

Uzbek Metallurgical Plant JSC

Consolidated financial statements
for the year ended 31 December 2023

UZBEK METALLURGICAL PLANT JSC

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UZBEK METALLURGICAL PLANT JSC

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Uzbek Metallurgical Plant JSC and its subsidiaries (the "Group") as of 31 December 2023, and the results of its operations, cash flows and changes in equity for the year ended 31 December 2023 in accordance with International Financial Reporting Standards (IFRS).

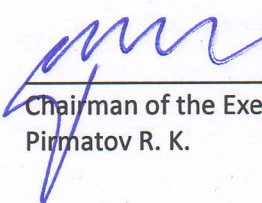
In preparing the consolidated financial statements, management is responsible for:

- 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 31 December 2023 were approved for issue by management on 9 July 2024.


Chairman of the Executive Board:
Pirmatov R. K.




Chief financial officer
Budei T. A.



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Independent Auditors' Report

To Shareholders and Supervisory Board of Uzbek Metallurgical Plant JSC

Qualified Opinion

We have audited the consolidated financial statements of Uzbek Metallurgical Plant JSC (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Qualified Opinion

As at 31 December 2023 and 31 December 2022 with regard to scrap metal stated at UZS 392 billion and UZS 190 billion, respectively, and finished goods stated at UZS 732 billion and UZS 105 billion, respectively, due to specific issues we encountered when observing the counting of these inventories at the warehouses, we were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been necessary in respect of these inventories as at 31 December 2023 and the related elements making up the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the year then ended. Our opinion on the consolidated financial statements as at and for the year ended 31 December 2022 dated 3 August 2023 was modified accordingly.

Audited entity: Uzbek Metallurgical Plant JSC

Registered by the center of the provision of state services of Bekabad district on 15 July 2014 No.413

Bekabad, Tashkent Region, Republic of Uzbekistan

Independent auditor: “KPMG Audit” Audit LLC, a company incorporated under the Laws of the Republic of Uzbekistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Entered into the Unified State Register of Legal Entities as No. 01188710 of 22 March 2017.



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 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) (*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 qualified 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. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Please refer to the Note 5 in the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

The Group's accounting policy for revenue recognition is set out in the Note 5.

Revenue is material for the Group and represents the most significant amount in the consolidated statement of profit or loss and other comprehensive income. An error in this account could significantly affect a user's interpretation of these consolidated financial statements.

As a result, we identified revenue recognition, and in particular cut-off (where revenue may be manipulated close to the year end to record revenue in the incorrect financial period) as a key audit matter.

Our audit procedures included, but were not limited to, the following:

- Evaluating the design and implementation of key controls relating to revenue recognition;
- Inspecting the contract terms for a selection of customers to assess whether revenue was recognised in line with the agreed terms; and
- Selecting a sample of transactions close to the year-end and verifying that they had been posted to the correct financial period according to agreement terms (i.e. Incoterms) and underlying documents.



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 IFRS Accounting 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.

Auditors' 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 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 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 auditors' 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 auditors' 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions 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 auditors' 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.

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


Sergey Nezdemkovskiy
Audit Partner


Sanjarbek Kamildjanovich Saidov
General Director of
"KPMG Audit" Audit LLC
Tashkent, Uzbekistan

9 July 2024

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

	Notes	2023	2022
Revenue	5	8,695	8,768
Cost of sales	6	(7,082)	(6,091)
Gross profit		1,613	2,677
Selling expenses		(58)	(37)
Administrative expenses	7	(543)	(636)
Impairment of trade receivables and advances paid	14, 15	(44)	(62)
Other income		23	52
Other expenses		(32)	(59)
Corporate social responsibility activities cost	8	(167)	(258)
Operating profit		792	1,677
Finance income		13	12
Finance costs		-	(3)
Foreign exchange differences, net		187	12
Profit before income tax		992	1,698
Income tax expense	9	(149)	(261)
Profit and total comprehensive income for the year		843	1,437
Profit and total comprehensive income for the year attributable to:			
Shareholders of the Company		798	1,396
Non-controlling interest		45	41
		843	1,437
Weighted average number of shares	18	542,402,543	432,585,948
Earnings per share: basic and diluted in UZS		1,471	3,322

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (in billions of UZS)

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,254	2,068
Investment projects	11	6,069	2,054
Advances paid for acquisition of non-current assets	12	494	1,808
Other non-current assets		10	8
Total non-current assets		8,827	5,938
Current assets			
Inventories	13	2,430	2,097
Trade and other receivables	14	1,532	1,585
Advances paid	15	237	228
Corporate income tax prepayment		93	49
Prepaid taxes other than income tax		256	294
Other current assets		52	37
Bank deposits	16	-	122
Cash and cash equivalents	16	130	118
Total current assets		4,730	4,530
Total assets		13,557	10,468
EQUITY AND LIABILITIES			
Equity			
Share capital	17	3,028	2,283
Share premium	17	594	4
Additional paid-in capital	17	110	30
Treasury shares	17	(24)	(24)
Retained earnings		2,184	1,800
Total attributable to shareholders of the Company		5,892	4,093
Non-controlling interest	18	238	248
Total equity		6,130	4,341
Non-current liabilities			
Loans and borrowings	19	2,482	1,195
Deferred tax liabilities	9	214	144
Total non-current liabilities		2,696	1,339
Current liabilities			
Loans and borrowings	19	2,782	1,496
Trade and other payables	20	1,793	1,364
Advances received		58	131
Other taxes payable		17	23
Provisions		78	64
Other current liabilities		3	1,710
Total current liabilities		4,731	4,788
Total liabilities		7,427	6,127
Total equity and liabilities		13,557	10,468

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

Notes	Attributable to shareholders of the Company						Non-controlling interest	Total
	Share capital	Share premium	Additional paid-in capital	Treasury shares	Retained earnings	Total		
31 December 2021	216	-	5	(2)	2,833	3,052	1	3,053
Total comprehensive income	-	-	-	-	1,396	1,396	41	1,437
Cancelation of shares	(10)	-	-	-	10	-	-	-
Dividends declared 17	-	-	-	-	(241)	(241)	(25)	(266)
Issues of shares	2,077	4	25	(22)	(2,198)	(114)	-	(114)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	231	231
31 December 2022	2,283	4	30	(24)	1,800	4,093	248	4,341
Total comprehensive income	-	-	-	-	798	798	45	843
Dividends declared 17	-	-	-	-	(414)	(414)	(55)	(469)
Issues of shares 17	745	590	80	-	-	1,415	-	1,415
31 December 2023	3,028	594	110	(24)	2,184	5,892	238	6,130

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

	Notes	2023	2022
Cash flows from operating activities			
Profit before income tax		992	1,698
Adjustments:			
Depreciation	6,7	142	137
Finance costs		-	3
Finance income		(13)	(12)
Impairment of trade receivables and advances paid	14,15	44	62
Write-down of raw materials to net realisable value	6	(11)	2
Foreign exchange differences, net		(187)	(12)
Other		12	4
		979	1,882
Change in working capital:			
Inventories	13	(322)	(635)
Trade and other receivables*	14	(159)	(990)
Advances paid	15	(22)	133
Trade and other payables	20	278	90
Advances received		(73)	69
Other taxes payables		(6)	9
Prepaid taxes other than income tax		38	(30)
Other current assets		(15)	7
Provisions		14	(24)
Other financial liabilities		-	(2)
		712	509
Corporate tax paid		(123)	(262)
Interest paid	19	(341)	(160)
Cash flows generated from operating activities		248	87
Cash flows from investment activities			
Purchase of property, plant and equipment		(279)	(269)
Acquisition of subsidiary, net of cash acquired		-	(183)
Financing of investment projects		(1,756)	(1,581)
Acquisition of other non-current assets		(2)	(8)
Interest received		1	5
Dividends received		12	7
Bank deposits placed		-	(359)
Bank deposits withdrawn		128	244
Cash flows used in investing activities		(1,896)	(2,144)
Cash flows from financing activities			
Proceeds from bank loans	19	3,603	1,973
Repayment of bank loans	19	(1,868)	(1,493)
Tax paid on shares issue		-	(100)
Dividends paid		(63)	(225)
Cash flows used in financing activities		1,672	155
Change in cash and cash equivalents		24	(1,902)
Cash and cash equivalents at the beginning of the year	16	118	2,067
Effect of exchange rate changes on cash and cash equivalents		(12)	(47)
Cash and cash equivalents at the end of the year	16	130	118

*During the 2023 the entity has offset receivables from the government with the part of dividends declared to Agency for Strategic Reforms amounted to UZS 267 billion (Note 8).

The consolidated 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 10-42.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

1. GENERAL INFORMATION

1.1. Organization and operation

Uzbek Metallurgical Plant JSC (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 country-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, Republic of 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 ordinary shares are allocated as follows:

Ownership, (%)	31 December 2023	31 December 2022
Ministry of Finance of the Republic of Uzbekistan	67.82	0.00
Fund for Reconstruction and Development of the Republic of Uzbekistan	24.61	0.00
State Assets Management Agency of the Republic of Uzbekistan	0.00	82.86
Other shareholders (individually less than 5%)	7.57	17.14
Total	100.00	100.00

The Group’s non-voting preferred shares are allocated as follows:

Ownership, (%)	31 December 2023	31 December 2022
The Fund for Reconstruction and Development of the Republic of Uzbekistan	93.42	0.00
Other shareholders (individually less than 5%)	6.58	100.00
Total	100.00	100.00

The Company holds controlling interest in the following entities:

Ownership, (%)	Activities	31 December 2023	31 December 2022
TH Steel Impex Uzmekombinat LLC (Kazakhstan)	Trading	100%	100%
TH Uzmekombinat LLC (Kazakhstan)	Trading	100%	100%
TH Uzmekombinat Tajikistan LLC (Tajikistan)	Trading	51%	51%
Li Da Metal Technology LLC (Uzbekistan)	Producing	51%	51%
TH Uzmekombinat Europe plc (Lithuania)	Trading	51%	51%
UKZ LLC (Uzbekistan)	Dual-purpose goods	51%	51%
Hududiy ikkilamchi qora metallar LLC (Uzbekistan)	Trading	100%	100%
PFC Metallurg LLC (Uzbekistan)	Other	100%	100%

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

1.2. Business environment

The Group's operations are primarily located in the Republic of Uzbekistan. Consequently, the Group is exposed to the economic and financial markets of the Republic of Uzbekistan which display characteristics of an emerging market. The legal, tax, and regulatory frameworks continue to be developed and are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, add to the challenges faced by entities operating in the Republic of Uzbekistan.

In February 2022, due to the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The consolidated financial statements reflect management's assessment of the impact of the Uzbekistan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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 (IFRS Standards) 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 21.

2.2. Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the Group adopted the *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

Basis for consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

Non-controlling interests are initially recognised at their fair value at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of additional paid-in capital. Any cash paid for the acquisition is recognised directly in equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

UZBEK METALLURGICAL PLANT JSC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in billions of UZS)

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity, except to the extent that the transaction difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, except for land are measured at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are specified in the Note 11 Property, Plant and Equipment.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

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- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at either amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBU. The Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

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Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preferred shares

The Group's redeemable preferred shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Net present value of the right to receive non-discretionary dividends is accounted as a liability and the balance of the issue proceeds as equity.

Non-redeemable preferred shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

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Repurchase, disposal and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Revenue

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

Impairment of account receivables

The Group recognises loss allowances for ECLs on trade receivables.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions; or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's rating agency or BBB- or higher per Fitch or Standard & Poor rating agencies.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

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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 considered its financial position, expected commercial results, its borrowings, as well as planned capital expenditures and capital commitments and other risks to which the Group is exposed. Information related to liquidity risks assessment is presented in Note 21.

The Group has prepared these consolidated financial statements on a going concern basis.

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. All financial information presented in UZS has been rounded to the nearest billion, except when otherwise indicated.

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

	31 December 2023	31 December 2022
USD 1	12,338.77	11,225.46
EUR 1	13,731.82	11,961.85

2.3. Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements, in addition to this paragraph, is included in the following notes: Note 14 – measurement of ECL allowance for trade and other receivables, Note 8 – receivable for donation to Uzbekistan charity social fund, Note 23 – litigations.

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Property, plant and equipment

Assessment of the useful life of property, plant and equipment is a subject of professional judgment, based on experience with similar assets. In determining useful lives, management considers the following factors: the nature of expected use, assessment of technological obsolescence and physical depreciation. A change in each of these conditions or estimates may result in an adjustment to future depreciation expenses.

3. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

3.1. IFRS Standards first time applied in 2023

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
IFRS 17	Insurance contracts Insurance contracts	1 January 2023	No effect
Amendments to IFRS 17	Classification of Liabilities as Current or Non-Current	1 January 2023	No effect
Amendment to IAS 1	Disclosure of Accounting Policies	1 January 2023	Low
Amendments to IAS 8	New Definition of Accounting Estimates	1 January 2023	No effect

3.2. IFRS Standards to be applied after 2023

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
IFRS S1, IFRS S2	Sustainability disclosure standards	1 January 2024	No effect

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. Information reviewed by CODM is based on measures that do not materially differ from those used in the consolidated financial statements and includes revenue, operation profit, net profit and additions to non-current assets. There are no other measures reported to CODM.

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5. REVENUE

The Group sells products primarily in Uzbekistan, other Central Asian countries, and the Middle East. Sales contracts contain a number of different delivery terms, including Incoterms. The Group sells most of its products on EXW, FCA, CPT and DAP Incoterms.

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines based on the contracts with a performance obligation with original expected duration of one year or less.

	<u>2023</u>	<u>2022</u>
Rolled metal	6,014	6,168
Metal balls for mills	2,475	2,340
Other	206	260
Total	<u>8,695</u>	<u>8,768</u>
Related party transactions	<u>2023</u>	<u>2022</u>
Rolled metal	347	424
Metal balls for mills	2,469	2,323
Other	4	8
Total related party transactions	<u>2,820</u>	<u>2,755</u>
External customers	<u>2023</u>	<u>2022</u>
Rolled metal	5,667	5,744
Metal balls for mills	6	17
Other	202	252
Total External customers	<u>5,875</u>	<u>6,013</u>
Total	<u>8,695</u>	<u>8,768</u>

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

	<u>2023</u>	<u>2022</u>
Domestic sales in local currency	7,683	7,819
Sales in foreign currencies:		
Uzbekistan	579	450
Turkey	206	281
Tajikistan	83	74
Russian Federation	81	10
Kazakhstan	3	66
Other countries	60	68
Total sales in foreign currencies	<u>1,012</u>	<u>949</u>
Total	<u>8,695</u>	<u>8,768</u>

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6. COST OF SALES

	<u>2023</u>	<u>2022</u>
Raw materials	5,884	5,367
Third party services	920	430
Employee costs	597	609
Depreciation and amortisation	126	126
Total production expenses	7,527	6,532
Change of work in progress and finished goods	(434)	(443)
Write-off of raw materials to net realisable value	(11)	2
Total	7,082	6,091

7. ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
Employee costs	310	383
Third party services	103	125
Taxes other than income tax	62	52
Bank fee	18	24
Depreciation	12	11
Materials used	11	16
Business travel expenses	5	4
Other	22	21
Total	543	636

8. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES COSTS

Corporate social responsibility activities costs consist of expenses incurred for various projects associated with infrastructure improvement in Bekabad, sponsoring of sports activities, as well as support of local businesses aimed to maintain 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.

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.

Some recipients may represent government-owned structure and are treated as related parties of the Group. Total social responsibility costs through related parties amounted to UZS 159 billion in 2023 (UZS 247 billion in 2022).

In June 2022 the Supervisory Board of the Company approved and committed to donate USD 50 million (UZS 546 billion) by the end of 2022 to one of Uzbekistan's charity social funds to support the activities of the local communities for the well-being of Uzbekistan citizens. The full amount of donation was recognised as an expense for the nine months ended 30 September 2022 with respective liability recognised within Trade and other payables.

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In December 2022 Supervisory Board of the Company approved a decrease of the donation to USD 12 million (UZS 131 billion). The remaining part of donation in the amount of UZS 267 billion that was already transferred to the charity fund (overpayment) was recognised as other receivable from the government, based on the letter from the State Assets Management Agency dated 2 December 2022, as well as the letter from the Ministry of Finance dated 7 December 2022 where the government confirmed compensation of this amount. Subsequently this amount was offset with the part of dividends declared to Agency for Strategic Reforms in 2023.

	<u>2023</u>	<u>2022</u>
Sponsorship	70	167
Maintenance of sports facilities	65	70
Maintenance of social facilities	9	9
Donation of goods and services	9	-
City infrastructure improvement	5	1
Material aid	4	3
Other	5	8
Total	<u>167</u>	<u>258</u>

9. INCOME TAX

Tax regulations in the jurisdictions where the Group operates continue to change rapidly. The Group mainly pays corporate income tax in the Republic of Uzbekistan. In 2023, the nominal corporate income tax rate in the Republic of Uzbekistan was 15% (2022: 15%).

Income tax recorded in profit or loss was:

	<u>2023</u>	<u>2022</u>
Current income tax	79	230
Deferred income tax	70	31
Total	<u>149</u>	<u>261</u>

The effective tax rate and profit reconciliation was as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	992	1,698
Nominal tax rate	15%	15%
Tax at the statutory tax rate	149	255
Non-taxable income	(9)	(14)
Non-deductible expenses	19	39
Tax incentives	(10)	(19)
Total	<u>149</u>	<u>261</u>

The effective tax rate for the year ended 31 December 2023 was 15% (31 December 2022: 15%).

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The tax effect of the temporary differences was the following:

	<u>Property, plant and equipment</u>	<u>Other</u>	<u>Total</u>
At 1 January 2022	(132)	35	(97)
Charge to profit or loss			
- origination and reversal of temporary differences	(30)	(1)	(31)
- acquisition of subsidiary	(16)	-	(16)
At 31 December 2022	(178)	34	(144)
Charge to profit or loss			
- origination and reversal of temporary differences	(104)	34	(70)
At 31 December 2023	(282)	68	(214)

As at 31 December 2023, no deferred tax liability was recognised on temporary differences of UZS 37 billion (31 December 2022: UZS 37 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.

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10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any.

Historical cost	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction in progress	Total
1 January 2022	781	1,672	137	34	302	2,926
Acquisition through business combination	125	352	2	2	5	486
Additions	5	2	1	6	215	229
Disposals	(19)	(2)	-	(1)	-	(22)
Transfers	33	49	29	9	(222)	(102)
31 December 2022	925	2,073	169	50	300	3,517
Additions	6	23	3	1	298	331
Disposals	(2)	(5)	(17)	-	-	(24)
Transfers	36	131	2	8	(177)	-
31 December 2023	965	2,222	157	59	421	3,824
Accumulated depreciation						
1 January 2022	(293)	(914)	(95)	(21)	-	(1,323)
Depreciation charge	(25)	(88)	(18)	(6)	-	(137)
Disposals	9	2	-	-	-	11
31 December 2022	(309)	(1,000)	(113)	(27)	-	(1,449)
Depreciation charge	(28)	(87)	(19)	(7)	-	(141)
Disposals	1	4	15	-	-	20
31 December 2023	(336)	(1,083)	(117)	(34)	-	(1,570)
Net book value						
1 January 2022	488	758	42	13	302	1,603
31 December 2022	616	1,073	56	23	300	2,068
31 December 2023	629	1,139	40	25	421	2,254

The Group capitalised UZS 27 billion in 2023 of general borrowing costs including interest costs and forex exchange costs at weighted average interest rate of 17% per annum (2022: UZS 15 billion, at 17%).

The Group has fully depreciated property, plant and equipment with a historical cost of UZS 628 billion as of 31 December 2023 (31 December 2022: UZS 625 billion).

Assets pledged as collateral

Property, plant and equipment with a carrying amount of UZS 118 billion (31 December 2022: UZS 317 billion) were pledged as collateral to secure loans received by the Group (*Note 19*).

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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	30 – 40 years
Machinery and equipment	5 – 40 years
Vehicles	5 – 12 years
Others	5 years

11. INVESTMENT PROJECTS

The Group presents 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 to the extent of the interest that would have been incurred on a borrowing with identical terms in UZS. The effective weighted average interest rate in 2023 was 18% per annum (2022 – 17% per annum).

Investments projects are represented by the project Metal Sheet Production which is expected to increase hot-rolled strips production capacity by 1,041,000 tonnes per year, with first production expected in 2025. The expected overall project cost is over UZS 6,956 billion (unaudited). The project is financed mainly by foreign and local banks as well as equity.

Changes in investment projects were the following:

	2023	2022
1 January	2,054	756
Additions	3,334	936
Transfer from PPE	-	102
Transfer to PPE	(31)	-
Capitalised interest	407	180
Exchange differences capitalised	305	80
31 December	6,069	2,054

12. ADVANCES PAID FOR ACQUISITION OF NON-CURRENT ASSETS

	31 December 2023	31 December 2022
Advances related to property, plant and equipment	23	87
Advances related to investment projects	471	1,721
Total	494	1,808

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Changes in advances paid to suppliers for acquisition of PPE and investment projects were the following:

	<u>2023</u>	<u>2022</u>
1 January	1,808	1,100
Paid to suppliers	915	1,735
Utilised for acquisition of property, plant and equipment	(54)	-
Utilised for acquisition of investment projects	(2,175)	(983)
Received from suppliers	-	(44)
31 December	494	1,808

13. INVENTORIES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Materials and supplies	1,054	1,166
Work in progress	672	441
Finished goods	732	529
	2,458	2,136
Provision for the write-off of inventories to net realisable value	(28)	(39)
Total	2,430	2,097

The Group purchases most of raw materials in Uzbekistan, Kazakhstan, China and Russia. The Group purchases most of its products on DAP, CIP and CPT Incoterms.

14. TRADE AND OTHER RECEIVABLES

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

	<u>31 December 2023</u>	<u>31 December 2022</u>
Amount due in UZS	991	807
Amount due in foreign currencies	643	584
Other receivable from the government (Note 8)	-	267
Settlements with employees	29	27
	1,663	1,685
Allowance for expected credit losses	(131)	(100)
Total trade and other receivables	1,532	1,585

The range of the credit period on sale of goods is 30-180 days (2022: 30-180 days). No interest is charged on the trade receivables.

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:

	<u>2023</u>	<u>2022</u>
1 January	100	40
Allowance accrued/(released)	31	60
31 December	131	100

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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.

15. ADVANCES PAID

The Group has current advances paid which are mainly represented by the payment to suppliers for materials and services that not related to construction in progress or other long-term assets.

	31 December 2023	31 December 2022
Advances for materials and services	269	247
Loss allowance	(32)	(19)
Total	237	228

16. CASH, CASH EQUIVALENTS AND BANK DEPOSITS

	31 December 2023	31 December 2022
Cash in UZS	80	64
Cash in foreign currency	50	54
Total	130	118

	31 December 2023	31 December 2022
Bank deposits – short-term	-	122
Total	-	122

The Group mainly uses the services of Ipoteka Bank JSCB, Hamkorbank JSCB and Kapital bank JSCB. As of 31 December 2023 most of cash and cash equivalents were held in banks with credit rating of Ba3-B2 (31 December 2022: Ba3-B1).

17. EQUITY

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

Number of shares unless
otherwise stated

	Ordinary shares		Treasury shares		Preferred shares	
	2023	2022	2023	2022	2023	2022
In issue on 1 January	456,578,291	43,322,393	(4,810,608)	(437,328)	9,970,620	906,420
Cancellation	<i>a</i> -	(1,991,013)	-	-	-	-
Issued	<i>b</i> 149,016,774	415,246,911	-	(4,373,280)	141,577,773	9,064,200
In issue on 31 December, fully paid	605,595,065	456,578,291	(4,810,608)	(4,810,608)	151,548,393	9,970,620
Par value, UZS	5,000	5,000	5,000	5,000	5,000	5,000
<i>billion UZS</i>						
31 December						
Share capital	3,028	2,283	-	-	-	-
Treasury shares	-	-	(24)	(24)	-	-
Additional paid in capital	<i>c,d</i> -	-	-	-	110	30
Share premium	594	4	-	-	(309)	-

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- a) According to the General Meeting of Shareholders minutes No. 53 of 4 February 2022, the Group decided to perform cancellation of 1,991,013 shares or UZS 10 billion of share capital that belongs to the State Assets Management Agency of the Republic of Uzbekistan, in relation to transfer of Company's assets in 2021.
- b) Based on share purchase agreement with the Fund for Reconstruction and Development of the Republic of Uzbekistan dated 23 May 2023 the Group has issued and transferred 149,016,774 ordinary and 141,577,773 preferred shares at the value of UZS 8,959 and UZS 2,820 per share, respectively. As the result, share capital has been increased by UZS 745 billion and share premium has been increased by UZS 590 billion.
- c) According to the charter documents the annual minimum non-discretionary value of dividends for preferred shares is 6% of par value, or UZS 300 per share. In accordance with IAS 32 the Group separated equity and financial liability components of preferred shares. The financial liability component amounted UZS 339 billion and is calculated as the present value of the future contractual fixed dividends cash flows, discounted cash flows, discounted at a market rate of 13.3%, adjusted for part of dividends declared on 30 June 2023 – in amount of UZS 38 billion.
- d) During 2023 the Group declared dividends of UZS 300 per preferred share in the total amount of UZS 45 billion and UZS 683 per common share in the total amount of UZS 414 billion (2022: UZS 300 per preferred share in the total amount of UZS 2.9 billion), of which UZS 267 billion was offset with receivable from the government (Note 8).
- e) According to the revised Company's charter, approved by the General Meeting of Shareholders on 30 June 2023, the number of shares that can be issued in addition to existing shares is 599,050,115 for ordinary shares and 108,422,227 for preferred shares.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Number of ordinary shares	456,578,291	43,322,393
Number of ordinary shares as a result of cancellation 2022	-	(1,991,013)
Number of ordinary shares as a result of capitalisation of 2022	-	413,313,800
Number of ordinary shares issued in 2023	149,016,774	1,933,111
Number of treasury shares as a result of issue in 2022	-	(4,810,608)
Total weighted average number of ordinary shares to determine earnings per share (basic and diluted)	<u>542,402,543</u>	<u>432,585,948</u>

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18. NON-CONTROLLING INTERESTS

The following table summarises the information relating to the Group's material subsidiaries before any intra-group eliminations.

	Li Da Metal Technology LLC 31 December 2023	Li Da Metal Technology LLC (Uzbekistan) 31 December 2022
NCI percentage	49%	49%
Non-current assets	444	466
Current assets	436	497
Non-current liabilities	(17)	(17)
Current liabilities	(337)	(400)
Net assets	526	546
Share of net assets attributable to NCI	258	268
Revenue	1,294	410
Profit	92	83
Total comprehensive income	92	83
Profit allocated to NCI	45	41
Cash flows used in operating activities	(4)	(8)
Cash flows used in investment activities	(8)	(6)
Cash flows from financing activities	-	22
Net increase in cash and cash equivalents	(12)	8

19. LOANS AND BORROWINGS

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 the investment project.

	Notes	31 December 2023	31 December 2022
Replenishment of working capital		2,247	1,545
Investment projects:			
- Metal sheet production	10, 11	2,480	1,043
- Wire rod production	10, 11	36	39
Upgrade of current production capacity		45	44
Liability component of preferred shares		301	20
Interest payable		155	-
		5,264	2,691
Secured loans denominated in UZS		412	353
Secured loans denominated in USD		2,335	2,338
Secured loans denominated in EUR		2,517	-
		5,264	2,691
Long-term portion of loans and borrowings		2,482	1,195
Short-term portion of loans and borrowings		2,782	1,496

Fixed interest rates on bank loans as at the end of 2023 were within 4.5%-11.5% range for the foreign currency denominated loans and 14-21% for the UZS denominated loans (31 December 2022: 4.75%-9% and 14%-23%, respectively). As disclosed in Note 10, the Group pledged specific assets as bank loan collateral.

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A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). As of 31 December 2023, the Group's borrowings bearing variable interest rate at LIBOR plus range 5% to 8% amounted to UZS 81 billion (31 December 2022: 4.25% to 7% amounted to UZS 82 billion). The Group monitors and manages its transition to alternative rates and intends to amend the loan agreements accordingly in 2024.

During the 2023, the Group received:

- a loan from the Reconstruction and Development Fund of Uzbekistan in amount of EUR 110 million with scheduled repayment from 2024 to 2031 and annual interest rate of 4.5%;
- a syndicated loan where majority of funds come from Citibank N.A. in amount of USD 100 million for repayment schedule within one year and option for one year extension with annual interest rate of SOFR plus 4.25%;
- loans from Cargill Financial Services Inc. in amount of EUR 50 million with repayment in one year with annual interest rate of three months EURIBOR plus margin of 6.50% per annum divided by 0.90;
- Loan from Cargill Financial Services Inc. in amount of EUR 20 million with repayment of full amount in 3 years with annual interest rate of three months EURIBOR plus margin of 6.75% per annum divided by 0.90.

Compliance with covenants

a) Citibank N.A

As of 31 December 2023, the principal amount of Citibank N.A. loan is amounted UZS 1,234 billion with due date in August 2024. The loan agreement includes two financial covenants: the Group must maintain Total Net Borrowings, at the end of each Measurement Period at less than 3.5 times Adjusted EBITDA for that period; and the Debt-to-Equity Ratio at the end of each Measurement Period must not exceed 1.85:1. As of 31 December 2023, the Group breached the covenant on Net Borrowings. Consequently, On 29 December 2023 the Group received a waiver letter from Citibank N.A.

b) Cargill Financial Services Inc.

As of 31 December 2023, the principal amount of Cargill Financial Services loans amounted UZS 687 billion and UZS 275 billion with due dates set for July 2024 and June 2026, respectively.

The loan agreements include two financial covenants: the Group must maintain Total Net Borrowings at the end of each Measurement Period at less than 3.5 times Adjusted EBITDA for that period; and the Debt-to-Equity Ratio at the end of each Measurement Period must not exceed 1.85:1. As of 31 December 2023, the Group breached the covenant on Net Borrowings. Consequently, the Group presents the amounts due in June 2026 being due as current liabilities in these consolidated financial statements. After the reporting date the Group obtained a waiver (Note 25).

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

	Note	2023	2022
1 January		2,691	2,100
Proceeds from bank loans		3,603	1,973
Issue of preferred shares		319	20
Repayment of bank loans		(1,868)	(1,493)
Interest recognised in profit or loss		-	3
Interest capitalised	10, 11	409	156
Interest paid		(293)	(159)
Foreign exchange differences capitalised	10, 11	255	86
Foreign exchange differences recognised in profit or loss		148	-
31 December		5,264	2,691

As of 31 December 2023, the Group has unused credit lines amounted to UZS 1.7 billion (31 December 2022: the Group had unused credit lines amounted to UZS 1.7 billion).

Information regarding liquidity risks and currency risks is presented in Note 21.

20. TRADE AND OTHER PAYABLES

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

	31 December 2023	31 December 2022
Trade payables in UZS	700	1,076
Trade payables in foreign currencies	538	154
Payables for PPE and investment projects	275	12
Dividends payable	177	51
Payroll and payroll related taxes payable	33	7
Other payables	70	64
Total	1,793	1,364

Average purchase credit terms range between 1 to 1.5 months. Interest is not accrued on trade payables. The Group financial risk management policy stipulates the repayment of payables within contractual credit terms.

21. FINANCIAL INSTRUMENTS

21.1. Categories of financial instruments

All Group's financial assets are current.

Financial assets	Notes	31 December 2023	31 December 2022
Trade and other receivables	14	1,532	1,585
Cash and cash equivalents	16	130	118
Bank deposits	16	-	122
Other current assets		52	37
Total		1,714	1,862

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Financial liabilities	Notes	31 December 2023	31 December 2022
Loans and borrowings	19	5,264	2,691
Trade and other payables	20	1,793	1,364
Other taxes payable		17	23
Other current liabilities	21	3	1,710
Total		7,077	5,788
Current financial liabilities		4,595	4,593
Non-current financial liabilities		2,482	1,195
Total		7,077	5,788

The above financial instruments are initially measured at fair value and carried at amortised cost.

21.2. 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 and EUR. Assets and liabilities in other foreign currencies are not significant. Foreign currency denominated monetary assets and liabilities were as follows:

Financial instruments, USD-denominated	31 December 2023	31 December 2022
Trade and other receivables	567	550
Cash and cash equivalents	32	38
Loans and borrowings	(2,335)	(2,338)
Trade and other payables	(474)	(150)
Total of USD-denominated instruments, net	(2,210)	(1,900)
Financial instruments, EUR-denominated		
Trade and other receivables	75	34
Bank deposits	-	122
Cash and cash equivalents	13	13
Loans and borrowings	(2,517)	-
Trade and other payables	(63)	(2)
Other current liabilities	(3)	(1,710)
Total of EUR-denominated instruments, net	(2,495)	(1,543)

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Sensitivity analyses

A reasonably possible strengthening (weakening) of the UZS, as indicated below, against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss after taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	<u>31 December 2023</u>	<u>31 December 2022</u>
USD exchange rate increase at 10% (weakening)	(188)	(162)
USD exchange rate decrease at 10% (strengthening)	188	162
EUR exchange rate increase at 10% (strengthening)	(212)	(131)
EUR exchange rate decrease at 10% (weakening)	212	131

Interest rate risk management

The Group borrows funds with fixed interest rates. Bank loans with fixed interest rate were UZS 2,943 billion (31 December 2022: UZS 2,476 billion).

Bank loans with floating interest rate were UZS 2,321 billion (31 December 2022: UZS 195 billion). Total amount of interest expenses accrued for bank loans with floating interest rates is UZS 92 billion. Reasonably possible change of the floating interest rate will not affect profit or loss significantly.

Exposure to interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	<u>Carrying amount</u>	
	<u>31 December 2023</u>	<u>31 December 2022</u>
Fixed rate instruments		
Financial liabilities	2,943	2,476
	<u>2,943</u>	<u>2,476</u>
Variable rate instruments		
Financial liabilities	2,321	195
	<u>2,321</u>	<u>195</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as FVTPL or FVOCI. Therefore, a change in interest rates at the reporting date would not have an effect on profit or loss or on equity.

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.

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The Group is exposed to significant concentrations of credit risk. As at 31 December 2023, the three largest customers, represent 58% (31 December 2022: 65%) of trade receivables.

While monitoring customer credit risk, customers are grouped according to account receivables turnover rate and their credit characteristics, including relationship to the Group. For major customers controlled by the Government of Uzbekistan credit rating assumed to be close to Moody's B1 rating of the Republic of Uzbekistan, which represents 0-5% loss rate in the Group's internal assessment.

Breakdown of trade receivables by Group's internal credit rating applied for ECL determination as at 31 December 2023:

Group's internal customer rating	Trade receivables	Allowance for ECL	Total
Upper (0-5%)	1,186	(16)	1,306
Lower (6-10%)	255	(58)	272
Customers at default (100%)	57	(57)	-
Total	1,498	(131)	1,578

Breakdown of trade receivables by Group's internal credit rating applied for ECL determination as at 31 December 2022:

Group's internal customer rating	Trade receivables	Allowance for ECL	Total
Upper (0-5%)	750	(22)	728
Lower (6-10%)	571	(44)	527
Customers at default (100%)	34	(34)	-
Total	1,355	(100)	1,255

The Group did not recognise ECL on other receivables due to its insignificance. Other receivables are not overdue or credit impaired and are allocated to Stage 1.

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.

31 December 2023	less than	1-2 years	2-3 years	3-4 years	4-5 years	Over	Total
	1 year					5 years	
Trade payables	1,793	-	-	-	-	-	1,793
Loans and borrowings (principal)	2,630	580	574	567	372	88	4,811
Loans and borrowings (interest)	449	100	69	51	15	3	687
Preferred shares	67	45	45	45	45	346	593
Other financial liabilities	3	-	-	-	-	-	3
Total	4,942	725	688	663	432	437	7,887

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31 December 2022	less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Trade payables	1,364	-	-	-	-	-	1,364
Loans and borrowings (principal)	1,496	388	174	183	178	253	2,672
Loans and borrowings (interest)	164	64	47	37	35	18	365
Preferred shares	3	3	3	3	3	23	38
Other financial liabilities	1,710	-	-	-	-	-	1,710
Total	4,737	455	224	223	216	294	6,149

The Group manages its liquidity risk to ensure it can meet its financial obligations as they fall due, even in adverse conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and other financial instruments.

Post-Reporting Date Events and Additional Financing

1. Repayment and New Loans:

- In June 2024, the Group repaid two loans totalling UZS 687 billion to Cargill Financial Services Inc., which were due in July 2024.

2. Loan Extension with Citibank N.A.:

- The Group has an option to extend the loan agreement with Citibank N.A., due in August 2024, for an additional year. The Group and Citibank N.A. signed a coordinator appointment letter referencing the relevant extension clause in the loan agreement. The Group assesses that this extension option will be agreed upon by the bank.

3. Subordination Loan Agreement:

- The Group is in the process of signing a subordination loan agreement with the Reconstruction and Development Fund of Uzbekistan. This agreement intends to defer the principal repayment to 2031, thereby reducing cash outflows for 2024.

4. Negotiations for Additional Financing:

- The Group is negotiating an additional EUR 50 million loan from Cargill and EUR 60 billion from the National Bank of Uzbekistan as a contingency plan for potential additional financing needs. Preliminary term sheets have been provided by the banks.

5. New Loan Agreements:

- The Group signed a loan agreement with Ipoteka Bank amounting to UZS 200 billion.
- The Group signed a loan agreement with Ziraat Bank Uzbekistan amounting to UZS 100 billion for replenishing working capital.

Undrawn Borrowing Facilities and Liquidity Reserves

As of the reporting date and considering post-reporting date measures, the Group maintains sufficient liquidity reserves and undrawn borrowing facilities to meet its financial obligations. The additional financing secured post year-end and the ongoing negotiations for further contingency financing enhance the Group's liquidity position.

Strategies and Processes for Managing Liquidity Risk

The Group's approach to managing liquidity involves:

- 1. Regular Monitoring:** Continuous monitoring of cash flow forecasts to ensure liquidity requirements are met.
- 2. Diversification of Funding Sources:** Maintaining relationships with multiple financial institutions to diversify funding sources and avoid dependence on a single lender.
- 3. Negotiation of Terms:** Actively negotiating terms with lenders to extend repayment schedules and secure favourable conditions.
- 4. Liquidity Reserves:** Maintaining adequate liquidity reserves and undrawn borrowing facilities to cover unforeseen cash flow needs.
- 5. Post-Reporting Date Measures:** Taking proactive measures post-reporting date to secure additional financing, refinance existing debt, and negotiate favourable loan terms to ensure continuous liquidity.

Management believes that, considering the actions taken post-reporting date and the ongoing negotiations for additional financing, the Group has a strong liquidity position and several options to satisfy its obligations to lenders in due course. These measures demonstrate the Group's proactive approach to managing liquidity risk and ensuring financial stability.

21.3. Fair value of financial instruments

Financial instruments that are measured at fair value subsequent to initial recognition, are grouped into Levels 1 to 3 of fair value hierarchy based on the degree to which their fair value is observable as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

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The Group determined the fair value of floating rate and fixed rate loans and borrowings at 31 December 2023 and 2022 as the present value of future cash flows (principal and interest), discounted at the market interest rates, which are determined as of the reporting date based on the currency of a loan, its expected maturity and credit risks attributable to the Group. Fair values of bank loans (Level 2) and other financial instruments were approximately equal to their fair values, except for the loan from the Reconstruction and Development Fund for which the fair value was UZS 90 billion less than its book value.

22. 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 disclosed 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 prepayments, where the total balance as at 31 December 2023 and 2022 comprised UZS 353 thousand and UZS 343 thousand accordingly.

As at 31 December 2023 and 2022, UZS 105 billion and UZS 28 billion of cash and cash equivalents, respectively, and a bank deposit of UZS 122 billion as at 31 December 2022, were placed in the banks controlled by the Government of Uzbekistan.

As at 31 December 2023 and 2022, UZS 2,538 billion and UZS 2,397 billion of borrowings, respectively, were used by the Group received from the banks controlled by the Government of Uzbekistan.

In 2023 and 2022, UZS 2,820 billion and UZS 2,755 billion of revenue, respectively, was recognized by the Group from the companies controlled by the Government of Uzbekistan.

In 2023 and 2022, the remuneration of the Supervisory Board members and other key managers was UZS 21 billion and UZS 16 billion, respectively.

As at 31 December 2023 and 2022, UZS 314 billion and UZS 561 billion of trade receivables were due from the companies controlled by the Government of Uzbekistan, respectively.

As at 31 December 2022, the Group had accounts receivable from the government in amount of UZS 267 billion (Note 8).

As at 31 December 2023 and 2022, UZS 3 billion and UZS 1,710 billion of other financial liability due to the companies controlled by the Government of Uzbekistan. The payment as at 31 December 2022 was made for future potential transactions related to increase of share capital for financing of investment projects (Note 17).

23. COMMITMENTS

As at 31 December 2023 and 2022, commitments to purchase property, plant and equipment amounted to UZS 2,025 billion and UZS 3,349 billion, respectively.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

24.1. Litigation

From time to time, during the course of the Group's 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.

Li Da Metal Technologies LLC

After putting the production facilities of Li Da Metal Technologies LLC into operation, the Company came to a conclusion that the quantity of finished goods that it would be possible to produce annually is different than it was agreed between the Company and the Seller in the sale-purchase agreement and was overstated by approximately 34%.

In March 2023 the Company made a request to the Seller demanding a decrease in purchase price by 34%. Subsequently, on 20 June 2023 the Company initiated a legal case with this claim against the Seller.

On 17 July 2023 the Company became involved in another legal case as a defendant with claim filed with Bekabad District Court by a private individual with regard to ownership of 15% share in Li Da Metal Technologies LLC with the amount claimed being USD 9 million. Immediately after, the Company filed a counterclaim at the same court against the Seller of Li Da Metal Technologies LLC and the physical person involved as a third party, with demand to reduce the purchasing price of Li Da Metal Technologies LLC proportionally to insufficient production capabilities identified during usage of those facilities with the amount of claim being 34% of purchasing price.

The Court unified the above cases into one and on 20 October 2023 decided in favour of the Company and the physical person involved, with the Seller owing to both parties. The amount of compensation was assigned in the amount of USD 12 million of which USD 6 million (51% share) due to be receivable by the Company. The Seller used their right to appeal the decision. As of 31 December 2023, the case was still reviewed in Appeals Court. Management evaluates positive cash flow as possible.

24.2. Taxation

The taxation system in the Republic of Uzbekistan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties, and interest charges. A tax year generally remains open for review by the tax authorities during the five subsequent years.

All these circumstances may create tax risks in the Republic of Uzbekistan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Uzbekistan tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained.

24.3. Operating environment

Emerging markets such as Uzbekistan are subject to different risks, including economic, political, social, legal and legislative risks. During 2023, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalisation 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. In the recent years the major currency conversion restrictions have been repealed, mandatory sale of foreign currency generated by export sales has been abolished, settlement period for export transactions has increased, one-stop-shop of government services has been introduced and other positive changes have been implemented. 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.

25. EVENTS AFTER THE REPORTING PERIOD

Credit rating

According to Fitch's credit rating release, the rating outlook for the Group has been revised in March 2024 from stable to negative. The agency affirmed the long-term issuer default rating at 'BB-' level.

Loans received

The Company signed a loan agreement with Ipoteka Bank amounted to UZS 200 billion with interest rate of 23% per annum. This loan is secured by UZS 250 billion of the Company's export contract to supply the goods.

The Company signed a loan agreement for replenishing working capital with Ziraat Bank Uzbekistan amounted to UZS 100 billion with interest rate of 23.5% per annum. This loan is secured by UZS 110 billion of the Company's goods in turnover.

On 27 March 2024 the Tashkent Regional Court confirmed the decision made by Bekabad Interdistrict Civil Court which entered into force, and the amount of compensation of USD 6 million became receivable.

On 11 April 2024 the Group received a waiver letter from Cargill Financial Services Inc. with regard to breached covenants (Note 19).

On 20 June 2024 the Group signed loan agreements to finance the import/export of goods with Cargill Financial Services Inc. amounting to EUR 50 million repayable in 2027.