

“NORM” Limited Liability Company

**Financial Statements
for the year ended 31 December 2018**



"KPMG Audit Azerbaijan" LLC
Port Baku South Tower 12th floor
153 Neftchiler Avenue,
Baku, Azerbaijan AZ1010
Telephone + 994 (12) 404 89 10
Fax + 994 (12) 404 89 14
Website www.kpmg.az

Independent Auditors' Report

To the Shareholder of "Norm" Limited Liability Company

Opinion

We have audited the financial statements of "Norm" LLC (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' 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' *Code of Ethics for Professional Accountants* (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 opinion.

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 IFRS, 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.



Auditors' 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 auditors' 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 the purpose of 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 auditors' 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:


Ziya Mammadov
"KPMG Audit Azerbaijan" LLC
15 May 2019



"Norm" LLC
Statement of Financial Position as at 31 December 2018

| '000 AZN | Note | 31 December 2018 | 31 December 2017 * |
|--|------|------------------|--------------------|
| Assets | | | |
| Property, plant and equipment | 14 | 166,207 | 173,147 |
| Intangible assets | | 726 | 765 |
| Deferred tax assets | 13 | - | 7,553 |
| Prepayment for property, plant and equipment | 15 | 4,082 | 4,385 |
| Non-current assets | | 171,015 | 185,850 |
| Inventories | 17 | 31,947 | 28,323 |
| Trade receivables | 18 | 15,522 | 15,802 |
| Other taxes receivable | 19 | 2,782 | 2,994 |
| Cash and cash equivalents | 20 | 3,621 | 575 |
| Other assets | 16 | 3,454 | 1,344 |
| Current assets | | 57,326 | 49,038 |
| Total assets | | 228,341 | 234,888 |
| Equity | | | |
| Share capital | 21 | 161,962 | 161,962 |
| Retained earnings/(Accumulated deficit) | | 18,063 | (14,075) |
| Total equity | | 180,025 | 147,887 |
| Liabilities | | | |
| Loans and borrowings | 22 | 11,675 | 49,069 |
| Trade and other payables | 23 | 13,175 | 11,890 |
| Contract liability | 6(c) | 3,031 | - |
| Deferred income | | - | 2,991 |
| Deferred tax liabilities | 13 | 969 | - |
| Non-current liabilities | | 28,850 | 63,950 |
| Loans and borrowings | 22 | 3,770 | 9,249 |
| Trade and other payables | 23 | 12,527 | 12,147 |
| Contract liability | 6(c) | 2,180 | - |
| Deferred income | | - | 629 |
| Provisions for other liabilities and charges | | 866 | 837 |
| Other taxes payable | | 123 | 189 |
| Current liabilities | | 19,466 | 23,051 |
| Total liabilities | | 48,316 | 87,001 |
| Total equity and liabilities | | 228,341 | 234,888 |

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 9 to 41.

"Norm" LLC
Statement of Profit or Loss and Other Comprehensive Income for 2018

| '000 AZN | Note | 2018 | 2017* |
|---|------|---------------|---------------|
| Revenue | 6 | 149,447 | 126,272 |
| Cost of sales | 7 | (86,973) | (75,693) |
| Gross profit | | 62,474 | 50,579 |
| General and administrative expenses | 8 | (4,646) | (5,342) |
| Selling and marketing expenses | 9 | (3,983) | (3,021) |
| Distribution expenses | 10 | (7,210) | (6,856) |
| Reversal of allowance for impairment of trade receivables | 18 | 286 | 3,184 |
| Results from operating activities | | 46,921 | 38,544 |
| Finance cost | 12 | (3,673) | (7,957) |
| Discounting/(unwinding) of long-term payable | 23 | (1,370) | 896 |
| Net foreign exchange gain | 11 | 82 | 1,988 |
| Other income | | 1,368 | 1,260 |
| Profit before income tax | | 43,328 | 34,731 |
| Income tax expense | 13 | (8,522) | (42) |
| Profit and total comprehensive income for the year | | 34,806 | 34,689 |

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

These financial statements were approved by management on 15 May 2019 and were signed on its behalf by:

Mr. Henning Sasse
CEO



Mr. Fuad Behbud
Chief Financial Officer

Mr. Dnyamin Safaraliyev
Finance Manager

"Norm" LLC
Statement of Changes in Equity for 2018

| '000 AZN | Note | Share capital | (Accumulated deficit)/Retained earnings* | Total equity |
|--|------|----------------|--|----------------|
| Balance at 1 January 2017 | | 161,962 | (48,764) | 113,198 |
| Total comprehensive income | | | | |
| Profit for the year | | - | 34,689 | 34,689 |
| Total comprehensive income for the year | | - | 34,689 | 34,689 |
| Balance at 31 December 2017 | | 161,962 | (14,075) | 147,887 |
| Balance at 1 January 2018 | | 161,962 | (14,075) | 147,887 |
| Adjustment on initial application of IFRS 15, net of tax | 5A | - | (668) | (668) |
| Adjusted balance at 1 January 2018* | | 161,962 | (14,743) | 147,219 |
| Total comprehensive income | | | | |
| Profit for the year | | - | 34,806 | 34,806 |
| Total comprehensive income for the year | | - | 34,806 | 34,806 |
| Transactions with owners of the Company | | | | |
| Dividends | 21 | - | (2,000) | (2,000) |
| Total transactions with owners of the Company | | - | (2,000) | (2,000) |
| Balance at 31 December 2018 | | 161,962 | 18,063 | 180,025 |

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

"Norm" LLC
Statement of Cash Flows for 2018

| '000 AZN | Note | 2018 | 2017* |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 43,328 | 34,731 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization | 14 | 11,396 | 11,012 |
| Disposal of property, plant and equipment | | 2,738 | - |
| Reversal of allowance for impairment of trade receivables | 18 | (286) | (3,184) |
| Unwinding/(discounting) of long-term payable | | 1,370 | (896) |
| Amortisation of deferred revenue | 5A(a) | (956) | (629) |
| Finance cost | 12 | 3,673 | 7,957 |
| Net foreign exchange gain | | (82) | (1,988) |
| | | 61,181 | 47,003 |
| <i>Changes in:</i> | | | |
| Inventories | | (5,566) | (6,126) |
| Trade receivables | | 566 | 10,700 |
| Other taxes receivable | | 13 | (804) |
| Other assets | | (2,110) | 2,895 |
| Trade and other payables | | 1,461 | (2,961) |
| Contract liabilities | | 483 | - |
| Provisions for liabilities and charges | | 27 | 205 |
| Other taxes payable | | (64) | (831) |
| Cash flows from operations before interest paid | | 55,991 | 50,081 |
| Interest paid | | (3,351) | (8,936) |
| Net cash from operating activities | | 52,640 | 41,145 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (4,852) | (8,303) |
| Acquisition of intangible assets | | (58) | (78) |
| Net cash used in investing activities | | (4,910) | (8,381) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 17,793 | 68,346 |
| Repayment of borrowings | | (60,604) | (101,513) |
| Dividends paid | | (1,800) | - |
| Net cash used in financing activities | | (44,611) | (33,167) |
| Net increase/(decrease) in cash and cash equivalents | | 3,119 | (403) |
| Cash and cash equivalents at 1 January | 20 | 575 | 418 |
| Effect of movements in exchange rates on cash | 11 | (73) | 560 |
| Cash and cash equivalents at 31 December | 20 | 3,621 | 575 |

* The Company has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 5.

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 41.