

**Baku Steel Company CJSC**

**Consolidated financial statements**

*As at 31 December 2024  
with independent auditor's report*



Ernst & Young Holdings (CIS) B.V.  
Port Baku Towers Business Centre  
South Tower, 9th floor,  
153, Neftçilər Ave.  
Baku, AZ1010, Azerbaijan  
Tel: +994 (12) 490 70 20  
Fax: +994 (12) 490 70 17  
www.ey.com/az

Ernst & Young Holdings (SI)AyEs) B.V.  
Port Baku Towers Biznes Mərkəzi  
Cənub Qülləsi, 9-cu mərtəbə  
Neftçilər prospekti, 153  
Baku, AZ1010, Azərbaycan  
Tel: +994 (12) 490 70 20  
Faks: +994 (12) 490 70 17

## 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 2024, 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 2024 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.

### **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

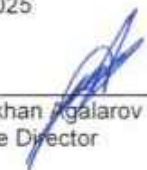
23 May 2025

**Consolidated statement of financial position****for the year ended 31 December 2024***(Amounts presented are in thousands of Azerbaijani manats)*

	Notes	31 December 2024	31 December 2023
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	203,947	171,530
Prepayments	6	15,250	20,112
Deferred tax asset	13	-	611
Intangible assets		447	181
Other non-current assets		525	502
<b>Total non-current assets</b>		<b>220,169</b>	<b>192,936</b>
<b>Current assets</b>			
Inventories	7	113,442	67,204
Trade and other receivables	9	23,189	15,351
Prepayments	6	13,479	14,581
VAT recoverable	10	5,774	5,131
Income tax prepayment	13	-	452
Cash and cash equivalents and restricted cash	8	5,723	7,603
Other current assets		622	156
<b>Total current assets</b>		<b>162,229</b>	<b>110,478</b>
<b>Total assets</b>		<b>382,398</b>	<b>303,414</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Authorized capital	11	36,000	36,000
Retained earnings		82,650	77,235
<b>Equity attributable to equity holders of the parent</b>		<b>118,650</b>	<b>113,235</b>
Non-controlling interests		2,117	2,214
<b>Total equity</b>		<b>120,767</b>	<b>115,449</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	2,274	867
Long-term borrowings	14	56,093	65,049
Loan from shareholder	12	45,000	-
Provisions	15	1,988	1,812
<b>Total non-current liabilities</b>		<b>105,355</b>	<b>67,728</b>
<b>Current liabilities</b>			
Trade and other payables	16	45,747	33,414
Contract liabilities	17	15,455	10,733
Short-term and current portion of long-term borrowings and interest payable	14	79,817	66,896
Other short-term liabilities		164	-
Income and other taxes payable	13	10,217	5,121
Provisions	15	4,876	4,073
<b>Total current liabilities</b>		<b>156,276</b>	<b>120,237</b>
<b>Total liabilities</b>		<b>261,631</b>	<b>187,965</b>
<b>Total equity and liabilities</b>		<b>382,398</b>	<b>303,414</b>

Signed and authorized for release on behalf of the Group on 23 May 2025.


  
Mr. Kamal Ibrahimov  
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 2024**

*(Amounts presented are in thousands of Azerbaijani manats)*

	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Revenue	18	417,487	403,464
Cost of sales	19	(359,777)	(334,316)
<b>Gross profit</b>		<b>57,710</b>	<b>69,148</b>
Selling, general and administrative expenses	20	(29,104)	(33,348)
Other operating income	21	12,689	52,852
Other operating expenses	22	(8,383)	(5,681)
<b>Operating profit</b>		<b>32,912</b>	<b>82,971</b>
Foreign exchange loss		(595)	(337)
Finance costs	23	(8,892)	(4,042)
<b>Profit before income tax</b>		<b>23,425</b>	<b>78,592</b>
Income tax charge	13	(4,907)	(10,818)
<b>Profit for the year</b>		<b>18,518</b>	<b>67,774</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>18,518</b>	<b>67,774</b>
<b>Attributable to:</b>			
Equity holders of the parent		18,615	67,813
Non-controlling interests		(97)	(39)
		<b>18,518</b>	<b>67,774</b>

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

**Consolidated statement of changes in equity**  
**for the year ended 31 December 2024**

*(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			
<b>Balance at 1 January 2023</b>	<b>36,000</b>	<b>-</b>	<b>49,422</b>	<b>85,422</b>	<b>2,253</b>	<b>87,675</b>
Comprehensive income	-	-	67,813	67,813	(39)	67,774
Dividends (Note 11)	-	-	(40,000)	(40,000)	-	(40,000)
<b>Balance at 31 December 2023</b>	<b>36,000</b>	<b>-</b>	<b>77,235</b>	<b>113,235</b>	<b>2,214</b>	<b>115,449</b>
Comprehensive income			18,615	18,615	(97)	18,518
Dividends (Note 11)			(13,200)	(13,200)	-	(13,200)
<b>Balance at 31 December 2024</b>	<b>36,000</b>	<b>-</b>	<b>82,650</b>	<b>118,650</b>	<b>2,117</b>	<b>120,767</b>

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

**Consolidated statement of cash flows**  
**for the year ended 31 December 2024**

*(Amounts presented are in thousands of Azerbaijani manats)*

	Note	2024	2023
<b>Cash flows from operating activities</b>			
Profit before tax		23,425	78,592
Depreciation and amortization		13,235	12,804
Finance cost	23	8,892	4,042
Net foreign exchange loss		595	337
Reversal of written off receivable		(1,600)	-
Release of tax provision	21	-	(25,021)
Write down of liabilities	21	(7,743)	(26,234)
Written off assets		4,575	2,365
Increase/Decrease in expected credit losses	22	135	(1,006)
Other non-cash transactions		(1,742)	531
<b>Working capital adjustments:</b>			
Increase in inventories		(44,539)	(10,039)
Increase in trade and other receivables		(6,573)	(3,980)
Decrease in prepayments		3,361	2,976
(Increase) / decrease in other assets		(325)	61
Decrease in contract liabilities		(63)	(7,225)
Increase / (decrease) in taxes payables		2,017	(5,323)
Increase / (decrease) in trade payables		21,925	(7,067)
Increase in provisions		779	2,404
Interest paid		(11,225)	(4,772)
Income tax paid	13	-	(17,681)
<b>Net cash flows from operating activities</b>		<b>5,129</b>	<b>(4,236)</b>
<b>Investing activities</b>			
Purchase of property and equipment		(42,185)	(57,852)
Purchase of intangible assets		(266)	-
Proceeds from sale of property, plant and equipment		-	4
<b>Net cash flows used in investing activities</b>		<b>(42,451)</b>	<b>(57,848)</b>
<b>Financing activities</b>			
Repayment of loans and borrowings		(321,496)	(112,937)
Proceeds from loans and borrowings		325,138	204,354
Proceeds from loan from shareholder	12	45,000	-
Payment of dividends	11	(13,200)	(40,000)
<b>Net cash flows used in financing activities</b>		<b>35,442</b>	<b>51,417</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,880)</b>	<b>(10,667)</b>
Cash and cash equivalents at the beginning of the year	8	7,603	18,270
<b>Cash and cash equivalents at the end of the year</b>	8	<b>5,723</b>	<b>7,603</b>

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