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Independent Auditor's Report to the Shareholders of EMSTEEL Building Materials PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EMSTEEL Building Materials PJSC ("EMSTEEL" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2024, 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 ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

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) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of property, plant and equipment and right of use assets

As at 31 December 2024, the carrying amount of the Group's property, plant and equipment and right of use assets was AED 6,630 million, representing 59% of total assets. A reversal of impairment provision of AED 207,321 thousand was recorded in the consolidated statement of profit or loss during the year ended 31 December 2024.

We considered this to be a key audit matter as the determination of the recoverable amount requires management to apply significant judgements and make significant estimates that are affected by expected future market or economic conditions including, inter alia, expected future cash flows, utilisation rates, the associated discount rate applied and long-term growth rates based on management's view of future business prospects.

Refer to notes 5 and 6 to the consolidated financial statements for more details relating to this matter.

The audit procedures performed to address this key audit matter include the following:

- assessed the design and tested the implementation of the Group's controls relating to the determination of the recoverable amount of the steel, cement and blocks business;
- reconciled the net carrying amount of the CGU to the Group's accounting records;
- involved our valuation specialist to assess the discount rate and growth rates applied by benchmarking against independent data;

- evaluated each of the management's key assumptions, including budget estimates underlying the cash flows used in the valuation models. For this purpose, we also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reasonableness of the process for making forecasts;
- evaluated management's sensitivity analysis in relation to the key inputs used in the model used to determine the recoverable amount, as well as performing our own sensitivity analysis of the factors and assumptions used;
- reperformed the arithmetical calculations of the valuations used by the Group;
- agreed the results of the impairment models to the amounts reported in the consolidated financial statements; and
- assessed the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 5 March 2024.

Other information

Other information consists of the information included in the Board of Directors' report and the annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Board of Directors 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 in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of the 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.

The Board of Directors is 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 skepticism 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key

audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated

in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2024:
- (i) the Group has maintained proper books of account;
 - (ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
 - (iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021, and the Article of Association of the Company;
 - (iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;
 - (v) the Company has not purchased or invested in any shares or stocks during the year;
 - (vi) note 13 reflects material related party transactions and the terms under which they were conducted;
 - (vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the period any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Article of Association which would materially affect its activities or its financial position as at 31 December 2024; and
 - (viii) during the year, the Group made social contributions of AED 606 thousand.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 regarding the examination of internal controls over financial reporting, we have been engaged to perform an assurance engagement to provide a reasonable assurance report on effectiveness of internal controls over financial reporting for the Group.

Further, as required by the Abu Dhabi Accountability Authority Chairman Resolution No. 88 of 2021 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would materially affect its activities or the consolidated financial statements of the Company as at 31 December 2024.

For Ernst & Young



Ahmad Al Dali

Registration No 5548

11 March 2025

Abu Dhabi, United Arab Emirates