

“Agro Dairy” LLC

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

31 December 2022



Independent Auditor's Report

To the Shareholders and Management of "Agro Dairy" Limited Liability Company:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of "Agro Dairy" Limited Liability Company (the "Company") and its subsidiary (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies 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). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting 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.



Those charged with governance 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

PricewaterhouseCoopers Audit Azerbaijan LLC

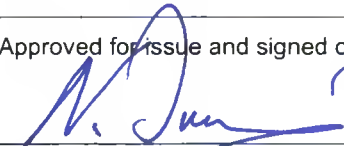
Baku, the Republic of Azerbaijan

31 August 2023

"Agro Dairy" LLC
Consolidated Statement of Financial Position

| <i>In thousands of Azerbaijani Manats</i> | Note | 31 December 2022 | 31 December 2021 |
|---|------|---------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 239,781 | 227,572 |
| Right-of-use assets | 9 | 4,166 | 4,816 |
| Intangible assets | | 118 | 151 |
| Prepayments | 13 | 1,626 | 2,217 |
| Total non-current assets | | 245,691 | 234,756 |
| Current assets | | | |
| Biological assets | 10 | 23,990 | 19,759 |
| Inventories | 11 | 53,099 | 30,872 |
| Trade and other receivables | 12 | 2,738 | 2,956 |
| Prepayments | 13 | 2,006 | 1,664 |
| Other tax receivables | | - | 540 |
| Cash and cash equivalents | 14 | 2,153 | 8,995 |
| Other current assets | | 61 | 123 |
| Total current assets | | 84,047 | 64,909 |
| Total assets | | 329,738 | 299,665 |
| Equity | | | |
| Share capital | 15 | 11,800 | 11,800 |
| Other reserves | | 241,432 | 256,287 |
| Accumulated deficit | | (82,731) | (81,437) |
| Total equity | | 170,501 | 186,650 |
| Non-controlling interest | | 1 | 1 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 16 | 137,893 | 102,099 |
| Lease liabilities | 9 | 4,016 | 4,372 |
| Total non-current liabilities | | 141,909 | 106,471 |
| Current liabilities | | | |
| Borrowings | 16 | 8,292 | - |
| Lease liabilities | 9 | 356 | 317 |
| Other taxes payable | | 296 | - |
| Trade and other payables | 18 | 6,487 | 5,526 |
| Advances received | | 1,896 | 700 |
| Total current liabilities | | 17,327 | 6,543 |
| Total liabilities | | 159,236 | 113,014 |
| Total liabilities and equity | | 329,738 | 299,665 |

Approved for issue and signed on behalf of Management on 31 August 2023.


 Niyazi Amirbayov
 Chief Executive Officer


 Elnur Aliyev
 Chief Financial Officer

The accompanying notes on pages 5 to 32 are an integral part of these financial statements.

"Agro Dairy" LLC
Consolidated Statement of Profit or Loss and Other Comprehensive Income

| <i>In thousands of Azerbaijani Manats</i> | Note | 2022 | 2021 |
|---|-------------|-----------------|-----------------|
| Revenue from contracts with customers | 19 | 36,970 | 62,042 |
| Cost of sales | 20 | (30,846) | (57,818) |
| Loss on revaluation of biological assets and agricultural produce | 10 | (1,003) | (9,348) |
| Government grants related to crop cultivation | | 12,626 | 10,535 |
| Government grants related to sales | | 1,257 | 507 |
| Other income | 21 | 469 | 114 |
| Selling, general and administrative expenses | 22 | (11,657) | (7,858) |
| Write-down of inventory | | (6,797) | - |
| Net impairment (losses)/recoveries on financial assets | 12 | (370) | 161 |
| Storage/processing loss provision | | (359) | (419) |
| Operating profit/(loss) | | 290 | (2,084) |
| Finance costs | 17,23 | (16,504) | (14,334) |
| Loss on modification and termination of financial liabilities | | - | (6,695) |
| Loss before income tax | | (16,214) | (23,113) |
| Income tax expense | 23 | (173) | (13) |
| Loss for the year | | (16,387) | (23,126) |
| Total comprehensive loss for the year | | (16,387) | (23,126) |

The accompanying notes on pages 5 to 32 are an integral part of these financial statements.

“Agro Dairy” LLC
Consolidated Statement of Changes in Equity

| <i>In thousands of Azerbaijani Manats</i> | Share capital | Other reserves | Accumulated Deficit | Total | Non-controlling interest | Total equity |
|---|---------------|----------------|---------------------|----------------|--------------------------|----------------|
| At 1 January 2021 | 11,800 | 276,781 | (78,805) | 209,776 | 2 | 209,778 |
| Loss for the year | - | - | (23,126) | (23,126) | - | (23,126) |
| Total comprehensive loss for 2021 | - | - | (23,126) | (23,126) | - | (23,126) |
| Transfer from other reserves to accumulated deficit | - | (20,494) | 20,494 | - | - | - |
| Acquisition of non-controlling interest in subsidiaries | - | - | - | - | (1) | (1) |
| Balance at 31 December 2021 | 11,800 | 256,287 | (81,437) | 186,650 | 1 | 186,651 |
| Loss for the year | - | - | (16,387) | (16,387) | - | (16,387) |
| Total comprehensive loss for 2022 | - | - | (16,387) | (16,387) | - | (16,387) |
| Capital contributions | - | 238 | - | 238 | - | 238 |
| Transfer from other reserves to accumulated deficit | - | (15,093) | 15,093 | - | - | - |
| Balance at 31 December 2022 | 11,800 | 241,432 | (82,731) | 170,501 | 1 | 170,502 |

The accompanying notes on pages 5 to 32 are an integral part of these financial statements.

"Agro Dairy" LLC
Consolidated Statement of Cash Flows

| <i>In thousands of Azerbaijani Manats</i> | Note | 2022 | 2021 |
|--|-----------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 38,016 | 59,813 |
| Government grants received | | 13,883 | 12,551 |
| Payments to suppliers and employees | | (59,581) | (47,142) |
| Other income received | | 431 | 82 |
| Net cash (used in)/from operating activities | | (7,251) | 25,304 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment and intangible assets | | (26,086) | (12,454) |
| Proceeds from the sale of property, plant and equipment | | 356 | 51 |
| Net cash used in investing activities | | (25,730) | (12,403) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings from banks | | 36,769 | 1,701 |
| Proceeds from borrowings from shareholders | | 7,500 | - |
| Repayment of bank borrowings | | (15,038) | - |
| Repayment of borrowings from shareholders | | - | (10,000) |
| Repayment of lease liabilities | | (317) | (283) |
| Interest paid | | (2,775) | (535) |
| Net cash from/(used in) financing activities | | 26,139 | (9,117) |
| Net (decrease)/increase in cash and cash equivalents | | (6,842) | 3,784 |
| Effect of exchange rate changes on cash and cash equivalents | | - | (13) |
| Cash and cash equivalents at the beginning of the year | | 8,995 | 5,224 |
| Cash and cash equivalents at the end of the year | 14 | 2,153 | 8,995 |

The accompanying notes on pages 5 to 32 are an integral part of these financial statements.