

**“BAKU
METROPOLITAN”
CLOSED JOINT-STOCK
COMPANY**

Financial Statements and
Independent Auditor’s Report
for the year ended 31 December 2022

“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY

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STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of “Baku Metropolitan” Closed Joint-Stock Company (the “Company”) as at 31 December 2022, statements of profit or loss and other comprehensive income for the year then ended, statement of changes in equity and statement of cash flows for the years then ended, and of material accounting policy information and notes to the financial statements in compliance with the International Financial Reporting Standards (“IFRS”).

In preparing the financial statements, Management is responsible for:

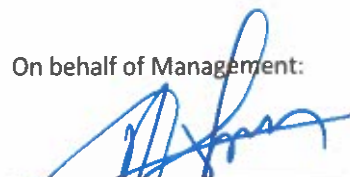
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company’s financial position and financial performance; and
- Making an assessment of the Company’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2022 were authorised for issue by Management on 15 May 2025.

On behalf of Management:



Mr. Vusal Aslanov
Chairman

Baku, the Republic of Azerbaijan
15 May 2025



Mr. Asef Isgandarli
Head of Finance Department

Baku, the Republic of Azerbaijan
15 May 2025

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of "Baku Metropolitan" Closed Joint-Stock Company

Qualified Opinion

We have audited the financial statements of "Baku Metropolitan" Closed Joint-Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Existence of inventories and property and plant

We were appointed as auditors of the Company on 28 September 2023 and thus did not participate in counting of the physical inventories and observation of property and equipment at the beginning and at the end of 2022. We were unable to satisfy ourselves by alternative means concerning inventory quantities amounting to AZN 64,739 thousand and existence of property and equipment amounting to AZN 29,337 thousand at 31 December 2022 (1 January 2022: AZN 71,690 thousand and AZN 26,192 thousand). Since opening and closing balances of these assets enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of profit for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows reported in the statement of cash flows, as well as accumulated loss and respective notes to the financial statements.

Valuation of property and equipment

As part of impairment testing, we noted that the estimation of fair value less costs of disposal for some items of property and equipment were based on historical purchase prices and documents were not maintained for the items purchased before 2018 with a total carrying value of AZN 93,852 thousand and estimated fair value less costs of disposal of AZN 30,633 thousand as at 31 December 2022. We also noted that for some items of property and equipment, fair value less costs of disposal could not be determined and was assumed to be equivalent to their net book value of AZN 10,066 thousand at 31 December 2022. We were unable to satisfy ourselves through alternative procedures to obtain sufficient appropriate audit evidence about the valuation of these assets.

Classification of inventories

We noted that some items included in inventories represent materials and parts that are expected to be capitalised on property and equipment. The Company did not perform appropriate analysis of such inventories to determine short-term and long-term classification. We were unable to satisfy ourselves by alternative means concerning their appropriate classification and therefore we were unable to determine whether adjustments might have been necessary in respect of short-term and long-term classification of inventories in the statement of financial position. Since such classification of inventories affects the classification of cash flows under operating or investing activities, we were unable to determine whether adjustments might have been necessary in respect of the statement of cash flows.

Completeness of passenger transportation revenue

To verify completeness of passenger transportation revenue, we tested General IT Controls on a revenue recording system maintained by a service organisation. We were not able to obtain sufficient and appropriate evidence to be able to conclude on effectiveness of the system. Therefore, we could not satisfy ourselves on completeness of revenue of AZN 60,750 thousand for the year ended 31 December 2022.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which describes influence of the Government on operations of the Company. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

DELOITTE + TOUCHE LLAC

15 May 2025



“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Azerbaijani Manats)**

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Revenue from passenger transportation		60,750	26,154
Revenue from government subsidy	4	57,116	58,218
Other operating income	5	4,280	3,274
Total revenue		122,146	87,646
Expenses			
Impairment of fixed assets	9	(60,590)	(93,564)
Staff cost	6	(64,098)	(47,323)
Depreciation and amortisation	9	(9,474)	(11,251)
Electricity expenses		(12,923)	(7,154)
Material expenses		(7,173)	(6,296)
Water expenses		(4,124)	(4,116)
Cleaning expenses		(3,545)	(2,761)
Commission expenses		(3,037)	(1,308)
Fuel expenses		(639)	(732)
Insurance expenses		(543)	(620)
Other expenses	7	(2,070)	(4,108)
Total operating expenses		(168,216)	(179,233)
Operating loss		(46,070)	(91,587)
Finance cost		(485)	(470)
Foreign exchange gain/(loss), net		1,385	(1,653)
Loss before income tax		(45,170)	(93,710)
Income tax expense	8	-	-
Net loss for the year		(45,170)	(93,710)
Other comprehensive income:			
Revaluation gain		6,937	87,150
Total comprehensive loss for the year		(38,233)	(6,560)

The accompanying notes are an integral part of these financial statements.

"BAKU METROPOLITAN" CLOSED JOINT-STOCK COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in thousands of Azerbaijani Manats)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property and equipment	9	317,196	302,819
Intangible assets		1,874	2,199
Other long-term assets	12	44,123	-
Total non-current assets		363,193	305,018
Current assets			
Inventories	10	64,739	71,690
Other current assets	12	3,819	3,858
Cash and cash equivalents	11	2,205	958
Trade and other receivables		476	920
Total current assets		71,239	77,426
Total assets		434,432	382,444
EQUITY AND LIABILITIES			
Equity			
Charter capital	13	2,580,638	1,770,951
Additional paid-in capital	13	627,682	1,347,842
Accumulated deficit		(2,893,049)	(2,847,879)
Properties revaluation reserve	9	94,087	87,150
Total equity		409,358	358,064
Non-current liabilities			
Provisions, non-current	15	8,183	7,738
Total non-current liabilities		8,183	7,738
Current liabilities			
Trade and other payables	14	15,535	15,564
Provisions, current	15	1,356	1,078
Total current liabilities		16,891	16,642
Total equity and liabilities		434,432	382,444

The accompanying notes are an integral part of these financial statements.

“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Azerbaijani Manats)**

	Notes	Charter capital	Additional paid-in capital	Properties revaluation reserve	Accumulated deficit	Total equity
Balance at 1 January 2021		1,770,951	1,248,656	-	(2,754,169)	265,438
Loss for the year		-	-	-	(93,710)	(93,710)
Other comprehensive loss for the year	9	-	-	87,150	-	87,150
Total comprehensive loss for the year		-	-	87,150	(93,710)	(6,560)
Increase in additional paid-in capital	13	-	99,186	-	-	99,186
Balance at 31 December 2021		1,770,951	1,347,842	87,150	(2,847,879)	358,064
Loss for the year	9	-	-	-	(45,170)	(45,170)
Other comprehensive income for the year		-	-	6,937	-	6,937
Total comprehensive loss for the year		-	-	6,937	(45,170)	(38,233)
Transfer from additional paid-in capital to charter capital	13	809,687	(809,687)	-	-	-
Increase in additional paid-in capital	13	-	94,537	-	-	94,537
Transfer of assets to the entities under common control	13	-	(5,010)	-	-	(5,010)
Balance at 31 December 2022		2,580,638	627,682	94,087	(2,893,049)	409,358

The accompanying notes are an integral part of these financial statements.

“BAKU METROPOLITAN” CLOSED JOINT-STOCK COMPANY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Azerbaijani Manats)**

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Loss before income tax		(45,170)	(93,710)
<i>Adjustments for:</i>			
Depreciation and amortization	9	9,474	11,251
Impairment of fixed assets	9	60,590	93,564
Unwinding of discount in provision	15	485	470
Foreign exchange loss / (gain), net		(1,385)	1,653
Operating cash flow before movements in working capital		23,994	13,228
<i>Net changes in working capital</i>			
Change in trade and other receivables		(2,624)	(215)
Change in inventories		(17,764)	(2,667)
Change in other current assets		(14,676)	5,419
Change in trade and other payables		16,825	(3,349)
Change in other long-term assets		-	2,156
Change in provision		(1,230)	(1,079)
Cash generated by operating activities		4,525	13,493
Income tax paid		-	-
Net cash generated by operating activities		4,525	13,493
INVESTING ACTIVITIES			
Purchase of property and equipment	9	(54,737)	(115,696)
Advance payments for property and equipment purchase		(44,123)	-
Purchase of intangible asset		-	(641)
Net cash used in investing activities		(98,860)	(116,337)
FINANCING ACTIVITIES			
Increase in additional paid-in-capital	13	94,537	99,186
Net cash from financing activities		94,537	99,186
Net change in cash and bank balances		202	(3,658)
Foreign currency effect on cash		1,045	(90)
Cash and bank balances, beginning of the year		958	4,706
Cash and bank balances, end of the year		2,205	958

Following non-cash transactions were not included in statement of cash flows for the year ended 31 December 2022 and 31 December 2021:

- Transfer of AZN 809,687 from additional paid-in capital to charter capital of the Company (2021: nil);
- Decrease of AZN 5,010 in additional paid-in capital due to transfer of assets to an entity under common control at historical cost (2021: nil) (Note 9);
- Revaluation increase of AZN 6,937 recognised through other comprehensive income for land plots within property and equipment (2021: AZN 87,150) (Note 9);
- Offset of trade receivables of AZN 3,171 against trade and other payables in 2022 (2021: 1,308);
- Offset of advance payments recognised within other current assets of AZN 13,351 against trade and other payables in 2022 (2021: nil);
- Transfer of AZN 24,715 from inventories to property and equipment (2021: AZN 3,469).

The accompanying notes are an integral part of these financial statements.