Baku Steel Company CJSC

Consolidated financial statements

As at 31 December 2025
with independent auditor's report

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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 2025, 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 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We have also 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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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
3 July 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

in thousands of Azerbaijani manats	Notes	31 December 2025	31 December 2024
Assets			
Non-current assets			
Property, plant and equipment	5	**244,231**	203,947
Prepayments	6	**4,226**	15,250
Deferred tax asset	13	**–**	–
Intangible assets	7	**3,306**	447
Other non-current assets		**–**	525
Total non-current assets		**251,763**	220,169
Current assets			
Inventories	8	**70,787**	113,442
Trade and other receivables	10	**38,608**	23,189
Prepayments	6	**12,123**	13,479
VAT receivable	11	**6,113**	5,774
Cash and cash equivalents and restricted cash	9	**26,371**	5,723
Other current assets		**154**	622
Total current assets		**154,156**	162,229
Total assets		**405,919**	382,398
Equity and liabilities			
Equity			
Share capital	12	**81,000**	36,000
Treasury shares	12	**(36,000)**	–
Retained earnings		**86,369**	82,650
Equity attributable to equity holders of the parent		**131,369**	118,650
Non-controlling interests		**2,131**	2,117
Total equity		**133,500**	120,767
Non-current liabilities			
Deferred tax liabilities	13	**5,790**	2,274
Long-term borrowings	14	**103,061**	101,093
Provisions	15	**1,754**	1,988
Total non-current liabilities		**110,605**	105,355
Current liabilities			
Trade and other payables	16	**38,259**	45,747
Contract liabilities	17	**21,897**	15,455
Short-term and current portion of long-term borrowings and interest payable	14	**83,788**	79,817
Other short-term liabilities		**-**	164
Income and other taxes payable	13	**13,410**	10,217
Provisions	15	**4,460**	4,876
Total current liabilities		**161,814**	156,276
Total liabilities		**272,419**	261,631
Total equity and liabilities		**405,919**	382,398

Signed and authorized for release on behalf of the Group:

Mr. Kamal Ibrahimov, General Director

Mr. Sultan Askarov, Deputy General Director

BAKU STEEL COMPANY QSC

3 July 2026

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

in thousands of Azerbaijani manats	Notes	2025	2024
Revenue	18	**403,866**	417,487
Cost of sales	19	**(348,394)**	(359,777)
Gross profit		**55,472**	57,710
Selling, general and administrative expenses	20	**(33,720)**	(29,104)
Other operating income	21	**19,480**	12,689
Other operating expenses	22	**(11,932)**	(8,383)
Operating profit		**29,300**	32,912
Foreign exchange loss		**(458)**	(595)
Finance costs	23	**(10,033)**	(8,892)
Profit before income tax		**18,809**	23,425
Income tax charge	13	**(6,076)**	(4,907)
Profit for the year		**12,733**	18,518
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**12,733**	18,518
Attributable to:			
Equity holders of the parent		**12,719**	18,615
Non-controlling interests		**14**	(97)
		12,733	18,518

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to the equity holders of the parent					
in thousands of Azerbaijani manats	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2024	36,000	–	77,235	113,235	2,214	115,449
Total Comprehensive income	–	–	18,615	18,615	(97)	18,518
Dividends *(Note 12)*	–	–	(13,200)	(13,200)	–	(13,200)
At 31 December 2024	**36,000**	**–**	**82,650**	**118,650**	**2,117**	**120,767**
Issue of share capital *(Note 12)*	**45,000**	**–**	**–**	**45,000**	**–**	**45,000**
Repurchase of shares *(Note 12)*	**–**	**(36,000)**	**(9,000)**	**(45,000)**	**–**	**(45,000)**
Total Comprehensive income	**–**	**–**	**12,719**	**12,719**	**14**	**12,733**
Dividends *(Note 12)*	–	–	–	–	–	–
At 31 December 2025	**81,000**	**(36,000)**	**86,369**	**131,369**	**2,131**	**133,500**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

in thousands of Azerbaijani manats	Note	2025	2024
Cash flows from operating activities			
Profit before tax		**18,809**	23,425
Depreciation and amortization		**13,984**	13,235
Finance cost	23	**10,033**	8,892
Net foreign exchange loss		**458**	595
Reversal of written off receivable		**-**	(1,600)
Gain on fair value recognition of loan	14	**(9,464)**	-
Write down of liabilities	21	**(2,557)**	(7,743)
Written off assets		**1,990**	4,575
Other non-cash transactions		**50**	(1,607)
Working capital adjustments:			
Decrease/ (Increase) in inventories		**38,275**	(44,539)
(Increase) in trade and other receivables		**(15,722)**	(6,573)
(Increase)/ Decrease in prepayments		**(13,886)**	3,361
Increase/ (Decrease) in contract liabilities		**6,442**	(63)
Increase in taxes payables		**3,606**	2,017
(Decrease)/ Increase in trade payables		**(7,060)**	21,925
Increase/ (Decrease) in other assets/liabilties		**(201)**	454
Interest paid		**(13,029)**	(11,225)
Income tax paid	13	**(3,312)**	-
Net cash flows from operating activities		**28,416**	5,129
Investing activities			
Purchase of property and equipment		**(20,161)**	(42,185)
Purchase of intangible assets		**(2,901)**	(266)
Net cash flows used in investing activities		**(23,062)**	(42,451)
Financing activities			
Proceeds from issue of ordinary shares	12	**45,000**	-
Payment for repurchase of shares	12	**(45,000)**	-
Proceeds from loans and borrowings	14	**632,433**	370,138
Repayment of loans and borrowings	14	**(617,139)**	(321,496)
Payment of dividends	12	**-**	(13,200)
Net cash flows generated from financing activities		**15,294**	35,442
Net increase/(decrease) in cash and cash equivalents		**20,648**	(1,880)
Cash and cash equivalents at the beginning of the year	9	**5,723**	7,603
Cash and cash equivalents at the end of the year	9	**26,371**	5,723