

Bapco Energies B.S.C. Closed

**CHAIRMAN STATEMENT,
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL
STATEMENTS**

31 December 2025

Annual Report 2025 | Chairman Statement

Theme: Performance, Progress, and Partnership: Building Our Next Chapter

On behalf of the Board of Directors, I present Bapco Energies' Annual Report for 2025, a year in which the Group delivered operational stability, executed complex large-scale programs, and laid the groundwork for long-term value creation in a demanding energy environment.

Guided by the vision of His Majesty King Hamad bin Isa Al Khalifa, and under the leadership of His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, Bapco Energies continues to safeguard the Kingdom's energy security while establishing the foundations for its next phase of growth.

2025 was not defined by headline growth, but by disciplined execution. Across the Group, we focused on reliability, financial resilience, and strategic investments that extend beyond short-term cycles. The results reflect a business that is increasingly integrated, commercially minded, and capable of delivering large-scale outcomes for the Kingdom of Bahrain. The Group also achieved a step-change in operational performance, anchored by stability across the value chain and the completion of major infrastructure programs.

Against this backdrop, the year was also marked by challenging circumstances. We remember those affected and extend our deepest condolences, while reaffirming our unwavering commitment to safety across all our operations.

While the year brought significant challenges, commitment to safety and well-being remains central to our operations, guiding every decision as we move forward.

At Bapco Refining, the commissioning and operation of 32 new units under the Bapco Modernization Project enabled throughput of approximately 405,000 barrels per day, up from 270,000 barrels per day. The scale and complexity of this operation places the Refinery among the most sophisticated refining assets regionally and beyond. Sustained over time, this level of performance establishes a new operating benchmark, built on years of capital investment, rigorous commissioning, and a deeply embedded culture of operational discipline.

During peak demand periods, the resilience of the Kingdom's energy system was tested. For the first time, LNG was deployed as part of the energy mix, with eight cargoes delivered during the summer, strengthening our ability to meet seasonal demand. This was not a permanent solution, nor a measure of success in isolation. It was a bridging intervention, deployed to manage near-term constraints while structural solutions continue to be advanced. The period demonstrated the Group's ability to act decisively as a steward of the energy system, balancing immediacy with long-term intent.

Financial decisions during the year were taken with similar discipline. The USD 1 billion Sukuk issuance and capped tender offer were undertaken to reinforce liquidity, extend maturities, and preserve strategic optionality. The objective was not growth for its own sake, but the orderly completion of

capital-intensive programs and the capacity to reinvest, particularly in upstream appraisal, exploration, and long-cycle opportunities essential to the Kingdom's energy balance.

In a volatile financing environment, the Sukuk transaction reflected confidence in the Group's fundamentals and ensured balance-sheet resilience as several major projects reached critical milestones.

Financial performance during the year reflected disciplined capital management, a resilient balance sheet, and continued investment in the Group's long-term growth agenda. While earnings moderated year-on-year, the underlying business remained financially strong and well positioned to support future value creation.

Several of the Group's most consequential achievements in 2025 were foundational by nature. Chief among them was the offshore 3D seismic program, the largest ever carried out by the Group. With close to 145,000 shot points recorded as of February 2026 across a vast offshore area, the program represents the first comprehensive reexamination of acreage that has remained underexplored for decades. This work is redefining the Kingdom's offshore understanding and establishing the analytical base required for any credible long-term offshore development.

In deep gas, the year marked a structural inflection point. Bapco Energies formed a joint venture with EOG Resources, through which it was awarded a dedicated concession for deep gas exploration and production. This reflects Bapco Energies' long-term commitment to unlocking a strategic resource, underpinned by world-class subsurface capability and aligned with national energy priorities.

As the Group advanced its upstream and downstream foundations, it also reshaped its commercial model. In 2025, Bapco Energies entered global energy trading through BxT Trading, its joint venture with TotalEnergies. With operations underway, trading has materially expanded the reach of the Group's products, enabling access to global markets, enhancing price optimization, and unlocking incremental revenue streams that were not available under traditional sales arrangements.

At the same time, a long-standing strategic ambition in venture investing moved from concept to execution. Through BeVentures, the Group completed its first investment with Andium, a specialist in real-time methane detection. This marks the activation of a selective, disciplined approach to innovation, focused on technologies that are relevant, scalable, and directly applicable to operational realities.

At the retail level, Bapco Tazweed advanced a deliberate repositioning of the Group's retail network. The year saw the launch of a new station design and operating model, the expansion of non-fuel retail and services, and the introduction of a more diversified commercial mix anchored in long-term partnership arrangements. In parallel, legacy stations were systematically renovated and brought back into service, while new developments continued, ensuring the retail network remains commercially competitive, scalable, and fit for long-term growth.

Beyond hydrocarbons, Bapco Energies continued to play a central role in advancing the Kingdom's National Energy Strategy, which calls for a diversified and resilient energy mix. Progress was made on large-scale solar initiatives, including collaboration with ACWA Power on a major development with

potential capacity of up to 2.8 GW. These initiatives form part of a broader effort to rebalance the energy system and reduce long-term structural exposure.

As part of our broader future energy pathways, the Group has taken the lead in advancing the Kingdom's Small Modular Reactor program, one of the most significant long-term energy commitments under consideration, and a priority initiative being advanced at pace at the national level. This initiative has received strong interest and support from the Kingdom's leadership and reflects a deliberate shift toward firm, low-carbon baseload solutions capable of underpinning future energy security. This work marks a clear evolution in the Group's role: from a conventional oil and gas company to a fully integrated national energy provider.

Within the Group, the year was equally pivotal. Governance was simplified; key functions were centralized. Project Harmony, the Group's unified ERP platform, underwent a phased start-up, with full benefits to be realized in 2026. These changes have materially improved transparency, control, and coordination across the organization, strengthening accountability and accelerating decision-making. Leadership alignment and capability development progressed in parallel, reinforcing a culture grounded in performance and ownership.

The foundations established in 2025 position the Group for its next phase of growth. While geopolitical developments in early 2026 introduced uncertainty and moderated the pace of some initiatives, they did not alter the Group's direction or long-term ambition. Bapco Energies enters the period ahead with stable operations, a resilient balance sheet, an integrated organization, and clear strategic direction.

I extend my appreciation to my fellow Board Members, the Executive Leadership team, and all Employees of Bapco Energies for their professionalism and commitment. The responsibility ahead is clear: to convert the foundations now in place into sustained value for the Kingdom of Bahrain, and to continue advancing its energy future with discipline, clarity, and resolve.



4 Aug. 2026 9:25:18 AM GMT+3

Nasser bin Hamad Al Khalifa
Chairman of the Board of Directors
Bapco Energies B.S.C. (closed)

Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bapco Energies B.S.C Closed (the "Company") and its subsidiaries (together "the Group") as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity 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 Group 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) as applicable to audit of consolidated financial statements of public interest entities and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key audit matters	- Accounting for oil and gas activities and relationship with the government - Transfer of assets from capital work-in-progress ("CWIP") to property, plant and equipment ("PPE")
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Accounting for oil and gas activities and relationship with the government</i> As described in note 3 (iii) and note 12, the Group has various agreements in place defining its relationships relating to the oil and gas activities with the Government of the Kingdom of Bahrain ("the Government") in its capacity as the shareholder and as the Government, respectively. These agreements result in various rights and obligations of the Group in relation to those activities. The Board of Directors exercise significant judgement in assessing the relevant factors to determine whether the Group acts as a principal or an agent with respect to those oil and gas activities under the various agreements. The Board of Directors have determined that for the following key activities the Group is acting as principal or agent: - oil and gas producing activities (principal); - Liquefied Natural Gas procurement and management (agent); - gas distribution services (agent); and - petroleum exploration activities (agent). In reaching their conclusions, the Board of Directors took into account various factors including not only the written signed agreements in place but also the precedents set by the past and present practical operation of those agreements. This actual mode of operation of the agreements, with the mutual consent of all the parties concerned, has created, over time constructive rights and obligations on the Group, resulting in the Group recognising certain oil and gas assets, receivables from the Government, liabilities, income and expenses, in a particular way. We considered this as a key audit matter as it is fundamental to the accounting treatments applied by the Group in relation to assets, liabilities, income and expenses included in the consolidated financial statements. <i>Refer to note 3 (iii) for the significant accounting judgements, estimates and assumptions.</i>	Our audit procedures included: - Evaluating, with the assistance of our internal financial reporting experts, the accounting assessment process carried out by the Board of Directors with respect to the Group's oil and gas activities. We obtained an understanding of, and assessed the various agreements in place between the major parties and the accounting memorandum prepared by management, (supported by legal confirmations from the Company's external lawyer), in order to assess the conclusions reached by management and the Board of Directors and the judgements applied by them as part of this process including in recognising certain oil and gas assets, receivables from the Government, liabilities, income and expenses, in a particular way; - Assessing the appropriate application of the principal versus agent accounting treatments for different activities carried out by the Group as mandated by the underlying agreements, by the application of past precedents and based on confirmations of interpretation provided by the Government to the Board of Directors. We examined the business practices between the Group and the Government, based on which we were able to test the Board of Directors' differentiation of the activities for which the Group acts as a principal and those activities for which it acts as an agent for the Government; - Assessing the appropriateness of the policies applied by the Board of Directors in the preparation of the consolidated financial statements; and - Assessing the adequacy of the disclosures made in the consolidated financial statements around this matter.

Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Transfer of assets from capital work-in-progress ("CWIP") to property, plant and equipment ("PPE")</i>	
As disclosed in Note 5, the Group incurs significant expenditure on the development of oil and gas assets and the Bapco Modernisation Program ("BMP"), resulting in material balances of CWIP and PPE. Given the scale, complexity and integrated nature of these projects, determining the appropriate timing for the transfer of assets from CWIP to PPE is critical. Assets or components of assets may become available for use at different stages of project execution, requiring careful assessment of whether the conditions for transfer of assets from CWIP to PPE have been met under International Accounting Standard (IAS) 16 -Property, Plant and Equipment. There is a risk that assets may be transferred from CWIP to PPE before the asset is ready for use as intended by management, which could result in misstatement of CWIP, PPE and depreciation expense. Due to the significant value of the capital expenditure, the judgement involved in determining when an asset is ready for use as intended by management, we considered the transfers from CWIP to PPE to be a key audit matter.	Our audit procedures included: - Obtaining an understanding of the Group's process to transfer from CWIP to PPE and relevant judgements associated with the transfer process. - Assessing the Group's accounting policies relating to the transfer of assets from CWIP to PPE against the requirements of IAS 16, including management's criteria for determining when an asset is ready for use as intended by management. - Testing, on a sample basis, transfer of assets from CWIP to PPE to evaluate whether transfers occurred only when assets met the required criteria, including physical completion, technical readiness and operational availability. - Testing, on a sample basis, supporting documentation such as completion certificates and handover documentation to substantiate the timing of transfers from CWIP to PPE. - Assessing the adequacy of the disclosures made in the consolidated financial statements around this matter.
<i>Refer to note 3 (vi) for the significant accounting judgement and note 5 for the related disclosures</i>	

Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (continued)

Report on the audit of the consolidated financial statements (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the Chairman Statement (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the Commercial Companies Law), and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group 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 purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

*Independent auditor's report to the shareholder of Bapco Energies B.S.C
Closed (continued)*

Report on the audit of the consolidated financial statements (continued)

Report on other legal and regulatory requirements

- A) As required by the Commercial Companies Law, we report that:
- i) The Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
 - ii) The financial information contained in the Chairman Statement is consistent with the consolidated financial statements;
 - iii) Except for the fact that, as stated in note 2, the Group's consolidated financial statements for the year ended 31 December 2025 were not submitted to the Ministry of Industry and Commerce within six months from the reporting date, nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law or the items of its Memorandum and Articles of Association that would have a material adverse effect on its activities for the year ended 31 December 2025 or its financial position as at that date; and
 - iv) Satisfactory explanations and information have been provided to us by the Board of Directors in response to all our requests.
- B) As required by the Ministry of Industry and Commerce in its letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:
- I. has appointed a Corporate Governance Officer; and
 - II. has a board approved written guidance and procedures for corporate governance.

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



Partner's registration number: 255
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
6 August 2026

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 BD '000	2024 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5, 5a	4,205,065	4,005,958
Right-of-use assets	6	124,083	159,469
Investments in associates and joint ventures	7	173,424	158,091
Long-term assets	8	17,855	17,888
Restricted cash and bank balances	9	130,514	129,548
Due from a related party	12	388,337	312,437
Derivative financial instruments	22	90,867	180,341
Trade, other receivables and other assets	11	9,413	7,237
		5,139,558	4,970,969
Current assets			
Inventories	10	279,418	276,181
Trade, other receivables and other assets	11	552,218	404,652
Due from a related party	12	111,529	64,877
Derivative financial instruments	22	-	1,406
Cash and bank balances	13	662,671	805,329
		1,605,836	1,552,445
TOTAL ASSETS		6,745,394	6,523,414
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,184,400	1,184,400
Capital adjustment account	14	(421,609)	(421,609)
Contribution from the shareholder	4	45,182	45,182
Sinking fund reserve	15	160,125	160,125
Statutory reserve	16	415,674	406,075
Cash flow hedge reserve		94,080	176,839
Retained earnings		316,374	297,017
Equity attributable to the shareholder		1,794,226	1,848,029
Non-controlling interests	17	58	58
Total equity		1,794,284	1,848,087



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H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors



19 Jul, 2026 3:33:02 PM GMT+3
Mark Thomas
Group Chief Executive Officer



2 Aug, 2026 4:19:42 PM GMT+3

H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors

The attached notes 1 to 38 form part of these consolidated financial statements

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2025

	Note	2025 BD '000	2024 BD '000
Liabilities			
Non-current liabilities			
Borrowings	18	3,741,954	3,627,435
Employees' end of service benefits	19	13,078	16,972
Trade and other payables	21	21,347	21,347
Lease liabilities	23	103,994	136,964
		3,880,373	3,802,718
Current liabilities			
Current maturities of long-term borrowings	18	364,735	220,426
Trade and other payables	21	602,237	562,947
Lease liabilities	23	38,084	40,358
Short term borrowings	24	65,681	47,963
Income taxes payable	25	-	915
		1,070,737	872,609
Total liabilities		4,951,110	4,675,327
TOTAL EQUITY AND LIABILITIES		6,745,394	6,523,414



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H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors



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H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors



19 Jul, 2026 3:32:57 PM GMT+3

Mark Thomas
Group Chief Executive Officer

The attached notes 1 to 38 form part of these consolidated financial statements

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	2025 BD '000	2024 BD '000
Revenue	26	3,660,571	3,597,969
Cost of materials	27	(2,831,780)	(2,854,481)
Other income	28	14,116	11,080
Staff costs	29.1	(179,719)	(168,572)
Maintenance expenses		(81,472)	(71,229)
Impairment for trade and other receivables	11	(1,262)	(4,195)
Other expenses	29.2	(155,443)	(127,022)
Depreciation	5 & 6	(233,784)	(207,973)
Operating profit		191,227	175,577
Finance income	30	53,756	61,009
Finance costs	30	(168,380)	(133,865)
Finance costs - net		(114,624)	(72,856)
Share of profit from associates and joint ventures - net	7	19,417	8,996
Profit before income tax		96,020	111,717
Income tax expense	25	(33)	(915)
Net profit for the year		95,987	110,802
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
(Loss) / gain on cash flow hedges	22	(27,915)	79,158
Share of (loss) / gain on cash flow hedge from an associate	7 & 22	(1,940)	133
Reclassified from cash flow hedge reserve to profit or loss	22	(52,904)	(69,217)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Share of actuarial (loss) / gain from associates	7	(631)	83
Total other comprehensive (loss) / gain for the year		(83,390)	10,157
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,597	120,959

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H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors

19 Jul. 2026 3:32:50 PM GMT+3
Mark Thomas
Group Chief Executive Officer

2 Aug. 2026 4:19:33 PM GMT+3
H.E. Shaikh Saiman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors

The attached notes 1 to 38 form part of these consolidated financial statements

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2025

	Note	2025 BD '000	2024 BD '000
Net profit for the year attributable to:			
Shareholder		95,987	110,540
Non-controlling interests	17	-	262
		95,987	110,802
Total comprehensive income attributable to:			
Shareholder		12,597	120,697
Non-controlling interests	17	-	262
		12,597	120,959



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H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors



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H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors



19 Jul, 2026 3:32:43 PM GMT+3

Mark Thomas
Group Chief Executive Officer

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

		2025	2024
	Note	BD '000	BD '000
OPERATING ACTIVITIES			
Net profit before tax for the year		96,020	111,717
Adjustments for:			
Depreciation			
Property, plant and equipment	5	193,528	168,148
Right-of-use assets	6	41,007	39,825
Finance income	30	(53,756)	(61,009)
Finance costs	30	168,380	133,865
Share of profit from associates and joint ventures - net	7	(19,417)	(8,996)
Property, plant and equipment written-off	5a, 29	291	3,512
Gain on sale of property, plant and equipment		(159)	-
Provision for slow-moving inventories	10	2,355	295
Provision for doubtful trade and other receivables	11	1,262	4,195
Provision for employees' end of service benefits	19	4,067	3,480
Fair valuation loss / (gain) on derivatives, net		761	(1,505)
(Gain) / loss on remeasure of lease liability	23	(1,730)	338
ECL for restricted cash	9	-	13
		432,609	393,878
Working capital changes:			
Inventories	10	(5,592)	(11,381)
Trade and other receivables	11	(143,048)	(21,832)
Net movements in amounts due from a related party	12	39,470	17,307
Trade and other payables	21	48,135	(123,408)
Net cash flows from operations		371,574	254,564
Employees' end of service benefits paid	19	(7,961)	(8,123)
Income tax paid	25	(948)	(970)
Net cash flows from operating activities		362,665	245,471
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5, 5a	(323,125)	(490,414)
Investment in financial instruments at FVOCI	8	(3,374)	-
Investment in financial instruments at FVTPL		(3,766)	-
Proceeds from disposal of property, plant and equipment		180	-
Loan to a joint venture		(1,885)	-
Dividends received from associates	7	3,770	7,540
Movement in long-term assets	8	3,407	3,253
Movement in restricted cash	9	(966)	(1,085)
Deposits matured/ (placed) with banks	13	127,238	(234,777)
Finance income received		44,159	58,878
Net cash flows used in investing activities		(154,362)	(656,605)
FINANCING ACTIVITIES			
Movements in amounts due from a related party	12	(168,770)	(177,824)
Proceeds from borrowings and short term borrowings	24	742,970	406,723
Repayment of borrowings and short term borrowings	18	(484,243)	(296,637)
Net finance and transaction costs paid		(233,206)	(210,158)
Loan from an Investor shareholder	18	-	152,107
Acquisition of non-controlling interests	38	-	(5,406)

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2025

		2025 BD '000	2024 BD '000
Dividends paid to shareholder		(42,096)	
Principal portion of repayment to an Investor shareholder	18	(1,674)	(148)
Finance costs paid to investor shareholder	18	(14,492)	(1,229)
Amount received on settlement of interest rate swaps		20,028	-
Cancellation of derivative contracts		7,340	-
Repayment of leases	23	(49,591)	(49,740)
Net cash flows used in financing activities		(223,734)	(182,312)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(15,431)	(593,446)
Cash and cash equivalents at 1 January		570,601	1,164,047
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	555,170	570,601

Non cash items:

1) Refer note 13 for details of non-cash items.

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	<i>Equity attributable to shareholder</i>									
	<i>Share capital</i>	<i>Capital adjustment</i>	<i>Contribution from the shareholder</i>	<i>Sinking fund reserve</i>	<i>Statutory reserve</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings*</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
At 1 January 2025	1,184,400	(421,609)	45,182	160,125	406,075	176,839	297,017	1,848,029	58	1,848,087
Net profit for the year	-	-	-	-	-	-	95,987	95,987	-	95,987
Other comprehensive loss	-	-	-	-	-	(82,759)	(631)	(83,390)	-	(83,390)
Total comprehensive income	-	-	-	-	-	(82,759)	95,356	12,597	-	12,597
Transactions with owners in their capacity as owners:										
Dividends declared and paid (note 31)	-	-	-	-	-	-	(66,400)	(66,400)	-	(66,400)
Transfer to statutory reserve (note 16)	-	-	-	-	9,599	-	(9,599)	-	-	-
At 31 December 2025	1,184,400	(421,609)	45,182	160,125	415,674	94,080	316,374	1,794,226	58	1,794,284

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to BD 206,505 thousand.

The attached notes 1 to 38 form part of these consolidated financial statements.

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2025

	<i>Equity attributable to shareholder</i>									
	<i>Share capital</i>	<i>Capital adjustment</i>	<i>Contribution from the shareholder</i>	<i>Sinking fund reserve</i>	<i>Statutory reserve</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings*</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
At 1 January 2024	1,184,400	(421,609)	45,182	160,125	395,021	166,765	195,390	1,725,274	7,260	1,732,534
Net profit for the year	-	-	-	-	-	-	110,540	110,540	262	110,802
Other comprehensive income	-	-	-	-	-	10,074	83	10,157	-	10,157
Total comprehensive income	-	-	-	-	-	10,074	110,623	120,697	262	120,959
Transactions with owners in their capacity as owners:										
Acquisition of non-controlling interests (note 38)	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	2,058	2,058	(7,464)	(5,406)
Transfer to statutory reserve (note 16)	-	-	-	-	11,054	-	(11,054)	-	-	-
At 31 December 2024	1,184,400	(421,609)	45,182	160,125	406,075	176,839	297,017	1,848,029	58	1,848,087

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to BD 192,047 thousand.

The attached notes 1 to 38 form part of these consolidated financial statements.

At 31 December 2025

1 ACTIVITIES

Bapco Energies B.S.C. Closed formerly known as The Oil and Gas Holding Company B.S.C. Closed (the "Company" or "Bapco Energies" and along with its subsidiaries, referred to as the "Group") is a Closed Bahraini Joint Stock Company incorporated by Royal Decree number 77 of 2007 issued on 10 August 2007 and published in the Official Gazette on 16 August 2007 and is registered with the Ministry of Industry and Commerce ("MOIC") under commercial registration number 66088 obtained on 1 August 2007.

The National Oil and Gas Authority ("Noga") was abolished with effect from 26 September 2021 and its jurisdiction and authorities were divided between Bapco Energies, the Higher Committee for Energy and Natural Resources (the "Higher Committee") and the Ministry of Oil and Environment ("MOOE"). According to Article (3) of Decree No. 99 of 2021, all allocations assigned to Noga in the general budget and all its rights and obligations shall be assigned to MOOE. Consequently, MOOE has replaced Noga in agreements between Noga and Bapco Energies or Bapco Energies' subsidiaries with effect from 26 September 2021. All rights and obligations of Noga existing as of 26 September 2021, transferred to MOOE with effect from that date.

The supervision of the Group was referred from Noga to the Higher Committee. Additionally, the Kingdom of Bahrain replaced Noga in its role as Bapco Energies' shareholder. Separately, the authority to appoint directors and representatives in Bapco Energies' subsidiaries now lies with Bapco Energies rather than Noga.

Other than those mentioned below and in note 37, the structure of the Group, its operations, financial arrangements and obligations otherwise remain unchanged. The Government of Bahrain owned and still owns 100% of Bapco Energies and is the ultimate controlling party. Refer to Note 3 (iii) - Principal vs agent considerations for key judgements relating to the oil and gas activities.

The Company was formed with the objective of acquiring the Government's shareholding and stakes in various entities engaged in oil and gas activities with effect from 1 August 2007. Further, the objectives of the Company include investing funds in areas specified by the Board of Directors, acquiring real estate and movable properties required for carrying out its activities, establishing and participating in establishment of new ventures and acquiring and participating in the ownership of existing ventures or companies and selling its interests therein, within, and outside the Kingdom of Bahrain.

The postal address of the registered office of the Company is P.O. Box 1426, Manama, Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries, associates, joint ventures and joint operations:

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

1 ACTIVITIES (continued)

Subsidiaries

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2025</i>	<i>2024</i>		
Bapco Refining B.S.C. Closed ("Bapco or "Bapco Refining")	Kingdom of Bahrain	100%	100%	31 December	Operating the Bahrain refinery and marketing of refined petroleum products.
Bapco Gas Company W.L.L. ("Banagas")	Kingdom of Bahrain	100%	100%	31 December	Processing and marketing of hydrocarbon liquids from associated gas.
Bapco Gas Expansion Company W.L.L. ("Banagas Expansion")	Kingdom of Bahrain	100%	100%	31 December	Processing and marketing of hydrocarbon liquids from associated and processing of refinery off-gas.
Bapco Air Fueling Company B.S.C. Closed ("Bafco")	Kingdom of Bahrain	60%	60%	31 December	Managing and operating the jet fuel pipeline.
Bapco Upstream W.L.L. ("Bapco Upstream")	Kingdom of Bahrain	100%	100%	31 December	Producing oil and gas from Bahrain onshore field.
Bapco Gasoline Blending W.L.L. ("BGB") - note c	Kingdom of Bahrain	Liquidated	100%	31 December	Sale and trade of solid, liquid and gaseous fuels and related products.
Saudi Bahrain Pipeline Company W.L.L. ("SBPC") - note a	Kingdom of Bahrain	99.9%	99.9%	31 December	To own the Bahrain portion of the oil pipeline between Saudi Arabia and Bahrain.
Aromatics Petchem Company W.L.L. ("Aromatics")	Kingdom of Bahrain	100%	100%	31 December	Production of petrochemical grade products from the heavy Naphtha obtained from Bapco.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

1 ACTIVITIES (continued)

Subsidiaries (continued)

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2025</i>	<i>2024</i>		
Bapco Tazweed W.L.L. ("Bapco Retail")	Kingdom of Bahrain	100%	100%	31 December	Domestic sales of refined petroleum products in the Kingdom of Bahrain.
Bapco Lube Base Oil Company W.L.L. Closed ("BLBOC") - note c	Kingdom of Bahrain	Liquidated	100%	31 December	Manufacturing of lube based oil products.
Bapco Upstream Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Gas Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Fuel Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Production and distribution of natural gas
Bapco Trading Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Sustainable Solutions Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
BE Tech Ventures Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Trading Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Sale/trade of solid, liquid and gaseous fuels and related products. Direct export of petroleum products. General trade Import of speciality petroleum products. Commodity contracts brokerage.
Awali Hospital Company W.L.L. ("Awali Hospital")	Kingdom of Bahrain	100%	100%	31 December	Healthcare services and sale of pharmaceutical and medical goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

1 ACTIVITIES (continued)**Subsidiaries (continued)**

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2025</i>	<i>2024</i>		
BE Properties W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Real estate activities with own or leased property.
Bapco Reinsurance Limited - note b	Guernsey	100%	100%	31 December	Underwriting insurance business

Associates

Gulf Petrochemical Industries Co. B.S.C. Closed ("GPIC")	Kingdom of Bahrain	33%	33%	31 December	Petrochemical processing and storage facilities.
Bahrain LNG W.L.L. ("BLNG")	Kingdom of Bahrain	30%	30%	31 December	Manufactures gas and distributes gaseous fuel.
Arab Shipbuilding and Repair Yard Co. ("Asry")	Kingdom of Bahrain	37%	37%	31 December	Operate a dry dock and two floating docks to carry out shipbuilding, ship repair, engineering and related activities in dry dock, floating docks, etc.

Joint venture

Trident Logistics Bahrain W.L.L. ("Trident")	Kingdom of Bahrain	49%	49%	31 December	Warehousing and storage, Management consultancy activities, Packaging activities.
BxT Trading Ltd - note d	United Arab Emirates	50%	-	31 December	Sale/trade of refined petroleum products across the value chain, including marketing, storage, risk management, and shipping.

Joint operations

BAC Jet Fuel Company W.L.L. ("BAC Jet")	Kingdom of Bahrain	50%	50%	31 December	Sale and trade of solid, liquid and gaseous fuels and related products.
Joint operations between Bapco Energies and EOG - note e	Kingdom of Bahrain	49%	-	31 December	Petroleum exploration, production, and related activities under a concession agreement.

At 31 December 2025

1 ACTIVITIES (continued)

Note a): During the year ended 31 December 2024, the Company sold 0.1% shareholding in SBPC, a subsidiary of the Company to ORYX Bidco Holding Limited ("ORYX" or "Investor shareholder"), a company incorporated in the United Arab Emirates, for a consideration of BD 152,107 thousand (US\$ 403,468 thousand). Refer to note 18.5.

Note b): Bapco Reinsurance Limited was established by the Company as a wholly-owned subsidiary on 19 April 2024, with share capital of BD 0.376 million (US\$ 1 million) to participate in insuring the risks of Bapco Energies, its subsidiaries, and related companies. Bapco Reinsurance Limited is established in Guernsey in order to benefit from the captive insurance expertise and infrastructure in Guernsey (including its mature regulatory framework, banking and investment facilities).

Note c): During 2024, Bapco Energies approved board resolutions to amalgamate the businesses of Bapco Lube Base Oil Company B.S.C. (Closed) ("BLBOC") and Bapco Gasoline Blending Company W.L.L ("BGB") with the Company.

In 2025, Bapco Energies transferred its shareholdings in BLBOC and BGB to Bapco Refining for nil consideration. Subsequently, the assets and liabilities of both entities were transferred to Bapco Refining under asset transfer agreements at nil consideration.

During 2025, the amalgamation was carried out pursuant to the necessary board approvals and asset transfer agreements entered into between Bapco Refining, BLBOC, and BGB, which set out the terms and conditions governing the transfer of assets and liabilities and the subsequent dissolution of BLBOC and BGB. Bapco Refining obtained waiver consent from its lenders for the amalgamation and the subsequent liquidation of both subsidiaries, as the subsidiaries' assets were subject to mortgage arrangements.

Note d): During 2024 Bapco Energies entered into a strategic partnership with TotalEnergies Trading SA (TOTSA), a wholly owned subsidiary of TotalEnergies SE, to establish a trading entity. Trading activities previously conducted through an Unincorporated Joint Venture ("UJV") between Bapco Energies and TOTSA were transitioned into an Incorporated Joint Venture ("IJV") structure and accordingly a newly incorporated entity BxT Trading Ltd ("BxT") was established on 23 September 2025 in Dubai International Financial Center (DIFC).

BxT operates as an independent oil trading company, responsible for marketing refinery output from the Bapco's Sitra refinery as well as selected third-party petroleum products under contractual arrangements.

At 31 December 2025

1 ACTIVITIES (continued)

Note e): On 6 August 2025, a Concession Agreement (the "Concession") was entered into between the Government of the Kingdom of Bahrain, acting through the Ministry of Oil and Environment ("MOOE"), Bapco Energies B.S.C. (c), and EOG Resources Bahrain Awali W.L.L. ("EOG" or the "Joint Operator"), in relation to the Juba and Pre-Tawil formations within the Bahrain Field (the "Concession Area").

Under the Concession, MOOE grants Bapco Energies and EOG exclusive rights over the Concession Area. EOG and Bapco Energies has the right to carry out petroleum operations in the Concession Area, transport petroleum produced from the area to the designated delivery points, and own all petroleum produced from the Concession Area, except for the portion that MOOE is entitled to receive as royalty. However, ownership of all petroleum remains with the Kingdom of Bahrain until it is brought to the surface and produced. The Concession is valid for a period of 40 years.

The Concession and other related agreements are effective from the date of approval from the Kingdom of Bahrain and will terminate on the 40th anniversary of the Jubah Declaration of Commerciality ("DOC") Date, which is the first date upon which Concessionaire (EOG and Bapco Energies) issues such a Declaration of Commerciality.

The related Decree-Law No 33 of 2025 has been issued on 19 August 2025 and published in the Official Gazette on 21 August 2025 (effective date).

During the year, Bapco Energies transferred certain assets to the joint operator in proportion to its participating interest. The carrying value of these assets transferred was BD 21,860 thousand (oil and gas producing assets: BD 17,517 thousand and capital work-in-progress of BD 4,345 thousand) as of the effective date and accordingly a receivable was recognised from the joint operator of BD 21,860 thousand as of 31 December 2025. The Group also recognized revenue of BD 1,948 thousand representing its share of income from joint operations, in accordance with "IFRS 11 – Joint Arrangements."

Prior to the Declaration of Commerciality ("DOC"), EOG is committed to a minimum work program comprising early work activities and either drilling four exploration wells or incurring at least US\$ 100 million in expenditure (including early work costs), while Bapco Energies has transferred certain assets to EOG for a consideration of US\$ 140 million recoverable from EOG through future cash flows upon achieving DOC; upon DOC, costs are shared based on participating interests, Bapco Energies is entitled to recover the US\$ 140 million and to 49% of EOG's work commitment incurred up to DOC, recognizes a receivable for the outstanding consideration (net of amounts previously recognized), capitalizes it as expenditures are incurred, and records its share of work commitment as property, plant and equipment, with any resulting gain or loss recognized in profit or loss; if DOC is not achieved, EOG will pay US\$ 100 million (net of costs incurred) to MOOE and the transferred assets will revert to Bapco Energies.

The consolidated financial statements were approved by the Board of Directors through a resolution dated 8 July 2026.

1 ACTIVITIES (continued)

1.1 Bapco Modernization Program (BMP)

BMP is a major expansion and upgrade project of the Bahrain Refinery. The BMP project consists of the expansion of the crude distillation capacity and upgrading of the refinery capabilities in order to increase the Bahrain Refinery's competitiveness, improve the energy efficiency and enhance the environmental compliance to international standards. In February 2018, Bapco Refining entered into an Engineering Procurement and Construction ("EPC") contract with a consortium of companies as its EPC contractors (hereinafter referred to as "EPC contractors"). On 20 December 2018, Bapco Refining signed debt financing facilities agreements (hereinafter referred to as "project debt finance arrangement") amounting to BD 1.5 billion which comprise covered export credit facilities, uncovered commercial and Islamic financing facilities with a consortium of banks to support and fund the implementation of the BMP project. Financial close of the project debt finance arrangement happened on 9 May 2019.

As part of conditions precedent for The project debt finance arrangement, Bapco ceased its cash call mechanism on the cut-off date and net balance due from the Government as of this date was set-off against retained earnings. Subsequent to the approval by the Board of Directors a notification was sent to the Ministry of Finance for the same.

As of 31 December 2025, the BMP project capitalised amounts stood at BD 1,379,347 thousand and are included in the additions to plant and machinery and BD 1,184,887 thousand is included in the Capital Work-In-Progress (note 5).

1.2 Relationship with the Government

The Group has various agreements in place defining its relationship with its shareholder that result in various rights and obligations of the Group. Refer to note 3 (iii) for further details of the principal vs agent considerations.

2 MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law ("BCCL") except for the fact that the consolidated financial statements for the year ended 31 December 2025 were not submitted to the Ministry of Industry and Commerce ("MOIC") within six months from the reporting date, however, an extension letter has been submitted by the Company's management to MOIC which is valid up to 23 September 2026.

IFRS Accounting Standards comprise of the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern (also refer to note 37 for details) and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements continue to be prepared on a going concern basis.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments, investments held at FVTPL, certain trade receivables related to contracts with provisional pricing arrangements, certain trade payables and accruals related to contracts with provisional pricing arrangements and investment at FVOCI which are measured at fair value.

The consolidated financial statements are presented in Bahraini Dinars ("BD"), being the presentation currency of the Group and all values are rounded to the nearest thousand (BD' 000), except when otherwise indicated.

New and amended standards and interpretations effective as of 1 January 2025

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2025:

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments did not have a material impact on the Group's financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group. Management is still assessing the impact of these standards on the Group in the current and future reporting periods.

(a) Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

(b) IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027).

In May 2024, the IASB issued IFRS 19, which introduces reduced disclosure requirements for subsidiaries that do not have public accountability but apply IFRS Accounting Standards in their standalone financial statements. IFRS 19 is intended to ease reporting for eligible subsidiaries by providing a simplified disclosure framework without affecting recognition or measurement.

The Group is currently assessing whether any of its subsidiaries meet the eligibility criteria and the potential impact of adopting IFRS 19.

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

(c) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027).

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the consolidated statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact consolidated operating profit:
 - o Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
 - o IFRS 18 has specific requirements on the category in which derivative gains or losses are recognised – which is the same category as the income and expenses affected by the risk that the derivative is used to manage. The Company recognises gains or losses in finance costs.
- The line items presented on the primary consolidated financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
 - o management-defined performance measures;
 - o a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
 - o for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

(d) Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

(e) Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity.

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed.

The Group does not expect that the amendments will have a material impact on its financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights held by the Group and other parties.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

2 MATERIAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- derecognises other components of equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

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 value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group uses specific valuation techniques to value derivative financial instruments. For interest rate swaps - the present value of the estimated future cash flows based on observable yield curves are used.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised and measured at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Such costs include expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour and borrowing costs for longterm construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Property, plant and equipment related to oil and natural gas production activities are depreciated on a unit-of-production basis over the proven developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Other property, plant and equipment are generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	8 to 40 years
Plant and machinery	6 to 20 years
Furniture and equipment	4 to 8 years
Motor vehicles	4 to 15 years
Hardware and software	3 to 5 years
Site work and aviation assets	10 years
Pipeline assets	40 years

Freehold land is not depreciated.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is de-recognised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Capital work-in-progress

Capital work-in-progress represents capitalised expenditure incurred in setting up or constructing new facilities or other assets. Depreciation on capital work-in-progress is not charged until such time as the construction or set-up of these assets is completed and the asset is transferred to the respective category of property, plant and equipment i.e. when the asset is ready for use as intended by management. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset or group of the assets.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The Group's investments in its associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in associates or a joint ventures is carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group's share of net assets of the associate or a joint venture, less any impairment in value. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The consolidated statement of profit or loss and other comprehensive income reflects the share of results of operations of the associates or a joint ventures. Where there has been a change recognised directly in the OCI of the associates or a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in OCI. Unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The reporting dates of the associates or joint ventures and the Group are identical and the associates' or joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2 'Impairment of non-financial assets'.

2 MATERIAL ACCOUNTING POLICIES (continued)**Joint operations**

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

Reimbursement of the costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. This is further explained below:

Inventory categories**Valuation basis**

Refined finished products

Valued at the cost of production. Cost of production consisting of cost of purchased crude oil, an appropriate allocation of overheads and refining expenses. Cost is determined using the first-in, first-out (FIFO) method.

Work-in-process

Valued at the cost of production. Cost of production consisting of cost of purchased crude oil, an appropriate allocation of overheads and refining expenses. Cost is determined using the average cost method.

Raw material - crude oil

Purchase cost on a weighted average basis.

Stored and materials

Purchase cost on a weighted average basis.

Fully processed gas

Cost of feed gas consumed, production labour and allocation of fixed and variable production overheads based on normal level of activity, on weighted average basis.

Other inventories

Purchase cost on a weighted average basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

2 MATERIAL ACCOUNTING POLICIES (continued)

Accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally settled within the contract terms which varies by customers. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

In addition, certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest.

Accounts payable

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables and accruals related to contracts with provisional pricing arrangements measured at FVTPL. The fair value was calculated using forward curves and future prices. These balances are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs, including counterparty credit risk in the fair value calculation.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a group of assets - cash-generating unit ("CGU") may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

2 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed approved budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years, which are approved by the Board of Directors. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial instruments

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

i) Financial assets

a) Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of debt instrument at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of financial assets at FVTPL, trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs.

Certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. All other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

In order for a debt instrument to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) *Financial assets (continued)*

b) *Subsequent measurement*

For purposes of subsequent measurement, all of the debt instruments of the Group, except for derivative financial instruments and certain trade receivables are classified in amortised cost category. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Group's financial assets at amortised cost includes trade, other receivables and other assets, long-term assets, cash, restricted cash and bank balances and due from a related party.

c) *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group applies a simplified approach in calculating ECLs for trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further disclosures relating to impairment of trade and other receivables are provided in note 11.

The Group assesses on a forward-looking basis the expected credit losses associated with its other financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

a) Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost.

Borrowings are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities are:

(i) Financial liabilities at FVTPL

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Trade payables and accruals related to contracts with provisional pricing arrangements measured at FVTPL. The fair value was calculated using forward curves and future prices. These balances are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs.

(ii) Financial liabilities at amortised cost

Financial liabilities other than financial liabilities at FVTPL are classified as financial liabilities measured at amortised cost. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost mainly include certain trade and other payables, borrowings, lease liabilities and short-term borrowings. Financial liabilities are disclosed separately from financial assets in the consolidated statement of financial position unless there is a right to offset.

Fees paid on the establishment of bank borrowings are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Gains and losses are recognised in profit or loss when the liabilities are derecognised. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) *Financial liabilities (continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances net of outstanding bank overdrafts and short term deposits with an original maturity of three months or less. Any restricted balances with banks are also excluded from cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss.

Insurance recoveries

The Group maintains insurance coverage for property damage and business interruption. Insurance recoveries are recognised only when virtually certain in accordance with IAS 37.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps and commodity derivatives. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss. The group designates derivatives as hedges of a particular risk associated with the cash flows of recognised liabilities. (cash flow hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

2 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to the profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the income or expense associated with the related hedged item is reported.

The Group classifies portion of the derivative as a non-current asset when the remaining maturity of the hedged item is more than 12 months and it is classified as a current liability when the remaining maturity of the hedged item is less than 12 months.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation (SIO) scheme for its Bahraini employees calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides end of service benefits to its expatriate employees and certain Bahraini employees in accordance with the Bahrain labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Group.

The Group also operates two retirement plans for Bahraini employees and expatriates retired prior to October 1976. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit method.

The Group also makes contributions to the Employees' Saving Plan for its Bahraini employees in accordance with the terms of the savings plan. The Group's obligations are limited to these contributions, which are expensed when due and included within staff costs.

2 MATERIAL ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Leases

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below US\$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset or group of the assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss and other comprehensive income, changes in equity and financial position respectively.

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

The Group is engaged in the business of refining crude oil and selling of refined products both locally in the Kingdom of Bahrain and in international markets and selling of processed gas and lube based oil in international markets. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for agency arrangement (as described in note 3 (iii) below). The revenue arrangements of the Group are described below.

a) Oil revenues

Sales of refined petroleum products at international prices

Revenue from the international sale of petroleum products is recognised at a point in time upon the satisfaction of performance obligations, which occurs when control transfers to the customer, which is generally when the product is physically transferred into a vessel or tanker. Consequently the Group's performance obligations are considered to relate only to the sale of petroleum product, with each barrel of oil equivalent considered to be a separate performance obligation under the contractual arrangements in place. The products are sold based on market prices plus a margin as per the contractual arrangements. The final quality testing of the product is also carried out prior to the loading and the acceptance happens at that point in time. Invoices are typically paid on 30 day terms.

Revenue contracts from sales made at international prices provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the consolidated statement of profit or loss.

Sales of refined petroleum products at domestic prices

Sales are recognised at a point in time upon the satisfaction of performance obligations, which occurs when control transfers to the customer, usually on delivery of the goods. Rates for the domestic sales are notified by the Government of the Kingdom of Bahrain and the prevailing market prices as applicable. The transportation cost associated with the transfer of the product to the point of sale is recognised in cost of materials.

b) Gas revenues

Gas revenue represents the sales of gas and related products from wholly owned operations and joint operations, including Banagas, Banagas Expansion, and the joint operation with EOG and are recognised when the control of the goods have passed to the buyer, usually on delivery of the goods at prevailing market prices.

c) Lube based oil revenues

Lube based oil revenues represents the Group's share of sales made previously by BLBOC and are recognised when control of the goods is transferred to the buyer, usually on delivery of the goods at prevailing market prices.

Interest / profit income

Interest / profit income is recognised on an effective interest method.

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2 MATERIAL ACCOUNTING POLICIES (continued)

Other income

Other income is recognised on an accrual basis when income is earned.

Principal vs agent considerations

The Group has assessed itself as an agent for the following arrangements:

i) Sale of crude oil on behalf of the Government

The Group also sells crude oil in its capacity as agent on behalf of the Government in relation to the Abu Saafa field. In such transactions the Group does not control the goods before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of the crude oil or obtain benefits from it. The Group charges a marketing fee on providing such services, which is recognised in other income.

ii) Service income

The Group has a service agreement to provide the following services to the Government or its customers on the Government's behalf:

- distribute gas to the end users and manage the gas distribution network;
- the procurement and management of Liquefied Natural Gas ("LNG"); and
- carry out oil and gas exploration activities, on the Government's behalf, in the Bahrain field as approved by the Government in advance.

The Group has concluded that it is acting as an agent in these arrangements. Accordingly, the Group records revenue on net basis for such arrangements (note 3). The revenue is recorded over time as the Group provides services and amounts are considered recoverable from the Government.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, the Group is an agent and records revenue at the net amount that it retains for its agency services.

The above service income is included in other income.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax law used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

2 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Bahrain Domestic Minimum Top-Up Tax

The Group is subject to Domestic Minimum Top-Up Tax effective from 1 January 2025. The Group has availed for an exemption for a period up to 5 years from 1 January 2025 under article 15 of the Decree-Law No. (11) of 2024 "Exclusion for Initial Phase of International Activity". The eligibility to avail the exemption will be assessed on annual basis.

Value Added Tax ("VAT")

Expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in prepayments and advances or other payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Foreign currencies

The Group's consolidated financial statements are presented in Bahraini Dinars ("BD"). Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

Upon consolidation, the assets and liabilities of foreign operations are translated into Bahraini Dinars ("BD") at the rate of exchange prevailing at the reporting date and income and expenses for each statement of profit or loss and other comprehensive income. are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of exchange differences relating to that particular foreign operation is recognised in profit or loss.

Government grant

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses.

2 MATERIAL ACCOUNTING POLICIES (continued)

Other capital accounts

The shareholder contribution and the sinking fund reserve relates to amounts contributed by the shareholder in addition to the share capital. These amounts are not repayable to the shareholder and can only be redeemed at the discretion of the Group. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

During the year, Bapco Energies received the legal title of a land on which the Company's associate (Asry) operates from the Government of Kingdom of Bahrain for nil consideration. The Company has accounted the land at nil value in the consolidated statement of financial position.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) *Determining the lease term of contracts with renewal and termination options – the Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The Group included the renewal period as part of the lease term for leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(ii) *Joint arrangements*

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(ii) Joint arrangements (continued)

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - (a) the legal form of the separate vehicle; or
 - (b) the terms of the contractual arrangement.
- other facts and circumstances, considered on a case by case basis.

For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows.

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

(iii) Principal vs agent considerations

The Group is party to a number of complex agreements with its shareholder/Government of Bahrain and the Ministry of Oil and Environment in relation to its portfolio of oil and gas activities. Under these contracts, the Group undertakes, among other activities, exploration, appraisal, production, development and delivery of petroleum and operation and maintenance of the gas distribution network on its own behalf or on behalf of the Government.

Where the Group is acting as a principal, it is able to recognise revenue based on the gross amount received or receivable in respect of its performance under a sales contract. When the Group is acting as an agent, it does not recognise revenue for any amounts received from a customer to be paid to the principal. The Group considers its overall risk profile in determining whether it has a service agreement or a working interest with respect to each of its respective functions.

Since the determination of whether the Group is acting as a principal or an agent is critical to the accounting for the various transactions involved in a given activity, the Directors and management therefore carefully assess the substance of all transactions that meet the above mentioned criteria to determine in which capacity the Group is acting. In making these assessments, the Directors and management consider the following key criteria:

- if the Group is primarily responsible for delivering goods or services;
- if the Group does or does not have inventory risk;
- if the Group does or does not have latitude or discretion in establishing prices.

In addition, the Group takes into account the constructive rights and obligations established by the existing contracts and past precedents created, by mutual agreement between the parties. In particular, the Group seeks to determine whether it is responsible for the petroleum operations or is acting as an agent for the provision of petroleum services with respect to each of the functions. A further detailed assessment for each of the key respective functions is outlined below:

At 31 December 2025

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Judgements (continued)

(iii) Principal vs agent considerations (continued)

The Group considers itself to be the principal with respect to oil and gas production. The Group entered into an agreement with the Government for supply of Bahrain crude oil with effect from 1 January 2005. Under this agreement, the Government contracted to supply Bahrain crude oil at a fixed price of US\$ 1 per barrel for a fixed quantity of 900,000 barrels per month as compared to the prevailing market prices ("Old Arrangement"). On, and effective from, 22 October 2018, the Group entered into a revised Crude Oil Sale Agreement (COSA) with the Government.

a) Oil producing activities

In accordance with the COSA, the Group continued to receive a minimum monthly quantity of 900,000 barrels up to 21 October 2018 under the Old Arrangement and from 22 October 2018 onward the Group started receiving a minimum monthly quantity of 38,700 barrels per day at a rate of US\$ 1 per barrel ("Baseline Crude Quantity"). Bapco, the Company's principal subsidiary, has also entered into a Crude Oil Sale and Purchase Agreement (COSP) with Ministry of Oil and Environment, Bapco Energies and Bapco Upstream effective from 1 January 2018 under which, Bapco pays a production cost contribution of US\$ 11 per barrel to Bapco Energies on the Baseline Crude Quantity, which is indexed by 2.5% on the 1st January each year. Accordingly, the applicable rate was US\$14.10 per barrel for 2025 (2024: US\$13.76 per barrel). Any additional quantity is supplied to Bapco at the prevailing market price. However, the market value of these additional quantities is not paid to the Government, instead it is received by Bapco Energies from Bapco Refining and used against its own oil production costs. Under the new arrangement, any cash amounts equal to the excess of income above production cost of the Group are remitted to the Government. However the Group retains the substantive right to the remitted cash, and therefore shows this as a receivable balance due from the Government.

Under the current arrangement, the Group remits cash to the Government which is recorded as a receivable in the consolidated statement of financial position. The remittance made on a monthly basis is calculated as the aggregate of:

- the sum of (A) production cost contribution relating to Baseline Crude Quantity and (B) fair market value relating to the quantity in excess of Baseline Crude Quantity; less (C) actual oil production costs incurred by Bapco Upstream. A resulting shortfall, if any, is recoverable by the Government and recorded as a payable to the Government.

- the (A) fair market value of the total production of crude oil; less the sum of (B) payments made to the Government under COSA (at US\$ 1 per barrel of oil for Baseline Crude Quantity); (C) production cost contribution relating to Baseline Crude Quantity; (D) fair market value relating to excess quantity (over Baseline Crude Quantity); and (E) any subsidies provided by Bapco for local sales.

Given that the Group is acting as a principal in relation to the oil producing activities and bears the risk and economic benefits of the Bahrain Field, a constructive obligation is created whereby the Group retains the substantive right to the remitted cash, and therefore shows this as a receivable balance due from the Government.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Judgements (continued)

(iii) Principal vs agent considerations (continued)

a) Oil producing activities (continued)

The Group is also responsible for the production of non-associated gas. In line with the underlying agreements, the Group is able to utilise the produced gas on a first priority basis, free of cost for its petroleum activities. The Directors and management have assessed that the Group is responsible for the production and has control over the non-associated gas as determined by the respective agreements. The recognition of revenue relating to non-associated gas also involves estimates in relation to values attributable to performance obligations in accordance with various agreements between the Group and the Government.

The Group accordingly recognised Oil and Gas producing assets as it has determined that it is a principal with respect to oil and gas producing activities, has the ability to direct the use of the assets and has the rights to the resulting economic benefits of such activities.

b) Gas distribution services

The Group determined that it does not control the goods relating to gas beyond the respective delivery points specified in the respective agreement and it does not have the ability to direct the use of or obtain benefits from the assets used in gas distribution services. Therefore, the Group has determined that it is an agent for this function based on the following factors:

- The Group is not primarily responsible for fulfilling the promise to provide the specified gas.
- The Group does not have inventory risk before or after the specified gas has been transferred to the customer as it merely supplies the gas in accordance with the end user agreements which are approved by the Government.
- The Group has no discretion in establishing the price for gas. The Group's consideration in these contracts is only based on an agreed percentage of mark-up on costs incurred by the Group for provision of services to the Government.

c) Petroleum Exploration activities

In relation to the petroleum exploration operations, the Group has determined that it is providing a service to the Government in accordance with its existing contracts. The assessment has incorporated factors around the risks and rewards from the exploration activities, which the Group has determined lie with the Government. The Group has concluded that it transfers control over its services over time as the services are provided and therefore considers itself as acting as an agent for this function.

(iv) Consolidation

The determination of whether an investment in a company is accounted for as a subsidiary or investment in associate/joint venture requires significant judgement. The management considers various factors including its economic ownership, representation in the respective board of directors or management of the investee company, the Group's exposure, or rights to, variable returns from its involvement in an investee company, its ability to use the power over the investee to affect its returns.

(v) Sale of shares in SBPC

As mentioned in note 18.5, due to the terms and conditions set out therein, management has not accounted for the sale of 0.1% of its shares in its subsidiary Saudi Bahrain Pipeline Company W.L.L. ("SBPC") as a sale of a non-controlling interest. Management has considered the various contractual terms to provide the Investor shareholder with the contractual right to receive payments of quarterly dividends. As such, the sale of 0.1% should be accounted for as a financial liability in accordance with IAS 32 – Financial Instruments: Presentation.

As the sale of the 0.1% shareholding in SBPC was not accounted for as a sale, and as all risks and rewards of the 0.1% are effectively retained by the Group, management determined that non-controlling interest would not be recognised for the 0.1%. Accordingly, Bapco Energies retained control of SBPC and continued to consolidate SBPC as at 31 December 2025.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Transfer of assets from capital work-in-progress ("CWIP") to property, plant and equipment ("PPE")
(vi)

Management exercised judgment in determining the timing of transfers of assets from Capital Work-in-Progress (CWIP) to Property, Plant and Equipment (PPE). In accordance with IAS 16, assets are transferred to PPE when they are available for their intended use, which requires an assessment of factors including physical completion, technical readiness and operational availability.

(vii) *Going concern assessment*

The preparation of the consolidated financial statements requires management to make significant judgements and apply assumptions regarding the Group's future operating performance and liquidity position, particularly in light of post-reporting events.

Key assumptions considered by management include:

- expected timing and extent of operational recovery following the March 2026 incidents;
- timing and quantum of insurance recoveries under property damage and business interruption policies;
- availability and approval of extended supplier payment terms; and
- projected cash flows under base-case and downside scenarios.

These assumptions are inherently subject to estimation uncertainty and may change based on future developments. They have been prepared based on management's best estimates and the information available as at the date of approval of these consolidated financial statements.

Management has considered the implications of these developments for the Group's going concern assessment. This included the preparation of cash flow projections under a range of scenarios, reflecting uncertainties in market conditions and operating conditions. Based on this assessment, management concluded that these events do not give rise to a material uncertainty related to the Group's ability to continue as a going concern.

The key assumptions considered in the cash flow projections include:

- the expected timing of the resumption of traditional trade routes;
- commodity prices for key inputs and outputs, based on published data from recognised pricing agencies;
- expected refining volumes, taking into account the Group's practical ability to deliver refined products to international markets; and
- expected utilisation of financing facilities available to the Group as of the date of approval of the consolidated financial statements and also expected facilities to be obtained from the financial institutions, other lenders and other debt market avenues.

The Board of Directors continues to monitor these assumptions as part of its ongoing assessment of the Group's operational recovery and liquidity position. Refer to Note 37.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(viii) Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Directors do not believe that there is any impairment of property, plant and equipment as at year ended 31 December 2025 and 31 December 2024.

For oil and natural gas producing assets, expected future cash flows are estimated using management's best estimate of future oil and gas prices and production and reserves volumes. The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, and other factors. Reserves assumptions for value-in-use tests are restricted to proved reserves which can be extracted at minimum level of future capital expenditure. The Group acquires services of both internal and external technical expert / consultants for the purposes of assessing proven reserves who carry out their assessment based on internationally accepted guidelines and best industry practices. There are no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down.

(ix) Estimation of oil and gas reserves

Significant technical and commercial judgements are required to determine the Group's estimated oil and gas proved reserves. Reserves estimates are reviewed and updated on annual basis. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells, and oil prices all impact on the determination of the Group's estimates of its oil and gas proved reserves. The Group bases its proved reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and internationally accepted guidelines.

Estimates of oil and gas proved reserves determined by applying internationally accepted guidelines and best industry practices are used to calculate depreciation and amortisation charges for the Group's oil and gas producing assets. The impact of changes in estimated proved reserves is dealt with prospectively by depreciating / amortising the remaining carrying value of the asset over the expected future production. Oil and gas reserves estimates also have a direct impact on the assessment of the recoverability of asset carrying values reported in the consolidated financial statements. If proved reserves estimates determined by applying management's assumptions are revised downwards, earnings could be affected by changes in depreciation and amortisation expense or an immediate write-down of the oil and gas producing asset's carrying value. Information on the carrying amounts of the Group's oil and gas producing assets is contained in Note 5.

At 31 December 2025

3 (continued)

Estimates and assumptions (continued)

(x) Useful lives of property, plant and equipment

The Directors determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

(xi) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At 31 December 2025, gross inventories were BD 313,118 thousand (2024: BD 294,127 thousand) against which provisions for old and obsolete inventories made amounted to BD 33,700 thousand (2024: BD 17,946 thousand) (note 10).

(xii) Provision for impairment of financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer types).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical default rates are updated and changes to the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers actual default in future.

At 31 December 2025, gross trade receivables were BD 486,170 thousand (2024: BD 358,060 thousand) against which provisions for ECL made amounted to BD 15,643 thousand (2024: BD 16,184 thousand) (note 11).

(xiii) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Estimates and assumptions (continued)

(xiv) Leases - Estimating the incremental borrowing rate and extension period

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

As at 31 December 2025, the Group used an IBR ranging between 6.5% - 8.5% on its leases. An increase or decrease of 1% in IBR would result in a increase or decrease in lease liabilities at year end of BD 1,421 thousand (2024: BD 1,773 thousand)

(xv) Impact of climate change

Bapco Energies is performing a review of its overall energy strategy which will include the impact of climate change. A by-product of that energy strategy will include an assessment of risks due to climate change on material financial statement line items, significant judgments, and material estimation uncertainties.

Estimates, such as the pace of energy transition and demand forecasts, and their impact on commodity prices, margins, and growth rates, include assumptions and inherent uncertainties that will be subject to change as market factors, policy and regulation evolve. The directors believe that the judgments and estimates used in the preparation of the 2025 consolidated financial statements are consistent with Bapco Energies' long-term strategy and the profile of its operations. Bapco Energies will continue to update its financial plans, estimates, and assumptions concerning the economic environment and the pace of the energy transition.

4 CONTRIBUTION FROM THE SHAREHOLDER

During 2016, Ministry of Oil and Environment acquired 49% equity shares (representing 80% interest in assets) of Bapco Upstream, a limited liability company incorporated in the Kingdom of Bahrain, specialising in production of oil and gas from onshore fields in the Kingdom of Bahrain. The Company made a payment amounting to BD 58,248 thousand to the outgoing shareholders of Bapco Upstream on behalf of the Government in accordance with the cabinet resolution number 2324-05 dated 17 August 2015 and incentivisation agreement dated 25 August 2015. The shares of Bapco Upstream were transferred to the Company on behalf of the Government and the regulatory formalities in connection with the changes in shareholding were completed on 18 July 2016.

Subsequent to the acquisition of Bapco Upstream by the Government, on 1 July 2016 Ministry of Oil and Environment assigned on behalf of the Government of the Kingdom of Bahrain its 80% interest in the oil and gas producing assets and related abandonment and restoration obligations of Bapco Upstream to the Company. Accordingly, on 1 July 2016, the Company recorded the oil and gas producing assets and related abandonment and restoration obligations of Bapco Upstream. Consequently, Bapco Upstream became a wholly owned subsidiary of the Company.

4 CONTRIBUTION FROM THE SHAREHOLDER (continued)

The Company has recorded the transfer of above assets over time after verification and appropriate approvals from Ministry of Oil and Environment as a contribution from the shareholder.

During 2018, the Company transferred abandonment and restoration obligations along with the related asset in property, plant and equipment to Ministry of Oil and Environment resulting in a net increase in contribution from the shareholder by BD 91,509 thousand (Refer note 20 for details).

During the year ended 31 December 2025, Bapco Energies received the legal title of a land on which the Company's associate (Asry) operates from the Government of Kingdom of Bahrain for nil consideration. The Company has accounted the land at 'nil', being the cost (which is the fair value of the consideration transferred) in the consolidated statement of financial position.

During 2023, the Company returned contribution from the Shareholder amounting to BD 394 million and settled (non cash) it against due from a related party (note 12). There is no movement in the contribution from the shareholder during the years ended 31 December 2024 and 31 December 2025.

The contribution as of 31 December 2025 is BD 45,182 thousand (2024: BD 45,182 thousand).

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

5 PROPERTY, PLANT AND EQUIPMENT

<i>At 31 December 2025</i>	<i>Freehold land</i>	<i>Buildings</i>	<i>Oil and gas producing assets</i>	<i>Pipeline assets</i>	<i>Plant and machinery</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Hardware and software</i>	<i>Site work & aviation assets</i>	<i>Other assets*</i>	<i>Capital Work in progress</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cost:												
At 1 January 2025	121	215,606	1,374,933	117,082	1,398,444	12,944	6,921	12,480	5,595	134	3,019,778	6,164,038
Additions during the year	-	143	-	-	34	4	-	849	-	-	413,778	414,808
Transfers from capital work-in-progress	-	2,231	145,647	-	1,614,459	275	242	211	112	-	(1,763,177)	-
Disposals	-	-	-	-	(47)	-	(180)	-	-	-	-	(227)
Transfer to joint operator (note 1)	-	-	(23,870)	-	-	-	-	-	-	-	(4,345)	(28,215)
Assets written-off	-	(189)	-	-	(3,425)	-	(60)	-	-	-	(46)	(3,720)
At 31 December 2025	121	217,791	1,496,710	117,082	3,009,465	13,223	6,923	13,540	5,707	134	1,665,988	6,546,684
Depreciation:												
At 1 January 2025	-	110,339	901,558	16,830	1,094,770	11,637	6,319	11,447	5,180	-	-	2,158,080
Charge for the year	-	7,712	122,099	2,927	59,793	162	243	581	11	-	-	193,528
Disposals	-	-	-	-	(47)	-	(158)	-	-	-	-	(205)
Transfer to joint operator (note 1)	-	-	(6,355)	-	-	-	-	-	-	-	-	(6,355)
Assets written-off	-	(135)	-	-	(3,256)	-	(38)	-	-	-	-	(3,429)
At 31 December 2025	-	117,916	1,017,302	19,757	1,151,260	11,799	6,366	12,028	5,191	-	-	2,341,619
Net carrying value:												
At 31 December 2025	121	99,875	479,408	97,325	1,858,205	1,424	557	1,512	516	134	1,665,988	4,205,065

The Freehold land includes land received by the Company from the Government of Kingdom of Bahrain on 18 November 2025 for nil consideration. The land is used by Asry, an associate of the Company for free of charge (note 32)

* Other assets represent Bahrain Oil Museum items which are not depreciated due to its unique nature.

As at 31 December 2025, the gross carrying amount of fully depreciated property, plant and equipment balance that is still in use is BD 696 million (2024: BD 657 million). Property, Plant and Equipment with a carrying value of BD 1,500 million (2024: BD 124 million) are part of the total assets of a subsidiary which are mortgaged to secure certain borrowings (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

5 PROPERTY, PLANT AND EQUIPMENT (continued)**At 31 December 2024**

	<i>Freehold land</i>	<i>Buildings</i>	<i>Oil and gas producing assets</i>	<i>Pipeline assets</i>	<i>Plant and machinery</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Hardware and</i>	<i>Site work & aviation assets</i>	<i>Other assets*</i>	<i>Capital Work in progress</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cost:												
At 1 January 2024	121	213,404	1,310,622	117,082	1,398,099	12,407	11,437	11,133	5,595	134	2,525,805	5,605,839
Additions during the year	-	2,353	-	-	2,169	8	133	409	-	-	566,259	571,331
Transfers from capital work-in-progress	-	735	64,311	-	2,667	637	107	940	-	-	(69,397)	-
Disposals	-	-	-	-	-	-	(133)	-	-	-	-	(133)
Assets written-off	-	(886)	-	-	(4,491)	(108)	(4,623)	(2)	-	-	(2,889)	(12,999)
At 31 December 2024	121	215,606	1,374,933	117,082	1,398,444	12,944	6,921	12,480	5,595	134	3,019,778	6,164,038
Depreciation:												
At 1 January 2024	-	103,100	793,272	13,903	1,051,624	11,575	10,130	10,814	5,134	-	-	1,999,552
Charge for the year	-	8,118	108,286	2,927	47,619	170	347	635	46	-	-	168,148
Disposals	-	-	-	-	-	-	(133)	-	-	-	-	(133)
Assets written-off	-	(879)	-	-	(4,473)	(108)	(4,025)	(2)	-	-	-	(9,487)
At 31 December 2024	-	110,339	901,558	16,830	1,094,770	11,637	6,319	11,447	5,180	-	-	2,158,080
Net carrying value:												
At 31 December 2024	121	105,267	473,375	100,252	303,674	1,307	602	1,033	415	134	3,019,778	4,005,958

* Other assets represent Bahrain Oil Museum items which are not depreciated due to its unique nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

5 PROPERTY, PLANT AND EQUIPMENT (continued)**5.1 Depreciation charged to profit or loss**

	2025 BD '000	2024 BD '000
Depreciation relating to:		
- Property, plant and equipment	193,528	168,148
- Right-of-use assets (note 6)	41,007	39,825
- Acting in an agency capacity excluded	(751)	-
	233,784	207,973

5.2 Additions to capital work-in-progress during the year includes staff costs amounting to BD 19,007 thousand (2024: BD 20,562 thousand).

5.3 Additions during the year include borrowing costs capitalised relating to Bapco Modernisation Program ("BMP") which is a major expansion and upgrade project of the Bahrain Refinery. BMP project consists of the expansion of the crude distillation capacity and upgrading of the refinery capabilities in order to increase the Bahrain Refinery's competitiveness, improve the energy efficiency and enhance the environmental compliance to international standards. The expansion project is financed by five export credit agencies ("ECAs") and a syndicate of 31 commercial banks, including a combination of commercial and Islamic bank financing with both regional and international banks. The amount of borrowing costs and hedge interest income capitalised during the year ended 31 December 2025 amounted to BD123,171 thousand (2024: BD157,647 thousand) and BD 25,250 thousand (2024: BD 40,048 thousand), respectively. The total net borrowing cost capitalised amounted to BD 97,921 thousand (2024: BD 117,599 thousand). The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 6.95% (2024: 6.95%) (note 30.2).

5.4 The amount of finance costs on lease liabilities capitalised during the year amounted to BD 98 thousand (2024: BD 118 thousand) and depreciation on right-of-use assets capitalised during the year amounted to BD nil thousand (2024: BD 142 thousand).

a. Changes to corresponding information

During 2025, the comparative figures for 2024 have been restated to reflect a change in presentation following a reassessment of capital work-in-progress ("CWIP"). In the prior year, capital work-in-progress amounting to BD 3,019,778 thousand was presented as a separate line item from property, plant and equipment of BD 986,180 thousand. Following the conclusion that aggregation improves presentation by aligning the presentation of the CWIP assets with their underlying nature and function, capital work-in-progress has been aggregated with property, plant and equipment in the comparative consolidated statement of financial position, resulting in a single line item of property, plant and equipment amounting to BD 4,005,958 thousand as at 31 December 2024. This change represents an aggregation within non-current assets and has no impact on total assets or equity.

Consequential to the above change in presentation in the comparative consolidated statement of financial position, the comparative consolidated statement of cash flows for 2024 has also been restated. Within cash flows from operating activities, non-cash adjustment previously described as "Property, plant and equipment and capital work-in-progress written-off" (BD 3,512 thousand) has now been presented as "Property, plant and equipment written-off" amounting to BD 3,512 thousand. In addition, within cash flows from investing activities, the cash outflows previously presented as "Purchase of property, plant and equipment" of BD 5,072 thousand and "Additions to capital work-in-progress" of BD 485,342 thousand have now been aggregated and presented as a single line item of "Purchase of property, plant and equipment" amounting to BD 490,414 thousand for the year ended 31 December 2024. These changes relate solely to presentation and classification and have no impact on net cash flows for the period.

Management has assessed that given the nature of this change, the presentation of the third balance sheet on the face of consolidated statement of the financial position was not required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

6 RIGHT-OF-USE ASSETS

	2025 BD '000	2024 BD '000
At 1 January	159,469	170,047
Additions during the year	11,923	22,135
Remeasurement	15,544	7,254
Modification	(1,410)	-
Termination	(20,436)	-
Depreciation during the year*	(41,007)	(39,967)
As at 31 December	124,083	159,469

* Depreciation during the year includes BD nil thousand (2024: BD 142 thousand) that has been capitalised in capital work-in-progress.

The consolidated statement of financial position shows the following amounts relating to leases (net of depreciation):

	2025 BD '000	2024 BD '000
Compressors	80,977	94,326
Drilling rigs	13,948	46,795
Workover rigs	15,246	7,409
Others	13,912	10,939
As at 31 December	124,083	159,469

Depreciation charge of right of use assets	2025 BD '000	2024 BD '000
Compressors	14,433	17,219
Drilling rigs	14,625	12,232
Workover rigs	9,948	8,761
Others	2,001	1,755
As at 31 December	41,007	39,967

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**7.1 Investment in Arab Shipbuilding and Repair Yard Co. (Asry)**

On 24 October 2019, the Government transferred its interest in Asry, which was held by the Government through Bahrain Mumtalakat Holding B.S.C. (c) ("Mumtalakat"), to the Company. As of 31 December 2024, the economic ownership of the Company in Asry is 36.96%.

As the Company owns a 36.96% in Asry and has representation on its board of directors, a judgement is required on classification of this investment. As the Company's exposure, or rights, to variable returns from its involvement with Asry is limited to its current economic ownership, the management of the Company has concluded that the Company only exercises significant influence over Asry, accordingly, has accounted it as an investment in an associate.

As part of debt restructuring of Asry, the Company has provided an interest free shareholder loan of BD 11 million (US\$ 30 million) The management is of the view that this shareholder loan takes priority over equity of Asry without any exposure to variable returns.

The Company has entered into an shareholder loan agreement on 2 December 2025 with BxT Trading Ltd with committed to provide a unsecured committed term loan of BD 18,850 thousand. As of 31 December 2025, BD 1,885 thousand has been drawdown from the committed amount.

7.2 Classification of carrying value of associates and joint ventures in the consolidated statement of financial position

	2025	2024
	BD '000	BD '000
Investment in associates and joint ventures	173,424	158,091
	173,424	158,091

The investment in Bahrain LNG W.L.L. includes convertible loan of BD 37,914 thousand (2024: BD 35,737 thousand) for which settlement is neither planned nor likely in the foreseeable future. This loan can be converted to equity at the option of Bapco Energies at any time prior to settlement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

7.3 Movements in the carrying amount of the investments in associates and joint ventures during the year is as follows:

Ownership interest	30%	30%	36.96%	36.96%	33.33%	33.33%	49%	49%	50%		
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>		<i>BxT Trading Ltd</i>	<i>Total</i>	
	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2025 BD '000	2024 BD '000
1 January	40,772	38,410	15,855	11,569	100,686	98,922	778	507	-	158,091	149,408
Additions during the year**	2,257	2,131	-	4,880	-	-	-	-	-	2,257	7,011
Share of profit/(loss) for the year	1,793	98	1,396	(594)	16,214	9,221	270	271	(256)	19,417	8,996
Share of other comprehensive income / (loss) for the year	(1,940)	133	-	-	(631)	83	-	-	-	(2,571)	216
Share of total comprehensive (loss)/income for the year	(147)	231	1,396	(594)	15,583	9,304	270	271	(256)	16,846	9,212
Dividends received from associates	-	-	-	-	(3,770)	(7,540)	-	-	-	(3,770)	(7,540)
31 December	42,882	40,772	17,251	15,855	112,499	100,686	1,048	778	(256)	173,424	158,091

Share of associates equity at 31 December was as follows:

	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2024 BD '000	2025 BD '000	2025 BD '000	2024 BD '000
Non-current assets	352,116	358,353	55,745	56,962	131,154	155,550	3,612	3,880	2,081	544,708	574,745
Current assets	61,853	80,720	59,034	52,085	222,377	161,020	4,702	3,984	992	348,958	297,809
Non-current liabilities	(230,455)	(274,452)	(43,813)	(47,830)	(1,856)	(2)	(885)	(991)	(1,079)	(278,088)	(323,275)
Current liabilities	(40,573)	(28,716)	(37,494)	(31,524)	(14,177)	(14,509)	(5,289)	(5,284)	(2,503)	(100,036)	(80,033)
Total Equity	142,941	135,905	33,472	29,693	337,498	302,059	2,140	1,589	(509)	515,542	469,246
Capital contributions made by Bapco Energies	-	-	4,880	4,880	-	-	-	-	-	4,880	4,880
Bapco Energies' interest as of 31 December	42,882	40,772	17,251	15,855	112,499	100,686	1,048	778	(256)	173,424	158,091

** Additions during the year includes an amount of BD 2,257 thousand (2024: BD 2,131 thousand) of capitalised interest due on a convertible loan given to Bahrain LNG W.L.L. and interest free loan of BD nil (2024: BD 4,880 thousand) provided to Asry.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

7.4 Reconciliation to carrying amounts

	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>		<i>BxT Trading Ltd</i>
	2025	2024	2025	2024	2025	2024	2025	2024	2025
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Opening net assets at 1 January	135,909	128,036	42,897	31,302	302,114	296,767	1,588	1,035	-
Additions during the year	7,523	7,103	-	13,203	-	-	-	-	-
Profit/(loss) for the year	5,977	328	3,777	(1,608)	48,643	27,664	551	553	(511)
Other comprehensive income/(loss)	(6,467)	442	-	-	(1,892)	248	-	-	-
Dividends paid	-	-	-	-	(11,282)	(22,565)	-	-	-
Closing net assets at 31 December	142,942	135,909	46,674	42,897	337,583	302,114	2,139	1,588	(511)
Group's share in %	30%	30%	36.96%	36.96%	33%	33%	49%	49%	50%
Group's share in BD	42,882	40,772	17,251	15,855	112,499	100,686	1,048	778	(256)
Carrying amount	42,882	40,772	17,251	15,855	112,499	100,686	1,048	778	(256)

7.5 Share of associates' and joint ventures summarised statement of profit or loss and other comprehensive income during the year is as follows:

	30%		36.96%		33.33%		49%		50%		
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>		<i>BxT Trading Ltd</i>	<i>Total</i>	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2025	2024
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Revenue	38,739	39,626	76,384	71,713	167,001	136,786	-	-	-	282,124	248,125
Cost of sales	(13,186)	(10,366)	(60,447)	(55,920)	(101,753)	(93,658)	(267)	(267)	-	(175,653)	(160,211)
Other income	8,889	-	3,581	2,965	7,763	7,709	975	933	-	21,208	11,607
Expenses	(28,465)	(28,932)	(15,741)	(20,366)	(24,368)	(23,173)	(157)	(113)	(511)	(69,242)	(72,584)
Profit/(loss) for the year	5,977	328	3,777	(1,608)	48,643	27,664	551	553	(511)	58,437	26,937
Other comprehensive income/(loss) for the year	(6,467)	442	-	-	(1,892)	248	-	-	-	(8,359)	690
Total comprehensive income/(loss) for the year	(490)	770	3,777	(1,608)	46,751	27,912	551	431	(511)	50,078	27,627
Group's share of total comprehensive income/(loss) for the year	(147)	231	1,396	(594)	15,583	9,304	270	271	(256)	16,846	9,212
Capital and other commitments	-	1,821	3,403	2,218	16,529	13,230	-	-	-	19,932	17,269

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

8 LONG-TERM ASSETS

	Note	2025 BD '000	2024 BD '000
Home ownership loans – non-current portion	8.1	10,890	14,011
Long-term staff loans	8.1	3,391	3,677
Investment at FVOCI	8.2	3,574	200
		17,855	17,888

8.1 Home ownership loans and long-term staff loans represent amounts advanced to employees under different schemes of the Group. The loans are sanctioned in accordance with the Group's policies and are repayable in monthly installments over the period of the loans.

8.2 During Q4 2025, a subsidiary of the Group entered into equity investments designated at fair value through other comprehensive income (FVOCI) of USD 9 million (BD 3.4 million). The Group also holds non-controlling interest 2.86% (2024: 2.86%) in the Bahrain International Golf Course Company.

These investments was irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.

9 RESTRICTED CASH AND BANK BALANCES

	Note	2025 BD '000	2024 BD '000
Bank balances			
- Bapco expatriate employees' end of service benefits	9.1	17,442	16,476
- BMP Project	9.2	113,085	113,085
Restricted Bank balances		130,527	129,561
Less: ECL for restricted cash		(13)	(13)
		130,514	129,548
- Non-current portion	9.3	130,514	129,548
- Current portion	9.3	-	-
		130,514	129,548

9.1 These are held with Islamic and conventional banks in the Kingdom of Bahrain and include current accounts and fixed deposits. These bank balances are held in the name of "Bapco Expatriate Employees' End of Service Benefits" and is fully funded by the Company and cannot be utilised for operations of the Company. Current account balances with the banks are non-interest bearing. Bank deposits earn interest / profit rates ranging between 5.1% to 6.45% (31 December 2024: between 5.6% to 7%) per annum.

9.2 This represents an account held with a bank outside the Kingdom of Bahrain for the BMP project and is restricted by the project debt finance arrangement and cannot be utilised for routine operations of the Company except for specific items as mentioned in the project debt finance arrangement. This account earns an interest at daily USD SOFR minus 0.25% per annum (2024: daily USD SOFR minus 0.25% per annum). This deposit is required to be held until the actual completion date of the BMP project.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

9 RESTRICTED CASH AND BANK BALANCES (continued)

9.3 As at 31 December 2025, restricted cash balances are classified as current and non-current based on the expected timing of their release and intended use. Restricted cash comprises amounts that are not available for general use by the Group due to contractual or regulatory restrictions. The non-current portion of restricted cash pertains to balances expected to be released after more than twelve months from the reporting date, and primarily represents the balance held in the Contingency Equity Reserve Account (CERA) related to the BMP project of BD 113,085 thousand (USD 300,000 thousand) and funds set aside for Bapco expatriate employees' end of service benefits. Please refer to note 37 for details on subsequent events in relation to this account.

10 INVENTORIES

	2025 BD '000	2024 BD '000
<i>Petroleum inventories:</i>		
Crude oil	17,709	12,517
Work-in-progress	64,627	70,320
Refined finished products	125,547	93,574
Gasoline inventories	603	1,573
	208,486	177,984
<i>Gas inventories:</i>		
Processed gas	3,257	8,925
<i>Lube inventories:</i>		
Lube based oil	6,230	11,320
<i>Materials and supplies inventories:</i>		
Refinery / production	35,799	32,354
Spares and materials	59,346	63,544
	95,145	95,898
Less: provision for slow moving inventories for		
- refinery / production	(14,815)	(6,902)
- spares and materials	(18,885)	(11,044)
	(33,700)	(17,946)
	61,445	77,952
	279,418	276,181

The movements in the provision for slow-moving inventories are as follows:

	2025 BD '000	2024 BD '000
At 1 January	17,946	17,651
Charge for the year	2,518	482
Reversal during the year	(163)	(187)
Others*	13,399	-
At 31 December	33,700	17,946

* Other represents the provision for slow-moving inventories netted off with the inventory balances as of 31 December 2024.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

11 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

	2025 BD '000	2024 BD '000
<i>Trade receivables</i>		
Third parties	411,109	286,945
Related parties (note 32a)	75,061	71,115
	486,170	358,060
Less: Provision for ECL / impairment of trade receivables	(15,643)	(16,184)
	470,527	341,876
<i>Others</i>		
Other receivables*	56,628	34,199
Due from Ministry of Oil and Environment (note 32a)	15,264	29,339
Advances to contractors	5,362	5,476
Prepayments	19,716	12,217
Home ownership loans – current portion	6,354	4,744
Staff loans – current portion	207	231
Investment at FVTPL **	3,766	-
	107,297	86,206
Less: ECL for other receivables	(16,193)	(16,193)
	561,631	411,889
<i>Trade and other receivables</i>		
- Non-current portion	9,413	7,237
- Current portion	552,218	404,652
	561,631	411,889
<i>Trade, other receivables and other assets</i>		
- Measured at FVTPL	351,551	268,636
- Measured at amortised cost	210,080	143,253
	561,631	411,889

*Other receivables include loans provided to associates of the Group amounting to BD 9,413 thousand (2024: BD 7,237 thousand) and BD 21,860 thousands receivable from EOG on transfer of certain assets to the joint operator in proportion to its participating interest (note 1).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

** On 13 November 2025, the Group entered into a structured, capital-protected deposit with a financial institution for a nominal amount of USD 10,000 thousand. The deposit is denominated in USD and provides for full repayment of the principal at maturity on 17 November 2026, irrespective of movements in the underlying reference asset, being Brent Blend crude oil.

In addition to a fixed coupon receivable at maturity, the instrument includes a variable return linked to the performance of Brent crude oil prices. The variable return is subject to predefined strike, barrier, and cap levels, which determine the extent of any additional return receivable at maturity based on the level of the underlying commodity.

The movements in the provision for ECL / impairment of trade receivables during the year were as follows:

	2025	2024
	BD '000	BD '000
At 1 January	32,377	31,723
Charge for the year	1,262	4,195
Write-offs during the year	(1,803)	(3,541)
At 31 December	31,836	32,377

At 31 December, the ageing of not impaired trade and other receivables (net of ECL) is as follows:

	<i>Total</i>	<i>Current</i>	<i>Less than</i>	<i>61 to 180</i>	<i>181 to 365</i>	<i>Over</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>60 days</i>	<i>days</i>	<i>days</i>	<i>365 days</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2025	470,527	369,460	53,104	18,047	11,158	18,758
2024	341,876	287,250	39,129	6,777	2,958	5,762

The carrying amounts of the Group's trade receivables are denominated in both Bahraini Dinars and United States Dollars.

Amounts due from related parties are unsecured, bear no interest and have no fixed repayment terms.

	<i>ECL rate</i>	<i>Current</i>	<i>Less than</i>	<i>61 to 180</i>	<i>181 to 365</i>	<i>Over</i>
			<i>60 days</i>	<i>days</i>	<i>days</i>	<i>365 days</i>
2025		0.04%	0.67%	8.15%	65.36%	50.37%
2024		0.09%	2.06%	6.14%	46.02%	58.19%

12 DUE FROM A RELATED PARTY

During 2018, the Group entered into various agreements with the Government including Crude Oil Supply Agreement ("COSA"), Crude Oil Sale and Purchase Agreement ("COSPA"), services agreement, Gas Sale and Purchase Agreement (GASPA), etc. These mainly relate to the following:

- purchase of crude oil from the Government;
- distribution of gas to the end users and managing of the gas distribution network; and
- carrying out oil and gas exploration activities, on behalf of the Government, etc.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 DUE FROM A RELATED PARTY (continued)

During 2019, the Company has agreed a framework with the Government for cash receipts and payments mechanism with respect to the above and certain additional items. Consequently, the Group has the following outstanding balances with the Government:

	2025	2024
	BD '000	BD '000
Receivable from the Government	558,307	435,755
Less: Provision for ECL	(58,441)	(58,441)
	499,866	377,314
Non-current portion	388,337	312,437
Current portion	111,529	64,877
	499,866	377,314

Receivable balances arise due to following transactions:

- a) Service income as explained in note 32 (c)
- b) Amounts paid by the Company on behalf of the Government;
- c) Exploration costs paid by Bapco Energies on behalf of the Government;
- d) Payments with respect to management of gas distribution network on behalf of the Government;
- e) Amounts paid to the Government for:
 - i) sum of (A) production cost contribution relating to Baseline Crude Quantity and (B) fair market value relating to excess quantity (over Baseline Crude Quantity) (less) actual production costs incurred by Bapco Upstream. In case of a shortfall, it is recovered from the Government and disclosed under payables.
 - ii) the fair market value (of the Baseline Crude Quantity and excess quantity (over Baseline Crude Quantity)) less payments made to the Government under COSA (at US\$ 1 per barrel of oil for Baseline Crude Quantity), production cost contribution relating to Baseline Crude Quantity, fair market value relating to excess quantity (over Baseline Crude Quantity), point 'b' above and any subsidies provided by Bapco for local sales.
- f) Amount receivable with respect to COSA shortfall.

Payable balance arise due to following transaction:

- a) Purchase of crude oil at US\$ 1 per barrel of oil for Baseline Crude Quantity under COSA.

The Group has classified the balances that are expected to be realised within 12 months from reporting period as current and remaining balances as non current. The Group has assessed that these amounts are fully recoverable from the Government.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

13 CASH AND BANK BALANCES

	Note	2025 BD '000	2024 BD '000
Current and call accounts			
- BMP project related	13.1	22,215	12,513
- Others	13.1	395,509	455,225
Short-term deposits	13.2	131,799	102,454
Cash in transit		5,564	332
Cash on hand		83	77
Cash and cash equivalents		555,170	570,601
Deposits with banks with maturity more than 3 months	13.2	107,539	234,777
Less: allowance for expected credit losses		(38)	(49)
Cash and bank balances		662,671	805,329

13.1 Current and call accounts are held with reputable banks in the Kingdom of Bahrain and the United Kingdom. These balances are denominated in Bahraini Dinars and US Dollars.

13.2 As of 2025, deposits held with banks in the Kingdom of Bahrain earn interest at rates ranging between 3.85% and 6.23% per annum (2024: 4% and 6.7% per annum).

13.3 The Group holds a bank account on behalf of the Government amounting to US\$ 123,010 thousand as at 31 December 2025 (2024: US\$ 114,474 thousand) which does not form part of cash and bank balances within the consolidated statement of financial position.

The Group maintains certain bank accounts for the employees' savings scheme. These accounts are managed by the Group on behalf of the employees to facilitate the savings scheme arrangement. As a result, these bank accounts are not included in the Group's cash and bank balance. The bank balances in these accounts amount to BD 57,858 thousand as of 31 December 2025 (2024: BD 58,065 thousand).

Total contributions made by the Group towards employees' savings plan for the year ended 31 December 2025 amounted to BD 5,351 thousand (2024: BD 6,266 thousand) and are included within staff costs.

Non-cash transactions entered by the Group during the year ended 2025 and 2024 are as follows:

Non-cash items

	2025 BD '000	2024 BD '000
Transfer from capital-work-in-progress to property plant and equipment (note 5)		
Property, plant and equipment (note 5)	(1,763,177)	69,397
Capital work-in-progress (note 5)	(1,763,177)	(69,397)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

13 CASH AND BANK BALANCES (continued)

	2025	2024
	BD '000	BD '000
Finance cost capitalised (note 5)		
Capital work-in-progress	97,921	117,599
Borrowings	(97,921)	(117,596)
Lease liabilities	-	(3)
Depreciation capitalised (note 6)		
Capital work-in-progress	-	142
Right-of-use assets	-	(142)
Additions to right-of-use assets (notes 6 & 23)		
Right-of-use assets	11,923	22,135
Lease liabilities	11,923	22,135
Remeasurement of right-of-use assets (notes 6 & 23)		
Right-of-use assets	15,544	7,254
Lease liabilities	15,544	7,592
Loss on remeasurement of lease liabilities	-	(338)
Modification of right-of-use assets (note 6 & 23)		
Right-of-use assets	(1,410)	-
Lease liabilities	(1,418)	-
Gain on modification of lease liabilities	8	-
Termination of right-of-use assets (note 6 & 23)		
Right-of-use assets	(20,436)	-
Lease liabilities	(22,158)	-
Gain on termination of lease liabilities	1,722	-
Additional investment in an associate (note 7.3)	2,257	7,011
Property, plant and equipment transferred to a joint operator (note 5)		
Property, plant and equipment (note 5)	(17,515)	-
Capital work-in-progress	(4,345)	-
Trade, other receivables and other assets	21,860	-
Land transferred as shareholder contribution at Nil value		
Property, plant and equipment (note 5)	-	-
Contribution from the shareholder	-	-
Dividend - non cash settlement (note 31)		
Due from Ministry of Oil and Environment	(17,556)	-
Due from a related party	(6,748)	-
Dividends	24,304	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

14 SHARE CAPITAL AND CAPITAL ADJUSTMENT ACCOUNT

	2025 BD '000	2024 BD '000
Share capital		
<i>Authorised:</i>		
1,619,400,000 shares of BD1 each		
(2024: 1,619,400,000 shares of BD1 each)	1,619,400	1,619,400
<i>Issued and fully paid:</i>		
1,184,400,000 shares of BD1 each		
(2024: 1,184,400,000 shares of BD1 each)	1,184,400	1,184,400

The entire capital is held by the Government of the Kingdom of Bahrain.

Capital adjustment account

On formation of the Company in 2007, the capital was issued as a consideration based on the value of the subsidiaries transferred. It was noted that the legal capital issued was based on the gross assets of the subsidiaries, rather than the net assets transferred resulting in recognition of additional intangible assets of BD 421,609 thousand (2024: BD 421,609 thousand) in the form of accounting goodwill (as a balancing figure). This resulted in an overstatement of equity and gross assets by BD 421,609 thousand (2024: BD 421,609 thousand).

On 13 December 2011, the Board of Directors passed a resolution to restate the consolidated financial statements to reflect the true position of equity and total assets. Accordingly, this resulted in creating a debit balance in equity in capital adjustment account of BD 421,609 thousand (2024: BD 421,609 thousand) with a corresponding credit to goodwill. The debit balance may be eliminated against issued capital on obtaining the requisite regulatory and shareholder approvals.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

15 SINKING FUND RESERVE

	2025 BD '000	2024 BD '000
At 1 January and 31 December	160,125	160,125

As required by the Amiri Decree number 42 of 1999, a sinking fund reserve has been created by Bapco through transfers from prior years gross profits. The reserve is not available for distribution in the form of dividend and is to be utilised to:

- (a) purchase materials, machineries and facilities or for their repairs;
- (b) cover any decrease in the value of Bapco's property, plant and equipment; and
- (c) meet Bapco's obligations under the labour and social insurance laws.

16 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, 10% of the net profit for the year is to be transferred to a statutory reserve. Such annual transfer ceases when the reserve balance has reached 50% of the paid-up share capital. The statutory reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law. The Company has transferred BD 9,599 thousand (2024: BD 11,054 thousand) of the Group's profits to the statutory reserve.

17 NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	Ownership interest	
		2025	2024
Bapco Gas Company W.L.L ("Banagas")	Kingdom of Bahrain	0%	0%
Bapco Air Fueling Company B.S.C. Closed ("Bafco")	Kingdom of Bahrain	40%	40%
Bahrain Gasoline Blending W.L.L. ("BGB")	Kingdom of Bahrain	0%	0%

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

17 NON-CONTROLLING INTERESTS (continued)

	<i>Accumulated balances of non-controlling interests</i>		<i>Profit allocated to non-controlling interests</i>	
	2025	2024	2025	2024
	BD '000	BD '000	BD '000	BD '000
Banagas	-	-	-	-
- At 28 August 2024	-	-	-	168
- At 24 September 2024	-	-	-	189
Bafco	58	58	-	-
BGB	-	-	-	(95)
Total	58	58	-	262

The movements in the non-controlling interest during the year are as follows:

	2025	2024
	BD '000	BD '000
At 1 January	58	7,260
Net profit and total comprehensive income attributable to non-controlling interest	-	262
Acquisition of non-controlling interest	-	(7,464)
	58	58

18 BORROWINGS

The details of the borrowings together with interest / profit and repayment terms are as follows:

	<i>Note</i>	2025	2024
		BD '000	BD '000
Murabaha facility	18.1	942,500	942,500
Listed term bonds	18.2		
- first tranche		300,716	377,000
- second tranche		188,500	188,500
Commercial and Islamic facilities	18.3	1,416,533	980,408
BMP project borrowings	18.4	1,201,558	1,322,275
Loan from an Investor shareholder	18.5	150,485	151,959
		4,200,292	3,962,642
Interest payable on borrowings		46,480	40,732
less - unamortised transaction cost		(140,083)	(155,513)
At 31 December		4,106,689	3,847,861
Total borrowings		4,106,689	3,847,861
Less: Interest payable on borrowings		(46,480)	(40,732)
Less: Current maturities of long-term borrowings		(318,255)	(179,694)
Non-current portion		3,741,954	3,627,435
Current portion		364,735	220,426

Refer to note 18.6 and 18.7 for undrawn facilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

The Group has entered into long-term financing arrangements with various lenders. These financing arrangements restrict the Group's ability to incur additional debt or create additional security over its assets. Certain arrangements are secured by assets of the Group.

Additionally, the financing arrangements under note 18.3 require compliance by the Group with covenants to maintain certain financial and other conditions. The Group has complied with these covenants throughout the reporting period.

- 18.1 Bapco Energies has Murabaha Shari'a compliant Islamic facilities. In 2019, the Company entered into a new Murabaha facility arrangement with a consortium of banks through Gulf International Bank (B.S.C.), acting as an agent, with a facility limit of BD 528 million (US\$ 1,400 million) at profit rates ranging from 2.25% to 2.65% plus 1, 3 or 6 months LIBOR depending upon respective Murabaha transaction period. This facility was used to early settle the old Murabaha facility of 2018 which had profit rate of 2.25% plus 6 months LIBOR. The new facility is unsecured and full principal amount is payable as bullet payment on 25 October 2024. In 2021, the facility was upsized to BD 603 million (US\$ 1,600 million) on the same terms, and BD 75 million (US\$ 200 million) was drawn.

In 2022 Bapco Energies successfully refinanced its BD 603 million (US\$ 1,600 million) Murabaha facility and upsized it to BD 829 million (US\$ 2,200 million). The new facility was structured as a dual tranche (conventional and Islamic) sustainability-linked loan based on secured overnight financing rate (SOFR), with a maturity date of September 2026. The interest payable by the Borrower to the lenders will be a SOFR plus Credit Adjustment Spread 90 days and a margin of 2.10%. Margin adjustments will be capped at minus 2 bps per annum depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPTS) as per below:

- One SPT satisfied: Margin decreased by 0.67bps
- Two SPT satisfied: Margin decreased by 0.67 bps
- Three SPT satisfied: Margin decreased by 0.67bps

On November 27 2023, Bapco Energies concluded an Amend & Restate exercise on the BD 829 million (US\$ 2,200 million) dual tranche sustainability-linked Murabaha and conventional term facility. The transaction was upsized to BD 943 million (US\$ 2,500 million) by incorporating a BD 113 million (US\$ 300 million) green shoe option, which was drawn down on 30 May 2024. Under the amended and restated facility, the maturity date has been extended from September 2026 to November 2030, and an equal quarterly repayment schedule was introduced, commencing from May 2026. The interest payable by the Company to the lenders will be a SOFR plus Margin of 1.95%. Margin adjustments will be capped at minus 2 bps per annum depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPTS) as per below:

- No SPT satisfied: no margin decrease
- One SPT satisfied: Margin decreased by 1 bps
- Two SPT satisfied: Margin decreased by 2 bps

The facility is fully drawn down as at 31 December 2025. There are no financial covenants associated with this borrowing.

On 13 April 2026, the Company entered into an amendment agreement with Gulf International Bank B.S.C. (in its capacity as the Global agent, the Conventional facility agent and Murabaha Investment agent) on deferral of quarterly repayment installments of BD 50 million (US\$ 132 million) for 18 months to commence from 30 November 2027 and accordingly extend the maturity date to 31 May 2032.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

18.2 During 2017, Bapco Energies established a Global Medium Term Note programme (the "Programme") for an amount of BD 1,130 million (US\$ 3,000 million) on Euronext Dublin. On 18 October 2017, Bapco Energies issued first tranche under the Programme, a 10 year bond carrying interest rate of 7.5% per annum and amounting to US\$ 1,000 million (BD 377 million). The principal amount is repayable as bullet payment on 18 October 2027.

During 2018, Bapco Energies issued second tranche under the Programme, a 10 year bond carrying interest rate of 8.375% per annum and amounting to US\$ 500 million (BD 188.5 million) and a 6 year bond carrying interest rate of 7.625% per annum and amounting to US\$ 500 million (BD 188.5 million). The principal amount is repayable as a bullet payment on 7 November 2024 and 7 November 2028 respectively.

In 2021, Bapco Energies issued new notes of the Programme amounting to BD 94 million (US\$ 250 million), and carrying an interest rate of 7.625%. The principal amount was repayable as a bullet payment in 2024 and the new issuance is to be consolidated and form a single series with the existing BD 188.5 million (US\$ 500 million) 7.625% notes due 2024 issued in 2018.

The proceeds of the Liability Management exercise conducted in 2023 were used to repay BD 180 million (US\$ 478 million) in 2023, of the amounts which were due in 2024. The balance of BD 102.6 million (US\$ 272 million) has been paid on 6 November 2024.

The Company using the proceeds of the Sukuk issuance as below, executed a liability management exercise. This led to the successful partial buyback of BD 76 million (US\$ 202 million) of existing bonds of BD 377 million (US\$ 1,000 million) entered on 18 October 2017, as part of the Bapco Energies' Global Medium Term Note Programme. The remaining balance of the bond of BD 301 million (US\$ 798 million) is repayable as a bullet payment on 18 October 2027.

During 2021, Bapco Energies (through Bapco Energies Sukuk Limited) issued BD 226 million (US\$ 600 million) 8-year Sukuk certificates due in 2029 under the BD 1,130 million (US\$ 3,000 million) Trust Certificate Issuance Program, carrying an interest rate of 5.25%. A Sukuk is a financial instrument similar to a bond that complies with Islamic financing principles. There are no financial covenants associated with this borrowing.

In 2023 Bapco Energies conducted a Liability Management exercise by issuing BD 283 million (US\$ 750 million) 10-year Sukuk certificates due in 2033 under the BD 1,130 million (US\$ 3,000 million) trust certificate program with a profit rate of 6.625%.

Bapco Energies Sukuk Limited, incorporated in Cayman Islands is held by Walkers on trust for charitable purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

- 18.3 As of 31 December 2019, the Group had an outstanding balance of BD 179 million (US\$ 476 million) against a long term borrowing (commercial and Islamic facilities) with a facility limit of BD 193.6 million (US\$ 515 million) denominated in US\$, from a consortium of international and local banks with Gulf International Bank B.S.C., acting as the facility agent. The refinanced facility is BD 244 million (US\$ 648 million), with maturity of 30 June 2030 and interest rate of 6-months LIBOR plus spread of 2.90% per annum. The Company transitioned the interest rate to 6-months SOFR plus spread of 2.40% per annum in December 2022. During the month of March 2021, the Company upsized the facility by BD 51million (US\$ 135 million) to BD 244 million (US\$ 648 million). Further, the Company drawdown BD 51 million (US\$ 135 million), which resulted in utilisation of total facility amount of BD 244 million (US\$ 648 million). The outstanding balance of Syndicated Loan Facility was adjusted for up-front fees of BD 4 million (US\$ 11 million) which will be amortized over the loan period. During 2024, an amount of BD 24 million (US\$ 65 million) was paid.

During 2025, Banagas Expansion refinanced and upsized its syndicated loan facility by availing a new loan of BD 179 million (US\$ 475 million) with a maturity date of 9 December 2033. The interest/profit rate on the refinanced facilities is 6-month SOFR plus a margin of 1.80% per annum (2024: 6-month SOFR plus margin of 2.40% per annum). The proceeds from the new loan were used to repay the outstanding loan balance of BD 158 million (US\$ 419 million) as of the date of refinancing. Management considers the following to be significant modifications to the original loan facility: the extension of the loan tenor from 2030 to 2033, the reduction of the interest/profit margin from 6-month SOFR plus 2.40% per annum to 6-month SOFR plus 1.80% per annum, and changes in the syndicate members. Although the quantitative change in discounted present value of the cash flows under the new terms is not at least 10% different from the discounted present value of the remaining cash flows of the original financial liability, management applied the accounting policy to also consider qualitative factors. Collectively, these qualitative changes represent a substantial modification, resulting in the derecognition of the original loan and recognition of the new refinanced loan in accordance with IFRS 9. Subsequent to the year ended 31 December 2025, Banagas Expansion has paid the installment on 3 June 2026.

On 14 October 2022, Bapco Energies signed a BD 113 million (US\$ 300 million) Push Facility with the Italian Export Credit Agency (SACE), for general corporate purposes. The Facility has a tenor of 10 years comprising (i) a 12-month Availability Period, followed by (ii) a 12-month Grace Period (principal repayment moratorium) and (iii) an eight-year repayment period comprising 16 equal and consecutive semi-annual instalments of BD 7 Million (US\$ 19 million) commencing on 14 April 2025. The rate of interest payable by the Borrower to the Lenders will be SOFR plus a 1.75% margin payable semi-annually. Margin increase/ decrease by 25 bps depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPT) as per below:

SPT-1 : -25 bps if the relevant objective in SPT-1 is met

+25 bps if the relevant objective in SPT-1 is not met

SPT -2: -25 bps if the relevant objective in SPT -2 is met

+25 bps if the relevant objective in SPT-2 is not met

The facility will benefit from a SACE guarantee (the "SACE Guarantee") covering 80% of the principal and interest amounts due under the Facility. The facility was fully drawn down during the year ended 2023.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

The financial covenants associated with the SACE facility are at a consolidated level and are as follows:

- Consolidated tangible net worth to be maintained at BD 750 million (US\$ 2000 million).
- Cash or cash equivalent be not less than BD 75 million (US\$ 200 million).

Both these covenants have been complied with as at 31 December 2025.

- 18.3 On 10 July 2024, Bapco Energies signed a BD 189 million (US\$ 500 million) credit agreement with the Private Export Funding Corporation ("PEFCO"), which was guaranteed by the Export-Import Bank of the United States ("EXIM"). The facility was raised on a reimbursement basis on payments linked to Bahrain Field Expansion and Development Program. The Facility has two tranches: the size of Tranche A is BD 167 million (US\$ 444 million) and it has a tenor of 10 years; the size of Tranche B is BD 25 million (US\$ 57 million) and it has a tenor of 8 years. Repayment of both Tranches is on an equal and consecutive semiannual basis, with principal repayments commencing from 8 March 2025. The rate of interest payable by the Borrower to the Lenders is interpolated US Treasuries plus a 0.55% margin payable semi-annually as below. The facility was fully drawn as of 30 September 2024.

- Tranche A (10 years): $4.108\% \text{ (interpolated UST)} + 0.55\% = 4.658\%$

- Tranche B (8 years): $4.147\% \text{ (interpolated UST)} + 0.55\% = 4.697\%$

On 22 September 2025, Bapco Energies signed a new BD 189 million (US\$ 500 million) credit agreement with PEFCO, which was guaranteed by EXIM. The facility was raised on a reimbursement basis on payments linked to Bahrain Field Expansion and Development Program. the facility will be withdrawn over multiple tranches subject to the availability of enough US-supplier payments for reimbursement, the size of the first tranche is BD 84 million (US\$ 223 million) and it has a tenor of 10 years. Repayment of all tranches is on an equal and consecutive semiannual basis, with principal repayments commencing from the 8th of March 2027. The rate of interest payable by the Borrower to the Lenders is 4.237% margin payable semi-annually as below. The facility was partially drawn as of 26 November 2025 by an amount of BD 84 million (US\$ 223 million).

- Tranche A (10 years): 4.237%

On 29 January 2025, the Company (through Bapco Energies Sukuk Limited) completed a BD 377 million (US\$ 1,000 million) 10-year Sukuk issuance with a concurrent capped tender offer for up to 25% of its outstanding USD 7.5 % bond. The 10-year issuance was priced at a 6.25 % profit rate.

- 18.4 Bapco Refining ("Bapco") embarked on the BMP project during 2018 which is a major expansion and upgrade project of the Bahrain Refinery. In order to finance the BMP project Bapco signed debt financing facilities agreements ("project debt finance arrangement") on 20 December 2018 with available financing facilities of BD 1,600 million (US\$ 4,100 million). The financing facilities comprise of covered export credit facilities and uncovered commercial and Islamic financing facilities with a consortium of banks to support and fund the implementation of BMP project. These facilities can only be utilised for BMP project related payments and include floating and fixed rate facilities which carry an interest of 6 month SOFR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively (2024: 6 month SOFR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively).

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

Transaction costs comprise of insurance premiums, commitment fees, upfront fees and other fees that are paid by the Company and are not recoverable. During 2025, the Company paid BD 649 thousand (2024: BD 792 thousand) to the Facility Lenders and amortized over the useful life of loans. Upon amortization, costs are capitalised to capital work in progress.

- 18.4 These loans are repayable in 25 semi-annual instalments with the first instalment payable earlier of six months after the actual project completion date or scheduled completion date of 31 October 2022 of the BMP with the first repayment date being 30 April 2023. Bapco paid the first installment on 27 April 2023 as per the provisions of the Finance Documents and successfully paid the second, third, fourth, fifth and sixth installments on 31 October 2023, 30 April 2024, 31 October 2024, 30 April 2025 and 31 October 2025 respectively.

Subsequent to the year ended 31 December 2025, Bapco Refining has paid the seventh instalment on 30 April 2026.

BMP financing contain certain requirements to meet certain financial (debt to equity ratio must be not greater than 65:35) and non-financial covenants and there is no instance of non compliance at the reporting date. The Group has drawn all the facilities.

These facilities are secured against:

- Mortgage of commercial registration of Bapco along with all its assets;
- Mortgage of investments of Bapco in BLBOC and BGB;
- Mortgage of investment in BE Properties;
- Mortgage of the shares held by Bapco Energies in Bapco;
- Assignment of reinsurance of Bapco;
- Assignment of material contracts and insurances of Bapco;
- Assignment of AB pipelines lease agreement of Bapco;
- Account pledge over Awali Hospital Company Account;
- Pledge of amounts outstanding of Bapco in the offshore bank accounts with a commercial bank; and
- Assignment of crude oil sales agreement between Bapco and Saudi Aramco.

During 2024, the Group obtained approval from the BMP Lenders for the release of the mortgage of investments in Bapco Lube Base Oil Company B.S.C (closed) "BLBOC" and Bapco Gasoline Blending Company W.L.L "BGB" in order to amalgamate both investments. The amalgamation of BLBOC was completed in April 2025 and BGB was completed in May 2025.

During the year, certain assets were transferred from Bapco Refining to BE Properties W.L.L. as part of the Group's ongoing restructuring and optimization initiatives. The transfer was executed in accordance with the Groups's internal policies and procedures, and was subject to approval by the lenders, as required under the relevant financing agreements.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

18 BORROWINGS (continued)

18.5 During the year ended 31 December 2024, Bapco Energies sold 0.1% of its shares in its subsidiary SBPC to the Investor shareholder on 29 August 2024 ("completion date") for a consideration of BD 152 million (US\$ 403 million). Effective from this date the Group and the Investor shareholder entered into a shareholders' agreement and a call/put option agreement was entered into between Bapco Energies and Oryx Topco Holding Limited. The following are the key terms and conditions of the transaction as outlined in these agreements:

- Bapco Energies resolved to adopt a dividend distribution policy, whereby the dividend distributions will be paid on a quarterly basis by SBPC and 99.9% and 0.1% of the distributions will be allocated to the Investor shareholder and to Bapco Energies, respectively.
- Further, the shareholders' agreement includes provisions for payment of dividends under certain indemnification risk events.
- In terms of the call/put option agreement, Bapco Energies has a call option exercisable at any time after the completion date but the strike price may differ based on when the call option is exercised. In addition, the put option granted to Oryx Topco Holding Limited, exercisable on or after the 25th anniversary of the completion date ("Maturity Date") and if certain compulsory transfer events occur which are not under the control of Bapco Energies, may result in the full repayment of the dividends undistributed.

Given the above contractual terms and conditions, Bapco Energies has a contractual obligation to make quarterly dividend payments and the Group has not accounted for the sale of shares in SBPC as a sale of non-controlling interest, but as a financial liability and presented the financial liability in borrowings. As there is no sale of the 0.1% and as the Group retained all risks and rewards of the 0.1%, the Group has retained control over SBPC.

18.6 Bapco Energies signed an uncommitted overdraft facility with the National Bank of Bahrain ("NBB") amounting up to BD 25,000 thousand for general corporate purposes on 1 December 2021. The tenor of the facility is 1 year and renewable on annual basis up on the mutual agreement of the Bank and the Borrower. The interest rate payable in case of utilization is 1.5% per annum over one month Bahrain Interbank Offered Rate (BHIBOR). The facility is not utilized and stands undrawn as of 31 December 2025.

18.7 On 22 December 2022, Bapco Energies signed a syndicated BD 75 million (US\$ 200 million) uncommitted Revolving Credit (Murabaha) Facility led by Albaraka Islamic Bank with participation from Khaleeji Commercial Bank, Bahrain Islamic Bank, and the National Bank of Kuwait, for general corporate purposes. The Facility has a tenor of 5 years with the option to renew for an additional year subject to lender approval. The rate of interest payable by the Borrower to the Lenders is Term SOFR plus a 2% p.a. margin on the utilized amount. The facility was not utilized till the year ended 31 December 2025 and stands undrawn.

Subsequent to the year end on 17 May 2026, the Company has requested drawdown of BD 53 million (US\$ 140 million), which was received on 1 June 2026.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

19 EMPLOYEES' END OF SERVICE BENEFITS

	2025 BD '000	2024 BD '000
Expatriate employees' leaving indemnity (note 'a')	12,966	16,827
Bahraini pension plan	101	129
Pound sterling annuity plan	11	16
	<u>13,078</u>	<u>16,972</u>

a) Expatriate employees' leaving indemnity

	2025 BD '000	2024 BD '000
At 1 January	16,827	18,865
Charge for the year	4,067	2,798
Paid during the year	(7,928)	(4,836)
At 31 December	<u>12,966</u>	<u>16,827</u>

b) Defined benefit retirement scheme

	2025 BD '000	2024 BD '000
At 1 January	-	2,569
Current service cost	-	682
Payments made during the year	-	(3,251)
At 31 December	<u>-</u>	<u>-</u>

Banagas operates a defined benefit retirement scheme for its Bahraini employees. The retirement scheme was settled during the year ended 31 December 2024 and scheme has been closed.

c) Contribution to social insurance organisation (SIO)

Pension rights and other social benefits for Bahraini employees and non Bahraini employees (with effect from 1 March 2024) are covered by the SIO scheme to which the employer and employees contribute monthly at a fixed-percentage of salaries.

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At 31 December 2025

20 ABANDONMENT AND RESTORATION OBLIGATIONS

Prior to 1 January 2018, in accordance with the Development and Production Sharing Agreement ("DPSA"), the Group recognised the fair value of a liability for an abandonment and restoration obligations in the period in which the liability is incurred and becomes reasonably estimable to dismantle the asset and reclaim or remediate the property at the end of its useful life. As per terms of DPSA, the Group was required to make payments to the abandonment fund of Ministry of Oil and Environment in future. On 21 February 2019, Ministry of Oil and Environment terminated DPSA with effect from 1 January 2018 and thereby no payments are required to be made to the Ministry of Oil and Environment to fund the Group's obligation to the abandonment fund. Subsequent to termination of DPSA, the Group is no longer liable for abandonment or restoration obligations and these liabilities have been taken over by Ministry of Oil and Environment.

Subsequent to termination of DPSA and Ministry of Oil and Environment taking over the related restoration obligations, the Group has transferred the abandonment and restoration obligations along with the corresponding asset in the property, plant and equipment to the Ministry of Oil and Environment, resulting in a net increase in contribution from the shareholder by BD 91,509 thousand during the year ended 31 December 2018.

21 TRADE AND OTHER PAYABLES

	Note	2025 BD '000	2024 BD '000
Trade payables		6,809	21,842
Accruals and other payables	21.1	562,690	507,459
Payable to contractors		228	2,733
Due to the Government	21.2 & 32(a)	53,796	52,223
Advance from customers		61	37
		623,584	584,294
<i>Trade and other payables</i>			
- Non-current portion		21,347	21,347
- Current portion		602,237	562,947
		623,584	584,294
<i>Trade and other payables</i>			
- Measured at FVTPL		275,648	214,935
- Measured at amortised cost		347,936	369,359
		623,584	584,294

Trade payables are normally settled within 30 days of the suppliers' invoice date.

21.1 Accruals and other payables includes payable to contractors of BD 80,303 thousand (2024: BD 86,541 thousand).

21.2 These relate to product gas and fuel gas payments relating to the operations of Company's subsidiaries.

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21 TRADE AND OTHER PAYABLES (continued)

21.2

As of 31 December, amounts due to the Government include product and fuel gas charges BD 27,594 thousand relating to Bapco Gas Expansion Company W.L.L.. This includes product gas charges relating to the year 2016 and 2018 amounting to BD 8,220 thousand (2024: BD 8,220 thousand) and BD 2,106 thousand (2024: BD 2,106 thousand) respectively and are subordinated until the liabilities under the syndicated loan facility is settled in full. In accordance with Ministry of Oil and Environment (formerly known as National Oil and Gas Authority "NOGA") letter dated 09 March 2017 and the terms & conditions of bank borrowings obtained in 2017, Product Gas charge for CGP- II & Fuel Gas charge for CGP-III from 1 January 2017 were subordinated. Under the financing conditions, subordinated amounts can only be paid after ensuring that the subsidiary has surplus cash available after taking into account the repayments of the next 6 months, 2 months working capital, and will be able to meet all the loan covenants after making such payments of subordinated gas charges.

As of 31 December, amounts due to the Government include deferred product gas charges of BD 15,006 thousand (2024: BD 14,925 thousand) and fuel gas charges of BD 1,319 thousand (2024: BD 1,333 thousand) which are payable to the Government by Banagas. As per the Banagas Board Resolution No. 1/140-2021 dated 1 July 2021, the Board of Directors resolve to recommence payment of outstanding Deferred Product Gas charges (BD 11,042 thousand). The outstanding amount is to be paid in equal instalments of BD 291 thousand commencing July 2021. The instalment payment in a given month is subject to meeting the payment conditions. As of date, no instalment payment was made.

22 DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into certain derivative transactions to hedge economic risks under its risk management guidelines. Where derivatives do not meet the hedging criteria, they are classified fair value through profit or loss (FVTPL) for accounting purposes. Consequently, gains or losses resulting from the remeasurement to fair value of these derivatives are taken directly to the profit or loss.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in interest rates (interest rate risk) through entering into interest rate swaps (IRS). It is the Group's policy to reduce its exposure to interest rate risks to acceptable levels as determined by the Board of Directors. The Board of Directors has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors.

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At 31 December 2025

22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk. The Group has entered into interest rate swaps (IRS) to hedge its risk associated with interest rate fluctuations. These IRSs are designated as hedging instruments in cash flow hedges for designated hedged items (i.e. designated portion of its bank borrowings). There is an economic relationship between the designated hedged items and the hedging instruments as the terms of the IRS match with the terms of the bank borrowings (i.e., notional amount and expected payment dates). The Group aims to set the hedging ratio at 84% to 88% by matching the notional amount of the designated hedged items to the notional amount of the corresponding IRS used as the hedging instruments. To test the hedge effectiveness, the Group uses a combination of qualitative and quantitative methods. The Group uses critical terms matching method as qualitative test and regression analysis / dollar offset methods as quantitative test under which it compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts outstanding as at 31 December 2025 and 31 December 2024. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end but are neither indicative of the market risk nor credit risk.

	At 31 December 2025		At 31 December 2024	
	Notional amount BD '000	Positive fair value BD '000	Notional amount BD '000	Positive fair value BD '000
Current				
Derivatives under FVTPL				
Commodity derivatives	-	-	-	1,406
Non-current				
Derivatives held as cash flow hedge				
Interest rate swaps	1,824,182	90,867	2,093,926	180,341
	At 31 December 2025		At 31 December 2024	
	Notional amount BD '000	Negative fair value BD '000	Notional amount BD '000	Negative fair value BD '000
Current				
Derivatives under FVTPL	-	-	-	-
Non-current				
Derivatives held as cash flow hedge	-	-	-	-

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22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The above commodity derivatives have been entered into by the Group for the purpose of hedging its oil price risk, however, these have been classified as held for trading.

Commodity derivatives are in the form of futures and options traded on a recognised exchange such as the International Petroleum Exchange or the New York Mercantile Exchange. The fair value of these derivatives changes with movements in the underlying commodity price. The Group is generally obliged to make margin calls to the exchange where the fair value of the instrument is in favour of the exchange. The Group generally closes out any futures contracts prior to crystallisation.

At 31 December 2025, if the closing price for each of the Group's exchange-traded commodity derivatives had been 1 US Dollar per metric barrel lower with all other variables held constant, profit for the year would have been higher by BD NIL thousand (2024: BD 68 thousand).

The fair value of derivative financial instruments resulted in the following fair value gains and losses in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025 BD '000	2024 BD '000
<i>Recognised in the profit or loss</i>		
- Ineffective portion of cash flow hedges (note 29.2)	(761)	1,690
- Realised and unrealised gain/(loss) on derivative transactions (net) (note 29.2)	-	(185)
<i>Recognised in other comprehensive income</i>		
- (Loss) / gain on cash flow hedges	(27,915)	79,158
- Share of (loss) / gain on cash flow hedge from an associate	(1,940)	133
- Reclassified from cash flow hedge reserve to profit or loss	(52,904)	(69,217)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Cash flow hedges

Termination of interest rate swaps

a) On 30 September 2025, the Company terminated its existing interest rate swap and entered into a new interest rate swap with a financial institution on the same date at a revised fixed rate of 3.265%.

As the underlying loan remains outstanding and the related future cash flows are still expected to occur, the cumulative gain or loss recognised in the cash flow hedge reserve at the date of termination of the original swap continues to be retained in equity. The amount will be reclassified from the cash flow hedge reserve to the consolidated statement of profit or loss in the periods in which the hedged cash flows affect consolidated statement of profit or loss.

The management has designed the new interest rate swap as a hedging instrument of the same loan starting from 30 September 2025.

b) On 2 October 2025, a subsidiary has cancelled its interest rate swap arrangement with financial institutions as the underlying hedge item, i.e the loan was repaid. Since the hedged future cash flows are no longer expected to occur, that amount is reclassified from the cash flow hedge reserve to consolidated statement of profit or loss as a reclassification adjustment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23 LEASE LIABILITIES

The movement in the lease liabilities during the year is as follows:

	2025 BD '000	2024 BD '000
As at 1 January	177,322	185,427
Additions during the year	11,923	22,135
Remeasurement	15,544	7,592
Modification	(1,418)	-
Termination	(22,158)	-
Finance cost for the year*	10,456	11,908
Payments during the year	(49,591)	(49,740)
As at 31 December	142,078	177,322
Current	38,084	40,358
Non-current	103,994	136,964
As at 31 December	142,078	177,322

* Finance cost for the year includes an amount of Nil (2024: BD 3 thousand) capitalised in capital work-in-progress.

For nature of the leased assets, refer note 6.

24 SHORT TERM BORROWINGS

	2025 BD '000	2024 BD '000
Short term loans	65,681	47,963

During 2025, the Group obtained short term loan facilities to meet its working capital requirements. These loans are repayable within one year of the drawdown. These carry interest rate of SOFR plus margin ranging from 0.75% to 2.15% per annum (2024: SOFR plus margin ranging from 1.15% to 2.15% per annum). Bapco Refining total limit under these facilities in 2025 is BD 188,475 thousand (2024: BD 160,204 thousand).

During 2025, the Company utilized the working capital facilities amounting to BD 65,681 (2024: BD 37,787). The remaining undrawn amount was BD 122,794 (2024: BD 122,417).

Additionally, Bapco Refining have the Receivable Finance Program, also known as Receivable Factoring Facility ("RFF"). The limit of the facility is BD 75,390 thousand (US\$ 200,000 thousand). The Facility was not utilized in 2025 and 2024.

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25 INCOME TAXES PAYABLE

Banagas pays income taxes on its net profit in accordance with Article 2 of the Bahrain Income Tax Law.

Movements in income tax payable during the year are as follows:

	2025 BD '000	2024 BD '000
At 1 January	915	970
Charge for the year	-	915
Additional income tax expense relating to 2024	33	-
Payments made during the year	(948)	(970)
At 31 December	-	915

During November 2025, Banagas settled its outstanding income tax liability of BD 948 thousand relating to the nine-month period ended 30 September 2024, following a request from the Ministry of Finance and National Economy (MoFNE). Of this amount, BD 915 thousand was charged against the previously recognised tax provision, with the remaining BD 33 thousand recognised as an expense in the consolidated statement of profit or loss for the year ended 31 December 2025.

Banagas has applied to the Ministry of Finance and National Economy (MoFNE) for an income tax exemption effective 1 October 2024. As of that date, Banagas became wholly owned by Bapco Energies. Accordingly, no tax provision has been recognised for the year ended 31 December 2025.

26 REVENUE

	2025 BD '000	2024 BD '000
Revenue from contracts with customers		
- Refined products	2,765,521	2,786,344
- Natural Gas and NGLs	490,960	463,228
- Lube based oil revenues	101,560	133,777
- Other revenue	302,530	214,620
External revenue	3,660,571	3,597,969

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers according to product type and source is as follows:

	2025 BD '000	2024 BD '000
<i>Refined products</i>		
- Diesel	1,180,186	1,150,116
- Jet Fuel	838,024	903,919
- Fuel Oil	470,103	466,624
- Other refined products	277,208	265,685
	2,765,521	2,786,344

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26 REVENUE (continued)	2025	2024
	BD '000	BD '000
<i>Natural Gas and NGLs</i>		
- Naphtha	439,254	409,715
- Propane	24,807	25,160
- Butane	26,899	28,353
	490,960	463,228
<i>Lube based oil revenues</i>	101,560	133,777
	3,358,041	3,383,349
	2025	2024
	BD '000	BD '000
Other revenue		
Income relating to non-associated gas **	218,559	174,160
Services provided to EOG	25,323	-
Service income from Ministry of Oil and Environment	8,076	6,498
Supply and services	8,518	572
Marketing fees - Abu Saafa	3,823	3,747
Berthing and unberthing charges	5,255	5,347
Medical services (Awali Hospital)	14,637	6,827
Awali facilities	884	1,854
Management fees	17,455	15,615
	302,530	214,620

**Based on the new arrangement with the Government in 2019, the Group has concluded that it is acting as principal with respect to production of non-associated gas and has recognised the amounts received from the Government as other revenue.

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 30 days from the invoice date depending on specific terms of the contract.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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26 REVENUE (continued)

	<i>Refined products BD '000</i>	<i>Natural Gas and NGLs BD '000</i>	<i>Lube based oil revenues BD '000</i>	<i>Other revenue BD '000</i>	<i>Total BD '000</i>
31 December 2025					
Timing of revenue recognition					
- At a point in time	2,765,521	490,960	101,560	218,559	3,576,600
- Over time	-	-	-	83,971	83,971
	<u>2,765,521</u>	<u>490,960</u>	<u>101,560</u>	<u>302,530</u>	<u>3,660,571</u>

	<i>Refined products BD '000</i>	<i>Natural Gas and NGLs BD '000</i>	<i>Lube based oil revenues BD '000</i>	<i>Other revenue BD '000</i>	<i>Total BD '000</i>
31 December 2024					
Timing of revenue recognition					
- At a point in time	2,786,344	463,228	133,777	174,160	3,557,509
- Over time	-	-	-	40,460	40,460
	<u>2,786,344</u>	<u>463,228</u>	<u>133,777</u>	<u>214,620</u>	<u>3,597,969</u>

27 COST OF MATERIALS

	2025 BD '000	2024 BD '000
Cost of crude oil consumed		
- Saudi Arabia	2,594,779	2,516,722
- Bahrain (note 27.1)	5,088	5,282
- COSA shortfall	(16,909)	-
Total cost of crude oil consumed	<u>2,582,958</u>	<u>2,522,004</u>
Cost of gas consumed	129,290	114,834
Production overheads	21,989	25,678
Movement in petroleum inventories	(6,554)	(17,365)
Purchase of refined products	77,177	204,602
Purchases and services for EOG	24,873	-
Movement between provisional price and final price	2,047	4,728
	<u>2,831,780</u>	<u>2,854,481</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 COST OF MATERIALS (continued)

27.1 Bapco Refining entered into a revised Crude Oil Sale and Purchase Agreement ("COSPA") with Bapco Energies, and Bapco Upstream effective from 1 January 2018. The COSPA was finalised on 24 February 2019 with an effective date of 1 January 2018. On and effective from 22 October 2018, Bapco Refining entered into a revised Crude Oil Sale Agreement ("COSA") with the Government and Bapco Energies. In accordance with COSA and COSPA, from 22 October 2018 the Group started receiving a minimum quantity of 38,700 barrels per day at a rate of US\$ 1 per barrel ("Baseline Crude Quantity"). Any additional quantity is supplied at the market prices calculated in accordance with COSPA and any shortfall in quantity supplied below 38,700 will be indemnified by the Government in accordance with COSPA. Under COSPA, effective from 22 October 2018, Bapco Refining is also required to pay production cost contribution of US\$ 11 per barrel to Bapco Energies on the Baseline Crude Quantity, which is indexed by 2.5% on the 1st January each year. Accordingly, the applicable rate was US\$14.10 per barrel for 2025 (2024: US\$13.76 per barrel).

28 OTHER INCOME

	2025 BD '000	2024 BD '000
Miscellaneous income	14,116	11,080
	<u>14,116</u>	<u>11,080</u>

29 STAFF COSTS AND OTHER EXPENSES

29.1 Staff costs

	2025 BD '000	2024 BD '000
Staff costs	179,719	168,572

The employees' union of Bapco Refining had filed a legal case with respect to payments of overtime claiming that the overtime has to be calculated based on total wages rather than on basic salary, which had been the Bapco Refining's historical practice. In 2019, the court ruled in favour of the employees. Following this ruling, and based on the legal opinion, the management has revised the estimated maximum liability to be BD 27,998 thousand (US\$ 74,275 thousand) covering the period from 2012 to 2024. Effective 1 January 2025, the Company paid overtime based on the full salary therefore no provision has been calculated. The Company is pursuing this case through further legal appeals. The management expects to make payments only when all the legal possibilities are exhausted.

For employee saving scheme contributions and related balances as of 31 December 2025 refer to note 13.

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29 STAFF COSTS AND OTHER EXPENSES (continued)

29.2 Other expenses

	Note	2025 BD '000	2024 BD '000
Materials and services*		62,645	53,825
Other operating expenses**		61,794	59,687
Property, plant and equipment written-off	5, 5a	291	3,512
Miscellaneous expenses		29,952	11,503
Realised and unrealised loss on commodity derivative transactions (net)		-	185
Ineffectiveness on derivative instruments designated as cash flow hedges	22	761	(1,690)
		155,443	127,022

*Materials and services consists of primarily spare parts and services costs.

**Other operating expenses represent operating expenses of petroleum operations.

Auditor's remuneration for PwC for the statutory audit of the Group for the year ended 31 December 2025 amounts to BD 161 thousand (2024: BD 162 thousand).

Auditor's remuneration for non audit services during the year ended 31 December 2025 amounts to BD 78 thousand (2024: BD 297 thousand).

30 FINANCE INCOME AND COSTS

30.1 Finance Income

	2025 BD '000	2024 BD '000
Interest income on loan to associate	2,338	2,937
Interest income on deposits	44,078	58,072
Gain on cancellation of derivative instruments at fair value	7,340	-
	53,756	61,009

30.2 Finance Costs

	2025 BD '000	2024 BD '000
Interest on borrowings and short term borrowings	309,025	308,776
Interest on lease liabilities (note 23)	10,456	11,905
Interest on lease liabilities acting in an agency capacity excluded	(276)	-
Fair value gain on interest rate swaps designed as cash flow hedge - transfer from OCI	(52,904)	(69,217)
Less: capitalised finance costs (note 5)	(97,921)	(117,599)
	168,380	133,865

On 2 October 2025, Banagas Expansion fully unwound the interest rate swap for a settlement amounting to BD 12,488 thousand. On 9 December 2025, Banagas Expansion has refinanced and upsized its syndicated loan facility by availing a new loan, resulting in the extinguishment of the hedged loan. Since the future cash flows on the hedged loan are no longer expected to occur, the cash flow reserves of BD 15,502 thousand was reclassified to consolidated statement of profit or loss.

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31 DIVIDEND

During 2025, the Company has declared and approved dividends for the year ended 2023 amounting to BD 66.4 million aggregating to BD 0.056 per share based on the consolidated unrestricted retained earnings of the Group. Out of the total dividend BD 42.1 million was paid in cash during Q3 2025 and remaining balance of BD 24.3 million was in the form of non cash settlement against related party balances during Q2 2025. The non cash settlement is split between BD 17.7 million against receivables from MOOE (note 11) and BD 6.6 million against related party balance (note 12).

Bapco Energies is incorporated by Royal Decree number 77 of 2007 issued on 10 August 2007 and published in the Official Gazette on 16 August 2007. Accordingly, management's assessment is that dividends may be declared based on the consolidated distributable reserves of the Group. To further clarify this position, on 10 December 2025, the Board approved amendments to the Articles of Association to clarify that dividend declarations can be made from the Group's profits. The Board has also recommended the revised Articles of Association to the shareholder, the Ministry of Finance and National Economy (MOFNE), for approval, and the formal process for amending the Articles of Association is currently in progress.

32 RELATED PARTY BALANCES AND TRANSACTIONS

A related party is a party which directly, or indirectly through one or more intermediaries:

- controls the Group or has an interest in the Group that gives it significant influence over the Group;
- is a joint venture in which the Group is a venturer;
- is a member of the key management personnel of the Group;
- is director of the Group or any close member of the family of any director; and
- is an entity that is controlled or significantly influenced by, or significant voting power in such entity resides with, directly or indirectly, the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Group.

A summary of the related party balances and transactions is as follows:

a) Balances with related parties

	Note	2025 BD '000	2024 BD '000
<i>Due from a related party</i>			
<i>Parent</i>			
Government of the Kingdom of Bahrain		<u>499,866</u>	<u>377,314</u>
<i>Trade receivables</i>			
Ministry of Oil and Environment		<u>43,786</u>	31,320
<i>Affiliates</i>		<u>31,275</u>	39,795
Others	11	<u>75,061</u>	71,115
<i>Others</i>			
<i>Related to Shareholder</i>			
Ministry of Oil and Environment	11	<u>15,264</u>	29,339
<i>Associates / joint venture</i>			
GPIC		<u>22</u>	57
Asry		<u>9,413</u>	7,237
Others		<u>1,491</u>	1,371
<i>Amounts due to related parties</i>			
<i>Parent</i>			
Government of the Kingdom of Bahrain	21	<u>53,796</u>	52,223

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32 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Significant related party transactions

	2025 BD '000	2024 BD '000
<i>Amount due from a related party:</i>		
Balance as at 1 January	435,755	275,238
- Amounts paid to the Government	168,770	177,824
- Exploration costs paid on behalf of the Government	43,603	17,767
- Gas distribution network costs (received) / paid on behalf of the Government	(108)	(3,700)
- LNG costs paid on behalf of the Government	106	28
- Gas and condensate sales receivable	3,977	-
- Payment respect to COSA shortfall on behalf of Government	16,902	3,638
- Amounts from Government on oil activities	(110,698)	(35,040)
Balance as at 31 December (note 12)	<u>558,307</u>	<u>435,755</u>

The Group settled BD 6.6 million (non cash settlement) of due from related party by settling part of the dividend payable (note 31). The BD 6.6 million was settled against exploration costs paid on behalf of the Government and amounts paid to the government from oil activities BD 4.8 million and BD 1.8 million, respectively.

The Group settled BD 17.7 million (non cash settlement) of due from Ministry of Oil and Environment (note 11) by setting off part of the dividend payable (note 31).

	Note	2025 BD '000	2024 BD '000
<i>Fee income received from the Government</i>			
- Marketing fees - Abu Saafa	26	3,823	3,747
- Service income	26	8,076	6,498
- Management fees	26	17,455	15,615
- Income relating to non-associated gas	26	218,559	174,160
<i>Expense incurred on behalf of the Government</i>			
<i>Miscellaneous expenses</i>			
- Purchase of LNG test cargo for the terminal	29	13,483	-
<i>Cost of materials consumed</i>			
- Gas consumed for operations	27	129,290	114,834
- Crude oil	27	5,088	5,282
<i>Other expenses</i>			
- Gas consumed for operations	29	19,190	19,251
<i>Associates / Joint Venture</i>			
Gulf Petrochemical Industries Co. B.S.C. (c)			
- Revenue from contracts with customer		-	44
- Other income		107	105
<i>Others (Entity related to the Shareholder)</i>			
- Jet fuel sales to Gulf Air		49,986	55,451

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

32 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Significant related party transactions (continued)

c) Services as an agent

The Group has entered into various agreements with the Government to carry out the following activities on behalf of the Government for which the Group charges an agreed fee / mark-up;

- Sale of crude oil from Abu Saafa field.
- Distribute gas to the end users and manage the gas distribution network.
- Carry out oil and gas exploration activities, on the Government's behalf, in the Bahrain field as approved by the Government in advance.

The Group also manages the collection accounts on behalf of the Government with respect to above gas distribution network.

In addition, the Group has entered into commodity derivative contracts on behalf of the Government to hedge price exposures arising from liquefied natural gas (LNG) imports. As at 31 December 2025, there were no outstanding derivative contracts, and accordingly, no derivative financial assets or liabilities have been recognised in the consolidated financial statements.

Expenses on behalf of Ministry of Oil and Environment (Agent expenses)

	2025 BD '000	2024 BD '000
Operating expenses	8,256	6,837
Capital projects and development costs	62,847	50,925
Hedging settlements	2,688	-
	<u>73,791</u>	<u>57,762</u>

The Group invoiced corporate customers on behalf of Ministry of Oil and Environment for Gas Distribution Services (GDS) sales at an amount of BD 803,066 thousand (2024: BD 500,464 thousand).

d) The land held by the Company is used by Asry, an associate of the Company for free of charge.

e) Compensation of key management personnel

	2025 BD '000	2024 BD '000
Directors' remuneration	1,590	1,268
Compensation of other key management personnel	8,308	6,999
	<u>9,898</u>	<u>8,267</u>

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33 COMMITMENTS

Capital commitments

	2025	2024
	BD '000	BD '000
Estimated capital expenditure contracted for but not provided for the year end	227,947	255,218

Others

The Group has provided a financial guarantee in the form of letter of credit through a financial institution for an associate amounting to BD 1,579 thousand with a maturity date of 28 February 2026 which is renewed on an annual basis. For all capital commitments pertaining to the Group's investment in associates and joint ventures, refer to note 7.4.

The Company has entered into a shareholder loan agreement on 2 December 2025 with BxT Trading Ltd and the Company has committed to provide a unsecured committed term loan of BD 18,850 thousand (US\$ 50,000 thousand). Subsequent to the year end, the Company has distributed BD 10,933 thousand (US\$ 29,000 thousand) amount towards the committed term loan.

As part of certain agreements, a contingent liability of BD 44,940 thousand (2024: BD 50,815 thousand) is to be paid to the supplier if the agreement is cancelled by the Group before the end of the agreed term.

On 6 April 2026, a letter of credit amounting to US\$300 million was issued by a bank, on behalf of Bapco Energies, in favour of the Intercreditor Agent, with an initial expiry date of 31 December 2026 (note 9).

The Group has contingent assets and liabilities concerning certain disputed matters, including claims by and against contractors and lawsuits and arbitrations involving various issues. These contingencies arise in the ordinary course of business. It is not anticipated that any material adjustments will result from these contingencies.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise borrowings, lease liabilities and a certain portion of trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has a certain portion of trade and other receivables, long-term assets, due from a related party and cash and bank balances which are derived directly from its operations. The Group also enters into derivative transactions. The Group's accounting policies in relation to derivatives are set out in note 2.

The Group is exposed to market risk (including interest / profit rate risk, currency risk and commodity price risk), credit risk and liquidity risk.

The Group's management oversees the management of these risks. The management advises on the financial risks and an appropriate financial risk governance framework for the Group. The management also ensures that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Interest / profit rate risk

Interest / profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest / profit rates. The Group's exposure to the risk of changes in market interest / profit rates relates primarily to the Group's borrowings with floating interest / profit rates and interest/profit bearing assets.

The Group reviews the market analysis and expectations for interest / profit rate movements as the basis on which the Group decides to utilise floating or fixed rates for its interest / profit bearing liabilities.

The Group enters into interest rate swaps to hedge its risk of interest rate fluctuations for floating rate borrowings. As part of the risk management structure, the hedge relationships are recommended by management and approved by the Board of Directors. The effectiveness of hedges is monitored monthly by the Group. In situations of ineffectiveness, management recommends appropriate action to the Board of Directors for mitigation of risks.

The sensitivity of the profit or loss is the effect of the assumed changes in interest / profit rates on the Group's results for one year, based on the floating rate liabilities held at 31 December.

The sensitivity analysis below has been determined based on the exposure to interest / profit rates. For floating rate assets / liabilities, the analysis is prepared assuming the amount of assets / liabilities outstanding at 31 December were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest / profit rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest / profit rates.

The following table demonstrate the sensitivity of the profit or loss to possible changes in the interest / profit rates on borrowings, with all other variables held consistent.

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At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest / profit rate risk (continued)

A reasonably possible change of 100 basis points in interest rates on bank borrowings, bank deposits and derivative financial instruments at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Bahraini Dinars	
	2025	2024
	BD '000	BD '000
Variable-rate instruments	20,635	19,633

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

Cash flow hedge - Interest rate swaps

	Bahraini Dinars	
	2025	2024
	BD '000	BD '000
Carrying amount	90,867	180,341
Notional amount	1,824,182	2,093,926
Maturity year	2030-2035	2030-2035
Hedge ratio	1:0.86	1:0.86
Change in fair value of outstanding hedging instruments since 1 January	(27,154)	77,468
Change in value of hedged item used to determine hedge effectiveness	(27,915)	79,158
Weighted average hedged rate for the year	Range from 1.25 % to 3.28%	Range from 1.25 % to 2.5%

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's financial instruments are mainly denominated in US Dollars and Bahraini Dinars. As the Bahraini Dinar is pegged to the US Dollar, balances in Bahraini Dinars are not considered to represent significant currency risk.

Commodity price risk

Commodity price risk is the risk that future profitability is affected by changes in crude and refined product prices at various commodity exchanges. The Group is exposed to commodity price risk as its selling prices are based on market prices. However the Group does not hedge against fluctuations in market prices for future sales commitments.

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At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest / profit rate risk (continued)

Managing interest rate benchmark reform and associated risk

(i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group had exposures to IBORs on its financial instruments that was replaced or reformed as part of these market-wide initiatives. The Group has fully transitioned to SOFR in 2023.

(ii) Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to dollar SOFR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

(iii) Hedge accounting

The Group's has evaluated the extent to which its cash flow hedging relationships are subject to the SOFR reform as at 31 December 2025. The Group's hedged items and hedging instruments are indexed to the 3 and 6 Month dollar SOFR. The 3 and 6 Month SOFR will be quoted at every settlement date till IRS maturity in 2030/ 2035.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customers contract, leading to a financial loss.

The Group is exposed to credit risk on its bank balances, long-term assets, trade and other receivables, amount due from a related party and derivative financial instruments.

The Group is exposed to credit risk related to its counterparties not performing or honoring their obligations, which could result in financial loss. Credit risk arises from credit exposures on certain trade, other receivables and other assets as well as from due from a related party, restricted cash and bank balances, cash and bank balances and derivative financial instruments with financial institutions. The maximum exposure to credit risk is the carrying value of these assets.

	<i>Measurement</i>	<i>ECL methodology</i>
Trade receivables	Amortised cost	Simplified approach
Receivable from Government (Note 12)	Amortised cost	General approach
Other financial assets at amortised cost	Amortised cost	General approach

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables

The Group's trade receivables arise predominantly from a global customer base, which limits geographic concentrations of credit risk. Moreover, a credit risk policy is in place to ensure credit limits are extended to creditworthy counterparties and risk mitigation measures are defined and implemented accordingly. The Group performs ongoing evaluations of its counterparties' financial standing and takes additional measures to mitigate credit risk when considered appropriate, including but not limited to letters of credits or bank guarantees. The Group manages credit risk with respect to receivables from customers by obtaining advances, letters of credit, by granting credit terms and by monitoring the exposure to customers on an ongoing basis. At 31 December 2025, the Groups' top 5 customers accounted for approximately 95% (2024: 75%) of all trade receivables excluding those receivables from related parties.

An impairment analysis for trade receivables is performed at each reporting date using a rolling rate model to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, and coverage by letters of credit). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit are used by the Company as credit risk mitigant of trade receivables relating to international sales.

The maximum credit risk exposure at 31 December 2025 and 2024 is equal to the carrying value of the financial assets shown in the statement of financial position, which are net of provisions for impairment and write-offs.

Due from a related party

Amounts due from a related party represents amounts due from the Government of the Kingdom of Bahrain and it relates to transactions arising in the normal course of business. The Group also has a concentration risk to the Government of Bahrain through its balance due from a Related Party (Note 12) as summarized below:

	<i>Bahraini Dinars</i>	
	<i>2025</i>	<i>2024</i>
	<i>BD '000</i>	<i>BD '000</i>
Receivable from Government (Note 12)	558,307	435,755
Provision for ECL	(58,441)	(58,441)
	499,866	377,314

The external credit rating of the counterparty i.e. the Government of Bahrain is utilized for the purposes of the ECL and an estimate for the Loss given default (LGD) is determined using available market information. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross domestic product (GDP) of the countries from which the receivables arise to be the most relevant factor (i.e. Kingdom of Bahrain), and accordingly adjusts the historical loss rates based on expected changes in this factor. A 10% increase in the LGD would result in an increase in ECL by BD 42,615 thousand (2024: BD 36,888 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The credit loss allowance for Due from a Related Party recognised in the period is impacted by a variety of factors. The movements in the table above are described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period; and

As at 31 December 2025 all balances due from a related party are unsecured.

Other financial assets

Other financial assets mainly consist of bank balances, deposits and other receivables. Bank balances are placed with reputable banks having good credit ratings. Bank deposits and term deposits are limited to high-credit-quality financial institutions ranging between A1 and B2 based on Moody's ratings. Derivative contracts are entered into with counterparties with good credit ratings and are not subject to significant credit risk. The Group's investment policy limits exposure to credit risk arising from investment activities.

Deposits and other receivables are from reputable counter-parties with no history of defaults and therefore these balances have been considered to have low credit risk and the ECL on these balances is immaterial.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value.

The Group's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 24). Management also monitors and forecasts the Group's liquidity requirements based on current and non-current expected cash flows. The Group further manages its liquidity by maintaining a balance between continuity of funds and flexibility through the use of borrowings. The Group's terms of sales normally require the amounts to be paid within 30 days of the date of sales. Trade payables are normally settled within 30 days from the date of receipt of the supplier's invoice.

The Group invests surplus cash in current accounts, time deposits, money market instruments and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. The Group prioritizes security and liquidity over yield. The group closely monitors its sources and applications of cash and executes various financing programs to effectively manage its exposures.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest / profit rates. For balances due within 12 months, the undiscounted values approximate their carrying amounts as the impact of discounting is not significant.

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At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>At 31 December 2025</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Trade payables	6,809	-	-	-	6,809
Accruals and other payables	562,690	-	-	-	562,690
Payables to contractors	228	-	-	-	228
Amount due to related party	32,449	-	21,347	-	53,796
Short term borrowings	65,681	-	-	-	65,681
Borrowings	26,444	470,274	2,840,228	1,606,322	4,943,268
Loan from a					
Investor shareholder	4,049	12,146	64,779	306,370	387,344
Lease liabilities	13,408	39,875	100,881	25,398	179,562
Total	711,758	522,295	3,027,235	1,938,090	6,199,378

The Company has entered into a shareholder loan agreement on 2 December 2025 with BxT Trading Ltd and the Company has committed to provide a unsecured committed term loan of BD 18,850 thousand (US\$ 50,000 thousand).

Subsequent to the year end, the Company has distributed BD 10,933 thousand (US\$ 29,000 thousand) amount towards the committed term loan. The remaining will be disbursed with 1-5 years of the reporting period.

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>At 31 December 2024</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Trade payables	21,842	-	-	-	21,842
Accruals and other payables	507,459	-	-	-	507,459
Payables to contractors	2,733	-	-	-	2,733
Amount due to related party	30,876	-	21,347	-	52,223
Short term borrowings	47,963	-	-	-	47,963
Borrowings	14,123	373,875	2,820,629	1,527,856	4,736,483
Loan from a					
Investor shareholder	4,082	12,113	64,779	322,565	403,539
Lease liabilities	13,079	38,082	125,275	37,900	214,337
Total	642,157	424,070	3,032,030	1,888,321	5,986,579

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At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Changes in liabilities arising from financing activities

	<i>As at 1 January 2025 BD '000</i>	<i>Cash flows payments BD '000</i>	<i>Cash flows receipts BD '000</i>	<i>Others* BD '000</i>	<i>As at 31 December 2025 BD '000</i>
2025					
Lease liabilities	177,322	(49,591)	-	14,347	142,078
Short term borrowings	47,963	(85,750)	103,468	-	65,681
Borrowings	3,847,861	(631,699)	639,502	251,025	4,106,689
	<u>4,073,146</u>	<u>(767,040)</u>	<u>742,970</u>	<u>265,372</u>	<u>4,314,448</u>

Changes in liabilities arising from financing activities

	<i>As at 1 January 2024 BD '000</i>	<i>Cash flows payments BD '000</i>	<i>Cash flows receipts BD '000</i>	<i>Others* BD '000</i>	<i>As at 31 December 2024 BD '000</i>
2024					
Lease liabilities	185,427	(49,740)	-	41,635	177,322
Short term borrowings	3	(57,833)	105,796	(3)	47,963
Borrowings	3,606,368	(450,339)	453,034	238,798	3,847,861
Derivatives	284	-	-	(284)	-
	<u>3,792,082</u>	<u>(557,912)</u>	<u>558,830</u>	<u>280,146</u>	<u>4,073,146</u>

* Other changes include accrued interest expenses, unamortised transaction cost, additions and remeasurement to lease liabilities and fair value changes which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

Capital management

The Group seeks to maintain a prudent capital structure, comprised of borrowings and shareholders' equity, to support its capital investment plans. The Group manages the capital structure based on internal assessments and obtains advice from key stakeholders and subject matter experts. The Group follows its by-laws and the relevant laws of the Kingdom of Bahrain to obtain necessary approvals for any changes to the capital structure. The capital management is focused on the net debt position of the Group.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to the shareholder. No changes were made in the objectives, policies or processes during the years ended 31 December 2025 and 31 December 2024.

Management also manages capital through equity attributable to the shareholder comprises share capital, capital adjustment account, contribution from the shareholder, sinking fund reserve, statutory reserve, cash flow hedge reserve and retained earnings and is measured at BD 1,794,226 thousand (2024: BD 1,848,029 thousand).

The Board of Directors is responsible to set out risk management policies and guidelines.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Summary of net debt:

This section sets out an analysis of net debt:

	<i>Bahraini Dinars</i>	
	<i>2025</i>	<i>2024</i>
	<i>BD '000</i>	<i>BD '000</i>
Cash and bank balances (note 13)	(662,671)	(805,329)
Borrowings (note 18)	4,106,689	3,847,861
Short-term borrowings (note 24)	65,681	47,963
Lease liabilities (note 23)	142,078	177,322
Net debt	3,651,777	3,267,817
Cash and liquid investments	(662,671)	(805,329)
Debt – fixed interest rates	1,920,749	1,251,772
Debt – variable interest rates	2,393,699	2,821,374
Net debt	3,651,777	3,267,817

35 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and bank balances, long-term assets, restricted cash, trade and other receivables, amounts due from a related party, investments and derivatives. Financial liabilities consist of trade and other payables, borrowings, short term borrowings, lease liabilities and derivatives.

		<i>Quoted</i>	<i>Significant</i>	<i>Significant</i>	
		<i>prices in active</i>	<i>observable</i>	<i>unobservable</i>	
<i>Date of</i>		<i>markets</i>	<i>inputs</i>	<i>inputs</i>	
<i>valuation</i>		<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>	<i>Total</i>
<i>BD '000</i>		<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Asset					
<i>Derivatives</i>	<i>At 31 December 2025</i>	-	90,867	-	90,867
	<i>At 31 December 2024</i>	-	181,747	-	181,747
<i>Trade and other receivables</i>	<i>At 31 December 2025</i>	-	3,766	347,785	351,551
	<i>At 31 December 2024</i>	-	-	268,636	268,636
<i>Investments at FVOCI</i>	<i>At 31 December 2025</i>	-	-	3,574	3,574
	<i>At 31 December 2024</i>	-	-	200	200
Liability					
<i>Derivatives</i>	<i>At 31 December 2025</i>	-	-	-	-
	<i>At 31 December 2024</i>	-	-	-	-
<i>Trade and other payables</i>	<i>At 31 December 2025</i>	-	-	275,648	275,648
	<i>At 31 December 2024</i>	-	-	214,935	214,935

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At 31 December 2025

35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The movement in trade receivables and trade payables related to contracts with provisional pricing arrangements is mainly arising from sales/purchase transactions made during the year, net of settlements. Unrealized fair value movements on these trade receivables are not significant. Refer note 8 for the movement in investments at FVOCI.

Transfers between level 1, level 2 and level 3

During the reporting year ended 31 December 2025 and 31 December 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value of financial instruments not carried at fair value

The fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

36 OPERATING SEGMENT

The Group's senior executive management comprising of the Chief Executive and senior management (heads of departments) examine the Group's performance based on the performance of its subsidiaries and affiliates and their activities. The Group has identified following three operating segments of its business:

- Oil based assets and revenues: this represents Bapco Upstream, Bapco and Bapco Retail which are operating the Bahrain Oil Field and Bahrain Refinery and marketing of refined petroleum products.
- Gas based assets and revenues: this comprises of Banagas and Banagas Expansion which are involved in processing and marketing of hydrocarbon liquids from associated and refinery off gas.
- Others: this comprises of remaining part of the Group.

The significant assets and operations of the Group are located in the Kingdom of Bahrain.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

36 OPERATING SEGMENT (continued)

The Group's senior executive management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with net profit or loss in the consolidated financial statements.

<u>At 31 December 2025</u>	<i>Oil based assets and revenues BD '000</i>	<i>Gas based assets and revenues BD '000</i>	<i>Others BD '000</i>	<i>Eliminations BD '000</i>	<i>Total BD '000</i>
Sales	3,602,158	123,467	1,563	(66,617)	3,660,571
Cost of materials	(2,843,108)	(60,433)	-	71,761	(2,831,780)
Other income	9,985	3,495	5,780	(5,144)	14,116
Staff costs	(171,151)	(8,568)	-	-	(179,719)
Maintenance and other expenses	(76,091)	(5,246)	(135)	-	(81,472)
Impairment for of trade and other receivables	(1,262)	-	-	-	(1,262)
Other expenses	(149,961)	-	(5,482)	-	(155,443)
Depreciation	(212,688)	(19,429)	(1,667)	-	(233,784)
Finance income	49,785	3,971	-	-	53,756
Finance costs	(170,768)	2,478	(90)	-	(168,380)
Share of profit from associates	19,417	-	-	-	19,417
Profit before income tax	56,316	39,735	(31)	-	96,020
Income tax expense	-	(33)	-	-	(33)
Net profit for the year	56,316	39,702	(31)	-	95,987
Segment assets	6,404,666	310,823	42,185	(12,280)	6,745,394
Segment liabilities	4,686,078	234,377	18,375	12,280	4,951,110
<u>At 31 December 2025</u>					
Other disclosures					
Investment in associates and joint venture	173,424	-	-	-	173,424
Impairment for doubtful trade other receivables	(31,836)	-	-	-	(31,836)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2025

36 OPERATING SEGMENT (continued)

	<i>Oil based assets and revenues BD '000</i>	<i>Gas based assets and revenues BD '000</i>	<i>Others BD '000</i>	<i>Eliminations BD '000</i>	<i>Total BD '000</i>
<u>At 31 December 2024</u>					
Sales	3,453,289	131,156	8,380	5,144	3,597,969
Cost of materials	(2,784,172)	(62,624)	(7,685)	-	(2,854,481)
Other income	12,501	3,723	-	(5,144)	11,080
Staff costs	(157,777)	(10,795)	-	-	(168,572)
Maintenance and other expenses	(63,503)	(7,234)	(492)	-	(71,229)
Impairment for doubtful trade and other receivables	(4,195)	-	-	-	(4,195)
Other expenses	(126,570)	-	(452)	-	(127,022)
Depreciation	(188,962)	(19,011)	-	-	(207,973)
Finance income	56,533	4,476	-	-	61,009
Finance costs	(127,024)	(6,841)	-	-	(133,865)
Share of profit from associates	8,996	-	-	-	8,996
Profit before income tax	79,116	32,850	(249)	-	111,717
Income tax expense	-	(915)	-	-	(915)
Net profit for the year	<u>79,116</u>	<u>31,935</u>	<u>(249)</u>	<u>-</u>	<u>110,802</u>
Segment assets	<u>6,192,611</u>	<u>308,860</u>	<u>34,223</u>	<u>(12,280)</u>	<u>6,523,414</u>
Segment liabilities	<u>4,421,689</u>	<u>225,066</u>	<u>16,292</u>	<u>12,280</u>	<u>4,675,327</u>
<u>At 31 December 2024</u>					
Other disclosures					
Investment in associates and joint venture	<u>158,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,091</u>
Impairment for doubtful trade and other receivables	<u>(32,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,377)</u>

Geographic information

The operations and all of the assets of the Group are predominantly located in one geographic location, the Kingdom of Bahrain. The revenue of the Group comprises of both local and international sales which are global and not concentrated to a specific country.

Revenues from transactions with a single external customer amounting to 10% or more of the Group's total revenue are as follows:

	<i>Refined products</i>	<i>Natural Gas and NGLs</i>	<i>Total</i>
<u>31 December 2025</u>			
Revenue generated from the customer	<u>1,793,263</u>	<u>478,221</u>	<u>2,271,484</u>
<u>31 December 2024</u>			
Revenue generated from the customer	<u>538,803</u>	<u>-</u>	<u>538,803</u>

37 EVENTS AFTER BALANCE SHEET DATE

a) Subsequent to the reporting date, the Group was impacted by security-related developments in March 2026 arising from the ongoing geopolitical environment, which affected certain operations and infrastructure. During this period, the Group received force majeure notices from a key customer and certain contractors and, in turn, issued corresponding force majeure notifications. These remained in effect as at the date of approval of these consolidated financial statements.

Management has assessed these events in accordance with IAS 10 Events after the Reporting Period and determined that they represent non adjusting events. Accordingly, no adjustments have been made to the amounts recognised in the consolidated financial statements as at 31 December 2025. Following inspections and technical assessments, management concluded that the damage to the infrastructure as a result of this ongoing geopolitical conflict did not have a substantive impact on the Group's refinery operations. Recovery plans are underway, including the initiation of insurance related claims to recover losses covered under the Group's insurance policies. Management expects that a significant portion of the financial impact will be recovered through insurance coverage.

Management has also considered the implications of these developments for the Group's going concern assessment (refer to Note 3). This included the preparation of cash flow projections under a range of scenarios, reflecting uncertainties in market conditions and operating conditions. Based on this assessment, management concluded that these events do not give rise to a material uncertainty related to the Group's ability to continue as a going concern.

Based on this assessment, management concluded that these subsequent events do not give rise to material uncertainty related to the Group's ability to continue as a going concern.

b) Subsequent to the reporting date, the Group implemented certain measures in line with its financing arrangements, including an increase in the Contingent Equity Reserve Account ("CERA") by BD 113 million (US\$ 300 million), resulting a total balance of BD 226 million (US\$ 600 million). However, following the approval of a waiver by its lenders, on 6 April 2026, BD 113 million (US\$ 300 million) letter of credit was issued by a bank, on behalf of Bapco Energies in favour of the Intercreditor Agent of Bapco Refining as part of the agreed arrangements (note 33). Following this, Bapco Refining BD 113 million (US\$ 300 million) paid to Bapco Energies in line with the approved waiver and financing terms, as a return of a part of the shareholder contribution made by Bapco Energies.

c) Subsequent to the year end, the Company has cancelled its interest rate swaps for a settlement of BD 6.4 million.

d) Subsequent to the year end, Bapco Tazweed has declared dividend of BD 11 million (US\$ 30 million) on 5 May 2026.

e) On 13 April 2026, the Company entered into an amendment agreement with Gulf International Bank B.S.C. (in its capacity as the global agent, the conventional facility agent and Murabaha Investment agent) on deferral of quarterly repayment installments of BD 49.6 million (US\$ 131.5 million) for 18 months to commence from 30 November 2027 and accordingly extend the maturity date to 31 May 2032 (refer to Note 18.1).

f) Subsequent to the year end on 17 May 2026, the Company has requested drawdown of BD 53 million (US\$ 140 million) from its syndicated BD 75 million (US\$ 200 million) uncommitted Revolving Credit (Murabaha) Facility led by Albaraka Islamic Bank. (refer to Note 18.7)

38 BUSINESS COMBINATIONS**38.1 Acquisition of non-controlling interests**

On 28 August 2024 and 24 September 2024, Bapco Energies acquired 12.50 % of the share capital of Banagas from Chevron Asia Pacific Holdings Limited and Boubyan Petrochemical Company K.S.C, respectively. Accordingly, Banagas became a wholly owned subsidiary of Bapco Energies.

The Company also completed the acquisition of the minority stakes held by Greenergy International Limited (15%) in BGB on 30 September 2024.

	2025	2024
	BD '000	BD '000
Cash consideration paid to non-controlling shareholders	-	1,508
Carrying value of additional interest in Banagas at date of acquisition on 28 Aug 2024	-	(3,308)
Difference recognised in retained earnings	<u>-</u>	<u>(1,800)</u>
Cash consideration paid to non-controlling shareholders	-	2,639
Carrying value of additional interest in Banagas at date of acquisition on 24 Sep 2024	-	(3,329)
Difference recognised in retained earnings	<u>-</u>	<u>(690)</u>
Cash consideration paid to non-controlling shareholders	-	1,259
Carrying value of additional interest in BGB at date of acquisition on 30 Sep 2024	-	(827)
Difference recognised in retained earnings	<u>-</u>	<u>432</u>
Cash consideration paid to non-controlling shareholders	-	5,406
Carrying value of the additional interest	-	(7,464)
Difference recognised in retained earnings	-	(2,058)