterparties (custodian banks, correspondent banks, etc.).

Derivatives (i.e. swaps, forwards, futures, etc.) may only be used for hedging or optimizing the currency composition and asset allocation of the Investment Portfolio.

For policies and procedures related to the Fund’s external managers please see our response on GAPP 14.

Fund’s “Investment guidelines” and “Investment Policy” are available on its website.

For further information:

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/en/investments/investment>

According to its “Investment Policy”, Fund’s investment decisions should aim at maximizing the risk adjusted returns. Fund’s all investment decisions are made purely on an economic and financial basis according to the sound asset management principles.

See also response on GAPP 18.

For further information:

<https://www.oilfund.az/en/investments/investment>

GAPP 20. Principle

The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities

According to its bylaws, SOFAZ is not permitted to invest domestically. In line with the “Investment guidelines”, SOFAZ makes investment decisions independently of the government. Institutional and legal framework of SOFAZ has been designed in a way that the Fund cannot seek or take advantage of any privileged information.

For further information:

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/storage/images/cotiii74r3.pdf>

GAPP 21. Principle

SWFs view shareholder ownership rights as a fundamental element of their equity investments’ value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments.

SOFAZ started to invest in equities in 2012 and has chosen not to exercise its ownership rights at this stage.

The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

GAPP 22. Principle

The SWF should have a framework that identifies, assesses and manages the risks of its operations

Identification, assessment and management of the risks of the Fund’s operations play crucial role in the Fund’s overall management framework. SOFAZ’s risk management system is supported with appropriate legal framework (“Investment Guidelines”, “Investment Policy”, etc), a specialized risk unit (Risk Management Department), internal and external audit functions and tools like RiskManager 4 by RiskMetrics and proprietary models.

GAPP 22.1. Subprinciple

The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

“Investment Guidelines” and “Investment Policy” set the main principles of risk management framework and clearly define limits on major factors for market, credit, concentration and liquidity risks. Certain pre-trade limits are set based on these factors. Furthermore, these risk factors are monitored on a daily basis via regular risk and performance reports. In addition to the factors set in the “Investment Guidelines” and “Investment Policy”, a more in-depth analysis and monitoring of the market risk is performed on a regular basis through: interest rate sensitivity analysis (key rate durations, PV01, etc.), risk concentration analysis (duration by groups, VaR by groups, marginal VaR, etc.), tail events (conditional VaR, stress tests) and scenario analyses.

GAPP 22.2. Subprinciple

The general approach to the SWF’s risk management disclosed.

Operational risk is managed in accordance with Fund’s Operational Manual and business continuity planning.

For further information:

<https://www.oilfund.az/storage/images/daafr06kpe.pdf>

<https://www.oilfund.az/en/investments/investment>

GAPP 23. Principle

The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Comprehensive reports on assets of SOFAZ (including information on breakdown of investment portfolio by foreign currencies, asset class, credit ratings, maturities and geographic regions) are disseminated through the quarterly press releases. The performance of the Fund's investments is measured according to best industry standards and reported on an annual basis. Annual reports and quarterly statements are posted on the Fund's website.

For further information:

<https://oilfund.az/report-and-statistics/report-archive>

GAPP 24. Principle

A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

This report was first published on SOFAZ's official website in April, 2011 and it is reviewed on an annual basis.

9 / FINANCIAL STATEMENTS

The State Oil Fund of the Republic of Azerbaijan
31 December 2024

Consolidated Financial Statements under
International Financial Reporting Standards
and Independent Auditor's Report

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Independent Auditor's Report

To the Supervisory Board and the Management of the State Oil Fund of the Republic of Azerbaijan:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the State Oil Fund of the Republic of Azerbaijan (the "SOFAZ") and its subsidiaries (together – the "Fund") as at 31 December 2024, and the Fund's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to management.

PricewaterhouseCoopers Audit Azerbaijan LLC
The Landmark Office Plaza III, 12th floor, 90A Nizami Street
AZ 1010, Baku, Azerbaijan
T: +994 (12) 497 25 15, F: +994 (12) 497 74 11, www.pwc.com/az

Responsibilities of management 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, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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 the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund'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 Fund 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Fund as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with management 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.

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

20 June 2025

The State Oil Fund of the Republic of Azerbaijan

Consolidated Statement of Financial Position

In thousands
of Azerbaijani Manats

	Note	31 December 2024	31 December 2023 (Reclassified)	01 January 2023 (Reclassified)
Assets				
Cash and cash equivalents	4	5,593,625	3,125,169	3,071,753
Term deposits	5	11,690	1,901,385	1,820,089
Bonds	6	42,583,372	49,982,568	47,000,299
Equity securities	6	22,710,277	19,491,299	13,352,362
Financial derivatives	6	53	2,201	-
Gold bullion	7	21,002,767	11,478,567	10,105,441
Real estate funds	6	4,564,772	4,182,407	3,780,431
Private equity funds	6	3,804,525	3,136,419	2,462,334
Investment properties	8	1,455,689	1,536,719	1,579,873
Investments in joint ventures	9	759,472	741,726	791,488
Other assets	-	142,797	192,841	145,440
TOTAL ASSETS		102,629,039	95,771,301	84,109,510
Liabilities				
Trade and other payables	-	17,742	20,816	156,130
Financial derivatives	-	8,153	-	-
Tenancy deposits	-	13,821	14,408	15,661
Borrowings of subsidiaries	11	335,521	371,578	402,506
Deferred tax liability	-	10,044	9,491	10,421
Lease liabilities	-	38,369	41,336	43,111
TOTAL LIABILITIES		423,650	457,629	627,829
Equity				
Contributed capital	10	49,271,394	49,889,945	46,365,725
Foreign currency translation reserve	-	383,179	730,466	525,086
Retained earnings	-	52,546,117	44,687,903	36,585,134
Equity attributable to the Owner	-	102,200,690	95,308,314	83,475,945
Non-controlling interest	-	4,699	5,358	5,736
TOTAL EQUITY		102,205,389	95,313,672	83,481,681
TOTAL LIABILITIES AND EQUITY		102,629,039	95,771,301	84,109,510

The State Oil Fund of the Republic of Azerbaijan

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands
of Azerbaijani Manats

	Note	2024	2023 (Reclassified)
Income/(loss) from:			
Bonds	12	680,169	3,035,151
Equity securities	12	3,213,013	3,608,696
Financial derivatives	12	(6,347)	9,873
Gold bullion	7	3,385,708	1,373,126
Private equity funds		377,839	296,021
Real estate funds		32,290	(424,975)
Investment properties	8	84,950	15,007
Foreign exchange (loss)/gain from financial instruments measured at amortised cost	13	(108,047)	109,299
Interest income calculated using the effective interest method	-	218,351	176,248
Other Income	-	38,735	31,748
Operating expenses	14	(79,102)	(76,546)
Operating profit on the portfolio	-	7,837,559	8,153,648
Share of after-tax results of joint ventures	9	25,471	(47,357)
Profit before income tax	-	7,863,030	8,106,291
Income tax	15	(4,780)	(3,502)
Net profit for the year	-	7,858,250	8,102,789
Other comprehensive (loss)/income	-	(347,112)	206,265
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information of foreign operations to presentation currency	13	(347,112)	206,265
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	7,511,138	8,309,054
Net profit is attributable to:			
The owner	-	7,858,214	8,102,769
Non-controlling interest	-	36	20
Net profit for the year	-	7,858,250	8,102,789
Total comprehensive income is attributable to:			
The owner	-	7,510,927	8,308,149
Non-controlling interest	-	211	905
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	7,511,138	8,309,054

The State Oil Fund of the Republic of Azerbaijan

Consolidated Statement of Changes in Equity

	Attributable to the Owner					Non-controlling interest	Total Equity
	Note	Contributed capital	Currency translation reserve	Retained earnings	Total		
Balance at 1 January 2023	-	46,365,725	525,086	36,585,134	83,475,945	5,736	83,481,681
Profit for the year	-	-	-	8,102,769	8,102,769	20	8,102,789
Other comprehensive income	-	-	205,380	-	205,380	885	206,265
Total comprehensive income for 2023	-	-	205,380	8,102,769	8,308,149	905	8,309,054
Inflow during the period	10	15,324,112	-	-	15,324,112	-	15,324,112
Outflow during the period	10	(11,799,892)	-	-	(11,799,892)	-	(11,799,892)
Exchange translation differences	-	-	-	-	-	(1,283)	(1,283)
Balance at 31 December 2023	-	49,889,945	730,466	44,687,903	95,308,314	5,358	95,313,672
Profit for the year	-	-	-	7,858,214	7,858,214	36	7,858,250
Other comprehensive loss	-	-	(347,287)	-	(347,287)	175	(347,112)
Total comprehensive income for 2024	-	-	(347,287)	7,858,214	7,510,927	211	7,511,138
Inflow during the period	10	12,243,728	-	-	12,243,728	-	12,243,728
Outflow during the period	10	(12,862,279)	-	-	(12,862,279)	-	(12,862,279)
Exchange translation differences	-	-	-	-	-	(870)	(870)
Balance at 31 December 2024	-	49,271,394	383,179	52,546,117	102,200,690	4,699	102,205,389

The State Oil Fund of the Republic of Azerbaijan
Consolidated Statement of Cash Flows

*In thousands
of Azerbaijani Manats*

	Note	2024	2023 (Reclassified)
Cash flows from operating activities:			
Profit before income tax expense	-	7,863,030	8,106,291
Adjustments to reconcile result to net cash used in operating activities			
Depreciation of property and equipment	-	4,004	3,837
Amortization of intangible assets	-	255	224
Unrealized (gain)/loss on change in fair value of financial assets at fair value through profit or loss	-	(3,181,349)	(4,288,440)
Net unrealized loss/(gain) on foreign currency translation differences		138,509	(125,204)
Net gain on revaluation of gold bullion	7	(3,385,708)	(1,373,126)
Fair value (gain)/loss on revaluation of investment properties	8	(32,371)	24,998
Share of after-tax results of joint ventures	9	(25,471)	47,357
Interest income	12	(1,643,898)	(1,637,992)
Dividend income	12	(416,587)	(372,545)
Changes in operating assets and liabilities:			
Decrease/(increase) in bonds	-	6,617,249	(1,446,362)
Increase in equity securities	-	(26,571)	(2,891,285)
Decrease/(increase) in financial derivatives	-	3,953	(48)
Increase in real estate funds	-	(322,035)	(812,578)
Increase in private equity funds	-	(347,139)	(433,486)
Purchase of gold bullion	7	(6,138,492)	-
Decrease in term deposits	5	1,884,262	1,583
Increase in investment properties	8	(3,435)	(3,582)
Decrease/(increase) in other assets	-	45,785	(51,462)
Decrease in trade and other payables	-	(3,074)	(135,314)
Decrease in other liabilities	-	(3,001)	(3,956)
Cash from/(used in) operations	-	1,027,916	(5,391,090)
Income taxes paid	15	(5,475)	(3,505)
Interest received	-	1,678,328	1,501,484
Dividend received	-	416,587	372,545
Net cash from/(used in) operating activities	-	3,117,356	(3,520,566)
Cash flows from financing activities:			
Contributions received	10	12,243,728	15,324,112
Transfers to the State Budget	10	(12,781,000)	(11,737,630)
Financing of the State Program on Increasing the International Competitiveness of the Higher Education System in the Republic of Azerbaijan	10	(81,279)	(62,262)
Proceeds from borrowings	11	350,280	-
Repayment of borrowings	11	(346,537)	(7,213)
Net cash (used in)/from financing activities	-	(614,808)	3,517,007
Effect of exchange rate changes on cash and cash equivalents	-	(34,092)	56,975
Net increase in cash and cash equivalents	-	2,468,456	53,416
Cash and cash equivalents, beginning of the year	4	3,125,169	3,071,753
Cash and cash equivalents, end of the year	4	5,593,625	3,125,169

1. The State Oil Fund of the Republic of Azerbaijan and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) for the year ended 31 December 2024 for the State Oil Fund of the Republic of Azerbaijan (“SOFAZ”) and its subsidiaries (together - the “Fund”).

SOFAZ was incorporated and is domiciled in the Republic of Azerbaijan.

Principal Activity. The State Oil Fund of the Republic of Azerbaijan was established by Decree #240 of the President of the Republic of Azerbaijan on the “Establishment of The State Oil Fund of the Republic of Azerbaijan” dated 29 December 1999 (the “Decree”). The purpose of SOFAZ is to ensure the accumulation, effective management, and use of income and other inflows generated from Azerbaijan’s share related to oil and gas exploration and development, as well as, from SOFAZ’s own activities, for the benefit of citizens and future generations of the Republic of Azerbaijan.

In accordance with the Decree and the Regulations (discussed below), SOFAZ is an extra-budgetary state organization, formed as a separate legal entity, which is accountable and responsible to the President of the Republic of Azerbaijan.

Contributions into SOFAZ are made in accordance with the Regulation of the State Oil Fund of the Republic of Azerbaijan (“Regulation”) approved by Presidential Decree #434 dated 29 December 2000 and Article 2.3 of the “Regulations on Development and Implementation of the Annual Program of Income and Expenses (“Budget”) of the State Oil Fund of the Republic of Azerbaijan” approved by Presidential Decree #579 dated 12 September 2001. The contributions are received from the

following sources:

a)

Agreements on exploration, development and production sharing for oil and gas fields in the territory of the Republic of Azerbaijan including the Azerbaijan Sector of the Caspian Sea, as well as other agreements on oil and gas exploration, development and transportation entered into between the State Oil Company of the Azerbaijan Republic (SOCAR) or other authorized state bodies and investors, including:

- i. i. Contributions from the sale of hydrocarbons related to the share of the Republic of Azerbaijan in oil and gas agreements (net of expenditures incurred for hydrocarbons transportation, customs clearance and bank costs, marketing, insurance, and independent surveyor fees) excluding portion related to the participating interest or investment of SOCAR in a project in which SOCAR is an investor, participant or a contracting party;
- ii. ii. Bonus payments - the fees payable by foreign oil companies to SOCAR or other relevant authorities of the Republic of Azerbaijan due to signing of oil and gas contracts and their implementation;
- iii. iii. Acreage payments due to SOCAR and/or an authorized state body of the Republic of Azerbaijan from investors for the use of the contract area in connection with oil and gas exploration and development;
- iv. iv. Contributions generated from oil and gas transported over the territory of the Republic of Azerbaijan by means of the Baku-Supsa, Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum export pipelines (excluding shareholder revenues of SOCAR from its investments in the projects where it is an investor, participant or a contracting party);

v. v. Dividends and profit participation revenues falling on the share of the Republic of Azerbaijan in connection with oil and gas agreements implementation (excluding portion related to the participating interest or investment of SOCAR in a project in which SOCAR is an investor, participant or a contracting party);

vi. vi. Contributions generated from the transfer of assets from investors to an authorized state body within the framework of oil and gas agreements.

b)

Grants and other free aids;

c)

Other revenues and receipts in accordance with the legislation of the Republic of Azerbaijan.

Contributions received are then used to generate revenues from investment, management, sale and other disposal of the SOFAZ's assets (including financial assets and assets contributed by investors within oil and gas agreements), other non-sale income or revaluation surplus of the SOFAZ's assets in its reporting currency (Azerbaijani manats), etc.;

The consolidated financial statements include the financial statements of SOFAZ and its direct and indirect subsidiaries listed in the following table and the after-tax results of its joint ventures:

Subsidiary	% interest		Country	Date of establishment	Date of acquisition
	2024	2023			
SOFAZ RE Limited	100	100	Jersey	22-May-12	-
SOFAZ RE UK L.P.	100	100	Jersey	6-Aug-12	-
SOFAZ RE Min Limited	100	100	Jersey	13-Aug-12	-
78 St James's Street Unit Trust	100	100	Jersey	2-Oct-12	-
JSC Tverskaya, 16	100	100	Russian Federation	29-Jun-93	21-Dec-12
SOFAZ RE Europe Holding S.a.r.l	100	100	Luxembourg	31-Oct-12	-
SOFAZ RE Europe S.a.r.l.	100	100	Luxembourg	31-Oct-12	-
SCI 8 Place Vendome	100	100	France	14-Nov-12	-
Godo Kaisha GK001	98	98	Japan	21-Aug-15	26-Aug-15
SOFAZ RE Fund S.a.r.l	100	100	Luxembourg	27-May-15	-
SOFAZ Europe S.C.S.	100	100	Luxembourg	06-Dec-17	-
SOFAZ Fund Limited	100	100	Jersey	28-Dec-18	-
Joint Venture					
Capitals Property S.a.r.l	40	40	Luxembourg	29-Jan-18	29-Jan-18
"Azerbaijan Rigs" LLC	90	90	Azerbaijan	21-Jun-13	5-Jul-13

Registered address and place of business.

SOFAZ's registered and actual office address is 165, Heydar Aliyev Avenue, Baku, Azerbaijan, AZ1029.

These consolidated financial statements as of and for the year ended 31 December 2024 are authorized for issue by the Fund's Management on 19 June 2025.

2. Operating Environment of the Fund

Azerbaijan's Economic Performance for 2024.

In 2024, Azerbaijan's GDP growth reached to 4.1%, up from 1.1% in 2023, while the non-oil sector expanded by 6.2%. The service sector's contribution to GDP increased, reflecting ongoing economic diversification. Inflation remained within the 2-6% target range, supported by global disinflationary trends, reduced imported inflation, and a tighter monetary policy stance. This allowed the Central Bank of Azerbaijan to lower its key interest rate to 7.25%, down from a peak of 8.0% during the year. The state budget deficit improved to 0.4% of GDP, a reduction from 0.7% in 2023, driven by stronger-than-expected state revenues, particularly from the non-oil sector.

Oil Market Developments and Fiscal Resilience.

In 2024, the oil markets experienced significant fluctuations influenced by geopolitical tensions, production adjustments, and shifting demand patterns. Early in the year, prices rose due to concerns over Middle East conflicts potentially disrupting supply routes. However, as the year progressed, global oil demand growth slowed, leading to a surplus in supply. In 2024, global crude oil prices remained elevated, resulting in higher-than-expected foreign currency inflows to Azerbaijan. The average oil price reached \$83 per barrel, surpassing the budgeted price \$75 per barrel. This led to a trade surplus of \$5.5 billion USD and contributed to a 4.9% increase in Azerbaijan's strategic foreign

Presentation currency. These consolidated financial statements are presented in thousands of Azerbaijani manats ("AZN"), unless otherwise stated.

exchange reserves. Notably, the foreign assets of the State Oil Fund of Azerbaijan (SOFAZ) grew by 7.1%, strengthening the country's financial resilience amid fluctuations in the global hydrocarbon market. At the same time, measures have been taken to reduce external debt, in addition to increasing the country's foreign exchange reserves, thereby strengthening financial stability. The ratio of external debt to GDP has decreased by 1.8 percentage points compared to the beginning of 2024, reaching 7.1% as of January 1, 2025.

Strategic Priorities. In line with national development priorities, consistent measures have been taken within the framework of the Great Return program to restore and reconstruct the liberated territories, establish modern residential and social infrastructure, and reintegrate these areas into the overall economy. Additionally, the implementation of strategically important infrastructure projects, including the expansion of the road and transport network, has been rapidly progressing.

Global Financial Market Trends. In 2024, global financial and capital markets experienced significant growth, driven by technological advancements, economic resilience, and evolving monetary policies. U.S. capital markets experienced significant growth, driven by technological advancements and strong economic performance. The Nasdaq saw substantial gains, reflecting the tech sector's influence. The bond market faced challenges due to persistent inflation and evolving monetary policies, leading to a rise in U.S. 10-year

Treasury yields by approximately 60 basis points. Additionally, there was a notable rise in sustainable investment strategies, with investors increasingly prioritizing environmental, social, and governance (ESG) criteria. Overall, 2024 was characterized by technological advancements, a focus on sustainability, and dynamic shifts in global economic activities, all of which played pivotal roles in shaping the U.S. capital markets. Emerging markets, particularly in Asia, maintained strong economic momentum, while developed economies experienced slower growth. This divergence influenced investment strategies, with increased focus on regions exhibiting robust expansion. Additionally, AI, blockchain, and fintech innovations continued transforming financial services, shaping the future of global markets.

Environmental, Social and Governance (ESG) matters

SOFAZ's management has taken note of global awareness and concerns about the potential impact of climate change. SOFAZ strives to integrate ESG into investment portfolio as part of its mission and vision.

SOFAZ vision:

“SOFAZ is committed to its mission of safeguarding the financial assets of current and future generations by diligently pursuing a long-term investment strategy. By adopting a systematic approach to Environmental, Social, and Governance (ESG) factors, the Fund aims to both mitigate risks and identify investment opportunities that align with SOFAZ's overarching goal. This approach, aligning with SOFAZ's focus on maximizing risk-adjusted returns, seeks to protect and enhance the real value of the assets, providing long- term security for the future.”

SOFAZ integrates ESG principles into private equity and real estate investments by conducting evaluations during the due diligence process for new investments using tailored ESG questionnaires and implementing monitoring of existing investments within the

SOFAZ portfolio. Additionally, SOFAZ exercises proxy voting rights in public equity, allowing to actively engage in shaping the governance of the companies it invests in. This initiative reflects SOFAZ's commitment to responsible corporate practices, supporting decisions that contribute to sustainable investment practices and sound governance.

Currently, these matters have had no significant impact on the consolidated financial statements, but the Fund continues to monitor developments in this area.

3. Material Accounting Policy Information

This note describes material accounting policies, significant estimates and accounting judgements that are relevant to the financial statements as a whole. Additional accounting policies, significant estimates and accounting judgements are included in the respective statements and notes. Information is deemed material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of financial information. Materiality is assessed both in terms of size and nature of the item, or a combination of both.

3.1 Basis of Preparation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of investment properties, gold bullion, and financial instruments categorized at fair value through profit or loss (“FVTPL”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and in the respective notes.

These consolidated financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse

the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena reported in these consolidated financial statements.

The preparation of consolidated statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the SOFAZ's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in respective notes.

The Fund presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of

financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented below.

Presentation of statement of financial position in order of liquidity. The Fund does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 18 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 18.

In thousands of Azerbaijani Manats	31 December 2024			31 December 2023		
	Amounts expected to be recovered or settled					
	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS						
Gold bullion	-	21,002,767	21,002,767	-	11,478,567	11,478,567
Investments in joint ventures	-	759,472	759,472	-	741,726	741,726
Investment properties	-	1,455,689	1,455,689	-	1,536,719	1,536,719
Other assets	10,246	113,559	123,805	19,487	116,583	136,070
LIABILITIES						
Trade and other payables	3,209	-	3,209	3,857	-	3,857
Tenancy deposits	1,167	12,654	13,821	4,381	10,027	14,408
Deferred tax liability	-	10,044	10,044	-	9,491	9,491

3.2 Change in Presentation

For the 2024 financial statements, the Fund has implemented certain changes in presentation to enhance the readability of its financial statements.

The primary change involves switching the statement of financial position presentation of assets and liabilities to an order of liquidity format, replacing the traditional current/non-current classification. This approach better reflects the Fund's operations by showing assets and liabilities in the sequence of their liquidity, which is more relevant for financial institutions.

To provide greater transparency into the Fund's holdings and facilitate a clearer understanding of its investment portfolio, the previously aggregated line item "Financial assets at fair value through profit or loss" has been disaggregated into several specific categories: bonds, equity securities, financial derivatives, real estate, and private equity funds. This disaggregation allows users to more easily identify the composition of the Fund's investments and better evaluate financial performance in each segment.

Additionally, the line item formerly presented as "Other current assets" has been renamed "Other assets" and combined with property and equipment and intangible assets into a single aggregated line. This aggregation enables users to focus on the Fund's core financial investments while consolidating less significant non-financial assets into one line.

Regarding liabilities, current liabilities have been renamed and presented as "Trade and other payables", with all liabilities now presented in order of liquidity.

In the income statement, income arising from different asset classes is now presented separately to provide a clearer view of the Fund's diversified revenue sources. Furthermore, net fair value gains/losses on investment properties and rental income are now combined into a single line item "Investment properties", with a detailed

breakdown provided in the accompanying disclosure notes. This presentation improves the clarity of income generated from direct investments while maintaining transparency through note disclosures.

For the cash flow statement, cash flows from investing activities have been reclassified and are now presented as part of cash flows from operating activities. This presentation provides a better representation of its cash flows, reflecting the nature of its business more appropriately.

In the statement of changes in equity, contributions received and transfers from the Fund are now presented under the line items "Inflow during the period" and "Outflow during the period", respectively. Further details on the composition and division of these inflows and outflows are provided in the accompanying notes.

These reclassifications are in line with the requirements of IAS 8 and have been made to improve the usefulness and relevance of the financial statements, allowing users to better analyze the Fund's asset composition, operations, and financial performance.

As required by IAS 1.40, this change in presentation has been applied retrospectively, and the comparative figures have been reclassified accordingly. The Fund has disclosed the reclassified comparative figures, including the position at the beginning of the preceding period, to provide consistent and comparable information to users.

3.3 Transactions and Balances

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Republic of Azerbaijan ("CBAR") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBAR are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Foreign currency translation. The functional currency of each of the Fund's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of SOFAZ and the Fund's presentation currency, is the national currency of the Republic of Azerbaijan, Azerbaijani manat ("AZN"). The consolidated financial statements are presented in Azerbaijani manat ("AZN"), which is the Fund's presentation currency.

3.4 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities

arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify when liabilities are classified as either current or non-current. As most financial institutions, the Fund presents its statement of financial position ordered by liquidity rather than classifying its assets and liabilities as current or non-current. Therefore, this amendment had no impact on these consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The application of the above amendments had no significant impact on the Fund's consolidated financial statements.

3.5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later, and which the Fund has not early adopted.

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).
- Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).
- Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026).
- Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

The Fund is currently assessing the impact of new standards and interpretations on its consolidated financial statements.

3.6 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Fund makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed within each relevant note.

4. Cash and Cash Equivalents

Accounting policy

Cash and cash equivalents include cash at bank accounts, short-term deposits held at call with banks, and other short-term highly liquid investments in money market funds with original maturities of three months or less.

- Cash and cash equivalents (excluding money market funds) are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in

contractual terms such that the feature would apply even if the legislation is subsequently changed.

- Money market funds - Investments in money market funds are included in cash and cash equivalents and measured at fair value. They are short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity they present insignificant risk of changes in value because of changes in interest rates.

Cash and cash equivalents comprise:

<i>In thousands of Azerbaijani Manats</i>	2024	2023
Bank accounts	4,289,759	1,142,064
Money market funds	961,486	1,981,404
Short-term deposits	342,380	1,701
Total cash and cash equivalents	5,593,625	3,125,169

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents.

The Fund had the following investments in the money market funds with AAA credit ratings:

<i>In thousands of Azerbaijani Manats</i>	2024	2023
BlackRock ICS-Institution Liquidity Funds plc	938,367	1,068,040
Goldman Sachs	23,119	913,364
Total money market funds	961,486	1,981,404

Money market funds offer investors the opportunity to own a share in a fund that can be redeemed upon request, and they are known for their high level of liquidity. These funds primarily invest in short-term debt and debt-related instruments, which may include

commercial paper, certificates of deposit, bonds with floating interest rates, US Treasury bonds, Eurobonds, and asset-backed securities. Any interest and dividends earned by the Fund are automatically reinvested.

Bank accounts

Bank accounts were denominated in the following currencies:

In thousands
of Azerbaijani Manats

	2024	2023
USD	4,134,911	874,756
EUR	82,451	205,131
GBP	28,697	13,942
JPY	26,312	27,685
CAD	3,328	2,472
AZN	3,077	7,224
AUD	2,883	4,066
CHF	2,352	1,288
HKD	1,061	696
CNY	994	187
SEK	938	901
DKK	743	391
NOK	645	1,102
ILS	483	972
SGD	423	605
NZD	386	314
TRY	46	330
SAR	27	-
RUB	2	2
Total bank accounts	4,289,759	1,142,064

Short-term deposits

The Fund had the following investments in the short-term deposits:

In thousands
of Azerbaijani Manats

	2024	2023
First Abu Dhabi Bank	340,340	-
Mizuho Bank	2,040	1,701
Total short-term deposits	342,380	1,701

Accounting policy

For the purpose of ECL measurement cash and cash equivalents balances which are measured at amortised cost are included in

Stage 1. The ECL for these balances represents an insignificant amount, therefore the Fund did not recognise any credit loss allowance for cash and cash equivalents.

5. Term Deposits

The term deposit for 31 December 2024 is AZN 11,690 thousand (2023: The major part of the Term Deposit for 31 December 2023 consisted of the deposit on the Türkiye Central Bank which was AZN 1,893,143 thousand and matured during 2024). AZN 512 thousand of the deposit amount for 31 December 2024 is the accrued interest on the deposit (2023: AZN 16,832 thousand).

Accounting policy

For the purpose of ECL measurement term deposit balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Fund did not recognise any credit loss allowance for term deposits.

6. Holdings of Bonds, Equities, Financial derivatives and Funds

Accounting Policy

Initial Recognition and Subsequent Measurement

The Holdings of Bonds, Equities, Financial Derivatives and Funds line includes investments in debt and equity securities, private equity and real estate funds, and financial derivatives. These financial assets are initially recognized at fair value. The Fund earns interest income from debt securities, which is recognized in profit or loss. Dividends from equity securities are recognized in profit or loss when the Fund's right to receive payment is established and collection is probable. Fair value changes and gains or losses on derecognition are recorded in profit or loss as part of income/loss from bonds, equities, derivatives or funds.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ("regular way" transactions) are recognized at the trade date. Other purchases

are recognized when the Fund becomes a party to the contractual provisions of the instrument.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Equity Securities: The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Measured at fair value through profit or loss (FVTPL), with fair value determined based on quoted market prices at the reporting date.

Bonds: The contractual cash flows of the Fund's bonds are solely principal and interest; however, these bonds are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Measured at fair value through profit or loss (FVTPL), with fair value determined based on quoted market prices at the reporting date.

Financial Derivatives: Remeasured at fair value at each reporting date using market-observable inputs and valuation models. Gains and losses are recognized in profit or loss as they arise.

Investment Funds (Real Estate and Private Equity): Investments in real estate funds and private equity funds do not meet SPPI test. Measured at FV which is determined based on fund managers' year-end NAV reports.

Consequently, all investments in bonds, equities, financial derivatives and funds are measured at fair value through profit or loss.

Reclassification

- *Debt Securities: Reclassification occurs only when the business model for managing the portfolio as a whole changes, applied prospectively from the beginning of the first reporting period following the change.*
- *Equity Securities: Investments in equity securities are not subsequently reclassified between FVTPL and FVOCI, as the election to present subsequent changes in fair value in other comprehensive income is irrevocable.*

Derecognition

The Fund derecognizes financial assets when:

- (a) The assets are redeemed or the rights to cash flows from the assets expire, or
- (b) The Fund transfers the rights to cash flows from the financial assets or enters into a qualifying pass-through arrangement, and:
 - Substantially all the risks and rewards of ownership are transferred, or
 - Neither substantially all risks and rewards are transferred nor retained, but control is not retained. Control is deemed retained if the counterparty cannot sell the asset in its entirety to an unrelated third party without additional restrictions.

Holdings of bonds, equities, financial derivatives and funds comprise of followings:

In thousands of Azerbaijani Manats

	2024	2023
Bonds	42,583,372	49,982,568
Equity securities	22,710,277	19,491,299
Financial Derivatives	53	2,201
Real estate funds	4,564,772	4,182,407
Private equity funds	3,804,525	3,136,419
Total financial assets at fair value through profit or loss	73,662,999	76,794,894
Financial Derivatives	(8,153)	-
Total financial liabilities at fair value through profit or loss	(8,153)	-

6.1 Bonds

Sector allocation:

In thousands

of Azerbaijani Manats

	2024	2023
Sovereign bonds	25,414,166	25,685,554
Agency/Supranational bonds	14,302,408	16,080,811
Corporate bonds	2,866,798	8,203,831
Money Market	-	12,372
Total bonds	42,583,372	49,982,568

Top 10 investments in the bonds portfolio by issuer at 31 December 2024:

In thousands of

Azerbaijani Manats

	Total value	Share in the bonds portfolio
Government of the United States of America	7,299,088	17.1%
Government of Italy	4,035,645	9.5%
Government of the United Kingdom	3,586,831	8.4%
Government of Spain	2,793,442	6.6%
Government of France	2,745,184	6.4%
Mercury Investment & Holdings	2,037,593	4.8%
Government of Germany	1,841,236	4.3%
Government of China	1,489,744	3.5%
Asian Development Bank	1,346,675	3.2%
European Investment Bank	1,336,859	3.1%

6.2 Equity securities

The carrying value of equity investments consists of investments in the following sectors at 31 December 2024 and 2023:

In thousands
of Azerbaijani Manats

	2024	2023
Telecommunication and information technologies	7,563,476	5,615,509
Consumer	4,023,364	3,641,752
Finance	4,128,886	3,384,187
Healthcare	2,202,709	2,143,683
Industrial	2,016,740	1,858,933
Materials	1,098,063	1,059,561
Energy	847,691	882,998
Utilities	829,348	904,676
Total equity securities	22,710,277	19,491,299

These equity securities were held in the portfolio managed by Fund's external managers, SSGA, UBS, BlackRock, Mellon Capital and Sumitomo. External managers oversee 3.7%, 3.9%, 4.9%, 4.7%, and 5.0% of

the SOFAZ investment portfolio at 31 December 2024, respectively (2023: SSGA - 3.4%, UBS - 3.9%, BlackRock - 4.4%, Mellon Capital - 4.2% and Sumitomo - 4.5%).

Largest holdings of public equities on 31 December 2024 are as follows:

In thousands of Azerbaijani Manats	Sector	Equities	Share in the equity portfolios
Apple Inc. (AAPL)	Telecommunication and information technologies	1,096,046	4.8%
NVIDIA Corporation (NVDA)	Telecommunication and information technologies	947,716	4.2%
Microsoft Corporation (MSFT)	Telecommunication and information technologies	856,359	3.8%
Amazon.com, Inc. (AMZN)	Consumer	596,336	2.6%
Alphabet Inc. (GOOGL, GOOG)	Telecommunication and information technologies	595,445	2.6%
Meta Platforms, Inc. (META)	Telecommunication and information technologies	368,622	1.6%
Tesla, Inc. (TSLA)	Consumer	334,164	1.5%
Broadcom Inc (AVGO)	Telecommunication and information technologies	295,360	1.3%
JPMorgan Chase & Co (JPM)	Finance	197,103	0.9%
Eli Lilly & Co (LLY)	Healthcare	179,335	0.8%

6.3 Financial derivatives

In managing the Fund's assets, financial derivatives are utilized as a more cost-effective way to gain exposure to an asset or hedge risks, as they typically require a lower capital outlay compared to directly trading the underlying securities. These transactions are conducted with the aim of minimizing potential risks associated with price fluctuations and optimizing market risk exposures of the investment portfolio.

Futures contracts are agreements to buy or sell a specified financial instrument at a predetermined price and date in the future. They are standardized agreements that are traded on regulated futures exchanges, and they are subject to daily cash margin requirements.

As of 31 December 2024, SOFAZ's investment portfolio contained two types of derivatives: equity futures contracts and Cheapest-to-Delivery (CTD) bond futures contracts.

The notional value (underlying value) and fair value of each type of derivative are outlined in the table below:

In thousands
of Azerbaijani Manats
2024

	Notional amount	Fair value: Assets	Fair value: Liabilities
Bond Futures	336,085	-	(5,247)
Equity Futures	111,457	53	(2,906)
Total derivatives	447,542	53	(8,153)

In thousands
of Azerbaijani Manats
2023

	Notional amount	Fair value: Assets	Fair value: Liabilities
Bond Futures	378,736	587	-
Equity Futures	86,838	1,614	-
Total derivatives	465,574	2,201	-

6.4 Real estate and private equity funds

	Fair Value			
In thousands of Azerbaijani Manats	Commitment	Unfunded commitment	2024	2023
Private equity funds	5,207,836	2,130,190	3,325,337	2,861,737
Private equity co-investments	375,961	3,939	479,188	274,682
Total private equity	5,583,797	2,134,129	3,804,525	3,136,419
Real estate funds	8,233,330	2,405,395	4,223,275	3,833,631
Real estate co-investments	459,323	31,082	341,497	348,776
Total real estate	8,692,653	2,436,477	4,564,772	4,182,407
Total	14,276,450	4,570,606	8,369,297	7,318,826

Commitment – an obligation to provide a certain amount of capital to a private equity/real estate fund for investments.

Unfunded Commitment – money that has been committed to an investment but not yet called. The Fund recognises a financial liability from the date when the amounts are called. Usually, the financial liability is settled within several working days.

7. Gold Bullion

The Fund is involved in purchase of gold bullion for investment purposes with the intention of diversification of the investment portfolio with the ability to sell the gold in the future.

Accounting policy

The gold bullion is initially recognized and subsequently measured at fair value with gains or losses recognised in profit or loss.

In accordance with the “Rules on Holding, Placement and Management of Foreign Assets of The State Oil Fund of the Republic of Azerbaijan” approved by Decree #511 of the President of the Republic of Azerbaijan dated 19 June 2001 as amended by Decrees #607 dated 21 December 2001, #202 dated 1 March 2005, #216 dated 10 February 2010 and #519 dated 27 October 2011, gold bars conforming to the requirements of the London Bullion Market Association may be included in the Investment Portfolio of the Fund.

Movements of gold bullion:

*In thousands
of Azerbaijani Manats*

	2024	2023
Opening balance at 1 January	11,478,567	10,105,441
Additions	6,138,492	-
Net fair value gain on gold bullion	3,385,708	1,373,126
Closing balance at 31 December	21,002,767	11,478,567

8.8 Investment Properties

Investment property is property held by the Fund to earn rental income or for capital appreciation, or both and which is not occupied by the Fund.

Accounting policy

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any

transaction costs. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

Measurement of fair value of investment properties. Fair value of investment properties is determined by independent professionally qualified appraisers. Fair value is determined using internal capitalization method (also known as discounted future cash flow method), sales comparison method and net yield approach.

Investment properties are stated at fair value,

which has been determined based on valuations performed by professional valuation companies (accredited independent appraisers). Appraisers are recognized industry professionals that specialize in valuing these types of investment properties. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

participants at the measurement date. The fair values of the properties have been primarily derived using prices for comparable properties, market information, discounted cash flow method (income approach) and the expert opinion of independent accredited valuers who have advised on current market levels.

Movement of investment properties:

*In thousands
of Azerbaijani Manats*

	2024	2023
Investment properties at fair value at 1 January	1,536,719	1,579,873
Additions	3,435	3,582
Movement in lease incentive	(10,309)	(3,108)
Fair value gains/(losses)	32,371	(24,998)
Effect of translation to presentation currency	(106,527)	(18,630)
Investment properties at fair value at 31 December	1,455,689	1,536,719

Investment properties consist of “78 St James’s Street” an office complex located in London, “Gallery Actor”, a mixed-use office and retail complex located in Moscow Central Administrative District at 16 Tverskaya Street, “8 Place Vendome” a mixed-use office, retail and residential building located in Paris and “Kirarito Ginza” retail complex located in Tokyo. All properties are leased out on a commercial basis.

As at 31 December 2024, investment property carried at AZN 621,172 thousand (2023: AZN 690,901 thousand) have been pledged to third parties as collateral with respect to borrowings. Refer to Note 11.

Accounting policy

Accounting for operating leases by the Fund as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Where the Fund is the lessor, the future minimum lease payments receivable under operating leases are as follows:

*In thousands
of Azerbaijani Manats*

	2024	2023
Not later than 1 year	52,427	47,282
Later than 1 year and not later than 2 years	52,349	46,604
Later than 2 years and not later than 3 years	51,813	45,716
Later than 3 years and not later than 4 years	50,065	44,948
Later than 4 years and not later than 5 years	48,518	43,497
Later than 5 years	93,837	124,904
Total operating lease payments receivable at 31 December	349,009	352,951

The table below summarises detailed disclosure of fair value change of investment properties. Sensitivity analysis of fair value of investment properties was disclosed in Note 17.

Investment property

<i>In thousands of Azerbaijani Manats</i>	Fair value 2024	Change in fair value	Effect of translation to presentation currency	Additions	Movement in lease incentive	Fair value 2023
"78 St James Street", London	447,447	31,417	(5,555)	1,745	(10,309)	430,149
"Gallery Actor", Moscow	46,061	(1,701)	(7,039)	187	-	54,614
"SCI 8 Place Vendome", Paris	341,009	(289)	(20,048)	291	-	361,055
"Kirarito Ginza" , Tokyo	621,172	2,944	(73,885)	1,212	-	690,901
Total	1,455,689	32,371	(106,527)	3,435	(10,309)	1,536,719

Investment property

<i>In thousands of Azerbaijani Manats</i>	Fair value 2023	Change in fair value	Effect of translation to presentation currency	Additions	Movement in lease incentive	Fair value 2022
"78 St James Street", London	430,149	(17,115)	23,763	1,433	(3,108)	425,176
"Gallery Actor", Moscow	54,614	4,054	(11,560)	457	-	61,663
"SCI 8 Place Vendome", Paris	361,055	(10,092)	12,689	211	-	358,247
"Kirarito Ginza" , Tokyo	690,901	(1,845)	(43,522)	1,481	-	734,787
Total	1,536,719	(24,998)	(18,630)	3,582	(3,108)	1,579,873

İnvestisiya mülkiyyətindən əldə olunan gəlir/(zərər) haqqında ümumiləşdirilmiş məlumat aşağıdakı Tabledə təqdim edir:

Investment property

<i>In thousands of Azerbaijani Manats</i>	Rental income 2024	Fair value gain/(loss) 2024	Profit / (loss) 2024	Rental income 2023	Fair value gain/(loss) 2023	Profit / (loss) 2023
"78 St James Street", London	19,161	31,417	50,578	5,564	(17,115)	(11,551)
"Gallery Actor", Moscow	6,919	(1,701)	5,218	7,909	4,054	11,963
"SCI 8 Place Vendome", Paris	12,311	(289)	12,022	11,671	(10,092)	1,579
"Kirarito Ginza" , Tokyo	14,188	2,944	17,132	14,861	(1,845)	13,016
Total	52,579	32,371	84,950	40,005	(24,998)	15,007

9. Investments in Joint Ventures

Accounting policy

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Fund has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Fund's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Fund's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Fund's net investment in the joint ventures), the Fund does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The table below summarises the movements in the carrying amount of the Fund's investments in joint ventures.

<i>In thousands of Azerbaijani Manats</i>	2024	2023
Carrying amount at 1 January	741,726	791,488
Share of after tax results of joint venture	25,471	(47,357)
Loss from FX translation recognised in OCI	(7,725)	(2,405)
Carrying amount at 31 December	759,472	741,726

"Capitals Property" S.a.r.l - The main activity of the entity is real estate business through funding from the shareholders' proportion of their respective shares and bank loan. No additional paid-in capital was contributed during 2024 (2023: nil). All strategic financial and operating decisions relating to the activity of the acquiree require the unanimous consent of all shareholding parties. The results of this joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

"Azerbaijan Rigs" LLC - The principal business activity of the entity is leasing out a new sixth generation semisubmersible floating drilling rig for operations in the Caspian Sea. All strategic financial and operating decisions relating to the activity of the acquiree require the unanimous consent of both shareholding parties. The results of this joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

At 31 December 2024, the Fund's interests in its joint ventures and its summarised aggregate financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

In thousands of Azerbaijani Manats	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Revenue	Other income	Expenses	Profit /(loss)	% interest held	Country of incorporation
"Azerbaijan Rigs" LLC	210,556	492,867	-	-	72,617	2,973	-30,811	44,779	90%	Azerbaijan
"Capitals Property" S.a.r.l	25,237	815,658	-1,900	-523,017	47,129	-	-84,205	-37,076	40%	Luxembourg

31 dekabr 2023-cü il tarixinə Fondun birgə müəssisələrindəki iştirak payı və həmin müəssisələrin maliyyə göstəriciləri, o cümlədən aktivləri, öhdəlikləri, gəlirləri, mənfəət və ya zərəri haqqında qısa məlumat aşağıda təqdim edilir:

In thousands of Azerbaijani Manats	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Revenue	Other income	Expenses	Profit /(loss)	% interest held	Country of incorporation
"Azerbaijan Rigs" LLC	146,289	512,357	-2	-	36,093	948	-60,172	-23,131	90%	Azerbaijan
"Capitals Property" S.a.r.l	20,630	943,930	-13,271	-578,923	40,951	7,068	-114,366	-66,347	40%	Luxembourg

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures is as follows:

In thousands of Azerbaijani Manats	"Azerbaijan Rigs" LLC			"Capitals Property" S.a.r.l		
	2024	2023		2024	2023	
Opening net assets	658,644	681,775		372,366	444,724	
Profit/(loss) for the period	44,779	(23,131)		(37,076)	(66,347)	
Translation to presentation currency	-	-		(19,312)	(6,011)	
Closing net assets	703,423	658,644		315,978	372,366	
The Fund's share in %	90%	90%		40%	40%	
The Fund's share in amount	633,081	592,780		126,391	148,946	
Carrying amount of investment	633,081	592,780		126,391	148,946	

10. Contributions and Transfers

10.1 Capital Contribution

In accordance with the Decrees and the Regulations, the Fund is an extra-budget state organization. As described in Note 1, the Fund receives cash inflows from revenues generated from various oil and gas activities carried out in the Republic of Azerbaijan. These cash inflows are made according to certain decrees of the President of the Republic of Azerbaijan. Cash outflows for

major projects and contributions to the State budget are also made according to decrees of the President of the Republic of Azerbaijan. SOFAZ believes these inflows and outflows of funds represent contributed capital and withdrawals of capital, respectively. Accordingly, SOFAZ recognises them as movements in equity in the consolidated statement of changes in equity.

The movements in capital contributions to the Fund were as follows:

In thousands of Azerbaijani Manats	2024	2023
Contributions received from sales of oil and gas	11,461,383	14,519,001
Bonuses	778,217	800,671
Acreage fees	3,601	3,601
Pipeline transit tariffs	527	839
Total capital contributions	12,243,728	15,324,112

10.2 Transfers by the Fund

Transfers to the State Budget, as well as state institutions, state-owned entities and companies are recognized on the date of payment. All transfers are made within the approved budget of the Fund and transferred to the State Treasury of the Republic of Azerbaijan for payments to eligible budgetary beneficiaries (state institutions, state-owned entities and companies) based on their requests for payments.

During 2024 transfers to the State Budget, as well as to the state institutions, state-owned entities and companies were made in accordance with:

- The Decree #2430 of the President of the Republic of Azerbaijan dated 27 December 2023 on the Approval of the Budget of the State Oil Fund of the Republic of Azerbaijan for 2024.

During 2023 transfers to the State Budget, as well as to the state institutions, state-owned entities and companies were made in accordance with:

- The Decree #1942 of the President of the Republic of Azerbaijan dated 30 December 2022 on the Approval of the Budget of the State Oil Fund of the Republic of Azerbaijan for 2023.

In thousands of Azerbaijani Manats	2024	2023
Transfers to the State Budget	12,781,000	11,737,630
Financing of the State Program of Increasing the International Competitiveness of the higher education System in the Republic of Azerbaijan	81,279	62,262
Total transfers	12,862,279	11,799,892

11. Borrowings of Subsidiaries

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at AC using the effective interest method, unless they are designated at FVTPL at initial recognition.

*In thousands
of Azerbaijani Manats*

	2024	2023
Term loan Godo Kaisha (GK001 - Tokyo, Japan)	335,521	371,578
Total borrowings	335,521	371,578

The term loan comprises of bank borrowing by Godo Kaisha GK001 (Kirarito Ginza), denominated in Japanese Yen. The loan balance at 31 December 2023, was paid in full during 2024 and new bank borrowing was obtained which matures by 10 September 2029 and bears coupon of fixed rate of 1.49% annually (2023: 0.81%). An investment property is pledged as collateral for the borrowing (refer to Note 8). The loan is subject to certain covenants primarily relating to the financial performance of Kirarito Ginza. The Fund was in compliance with these covenants for the year ended 31 December 2024.

Borrowings are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The Fund does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Accounting policy

The fair value of current borrowing approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the fixed borrowing rate of 1.49% (2023: 0.81%). The fair values are within level 2 of the fair value hierarchy.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of liabilities from financing activities and the movements in the Fund's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

*In thousands
of Azerbaijani Manats*

	2023
Liabilities from financing activities at 1 January 2023	402,506
Repaid during the year	(7,213)
Foreign exchange adjustments	(24,308)
Other non-cash movements	593
Liabilities from financing activities at 31 December 2023	371,578
Repaid during the year	(346,537)
Loan obtained	350,280
Foreign exchange adjustments	(39,800)
Liabilities from financing activities at 31 December 2024	335,521

12. Specification of Income from Bonds and Equity Securities

Accounting policy

Investments in equities, bonds and financial derivatives are measured at fair value through profit and loss. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss when the Fund's right to receive payment is established.

Interest income is recognised when the interest is accrued. Interest expense is recognised as incurred. The measurement of interest income and expense is based on contractual terms.

Realised gain/loss mainly represents amounts realised when assets or liabilities are derecognised. Average acquisition cost is assigned upon derecognition. Realised gain/loss includes transaction costs, which are expensed as incurred.

Income from bonds:

*In thousands
of Azerbaijani Manats*

	2024	2023
Interest	1,419,900	1,461,744
Net fair value gain	218,152	1,145,016
Foreign exchange (loss)/gain	(957,883)	428,391
Income from bonds	680,169	3,035,151

Income from equity securities:

*In thousands
of Azerbaijani Manats*

	2024	2023
Dividends	416,587	372,545
Net fair value gain	3,363,404	3,115,071
Foreign exchange (loss)/gain	(566,978)	121,080
Income from equity securities	3,213,013	3,608,696

Interest income from bonds:

*In thousands
of Azerbaijani Manats*

	2024	2023
Government securities	674,787	657,914
Agency securities	408,468	316,863
Corporate securities	336,645	486,967
Total interest income	1,419,900	1,461,744

13. Foreign Currency Translation Differences

Accounting policy

Foreign currency translation differences arise when financial statements of foreign subsidiaries, branches, or operations are consolidated into the financial statements of the parent company. These differences can occur because of changes in exchange rates between the functional currency of the foreign operation and the reporting currency of the parent company.

- Əməliyyat valyutası: MUBS 21 “Xarici v• Functional Currency: Under IAS 21, The Effects of Changes in Foreign Exchange Rates, each entity in a group determines its functional currency, which is the currency of the primary economic environment in which it operates.
- Translation of Foreign Operations: When consolidating financial statements, the assets and liabilities of foreign operations are translated into the reporting currency using the exchange rate at the reporting date. Income and expenses are translated

using average exchange rates for the period.

- Translation Differences: The difference between the translated amounts and the amounts originally denominated in the foreign currency is recognized in the other comprehensive income (OCI) as a translation reserve (part of equity). These differences are not typically recognized in the consolidated statement of profit or loss, unless the foreign operation is disposed of, at which point the translation reserve is reclassified to profit or loss.

Foreign currency transactions are recognised in these consolidated financial statements using the exchange rate prevailing on the transaction date. Assets and liabilities in foreign currencies are translated into Azerbaijani manats using the exchange rate at the respective end of the reporting period. The foreign exchange element linked to the financial instruments measured at amortised cost is disaggregated in the consolidated statement of profit or loss and presented on a separate line. This presentation is considered to provide the best informational value to the users of the financial statements.

14. Operating Expenses

Operating expenses are comprised of:

*In thousands
of Azerbaijani Manats*

	2024	2023
Operating expenses of subsidiaries	42,331	42,301
Wages, salaries and employee benefits	9,786	9,783
Asset management fee	5,617	5,303
Short-term license fee	5,248	5,425
Depreciation and amortization	4,259	4,061
Custody expenses	3,048	2,944
SSPF contributions	2,097	2,138
Utility and communication expenses	839	799
Other operating expenses	5,877	3,792
Total operating expenses	79,102	76,546

Operating expenses of subsidiaries include property management expenses, asset management expenses, corporate expenses (administration and accounting fees), bank charges, legal fees, and other general expenses incurred by the subsidiaries.

Audit remuneration fee. The annual fee amount to the SOFAZ’s auditors for the audit of the Fund’s consolidated financial statements as of 31 December 2024 is AZN 120 thousand, net of VAT (2023: AZN 118 thousand).

15. Income Taxes

Accounting policy

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The Fund provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Russian Federation, Luxembourg, Japan, Jersey and France.

According to law of State Parliament regarding changes to the Law of Azerbaijan on “Changes to the Tax Code of Azerbaijan Republic” #509-IVQD dated 21 December 2012, and Presidential Decree #802

implementing the referred law dated 29 December 2012, starting from 1 January 2013 SOFAZ is exempted from corporate income tax.

Standard corporate income tax rates for companies operating in the Japan, Luxembourg, Russian Federation and France comprised 34.59%, 17%, 20% and 25% (2023: 34.59%, 17%, 20% and 25%), respectively. All the Jersey companies are zero corporate income tax rated by virtue of being International Service Entities.

16. Principal Subsidiaries and Structured Entities

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that SOFAZ controls because, SOFAZ:

- (i) has power to direct the relevant activities of the investees that significantly affect their returns,
- (ii) has exposure, or rights, to variable returns from its involvement with the investees, and
- (iii) has the ability to use its power over the investees to affect the amount of the investor’s returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Fund has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

Accounting policy

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Accounting policy

The results and financial position of each of the Fund's consolidated entities (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- i. assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;
- ii. income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- iii. components of equity are translated at the historic rate; and
- iv. all resulting exchange differences are recognised in other comprehensive income.

Structured entities. Structured entities are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Judgement is also required to determine whether the substance of the relationship between the Fund and a structured entity indicates that the structured entity is controlled by the Fund.

Were the Fund not to consolidate the assets, liabilities and the results of these consolidated structured entities, the net effect on the

statement of financial position would be a decrease in net assets of AZN 286,987 thousand as at 31 December 2024 (2023: decrease in net assets of AZN 317,370 thousand) and decrease in profit by AZN 5,061 thousand for the year of 2024 (2023: increase of AZN 2,981 thousand). Refer to Note 21 for further information about the structured entity.

Accounting judgement

The Fund does not consolidate structured entities that it does not control. As it can sometimes be difficult to determine whether the Fund does control a structured entity, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the structured entity in question. In many instances, elements are present that, considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards existence of control, the structured entity is consolidated.

17. Fair Value Disclosures

Accounting policy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- i. level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- ii. level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
- iii. And level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Valuation of financial instruments. Financial instruments that are classified at fair value through profit or loss are stated at fair value.

The Fund considers that the accounting estimates related to valuation of financial instruments where quoted markets prices are not available are a key source of estimating uncertainty because:

- i. they are highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and;
- ii. (ii) the impact that recognizing a change in the valuations would have on the assets reported in the statement of financial position as well as its profit/(loss) could be material.

Management uses different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments where quoted market prices are not available using their own knowledge and capabilities, as well as data obtained from its custodians (mainly Bank of New York Mellon) and Bloomberg.

Accounting judgement

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Azerbaijani Manats	31 December 2024					31 December 2024				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 2	Level 3
Assets at fair value										
Financial assets										
Cash and cash equivalents	961,486	-	-	961,486	1,981,404	-	-	1,981,404	-	-
Sovereign bonds	25,414,166	-	-	25,414,166	25,685,554	-	-	25,685,554	-	-
Agency/Supranational bonds	14,302,408	-	-	14,302,408	16,080,811	-	-	16,080,811	-	-
Corporate bonds	4,275	2,862,523	-	2,866,798	427,988	7,775,843	-	8,203,831	-	-
Money Market	-	-	-	-	12,372	-	-	12,372	-	-
Total Bonds	39,720,849	2,862,523	-	42,583,372	42,206,725	7,775,843	-	49,982,568	-	-
Equity securities	22,710,277	-	-	22,710,277	19,491,299	-	-	19,491,299	-	-
Financial derivatives	53	-	-	53	2,201	-	-	2,201	-	-
Private Equity Funds	-	-	3,804,525	3,804,525	-	-	-	3,136,419	-	-
Real Estate Funds	-	-	4,564,772	4,564,772	-	-	-	4,182,407	-	-
Total financial assets at fair value through profit or loss	63,392,665	2,862,523	8,369,297	74,624,485	63,681,629	7,775,843	7,318,826	78,776,298	-	-
Non-financial assets										
Investment properties	-	-	1,455,689	1,455,689	-	-	-	1,536,719	-	-
Gold bullion	21,002,767	-	-	21,002,767	11,478,567	-	-	11,478,567	-	-
Total non-financial assets	21,002,767	-	1,455,689	22,458,456	11,478,567	-	1,536,719	13,015,286	-	-
Total assets with recurring fair value measurements	84,395,432	2,862,523	9,824,986	97,082,941	75,160,196	7,775,843	8,855,545	91,791,584	-	-
Financial liabilities										
Financial derivatives	(8,153)	-	-	(8,153)	-	-	-	-	-	-
Total liabilities with recurring fair value measurements	(8,153)	-	-	(8,153)	-	-	-	-	-	-

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2024 and 31 December 2023:

In thousands of Azerbaijani Manats	Fair value	Valuation technique	Inputs used
Assets at fair value			
Financial assets			
2024			
Corporate bonds	2,862,523	DCF	Government bonds yield curve+spread
2023			
Corporate bonds	7,775,843	DCF	Government bonds yield curve+spread

Yields used are yield of Azerbaijani government bond + spread (difference between active USD Azerbaijan energy sector

corporate bonds and Azerbaijani government bonds).

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2024:

In thousands of Azerbaijani Manats	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Assets at fair value Non-financial assets						
Investment properties						
“78 St James Street”, London	447,447	Discounted cash flows	Net rental value	AZN 29,484 thousand	+/- 5%	18,538/ (17,961)
“Gallery Actor”, Moscow	46,061	Discounted cash flows	Target rate of return	14%	+/- 1%	(1,917)/ 2,032
“SCI 8 Place Vendome”, Paris	341,009	Income capitalisation method, Discounted cash flows	Market yield	3.48%	+/- 0.5%	(31,903)/ 42,538
“Kirarito Ginza” , Tokyo	621,172	Income capitalisation method, Discounted cash flows	Market yield	2.5%	+/- 0.1%	(24,489)/ 26,529

Total recurring fair value
measurements at level 3

1,455,689

31 dekabr 2023-cü il tarixinə 3-cü Səviyyə üzrə ədalətli dəyərin qiymətləndirilməsində istifadə olunan giriş məlumatlar və qiymətləndirmə modelləri, eləcə də bu qiymətləndirmələrin giriş məlumatlardakı mümkün dəyişikliklərə qarşı həssaslığı aşağıdakı kimidir:

In thousands of Azerbaijani Manats	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
Assets at fair value Non-financial assets						
Investment properties						
“78 St James Street”, London	430,149	Discounted cash flows	Net rental value	AZN 28,751 thousand	+/- 3.8%	12,358/ (11,687)
“Gallery Actor”, Moscow	54,614	Discounted cash flows	Target rate of return	14%	+/- 1%	(2,032)/ 2,123
“SCI 8 Place Vendome”, Paris	361,055	Income capitalisation method, Discounted cash flows	Market yield	3.48%	+/- 0.5%	(20,643)/ 28,149
“Kirarito Ginza” , Tokyo	690,901	Income capitalisation method, Discounted cash flows	Market yield	2.5%	+/- 0.1%	(27,234)/ 29,503

Total recurring fair value
measurements at level 3

1,536,719

10% change in the price of real estate and private equity funds affects the fair value of these financial assets as follows:

In thousands of Azerbaijani Manats	31 December 2024		31 December 2023	
	10%	-10%	10%	-10%
Real Estate Funds	456,477	(456,477)	418,241	(418,241)
Private Equity Funds	380,453	(380,453)	313,642	(313,642)

A reconciliation of movements in Level 3 of the fair value hierarchy for the year ended 31 December 2024 is as follows:

In thousands of Azerbaijani Manats	Real Estate Funds	Private Equity Funds
Fair value at 1 January 2024	4,182,407	3,136,419
Capital call	709,118	625,056
Capital returns	(233,552)	(203,254)
Unrealized gain recognised in profit or loss for the year	60,330	320,967
Realized (loss)/gain recognised in profit or loss for the year	(28,040)	56,872
Loss recognized in other comprehensive income	(125,491)	(131,535)
Fair value at 31 December 2024	4,564,772	3,804,525

A reconciliation of movements in Level 3 of the fair value hierarchy for the year ended 31 December 2023 is as follows:

In thousands of Azerbaijani Manats	Real Estate Funds	Private Equity Funds
Fair value at 1 January 2023	3,780,431	2,462,334
Capital call	894,971	462,099
Capital returns	(201,621)	(151,599)
Unrealized (loss)/gain recognised in profit or loss for the year	(410,602)	240,599
Realized (loss)/gain recognised in profit or loss for the year	(14,373)	55,422
Gain recognized in other comprehensive income	133,601	67,564
Fair value at 31 December 2023	4,182,407	3,136,419

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands of Azerbaijani Manats	31 dekabr 2024		31 dekabr 2023	
Assets				
Cash and cash equivalents	-	4,632,139	-	1,143,765
Term deposits	-	11,690	-	1,901,385
Other assets				
Trade receivables	-	10,934	-	45,463
Margin account	-	8,058	-	11,308
Total Assets	-	4,662,821	-	3,101,921
Liabilities				
Borrowing of subsidiaries	-	335,521	-	371,578
Other financial liabilities				
Trade payables	-	14,533	-	16,959
Total Liabilities	-	350,054	-	388,537

The fair values in level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The

fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

18. Financial Risk Management

The SOFAZ's "Rules on management of foreign currency assets of the State Oil Fund of the Republic of Azerbaijan" (hereinafter "Investment guidelines") and Investment policy constitute the framework for risk management. SOFAZ's risk management and monitoring procedures involve examining various types of risks. These include market risk, credit risk, liquidity risk, and other relevant indicators, which are reported to both internal and external audiences.

Effectively managing risk is a crucial component of the Fund's activities. The following is a brief overview of the Fund's risk management strategies pertaining to these risks.

Credit risk. The Fund is exposed to credit risk which is the risk of loss that may occur from a borrower's failure to repay a loan or meet contractual obligations. The Fund is subject to credit risk from its portfolio of cash and cash equivalents, term deposits and its investments. The Fund manages its credit risk in accordance with the Investment guidelines.

Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount invested in each asset.

The Fund's financial instruments are rated by globally recognized agencies such as Standard & Poor's, Fitch, and Moody's to determine their creditworthiness. If these agencies have assigned different ratings to an asset, the lowest rating is used. The table below provides details of the credit ratings for the Fund's financial instruments.

In thousands of Azerbaijani Manats										
2024	AAA	AA	A	BBB	BB	B	WD	Total		
Bank accounts	-	18,553	671,646	177,008	10,511	46	9,141	886,905		
Money Market Funds	961,486	-	-	-	-	-	-	961,486		
Short term deposits	-	-	342,380	-	-	-	-	342,380		
Cash and cash equivalents*	961,486	18,553	1,014,026	177,008	10,511	46	9,141	2,190,771		
Term deposits	-	-	-	-	-	-	11,690	11,690		
Sovereign bonds	2,177,198	14,211,429	1,942,590	6,904,819	-	178,130	-	25,414,166		
Agency/Supranational Bonds	8,473,684	3,770,884	1,865,244	192,596	-	-	-	14,302,408		
Corporate Bonds	-	-	-	4,275	2,862,523	-	-	2,866,798		
Bonds	10,650,882	17,982,313	3,807,834	7,101,690	2,862,523	178,130	-	42,583,372		
Margin Account	-	3,242	4,816	-	-	-	-	8,058		
Other assets	-	3,242	4,816	-	-	-	-	8,058		

*AZN 3,402,845 thousand (2023: AZN 347,169 thousand) cash balance held by the Fund in the Central Bank of the Republic of Azerbaijan is excluded from the table as central banks do not have credit ratings.

In thousands of Azerbaijani Manats										
2024	AAA	AA	A	BBB	BB	B	WD	Total		
Bank accounts	-	8,399	753,926	21,388	1,443	330	9,402	794,888		
Money Market Funds	1,981,404	-	-	-	-	-	-	1,981,404		
Short term deposits	-	-	1,701	-	-	-	-	1,701		
Cash and cash equivalents*	1,981,404	8,399	755,627	21,388	1,443	330	9,402	2,777,993		
Term deposits**	-	-	-	-	-	-	8,242	8,242		
Sovereign bonds	14,125,920	6,414,679	792,968	4,273,078	-	78,909	-	25,685,554		
Agency/Supranational Bonds	10,544,397	3,908,731	1,542,954	84,729	-	-	-	16,080,811		
Corporate Bonds	-	-	13,578	9,439	8,180,814	-	-	8,203,831		
Money Market	12,372	-	-	-	-	-	-	12,372		
Bonds	24,682,689	10,323,410	2,349,500	4,367,246	8,180,814	78,909	-	49,982,568		
Margin Account	-	6,633	4,675	-	-	-	-	11,308		
Other assets	-	6,633	4,675	-	-	-	-	11,308		

** Türkiye Central Bank does not have credit rating and its balance is excluded from the table above.

The Fund has investment strategies for investments in real estate and private equity funds. The Fund performs comprehensive review process where assesses the investment experience of the funds, opinions of shareholders in the previous investments of general partner, knowledge and experience of staff, financial facilities used in fund's organization and cash flow management and evaluates them by 10 points scale. As of 31 December 2024 and 2023, the scores awarded for real estate and private equity funds are in the range of 6-10. According to the risk management manual for alternative investments, the risk management process includes complex due diligence of proposed investments in terms of market, financial, operational and fund- specific risks. Moreover, SOFAZ conducts quarterly monitoring of the risk limits outlined in the strategy, which is updated annually. Those limits have been set to maintain the diversification of alternative investments portfolios (both real estate and private equity) in terms of regions, sectors, strategies, investment types, vintage year as well as single fund and general partner exposures.

Market risk is the risk that the value of an investment will decline due to changes in market factors such as interest rates, currency exchange rates, stock market prices, private market prices.

The Fund's market risk is influenced by factors such as changes in interest rates, credit risk premiums, share prices, exchange rates, gold prices and private assets' values. A range of measures and analyses, including but not limited to duration, Value at Risk, concentration analysis, scenario analysis and stress testing, are employed to gain a comprehensive understanding of the market risk associated with the Fund. To monitor the risk of divergence of the Fund's sub-portfolio returns from their passively tracked benchmarks, tracking errors are continually observed.

Interest rate risk. As the majority of the investment portfolio of the Fund consists of fixed income securities, it is exposed to fluctuations in the prevailing levels of market interest rates, which can impact its financial position and cash flows. The duration of the debt obligations and money market instruments sub-portfolio should be within a range of plus or minus 0.5 years around the weighted average duration of the corresponding benchmark.

Interest rate sensitivity. At 31 December 2024 and 2023 the Fund held interest-bearing deposits and debt securities that were susceptible to interest rate risk. To manage this risk, the Fund adjusts the duration of assets in its investment portfolio to align with the relevant benchmark's duration. The Risk Management Department monitors and manages this risk daily within predetermined limits.

The table below illustrates the net impact of changes in fair value when the market interest rate fluctuates by 1%.

Impact on profit/(loss) and equity before tax:

In thousands of Azerbaijani Manats	31 December 2024		31 December 2023	
	1%	-1%	1%	-1%
Assets:				
Cash and cash equivalents	(214)	214	-	-
Term deposits	(36)	36	(17,209)	17,209
Bonds	(1,492,674)	1,492,674	(1,695,562)	1,695,562
Net impact on profit/(loss) before tax	(1,492,924)	1,492,924	(1,712,771)	1,712,771
Impact on equity	(1,492,924)	1,492,924	(1,712,771)	1,712,771

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

To manage currency risk, the Fund adheres to the currency allocation specified in its Investment policy, which sets specific weights for various currencies. Additionally, the Fund is authorized to use currency derivatives for hedging purposes, as per its Investment guidelines. Currency rebalancing is performed quarterly in accordance with internal procedures, and currency allocation is implemented in the context of the multi-asset and diversified Fund investment portfolio.

The table below summarizes the Fund's exposure to foreign currency exchange rate risk for the year ended 31 December 2024:

In thousands of Azerbaijani Manats								
2024	AZN	USD	EUR	GBP	JPY	CNY	Other	Total
Financial assets								
Cash and cash equivalents	3,077	4,999,132	105,570	104,884	26,312	994	353,656	5,593,625
Term deposits	-	-	-	-	-	-	11,690	11,690
Bonds	-	20,027,295	15,814,282	3,723,888	-	2,634,125	383,782	42,583,372
Equities	-	14,961,003	3,180,995	698,259	1,072,679	-	2,797,341	22,710,277
Financial derivatives	-	-	-	-	51	-	2	53
Real estate funds	-	3,419,899	1,034,353	-	23,548	-	86,972	4,564,772
Private equity funds	-	2,891,305	880,979	32,241	-	-	-	3,804,525
Other assets								
Trade receivables	-	-	4,777	5,508	511	-	138	10,934
Margin account	-	4,745	2,770	162	149	-	232	8,058
Total financial assets	3,077	46,303,379	21,023,726	4,564,942	1,123,250	2,635,119	3,633,813	79,287,306
Financial liabilities								
Trade payables	(1,928)	-	(3,054)	(6,482)	(2,352)	-	(717)	(14,533)
Financial derivatives	-	(6,358)	(1,655)	(49)	-	-	(91)	(8,153)
Borrowings of subsidiaries	-	-	-	-	(335,521)	-	-	(335,521)
Lease liabilities	-	-	-	(34,203)	(4,166)	-	-	(38,369)
Total financial liabilities	-1,928	(6,358)	(4,709)	(40,734)	(342,039)	-	(808)	(396,576)
Open position	1,149	46,297,021	21,019,017	4,524,208	781,211	2,635,119	3,633,005	78,890,730

The table below summarizes the Fund's exposure to foreign currency exchange rate risk for the year ended 31 December 2023:

In thousands of Azerbaijani Manats								
2023	AZN	USD	EUR	GBP	JPY	CNY	Other	Total
Financial assets								
Cash and cash equivalents	7,224	1,823,390	1,118,588	135,049	27,685	187	13,046	3,125,169
Term deposits	-	-	1,893,143	-	-	-	8,242	1,901,385
Bonds	-	32,963,326	11,909,985	3,806,671	-	930,601	371,985	49,982,568
Equities	-	11,850,221	3,115,457	653,829	1,016,604	-	2,855,188	19,491,299
Financial derivatives	-	2,044	-	62	17	-	78	2,201
Real Estate Funds	-	3,182,319	870,273	-	26,152	-	103,663	4,182,407
Private Equity Funds	-	2,360,810	750,527	25,082	-	-	-	3,136,419
Other assets								
Trade receivables	-	31,807	9,240	3,303	482	-	631	45,463
Margin account	-	8,992	1,818	100	166	-	232	11,308
Total financial assets	7,224	52,222,909	19,669,031	4,624,096	1,071,106	930,788	3,353,065	81,878,219
Financial liabilities								
Trade payables	(1,639)	-	(3,382)	(6,471)	(4,698)	-	(769)	(16,959)
Borrowings of subsidiaries	-	-	-	-	(371,578)	-	-	(371,578)
Lease liabilities	-	-	-	(36,308)	(5,028)	-	-	(41,336)
Total financial liabilities	(1,639)	-	(3,382)	(42,779)	(381,304)	-	(769)	(429,873)
Open position	5,585	52,222,909	19,665,649	4,581,317	689,802	930,788	3,352,296	81,448,346

Currency risk sensitivity. The following tables display the currencies to which the Fund held significant exposure on its monetary assets and forecasted cash flows as of 31 December 2024 and 2023. The analysis in the tables measures the potential impact on the

statement of profit or loss and other comprehensive income resulting from a reasonably possible fluctuation of the currency rate against the AZN, assuming that all other variables remain constant.

In thousands of Azerbaijani Manats	Impact on profit/ (loss) for the year			Impact on equity	Impact on profit/ (loss) for the year			Impact on equity
	31 December 2024				31 December 2023			
AZN/USD	10%	4,629,702	4,629,702	10%	5,222,291	5,222,291		
	-10%	(4,629,702)	(4,629,702)	-10%	(5,222,291)	(5,222,291)		
AZN/EUR	10%	2,101,902	2,101,902	10%	1,966,565	1,966,565		
	-10%	(2,101,902)	(2,101,902)	-10%	(1,966,565)	(1,966,565)		
AZN/GBP	10%	452,421	452,421	10%	458,132	458,132		
	-10%	(452,421)	(452,421)	-10%	(458,132)	(458,132)		
AZN/JPY	10%	78,121	78,121	10%	68,980	68,980		
	-10%	(78,121)	(78,121)	-10%	(68,980)	(68,980)		
AZN/CNY	10%	263,512	263,512	10%	93,079	93,079		
	-10%	(263,512)	(263,512)	-10%	(93,079)	(93,079)		

Commodity price risk. The Fund is affected by the volatility of gold prices. The following table shows the effect of price changes in gold:

AZN/XAU In thousands of Azerbaijani Manats	31 December 2024		31 December 2023	
	10%	-10%	10%	-10%
Net impact on profit/(loss) before tax	2,100,277	(2,100,277)	1,147,857	(1,147,857)
Impact on equity	2,100,277	(2,100,277)	1,147,857	(1,147,857)

Price risk. Price risk refers to the potential for the value of a financial instrument to fluctuate due to changes in market prices, whether caused by factors unique to the security or its issuer, or factors impacting all securities in the market. The Fund is susceptible to price risk with respect to its products, which are subject to both general market fluctuations and specific variations.

The Fund is exposed to the equity price risks arising from investments in equity. Equity price risk refers to the potential decline in the value of the Fund's equity portfolio due to fluctuations in equity indices or the prices of individual stocks.

AZN/XAU In thousands of Azerbaijani Manats	31 dekabr 2024		31 dekabr 2023	
	10% increase in equity price	10% decrease in equity price	10% increase in equity price	10% decrease in equity price
Impact on profit/(loss) before tax	2,271,028	(2,271,028)	1,949,130	(1,949,130)

The Fund calculates expected volatility in both absolute and relative terms. To do this, the Fund uses standard deviation metrics and assess the equity portfolio both on a stand-alone basis and against a benchmark comprising global equity indices.

Concentration analysis is used to provide additional insight into risk assessment by examining the concentration of either a single exposure or a group of exposures.

Concentration risk is the risk associated with having a high proportion of investment or assets concentrated in a single entity, sector, or geographical area. It can arise from various factors such as overreliance on a single investment, a narrow investment strategy, or regional economic conditions. To manage concentration risk, SOFAZ diversify its investment portfolio across a range of assets, sectors and regions to reduce the impact of a potential downturn in any area. SOFAZ implements a diversification approach in managing its assets by setting limits per manager and general partners as well.

Geographical concentration.

The geographical concentration of the Fund's financial assets and liabilities at 31 December 2024 is set out below:

In thousands of Azerbaijani Manats 2024	Azerbaijan	Europe	America	Asia	Australia / New Zealand	International organizations	Total
Financial assets							
Cash and cash equivalents	3,413,339	1,209,359	607,646	363,281	-	-	5,593,625
Term deposits	-	11,690	-	-	-	-	11,690
Bonds	2,862,523	21,057,907	8,420,620	3,700,558	104,742	6,437,022	42,583,372
Equities	-	5,609,675	15,462,257	1,286,985	351,360	-	22,710,277
Financial derivatives	-	-	-	53	-	-	53
Real Estate Funds	-	2,192,371	1,940,785	344,644	86,972	-	4,564,772
Private Equity Funds	-	1,758,845	713,591	53,464	-	1,278,625	3,804,525
Other assets							
Trade receivables	-	10,423	-	511	-	-	10,934
Margin account	-	8,058	-	-	-	-	8,058
Total financial assets	6,275,862	31,858,328	27,144,899	5,749,496	543,074	7,715,647	79,287,306
Financial liabilities							
Trade payables	(1,928)	(10,253)	-	(2,352)	-	-	(14,533)
Financial derivatives	-	(1,746)	(6,273)	(120)	(14)	-	(8,153)
Borrowings of subsidiaries	-	-	-	(335,521)	-	-	(335,521)
Lease liabilities	-	(34,203)	-	(4,166)	-	-	(38,369)
Total financial liabilities	-1,928	-46,202	-6,273	-342,159	-14	-	-396,576
Net position	6,273,934	31,812,126	27,138,626	5,407,337	543,060	7,715,647	78,890,730

The geographical concentration of the Fund's financial assets and liabilities at 31 December 2023 is set out below:

In thousands of Azerbaijani Manats 2023	Azerbaijan	Europe	America	Asia	Australia / New Zealand	International organizations	Total
Financial assets							
Cash and cash equivalents	348,618	2,256,655	496,124	23,772	-	-	3,125,169
Term deposits	-	1,901,385	-	-	-	-	1,901,385
Bonds	8,180,814	16,140,762	14,465,724	2,806,514	89,211	8,299,543	49,982,568
Equities	-	5,588,767	12,339,682	1,208,642	354,208	-	19,491,299
Financial derivatives	-	-	2,013	161	27	-	2,201
Real Estate Funds	-	1,916,907	1,843,253	318,584	103,663	-	4,182,407
Private Equity Funds	-	1,502,710	464,168	48,522	-	1,121,019	3,136,419
Other assets							
Trade receivables	-	13,174	31,807	482	-	-	45,463
Margin Account	-	11,308	-	-	-	-	11,308
Total financial assets	8,529,432	29,331,668	29,642,771	4,406,677	547,109	9,420,562	81,878,219
Financial liabilities							
Trade payables	(1,639)	(10,622)	-	(4,698)	-	-	(16,959)
Borrowings of subsidiaries	-	-	-	(371,578)	-	-	(371,578)
Lease liabilities	-	(36,308)	-	(5,028)	-	-	(41,336)
Total financial liabilities	(1,639)	(46,930)	-	(381,304)	-	-	(429,873)
Net position	8,527,793	29,284,738	29,642,771	4,025,373	547,109	9,420,562	81,448,346

Liquidity risk. The goal of liquidity risk management for SOFAZ is to ensure that the Fund has sufficient liquid assets to meet its financial obligations and operational needs, even during times of market stress or economic downturns. To achieve this, the Fund has established internal cash management frameworks that maintain sufficient liquidity levels and comply with the constraints outlined in the Investment policy.

The Fund aims to maintain conservative levels of liquidity to ensure that the Fund is capable of meeting its obligations under all circumstances. Liquidity risk is mitigated by holding at least 100 million USD in cash and cash equivalents, which is monitored on a daily basis. In addition, the Fund's asset class allocation addresses liquidity concerns by investing at least 50% of its portfolio in highly liquid debt obligations and money market sub-portfolio. Continuous cash flow forecasting is conducted to accurately predict upcoming inflows and outflows. This proactive approach enables effective planning and ensures the availability of adequate liquidity when required. SOFAZ also focuses on managing the timing of various cash flows, including coupon payments and maturities of bonds, among others. Effective communication channels are established among relevant departments to promote coordination and timely decision-making.

The table below shows liabilities at 31 December 2024 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including unfunded commitments for private equity and real estate funds. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Although unfunded commitment is allocated to the earliest period in which the commitment could be called, in practice, private equity and real estate funds draw down the committed capital gradually over a period of 3 to 6 years from the date of initial investment.

The table below shows the maturity analysis of financial assets at their carrying amounts and based on their contractual maturities.

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

In thousands of Azerbaijani Manats 2023	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	5,593,625	-	-	-	-	-	5,593,625
Term deposits	-	-	11,690	-	-	-	11,690
Bonds	26,732	499,767	2,332,290	26,673,450	13,051,133	-	42,583,372
Equities	-	-	-	-	-	22,710,277	22,710,277
Financial derivatives	2	51	-	-	-	-	53
Real estate funds	-	-	-	1,040,173	1,646,397	1,878,202	4,564,772
Private equity funds	-	-	-	1,491,136	2,313,389	-	3,804,525
Other assets							
Trade receivables	10,934	-	-	-	-	-	10,934
Margin account	8,058	-	-	-	-	-	8,058
Total financial assets	5,639,351	499,818	2,343,980	29,204,759	17,010,919	24,588,479	79,287,306
Financial liabilities							
Trade payables	(14,533)	-	-	-	-	-	(14,533)
Financial derivatives	(242)	(2,664)	-	(2,773)	(2,474)	-	(8,153)
Borrowings of subsidiaries	-	-	-	(364,070)	-	-	(364,070)
Lease liabilities	(235)	(470)	(2,117)	(11,290)	(279,420)	-	(293,532)
Unfunded commitment							
Real estate funds	(2,436,477)	-	-	-	-	-	(2,436,477)
Private equity funds	(2,134,129)	-	-	-	-	-	(2,134,129)
Total potential future payments for financial obligations	(4,585,616)	(3,134)	(2,1170)	(378,133)	(281,894)	-	(5,250,894)
Liquidity gap	1,053,735	496,684	2,341,863	28,826,626	16,729,025	24,588,479	74,036,412

The maturity analysis of financial instruments at 31 December 2023 is as follows:

In thousands of Azerbaijani Manats 2023	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	Total
Financial assets							
Cash and cash equivalents	3,125,169	-	-	-	-	-	3,125,169
Term deposits	-	-	1,901,385	-	-	-	1,901,385
Bonds	368,094	349,078	7,418,927	26,652,761	15,193,708	-	49,982,568
Equities	-	-	-	-	-	19,491,299	19,491,299
Financial derivatives	8	1,606	13	574	-	-	2,201
Real estate funds	-	-	-	1,126,190	1,100,946	1,955,271	4,182,407
Private equity funds	-	-	-	756,793	2,379,626	-	3,136,419
Other assets							
Trade receivables	45,463	-	-	-	-	-	45,463
Margin account	11,308	-	-	-	-	-	11,308
Total financial assets	3,550,042	350,684	9,320,325	28,536,318	18,674,280	21,446,570	81,878,219
Financial liabilities							
Trade payables	(16,959)	-	-	-	-	-	(16,959)
Borrowings of subsidiaries	-	-	(373,660)	-	-	-	(373,660)
Lease liabilities	(253)	(506)	(2,278)	(11,262)	(264,973)	-	(279,272)
Unfunded commitment	-	-	-	-	-	-	-
Real estate funds	(2,106,230)	-	-	-	-	-	(2,106,230)
Private equity funds	(2,828,704)	-	-	-	-	-	(2,828,704)
Total potential future payments for financial obligations	(4,952,146)	(506)	(375,938)	(11,262)	(264,973)	-	(5,604,825)
Liquidity gap	(1,402,104)	350,178	8,944,387	28,525,056	18,409,307	21,446,570	76,273,394

The Fund also reports on such market risk metrics as Standard deviation, Value at Risk (VaR), Beta in its internal reports.

Operational risk. Operational risk encompasses the possibility of experiencing losses due to a variety of factors, including system failures, human error, fraud, or external incidents. Inadequate controls can result in negative consequences, such as reputational damage, legal or regulatory penalties, or financial losses. Although it may not be possible to eliminate operational risks completely, implementing a control framework and continuously monitoring and addressing potential risks can help manage them. Effective control measures may include segregating duties, establishing access and authorization procedures, performing reconciliations, providing staff training, and evaluating processes, which may involve utilizing internal audit.

External managers. In accordance with the “Rules”, if an external manager is engaged in management of the Fund’s currency assets, they or their primary founder must possess investment credit ratings of no less than Baa3 (Moody’s) or BBB- (Standard & Poor’s, Fitch), or have a minimum of five years of successful asset management experience, or have a track record of managing assets worth at least one billion USD.

The allocation to a single external manager should not exceed 5% of the investment portfolio’s total value.

Accounting policy

The Fund engages in certain transactions that are not recognized in the consolidated statement of financial position in accordance with IFRS requirements. Such arrangements are structured to fulfil operational or financial objectives and are disclosed in the notes to the consolidated financial statements to provide transparency. The Fund ensures that these transactions are appropriately assessed and monitored to manage associated risks and comply with applicable accounting standards.

19. Commitments and Contingencies

Off-balance sheet transactions.

Ministry of Finance of the Republic of Azerbaijan. On 11 August 2006 the Fund signed an Asset Management Agreement on “Granting free budget (balance) Funds to trust management” with the Ministry of Finance of the Republic of Azerbaijan. According to this agreement free budget Funds of the Ministry of Finance of the Republic of Azerbaijan are to be transferred to and managed by the Fund within the asset management rules set in the agreement with the Ministry of Finance of the Republic of Azerbaijan. The Fund manages these assets free of charge, on behalf of the Ministry of Finance and in favor, at the expense and at the risks of the Ministry of Finance of the Republic of Azerbaijan. At 31 December 2024 the total value of the assets was AZN 40,647 thousand (31 December 2023: AZN 1,340,365 thousand) including accrued interest.

SOCAR. Based on the terms of the Shah Deniz Production Sharing Agreement (PSA), SOCAR represents the Republic of Azerbaijan and is responsible for fulfilling tax obligations by means State’s share of hydrocarbon revenues. On 4 July 2024 the Fund signed a “Funds Management Agreement” on Shahdeniz project with SOCAR. According to this agreement all income attributed to the state portion from Shahdeniz project are to be transferred to and managed by the Fund within the terms set in the agreement with SOCAR. The Fund transfers funds to SOCAR for the fulfillment of tax obligations within PSA.

After considering the effect of the transferable tax amount to SOCAR, any remaining balance in the designated bank account or agreed funds should be recognized as the Fund’s capital contribution. Additionally, any investment returns from revenues transferred by SOCAR to the Fund should be treated as capital contribution and are not subject to

reimbursement. At 31 December 2024, the total value of the cash balance which is transferrable tax amount to SOCAR was AZN 543,715 thousand.

20. Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can 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.

Transactions between the Fund and its subsidiaries, which are related parties of the Fund, have been eliminated on consolidation and are not disclosed in this note. All government entities and their subsidiaries are considered to be entities under common

control with the Fund. Transactions with such entities are disclosed below as related party transactions:

Accounting policy

Transactions with related parties are governed by accounting standards designed to ensure transparency and fairness in financial reporting. The relevant standards may vary by jurisdiction, but internationally, the primary standard is IAS 24 - Related Party Disclosures, issued by the International Accounting Standards Board (IASB).

“Azerbaijan Rigs” LLC and “Capitals Property” S.a.r.l are Joint Ventures. All the other entities listed below are government related organizations with whom the Fund have transactions.

In thousands of Azerbaijani Manats	Year	Contributions received from related parties	Carrying value of investment in joint venture	Transfers to related parties	Carrying value of bonds acquired from related parties	Interest income on bonds acquired from related parties	Bank accounts with related parties	Off-balance sheet trans- actions
GOVERNMENT RELATED ORGANIZATIONS								
SOCAR	2024	10,580,950	-	-	-	-	-	543,715
	2023	12,181,873	-	-	-	-	-	-
Azerbaijan Gas Supply Company	2024	751,545	-	-	-	-	-	-
	2023	2,222,837	-	-	-	-	-	-
The State Budget	2024	-	-	12,781,000	-	-	-	-
	2023	-	-	11,737,630	-	-	-	-
Ministry of Finance of the Republic of Azerbaijan	2024	-	-	-	-	-	-	40,647
	2023	-	-	-	-	-	-	1,340,365
Central Bank of the Republic of Azerbaijan	2024	-	-	-	-	-	3,402,845	-
	2023	-	-	-	-	-	347,169	-
Ministry of Science and Education of the Republic of Azerbaijan	2024	-	-	81,279	-	-	-	-
	2023	-	-	62,262	-	-	-	-
International Bank of Azerbaijan	2024	-	-	-	-	9,685	10,484	-
	2023	-	-	-	404,971	14,548	1,443	-
Southern Gas Corridor CJSC	2024	-	-	-	-	150,058	-	-
	2023	-	-	-	4,387,414	274,856	-	-
Mercury Investments and Holdings Ltd.	2024	-	-	-	2,037,593	92,694	-	-
	2023	-	-	-	2,324,940	93,988	-	-
Azerbaijan (ACG) Ltd	2024	-	-	-	-	3,964	-	-
	2023	-	-	-	59,147	7,717	-	-
SOCAR (Absheron)	2024	-	-	-	547,069	61,027	-	-
	2023	-	-	-	667,284	70,103	-	-
SOCAR (Karabakh)	2024	-	-	-	277,861	16,380	-	-
	2023	-	-	-	337,058	19,218	-	-
JOINT VENTURES								
“Azerbaijan Rigs” LLC	2024	-	633,081	-	-	-	-	-
	2023	-	592,780	-	-	-	-	-
“Capitals Property” S.a.r.l	2024	-	126,391	-	-	-	-	-
	2023	-	148,946	-	-	-	-	-

Additionally, in 2024, the Fund received capital contributions of AZN 129,415 thousand (2023: AZN 115,130 thousand) from the other operating and contractor companies over which SOCAR has either significant influence or control. These companies include Absheron Operating Company, JOCAP Absheron Petroleum, Azerbaijan International Operating Company, Bahar Energy, Balakhani Oil, Binagadi Oil, Karasu Operating Company, Neftchala Oil, Salyan Oil, Shirvan Oil and Surakhani Oil Operating Company.

The Fund receives cash inflows from interest income on bonds from the following related parties: SOCAR Absheron, SOCAR Karabakh, International Bank of Azerbaijan, JSC Cenub Qaz Dehlizi (Southern Gas Corridor), Mercury Investments and Holdings Ltd., Azerbaijan (ACG) Ltd (AzACG Ltd).

The aggregate remuneration of members of the senior management group and the number of managers determined on a full-time equivalent basis receiving remuneration within this category are:

*In thousands
of Azerbaijani Manats*

	2024	2023
Short-term benefits:		
Salary expense	871	905
State Social Protection Fund expense	205	213
Number of persons	3	4

21. Interests in Structured Entities

Consolidated structured entities. A Tokumei Kumiai (“TK”) agreement is a contractual arrangement under which one or more silent investors (the “TK investor”) makes a contribution to a Japanese operating company (the “TK operator”) in return for a share in the profit/loss of a specified business conducted by the TK operator (the “TK business”). To support the tax status of the TK, a Japanese resident company should have independent stake in the TK business. To comply with TK-GK rules, SOFAZ and Mitsubishi UFJ Trust and Banking (“MUTB”) entered into TK arrangement to acquire Kirarito Ginza where MUTB is a Japanese resident and contributed 2% of the investment amount JPY 1,100 mln (AZN 9,643 thousand) required for TK Business,

Interest rates on bonds are calculated based on fixed and floating rates. As at 31 December 2024 these bond bear fixed interest ranging from 3.2% p.a. to 6 % p.a. and CME Term SOFR 6 month rate with the spread of

+4.0% p.a (2023: 3.2% p.a. to 6% p.a. and CME Term SOFR 6 month rate with the spread ranging from +1.0% p.a to 4% p.a)

Key management personnel. Senior management group consists of 3 individuals - Fund’s CEO, two Deputy CEOs (2023: Fund’s CEO, Deputy CEO and two Advisors to CEO). Remuneration of all Fund’s employees is approved by the Supervisory Board, which comprise of 7 members appointed with the Presidential Decree.

entered into TK arrangement to acquire Kirarito Ginza where MUTB is a Japanese resident and contributed 2% of the investment amount JPY 1,100 mln (AZN 9,643 thousand) required for TK Business,

i.e. for TK Operator to acquire the property. According to the agreement the total amount of SOFAZ’s investment constituted JPY 51,989 mln (AZN 455,736 thousand). In return both SOFAZ and MUTB were entitled to a proportional share of profit or loss of TK Business. Under the double tax treaty between Japan and Azerbaijan, which came into force on August 4, 2023, a 20.42% tax rate is applied on distribution of TK profits to the Fund. In 2016 MUTB was replaced by PGIM

Foreign Investment Inc, who acquired MUTB’s interests in the structure and took over the asset management role. The Asset Managers of PGIM Foreign Investment Inc is PGIM Real Estate (Japan).

Accounting policy

Based on the specific characteristics of the TK Agreement, the management concluded that a principal/agent relationship exists between SOFAZ and the TK operator. According to IFRS 10, the investor should treat decision-making powers delegated to the agent as held by the investor/principal himself. The management performed analysis based on paragraph B60 of IFRS 10 and, given the limited 2% investment by the Asset Managers, concluded that the TK operator is an agent of SOFAZ and hence, SOFAZ should consolidate the investee.

The TK operator invested proceeds from investors in a retail complex in Ginza, Tokyo, for JPY 52,300 mln (AZN 458,462 thousand). The building met the definition of an investment property under IAS 40. SOFAZ signed an Agreement with the TK operator that contains the Strategic Plan on the development and management of the investment property. The TK operator operates the business of the company according to the Agreement and the Strategic Plan.

TK agreement provides SOFAZ with limited rights with respect to the management and development of the investment property. This makes the TK operator similar to unconsolidated structured entities under IFRS 12, where a structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in its management and control. Under this arrangement, voting rights relate to the administrative tasks only and relevant activities of the company are directed by means of contractual arrangements.

22. Events after the Reporting Period

Accounting policy

According to IAS 10 - Events After the Reporting Period, subsequent events are defined as those events that occur after the end of the reporting period but before the financial statements are authorised for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period. These events require adjustment to the financial statements (either increasing or decreasing the amounts recognized).

Non-adjusting events are those that provide evidence of conditions that arose after the reporting period. These do not require any adjustment to the financial statements, but they may require disclosure if they are material and if their omission could influence the decisions of users of the financial statements.

In October 2024, SOFAZ decided to continue its investment in gold in order to mitigate the negative impacts of geopolitical risks and changing trends on the investment portfolio, as well as to increase the diversification of the portfolio. From the start of the 2025 financial year up to the issue date of these consolidated financial statements, 989 thousand troy ounces of gold have been purchased.