Joint Stock Company “Uzbek Metallurgical Plant”

Consolidated financial statements
for the year ended December 31, 2020

JSC “UZBEK METALLURGICAL COMPANY”

CONTENTS

JSC "UZBEK METALLURGICAL PLANT"

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC "Uzbek Metallurgical Plant" and its subsidiaries (the "Group") as at December 31, 2020, and the results of its operations, cash flows and changes in equity for the year ended December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated 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;
- Compliance with the requirements of IFRS and providing additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and its financial performance;
- Making judgments and estimates that are reasonable and prudent; and
- Making an assessment of the Group'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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the Group's consolidated financial position, and which enable them to ensure that the Group's consolidated financial statements comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and national accounting standards in the jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the Group's assets; and
- Preventing and detecting fraud and other irregularities.

The Group's consolidated financial statements for the year ended December 31, 2020 were approved for issue by management on December 29, 2021.

Chairman of the Executive Board:
Pirmatov R. Kh.

Chief financial officer
Budey T. A.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC "Uzbek Metallurgical Plant"

Opinion

We have audited the accompanying consolidated financial statements of JSC "Uzbek Metallurgical Plant" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, 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' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, 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 Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Timing of revenue recognition (Note 5) In accordance with IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue from sale of finished goods at point of time based on different delivery terms including Incoterms. Total revenue in 2020 was Uzbek Soums 5,245 billion. The Group maintains its books and records in accordance with the requirement of the local accounting standards. Those records are subsequently adjusted for compliance with IFRSs. Revenue recognition criteria in local accounting standards are different with those in IFRSs and require to recognise revenue when the products are shipped to the customer while IFRS is focused on the transfer of control to the customer. The Group does not maintain detailed data necessary for proper timing of revenue recognition on ongoing basis according to IFRSs requirements. Relevant adjustments are performed manually based on analysis of individual transactions close to year end. Because of the volume of the class of transactions and a risk of incorrect timing of revenue recognition, we determined this matter to be key to our audit.	We completed the following audit procedures in respect of the timing of revenue recognition: • obtained an understanding, evaluated the design and implementation of controls over the Group's revenue recognition, including controls over the point in time when control of the product was transferred to the customer and controls over key data relevant to delivery terms; • evaluated contractual terms that impact the transfer of control of the product to the customer and subsequent recognition of revenue for significant contracts; and • performed audit procedures that included, among others, testing the timing of revenue recognition of a sample of revenue transactions occurred before and after year end, tracing accounting records to supporting documents, and obtaining confirmation letters from customers.

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 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.

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 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.

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, related safeguards.

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.

"Deloitte & Touche" Audit Organisation LLC The license authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated April 5, 2019.	Erkin Ayupov Qualified Auditor / Partner Auditor qualification certificate authorizing audit of companies, #04830 dated May 22, 2010 issued by the Ministry of Finance of the Republic of Uzbekistan
January 19, 2022 Tashkent, Uzbekistan	Director "Deloitte & Touche" Audit Organisation LLC

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

(in billions of Uzbek Soums)

	Notes	2020	2019
Revenue	5	5,245	5,269
Cost of sales	6	(4,298)	(4,091)
Gross profit		**947**	**1,178**
Selling expenses		(49)	(40)
Administrative expenses	7	(380)	(402)
Other income		35	53
Other expenses		(71)	(42)
Operating profit		**482**	**747**
Finance income		6	8
Finance cost		(52)	(45)
Exchange differences	8	(119)	(110)
Corporate social responsibility activities cost	9	(76)	(144)
Profit before income tax		**241**	**456**
Income tax expense	10	(29)	(90)
Profit and total comprehensive income for the year		**212**	**366**
Profit and total comprehensive income for the year attributable to:			
Shareholders of the Company		212	365
Non-controlling interest		-	1
		212	**366**
Weighted average number of shares		42,885,065	42,885,065
Earnings per share: basic and diluted in Uzbek Soums		**4,943**	**8,528**

JSC "UZBEK METALLURGICAL PLANT"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(in billions of Uzbek Soums)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,348	1,345
Investments projects	12	1,265	517
Other non-current assets		42	54
Total non-current assets		**2,655**	**1,916**
Current assets			
Inventories	13	812	1,045
Trade and other receivables	14	250	691
Advances paid	15	111	69
Corporate income tax prepayment		-	25
Prepaid taxes other than income tax		104	1
Other current assets		23	12
Cash and cash equivalents	16	379	40
Total current assets		**1,679**	**1,883**
Total assets		**4,334**	**3,799**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	221	221
Treasure shares	17	(2)	(2)
Retained earnings		1,352	1,316
Total attributable to shareholders of the Company		**1,571**	**1,535**
Non-controlling interest		1	1
Total equity		**1,572**	**1,536**
Non-current liabilities			
Bank loans	18	1,211	671
Deferred tax liabilities	10	60	101
Total non-current liabilities		**1,271**	**772**
Current liabilities			
Bank loans	18	219	362
Trade and other payables	19	944	1,087
Advances received		286	36
Corporate income tax payables		25	-
Other taxes payables		15	2
Other financial liabilities		2	4
Total current liabilities		**1,491**	**1,491**
Total liabilities		**2,762**	**2,263**
Total equity and liabilities		**4,334**	**3,799**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(in billions of Uzbek Soums)

		Attributable to shareholders of the Company				Non-controlling interest	Total
	Notes	Share capital	Treasury shares	Retained earnings	Total		
December 31, 2018		**221**	**(2)**	**1,032**	**1,251**	**-**	**1,251**
Total comprehensive income		-	-	365	365	1	366
Dividends declared	17	-	-	(81)	(81)	-	(81)
December 31, 2019		**221**	**(2)**	**1,316**	**1,535**	**1**	**1,536**
Total comprehensive income		-	-	212	212	-	212
Dividends declared	17	-	-	(176)	(176)	-	(176)
December 31, 2020		**221**	**(2)**	**1,352**	**1,571**	**1**	**1,572**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in billions of Uzbek Soums)

	Notes	2020	2019
Cash flows from operating activities			
Profit before income tax		**241**	**456**
Adjustments:			
Depreciation and amortisation		118	113
Finance cost		52	45
Finance income		(6)	(8)
Impairment of trade and other receivables and advances paid	7	11	33
(Reversal)/accrual of provision for write-off of raw materials to net realisable value	6	(5)	11
Exchange differences	8	119	110
Other		14	(4)
		544	**756**
Change in working capital:			
Inventories		238	(182)
Trade and other receivables		452	(215)
Advances paid		(42)	137
Trade and other payables		(241)	243
Advances received		249	(77)
Other taxes payables		13	(61)
Prepaid taxes other than income tax		(103)	1
Other current assets		(11)	(2)
Other financial liabilities		(2)	-
		1,100	**600**
Corporate tax paid		(22)	(106)
Interest received		2	2
Interest paid		(52)	(36)
Dividends received		4	2
Cash from operating activities		**1,032**	**462**
Cash flows from investment activities			
Purchase of property, plant and equipment		(120)	(143)
Financing of investment projects		(680)	(524)
Proceeds from sale of property, plant and equipment		17	6
Other		-	3
Cash used in investing activities		**(783)**	**(658)**
Cash flows from financing activities			
Proceeds from bank loans	18	757	674
Repayment of bank loans	18	(501)	(518)
Dividends paid		(172)	(79)
Cash flows generated from financing activities		**84**	**77**
Change in cash and cash equivalents		**333**	**(119)**
Cash balance at the beginning of the year		40	155
Effect of exchange rate changes on cash and cash equivalents		6	4
Cash balance at the end of the year	**16**	**379**	**40**

(in billions of Uzbek Soums)

1. GENERAL INFORMATION

1.1. Organization and operation

The JSC “Uzbek Metallurgical Plant” (the “Company”) and its subsidiaries (the “Group”) is a joint stock company domiciled and incorporated in the Republic of Uzbekistan in 1994.

It is the sole establishment authorised to purchase ferrous metal scrap and waste in the Republic of Uzbekistan as the main raw materials base for producing rolled metal. The consolidation of metal scrap and waste is implemented by the Republic of Uzbekistan-wide “Ikkilamchikorametallar” network (the Company’s branches / subsidiaries), which are responsible for purchasing, processing and delivery.

Apart from producing rolled ferrous metal (including balls for milling), the Group also produces copper and copper alloy sheets; basalt sheets, mats and wool; and metal items (wire, electrodes, building nails, steel mesh and household enamel crockery).

The address of the registered office is 1 Syrdarya Street, Bekabad, Tashkent Region, Uzbekistan (www.uzbeksteel.uz).

The Group has extensive corporate social responsibilities focusing on improving social welfare, both in Bekabad and its neighbouring regions.

The Group’s shares are allocated as follows:

Ownership, (%)	December 31, 2020	December 31, 2019
The State assets management agency of the Republic of Uzbekistan	74.59	75.33
Corporate shareholders	15.46	14.49
Individuals	9.95	10.18
Total	**100.00**	**100.00**

Key corporate shareholders are the Uzbekistan National Bank for Foreign Economic Activities, OJSC “AvtosanoatInvest”, JSC “Almalyk Mining and Metallurgical Complex” and SC “Navoi Mining and Metallurgical Company”, together holding a 13.94% interest as at December 31, 2020 (December 31, 2019: 14.07%).

As at December 31, 2020, the Company holds controlling interest in the following entities:

Ownership, (%)	Activities	December 31, 2020	December 31, 2019
TH Steel Impex (Kazakhstan)	trading	100%	100%
TH Uzbekistan (Kazakhstan)	trading	100%	100%
TH Tadjikistan (Tadjikistan)	trading	51%	51%
Bekabad Gish Invest (Uzbekistan)	production	100%	100%
Donata Pharm (Uzbekistan)	production	100%	100%
Bekabad Matbuot (Uzbekistan)	publishing	100%	100%
Bekabad Bus Company (Uzbekistan)	transportation	100%	100%
Bekabad Chorva (Uzbekistan)	agriculture	100%	100%
Yangiabad Chorva (Uzbekistan)	agriculture	100%	100%
Bekabad Parranda (Uzbekistan)	agriculture	100%	100%

On July 20, 2017, in accordance with a Cabinet of Ministers Resolution, a managing company FI "SFI Management Group" LLC was engaged as the trustee manager for the government share in the Group.

1.2. Business environment

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. In the first half of 2020, the COVID-19 outbreak caused significant turmoil in the global market: it led to significant operational difficulties for many companies, changed the daily habits of people in different countries, contributed to a decline in oil prices, a fall in stock market indices, and the volatility of the national currency.

In response to the potentially serious threat posed to public health by the COVID-19 epidemic, government authorities in various countries have introduced restrictive measures. In particular, the Uzbekistan government declared non-working days during March and July 2020. Taking into account that, in accordance with the Tax Code of the Republic of Uzbekistan, local government authorities were empowered to take decisions on changing the deadlines for the payment of relevant taxes, as well as lowering their rates.

During non-working days, the Group's production facilities continued its operations in compliance with a number of protecting measures, including wearing medical masks and measuring the body temperature. Most of employees of the head office were transferred to remote work during those days. As a result of these measures, the Group met its planned volume of production as pandemic effect did not significantly disrupted the Group's operations.

During 2020, COVID-19 has not caused any material adverse impact on functioning of the Group's operating facilities, personnel, as well as supply chain and sales.

Since events caused by the new coronavirus pandemic are developing rapidly and cannot be reliably predicted, the impact of changes in the operating environment on the Group's future results and financial position is currently difficult to determine. The management continues to monitor COVID-19 pandemic situation and will take further action as necessary in response to the economic disruption.

2. BASIS OF PREPARATION

2.1. Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in Note 20.

2.2. Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

In making its going concern assessment the Group's management has taken into account its financial position, expected commercial results, its borrowings and available but not yet used credit lines, as well as planned capital expenditures and capital commitments and other risks to which the Group is exposed.

2.3. Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the company has the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2.4. Functional currency

Items included in the financial statements of each of the Group's entities are measured in the currency of the main economic environment in which they operate ("functional currency"). The functional currency of each entity of the Group is Uzbek Soum ("UZS"), including entities operating outside of the Republic of Uzbekistan (trade houses), since their activities are essentially an extension of the activities of the parent company.

The presentation currency of these consolidated financial statements is Uzbek Soum.

The main part of transactions of the Group in foreign currencies represent transactions in US Dollars ("USD"). The closing exchange rates of UZS to USD are shown below (as determined by the Central Bank of the Republic of Uzbekistan):

	December 31, 2020	**December 31, 2019**
UZS/USD	10,476.92	9,507.56

(in billions of Uzbek Soums)

The main provisions of the accounting policy are provided throughout the notes to the consolidated financial statements.

3. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

3.1. IFRS standards first time applied in 2020

The following is a list of new and amended IFRS standards and interpretations that have been applied by the Group in these consolidated financial statements:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendment IFRS 3	Business combinations	1 January 2020	No effect
Amendments IAS 1 and IAS 8	Definition of material	1 January 2020	No effect
Amendments to References to the Conceptual Framework in IFRS Standards	Updates or references to or from the Conceptual Framework to the IFRS Standards	1 January 2020	No effect
Interest Rate Benchmark Reform phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	Identification of interest rate in hedge accounting	1 January 2020	No effect
Amendment to IFRS 16	Covid-19-related rent concessions	1 June 2020	No effect

3.2. IFRS standards to be applied after 2020

The following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Interest Rate Benchmark Reform phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Replacement of LIBOR with alternative Risk-free Rates	1 January 2021	No effect
Amendment to IFRS 16	Covid-19 Related Rent Concessions	1 April 2021	No effect
Amendment IFRS 3	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2022	No effect
Amendment IAS 16	Proceeds before Intended Use	1 January 2022	Under review
Amendment IFRS 1	Subsidiary as a first-time adopter	1 January 2022	No effect
Amendment IAS 41	Taxation in fair value measurements	1 January 2022	No effect
Amendment IAS 37	Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022	Under review
Amendment IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022	No effect

(in billions of Uzbek Soums)

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendment IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2022	No effect
IFRS 17	Insurance contracts	1 January 2023	No effect
Amendments to IFRS 17	Insurance contracts	1 January 2023	No effect
Amendment IAS 1	Classification of Liabilities as Current or Non-Current Disclosure of Accounting Policies	1 January 2023	Under review
Amendments to IAS 8	New Definition of Accounting Estimates	1 January 2023	Under review

4. SEGMENT INFORMATION

The Group's Chairman and Deputy Chairman of the Management Board, assessed to be the Group's chief operating decision maker ("CODM"), evaluate performance and make investment and strategic decision based on a review of the Group's financial information, which is considered as one operating segment. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Internal reporting is based on measures that are different from measures used in these consolidated financial statements.

5. REVENUE

Revenue is measured at the fair value of consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group recognises revenue when it transfers the control of the promised goods or services to a customer.

The Group sells products in the Republic of Uzbekistan, Central Asia and Afghanistan. Sales contracts contain a number of different delivery terms, including Incoterms. The Group sells most of its products on EXW, FCA, CPT and DAT Incoterms.

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed under IFRS 8 (Note 4).

	2020	2019
Rolled metal	4,042	3,910
Metal balls for mills	988	1,147
Other	215	212
Total	**5,245**	**5,269**

(in billions of Uzbek Soums)

The analysis of the Group's sales by currency and region was as follows:

	2020	2019
Domestic sales in local currency	3,214	3,501
Sales in foreign currencies:		
Uzbekistan	1,182	923
Afghanistan	464	366
Kazakhstan	62	317
Tajikistan	268	100
Other CIS countries	55	62
Total sales in foreign currencies	2,031	1,768
Total	**5,245**	**5,269**

In 2020, the amount of revenue from external customer which contributed more than 10% of the Group's revenue was UZS 767 billion (2019: UZS 777 billion).

6. COST OF SALES

	2020	2019
Raw materials	3,211	3,501
Third party services	456	312
Employee costs	300	279
Depreciation and amortisation	105	97
Total production expenses	**4,072**	**4,189**
Change of work in progress and finished goods	231	(109)
Write-off of raw materials to net realisable value	(5)	11
Total	**4,298**	**4,091**

7. ADMINISTRATIVE EXPENSES

	2020	2019
Employee costs	234	184
Third party services	75	77
Taxes other than income tax	30	43
Impairment of trade and other receivables and advances paid	11	33
Depreciation and amortisation	13	13
Materials used	12	10
Other	5	42
Total	**380**	**402**

(in billions of Uzbek Soums)

8. EXCHANGE DIFFERENCES

	2020	2019
Foreign exchange loss on operating activity	46	66
Revaluation of bank loans	73	44
Total	**119**	**110**

9. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES COST

Corporate social responsibility activities cost consist of expenses incurred for various projects associated with infrastructure improvement in Bekabad, sponsoring of sport activities, including football club Metallurg, as well as support local businesses aimed to maintenance employment in the region.

The Group has no long-term commitments in respect of social expenses. All expenses are recognised in the period in which they are incurred. The expenses are driven by management of the Group as well as decisions of local and state authorities and subsequently approved by the Supervisory Board. Some recipients may represent government owned structure and are treated as related parties of the Group. However, the social responsibility activities cost generally relates to charitable donations and community relations activities in the regions of operation and affects life of local communities including the Group's employees. As a result, the Group recognises those expenses in profit or loss rather than directly in equity.

10. INCOME TAX

Tax regulations in the jurisdictions where the Group operates continue to change rapidly.
The Group mainly pay corporate income tax in the Republic of Uzbekistan. In 2020, the nominal corporate income tax rate in the Republic of Uzbekistan was 15% (2019: 12%).

Income tax recorded in profit and loss was:

	2020	2019
Current income tax	70	72
Deferred income tax	(41)	10
Correction of profit tax for prior years	-	8
Total	**29**	**90**

(in billions of Uzbek Soums)

The effective tax rate and profit reconciliation was as follows:

	2020	2019
Profit before income tax	**241**	**456**
Nominal tax rate	15%	12%
Tax at the statutory tax rate	**36**	**55**
Permanent differences	(7)	27
Correction of profit tax for prior years	-	8
Total	**29**	**90**

The effective tax rate for the year ended December 31, 2020 was 12% (December 31, 2019: 20%).

The tax effect of the temporary differences was the following:

	Property, plant and equipment	Other	Total
At January 1, 2019	**(109)**	**18**	**(91)**
Charge to profit or loss			
- origination and reversal of temporary differences	(9)	(1)	**(10)**
At December 31, 2019	**(118)**	**17**	**(101)**
Charge to profit or loss			
- origination and reversal of temporary differences	32	9	**41**
At December 31, 2020	**(86)**	**26**	**(60)**

As at December 31, 2020, no deferred tax liability was recognised on temporary differences of UZS 129 billion (December 31, 2019: UZS 125 billion) relating to investments in the Group's subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

(in billions of Uzbek Soums)

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost (which includes foreign exchange loss and borrowing cost) less accumulated depreciation and impairment, if any.

Historical cost	Buildings and structures	Machinery and equipment	Vehicles	Other	Construc-tion in progress	Total
January 1, 2019	**771**	**1,279**	**77**	**30**	**8**	**2,165**
Additions	-	-	-	-	143	143
Disposals	(3)	(6)	(3)	-	(5)	(17)
Transfers	52	161	55	-	(268)	-
Transfers from investment projects (Note 12)	-	-	-	-	188	188
December 31, 2019	**820**	**1,434**	**129**	**30**	**66**	**2,479**
Reclassification	(106)	97	(2)	(4)	-	(14)
Additions	-	-	-	-	138	138
Disposals	(1)	(24)	(1)	(1)	-	(27)
Transfers	44	42	6	4	(96)	-
December 31, 2020	**757**	**1,549**	**132**	**29**	**109**	**2,576**
Accumulated Depreciation						
January 1, 2019	**(283)**	**(678)**	**(54)**	**(17)**	**-**	**(1,032)**
Depreciation charge	(20)	(72)	(16)	(5)	-	(113)
Disposals	3	6	2	-	-	11
December 31, 2019	**(300)**	**(744)**	**(68)**	**(22)**	**-**	**(1,134)**
Reclassification	45	(45)	6	8	-	14
Depreciation charge	(24)	(72)	(18)	(4)	-	(118)
Disposals	-	9	1	-	-	10
December 31, 2020	**(279)**	**(852)**	**(79)**	**(18)**	**-**	**(1,228)**
Net book value						
January 1, 2019	**488**	**601**	**23**	**13**	**8**	**1,133**
December 31, 2019	**520**	**690**	**61**	**8**	**66**	**1,345**
December 31, 2020	**478**	**697**	**53**	**11**	**109**	**1,348**

(in billions of Uzbek Soums)

Assets pledged as collateral

Property, plant and equipment with a carrying amount of UZS 144 billion (December 31, 2019: UZS 161 billion) were pledged as collateral to secure loans received by the Group (*Note 18*).

Buildings and structures, machinery and equipment, vehicles and other fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Management reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Assumptions that were valid at the time of estimation may change when new information becomes available. Useful lives of property, plant and equipment were follows:

Property, plant and equipment groups	Useful lives
Buildings and structures	up to 30 years
Machinery and equipment	up to 20 years
Vehicles	up to 20 years
Others	up to 6 years

12. INVESTMENT PROJECTS

The Group disclosed separately significant groups of construction-in-progress which are subject to specific financing as Investment projects. Investment projects are stated at historical cost less impairment, if any, and comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Investment projects are transferred to property, plant and equipment when the assets are put into operation.

The Group recognises exchange differences arising from foreign currency borrowings that are directly attributable to acquisition or construction of investment projects as a part of borrowing cost and capitalises it as a cost of investment projects.

Investments projects are represented by the project Metal sheet production which is expected to increase hot-rolled strips production capacity by 1,041 thousand tonnes per year, with first production expected at the end of 2022. The expected overall project cost is over UZS 6,200 billion (unaudited). The project is going to be financed mainly by foreign and local banks. During 2019 investments projects Wire rod production and Ferrosilicon production were put in use.

Changes in investment projects were the following:

	2020	2019
January 1,	**517**	**163**
Investment	197	112
Advances paid to supplier	441	395
Capitalised interest (Note 18)	42	17
Exchange differences capitalised (Note 18)	68	18
Transferred to property, plant and equipment (Note 11)	-	(188)
December 31,	**1,265**	**517**

(in billions of Uzbek Soums)

13. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

	December 31, 2020	December 31, 2019
Finished goods	153	275
Work in progress	179	288
Materials and supplies	531	538
	863	**1,101**
Provision for the write-off of inventories to net realisable value	(51)	(56)
Total	**812**	**1,045**

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value, and are subsequently measured at amortised cost.

	December 31, 2020	December 31, 2019
Amount due in UZS	268	573
Amount due in foreign currencies	43	188
Settlements with employees	2	2
	314	**763**
Allowance for expected credit losses	(63)	(72)
Total trade and other receivables	**250**	**691**

The range of the credit period on sale of goods is 30-180 days (2019: 30-180 days). No interest is charged on the trade receivables.

The Group recognises a loss allowance for lifetime expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on trade and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(in billions of Uzbek Soums)

The table below shows the movement in lifetime expected credit losses ("ECL") that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2020	2019
January 1,	**72**	**71**
Allowance accrued	25	4
Accounts receivable written-off	(34)	(3)
December 31,	**63**	**72**

Most of allowances related to trade and other receivables past due over 180 days which were fully impaired. For other debtors management assessed the risk profile based on the Group's provision matrix. As a result of this analysis, the Group recognised allowance of UZS 11 billion as at December 31, 2020 (December 31, 2019: UZS 12 billion).

15. ADVANCES PAID

	December 31, 2020	December 31, 2019
Advances for materials and services	149	132
Loss allowance	(38)	(63)
Total	**111**	**69**

16. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash in UZS	214	14
Cash in foreign currency	165	26
Total	**379**	**40**

The Group mainly uses the services of JSCB Ipoteka Bank, JSCB Uzpromstroybank, JSCB Hamkorbank. As at December 31, 2020 most of cash and cash equivalents were held in banks with credit rating of B1-Ba3 (December 31, 2019: B2-Ba3).

(in billions of Uzbek Soums)

17. EQUITY

17.1. Share capital

The Company’s share capital comprises of ordinary and preference shares. Each ordinary share paid in full gives one voting right at a general meeting of shareholders and a right to receive dividends.

	December 31, 2020	December 31, 2019
Number of ordinary shares (paid)	43,322,393	43,322,393
Number of preference shares	906,420	906,420
Total number of shares	**44,228,813**	**44,228,813**
Par value of shares (nominal UZS)	5,000	5,000
Total authorised, issued and fully paid share capital (billions of UZS)	**221**	**221**

	December 31, 2020	December 31, 2019
Total number of shares	44,228,813	44,228,813
Number of treasure shares	(437,328)	(437,328)
Total number of shares excluding treasury shares	**43,791,485**	**43,791,485**

For preferred shares, the annual minimum value of dividends is 6% of par value, or UZS 300 per preference share.

Retained earnings include non-distributable reserves of UZS 37 billion (December 31, 2019: UZS 37 billion). The minimal amount of the non-distributable reserve is a 15% of the share capital and formed through the annual allocation of net profit. The Group may use non-distributable reserves only to pay dividends on preference shares and redeem ordinary shares, if no other funds are available.

17.2. Dividends

In 2020, the Group declared dividends of UZS 4,063 per common share in the total amount of UZS 176 billion and UZS 300 per preferred shares in the total amount of UZS 0.3 billion (2019: UZS 1,888 per common share in the total amount of UZS 81 billion and UZS 300 per preferred shares in the total amount of UZS 0.3 billion).

(in billions of Uzbek Soums)

18. BANK LOANS

Bank loans are initially recognised at fair value, and are subsequently measured at amortised cost. The Group obtained most of the bank loans for the purpose of financing investment projects.

	Notes	December 31, 2020	December 31, 2019
Investment projects:			
- Metal sheet production	*12*	*1,048*	467
- Ferrosilicon production	*12*	*103*	143
- Wire rod production	*12*	*38*	137
Upgrade of current production capacity:		3	31
Replenishment of working capital		238	255
		1,430	**1,033**
Secured loans denominated in UZS		84	95
Secured loans denominated in USD		1,281	938
Secured loans denominated in EUR		66	-
		1,430	**1,033**
Long-term portion of loans		(1,211)	(671)
Short-term portion of loans		**219**	**362**

Fixed interest rates on bank loans as at the end of 2020 were within 6.55%-9% range for the foreign currency denominated loans and 14% for the UZS denominated loans (December 31, 2019: 6%-8% and 16%, respectively). Variable interest rate was 6-month Libor+5% (December 31, 2019: 6-month Libor+4.6%). As disclosed in Note 11, the Group pledged specific assets as bank loan collateral.

The table below shows the movement in bank loans as a result of financing activities, including cash and non-cash changes.

	Note	2020	2019
January 1,		**1,033**	**806**
Proceeds from bank loans		757	674
Repayment of bank loans		(501)	(518)
Interest accrued		52	45
Interest capitalised	12	42	17
Interest paid		(94)	(53)
Exchange differences recognised in profit or loss		73	44
Exchange differences capitalised	12	68	18
December 31,		**1,430**	**1,033**

As at December 31, 2020, the Group had undrawn loan facilities of UZS 78 billion (December 31, 2019: UZS 493 billion).

(in billions of Uzbek Soums)

19. TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value, and are subsequently measured at amortised cost.

	December 31, 2020	December 31, 2019
Trade payables in foreign currencies	652	874
Trade payable in UZS	120	111
Other payables	172	102
Total	**944**	**1,087**

Average purchase credit terms range between 1 to 8 months. Interest is not accrued on trade payables. The Group financial risk management policy stipulates the repayment of payables within contractual credit terms.

20. FINANCIAL INSTRUMENTS

20.1. Categories of financial instruments

Financial assets	**Notes**	December 31, 2020	December 31, 2019
Cash	16	379	40
Trade and other receivables	14	250	691
Other assets		23	33
Total		**652**	**764**
Non-current financial assets		25	27
Current financial assets		627	737
Total		**652**	**764**

Financial liabilities	**Notes**	December 31, 2020	December 31, 2019
Trade and other payables	19	917	1,079
Bank loans	18	1,430	1,033
Other financial liabilities		2	4
Total		**2,349**	**2,116**
Non-current financial liabilities		1,211	671
Current financial liabilities		1,138	1,445
Total		**2,349**	**2,116**

(in billions of Uzbek Soums)

20.2. Financial risk management

The Group's financial block coordinates access to borrowings, controls and manages financial risks, analysing the probability and size of current Group risks. These risks include market risks (including currency, interest and pricing risks), credit risks and liquidity risks.

Market risk

Risks related to Group activities are the risks of exchange rate and interest rate fluctuations. The Group does not use derivative financial instruments to manage the risk of fluctuations in interest rates and exchange rates.

Currency risk management

The Group is exposed to currency risk due to its transactions in foreign currencies. Most of foreign currency monetary assets and liabilities are denominated in USD. Assets and liabilities in other foreign currencies are not significant. Foreign currency denominated monetary assets and liabilities were as follows:

Financial instruments	**December 31, 2020**	**December 31, 2019**
Assets denominated in USD		
Cash	119	14
Trade and other receivables	40	188
Total assets denominated in USD	**159**	**202**
Liabilities denominated in USD		
Trade and other payables	(646)	(763)
Bank loans	(1,281)	(938)
Total liabilities denominated in USD	**(1,927)**	**(1,701)**
Net position	**(1,768)**	**(1,499)**

Strengthening/weakening of Uzbek Soum by 20% would result in gain/loss of UZS 354 billion (December 31, 2019: UZS 300 billion).

Interest rate risk management

The Group has not significant exposure to interest rate risk since it mainly borrows funds with fixed interest rates. Bank loans with floating interest rate were UZS 194 billion (December 31, 2019: UZS 141 billion).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group only uses publicly available financial information and its own trading records to rate its major customers. Its exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

(in billions of Uzbek Soums)

The Group is exposed to significant concentrations of credit risk. As at December 31, 2020, the three biggest customers, all located in Uzbekistan, represent 55% (December 31, 2019: 54%) of trade and other receivables.

The credit risk on cash with bank is disclosed in Note 16.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include interest and principal cash flows. Contractual maturity is based on the earliest date on which the Group may be required to pay. Interest payments were calculated at the weighted average interest rate.

December 31, 2020	**less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**	**Total**
Trade payables	917	-	-	-	-	-	917
Bank loans (principal)	219	154	186	176	159	536	1,430
Bank loans (interest charges)	83	106	69	55	43	70	426
Other financial liabilities	2	-	-	-	-	-	2
Total	**1,221**	**260**	**255**	**231**	**202**	**606**	**2,775**

December 31, 2019	**less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Over 5 years**	**Total**
Trade payables	1,079	-	-	-	-	-	1,079
Bank loans (principal)	362	101	133	167	152	118	1,033
Bank loans (interest charges)	72	48	39	25	12	3	199
Other financial liabilities	4	-	-	-	-	-	4
Total	**1,517**	**149**	**172**	**192**	**164**	**121**	**2,315**

20.3. Fair value of financial instruments

Trade and other receivables, trade and other payables and bank loans are initially recognised at fair value, and are subsequently measured at amortised cost. Investments in shares classified as other non-current assets are measured as fair value through profit and loss.

Fair value of bank loans (Level 3) were UZS 1,365 billion as at December 31, 2020 (December 31, 2019: UZS 1,038 billion).

Financial instruments other than bank loans (Level 3) are approximately equal to their fair value.

21. RELATED PARTY TRANSACTIONS

The Group is a government related entity, as it is ultimately controlled by the Government of Uzbekistan. Therefore in respect of other related parties transactions except for those disclose above, the Group chose to apply the exemption in IAS 24 Related Party Disclosures in relation to its government related transactions and outstanding balances, including commitments. Individually significant government related balances and transactions are disclosed below. Other government related balances and transactions that are collectively, but not individually, significant are represented by tax, customs, utility and similar charges.

As at December31, 2020 and 2019, UZS 329 billion and UZS 37 billion of cash and cash equivalents, respectively, were placed in the banks controlled by the Government of Uzbekistan.

As at December31, 2020 and 2019, UZS 1,380 billion and UZS 1,004 billion of borrowings, respectively, were received by the Group from the banks controlled by the Government of Uzbekistan.

In 2020 and 2019, UZS 1,081 billion and UZS 1,574 billion of revenue, respectively, were received by the Group from the companies controlled by the Government of Uzbekistan.

In 2020 and 2019, the remuneration of the Supervisory Board members and other key managers was UZS 4 billion and UZS 2 billion, respectively.

22. COMMITMENTS

As at December 31, 2020 and 2019, commitments to purchase property, plant and equipment amounted to UZS 3,093 billion and UZS 1,499 billion, respectively.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

23.1. Litigation

From time to time, during the course of the Group activities, clients and counterparties make claims against the Group. Management believes that as a result of court cases, the Group will not incur any significant losses and, consequently, no provisions have been created in these consolidated financial statements.

23.2. Taxation

Uzbekistan tax, currency and customs legislation is subject to varying interpretations can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within Uzbekistan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. During 2018, tax authorities performed tax audit for the period from 2009 to first half of 2017 and claimed additional taxes and related penalties. On December 3, 2018, tax authorities appealed to the court for reimbursement of penalties charged for the Company in the amount of UZS 38 billion and in April 2021, the court made a decision in favour of tax authorities. The management of the Group recognized liabilities as at December 31, 2020 related to these penalties. In respect of the remaining part of additional taxes in the amount of UZS 138 billion, management estimates the risk of a negative outcome for the Group as possible and no provision has been recognized in these consolidated financial statements

23.3. Operating environment

Emerging markets such as Uzbekistan are subject to different risks, including economic, political, social, legal and legislative risks. During 2020, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

24. EVENTS AFTER THE REPORTING PERIOD

On June 30, 2021, the Group declared dividends of UZS 165 billion.