

Baku Steel Company CJSC

Consolidated financial statements

*As at 31 December 2023
with independent auditor's report*

Independent auditor's report

To the Shareholder and Management of Baku Steel Company CJSC

Opinion

We have audited the consolidated financial statements of Baku Steel Company CJSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of consolidated financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ 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 the 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.

Ernst & Young Holdings (CIS) B.V.

Baku, Azerbaijan

21 May 2024

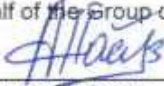
Consolidated statement of financial position**for the year ended 31 December 2023***(Amounts presented are in thousands of Azerbaijani manats)*

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	5	171,530	140,706
Prepayments	6	20,112	7,532
Deferred tax asset	12	611	5,212
Intangible assets		181	185
Other non-current assets		502	625
Total non-current assets		192,936	154,260
Current assets			
Inventories	7	67,204	62,633
Trade and other receivables	9	15,351	10,450
Prepayments	6	14,581	5,866
VAT recoverable	10	5,131	11,084
Income tax prepayment	12	452	-
Cash and cash equivalents and restricted cash	8	7,603	18,270
Other current assets		156	94
Total current assets		110,478	108,397
Total assets		303,414	262,657
Equity and liabilities			
Equity			
Authorized capital	11	36,000	36,000
Retained earnings		77,235	49,422
Equity attributable to equity holders of the parent		113,235	85,422
Non-controlling interests		2,214	2,253
Total equity		115,449	87,675
Non-current liabilities			
Deferred tax liabilities		867	867
Long-term borrowings	13	65,049	13,676
Provisions	14	1,812	581
Total non-current liabilities		67,728	15,124
Current liabilities			
Trade and other payables	15	33,414	54,199
Contract liabilities	16	10,733	32,201
Short-term and current portion of long-term borrowings and interest payable	13	66,896	26,863
Income and other taxes payable	12	5,121	18,673
Provisions	14	4,073	27,922
Total current liabilities		120,237	159,858
Total liabilities		187,965	174,982
Total equity and liabilities		303,414	262,657

Signed and authorized for release on behalf of the Group on 21 May 2024.



Mr. Kamal Ibrahimov
General Director



Mr. Anar Hajizada
Deputy of General Director



Mr. Orkhan Agalarov
Finance Director

The accompanying notes form an integral part of consolidated financial statements.



**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023**

(Amounts presented are in thousands of Azerbaijani manats)

	Notes	2023	2022
Revenue	17	403,464	392,913
Cost of sales	18	(334,316)	(289,529)
Gross profit		69,148	103,384
Selling, general and administrative expenses	19	(33,348)	(31,048)
Other operating income	20	52,852	18,644
Other operating expenses	21	(5,681)	(3,176)
Gain on disposal of property, plant and equipment		-	34
Operating profit		82,971	87,838
Foreign exchange loss		(337)	(224)
Finance costs	22	(4,042)	(1,435)
Profit before income tax		78,592	86,179
Income tax expense	12	(10,818)	(14,583)
Profit for the year		67,774	71,596
Other comprehensive income for the year		-	-
Total comprehensive income for the year		67,774	71,596
Attributable to:			
Equity holders of the parent		67,813	71,450
Non-controlling interests		(39)	146
		67,774	71,596

The accompanying notes form an integral part of consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2023**

(Amounts presented are in thousands of Azerbaijani manats)

	Attributable to the equity holders of the parent			Total	Non-controlling interest	Total equity
	Authorized capital	Additional paid-in capital	Retained earnings			
Balance at 1 January 2022	36,000	-	9,990	45,990	2,107	48,097
Comprehensive income	-	-	71,450	71,450	146	71,596
Dividends (Note 11)	-	-	(32,018)	(32,018)	-	(32,018)
Balance at 31 December 2022	36,000	-	49,422	85,422	2,253	87,675
Comprehensive income	-	-	67,813	67,813	(39)	67,774
Dividends (Note 11)	-	-	(40,000)	(40,000)	-	(40,000)
Balance at 31 December 2023	36,000	-	77,235	113,235	2,214	115,449

The accompanying notes form an integral part of consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2023

(Amounts presented are in thousands of Azerbaijani manats)

	Note	2023	2022
Cash flows from operating activities			
Profit before tax		78,592	86,179
Depreciation and amortization		12,804	11,016
Gain on disposal of property, plant and equipment		-	(34)
Finance cost	22	4,042	1,435
Net foreign exchange loss		337	224
Release of tax provision	20	(25,021)	-
Write down of liabilities	20	(26,234)	-
Write off assets	20	2,365	-
Gain on release of ECL	20	(1,006)	(521)
Other non-cash transactions		531	965
Working capital adjustments:			
Increase in inventories		(10,039)	(47,621)
Increase in trade and other receivables		(3,980)	(5,146)
Decrease in prepayments		2,976	5,982
Decrease/ (increase) in other assets		61	(440)
(Decrease)/ increase in contract liabilities		(7,225)	8,427
Decrease in taxes payables		(5,323)	(3,614)
(Decrease)/ increase in trade payables		(7,067)	1,717
Increase in provisions		2,404	260
Interest paid	22	(4,772)	(1,435)
Income tax paid		(17,681)	(15,331)
Net cash flows from operating activities		(4,236)	42,063
Investing activities			
Purchase of property and equipment	5	(57,852)	(24,001)
Purchase of intangible assets		-	(155)
Proceeds from sale of property, plant and equipment	5	4	319
Net cash flows used in investing activities		(57,848)	(23,837)
Financing activities			
Repayment of loans and borrowings	13	(112,937)	(19,259)
Proceeds from loans and borrowings		204,354	-
Payment of dividends	11	(40,000)	(32,018)
Net cash flows used in financing activities		51,417	(51,277)
Net (decrease)/increase in cash and cash equivalents		(10,667)	(33,051)
Cash and cash equivalents at the beginning of the year	8	18,270	51,321
Cash and cash equivalents at the end of the year	8	7,603	18,270

The accompanying notes form an integral part of consolidated financial statements.