

JSC “Almalyk Mining and Metallurgical Complex”

Consolidated financial statements

*For the year ended 31 December 2021
with independent auditor's report*

Independent auditor's report

To the Shareholder and the Supervisory Board and Management
of Joint-Stock Company "Almalyk Mining and Metallurgical Complex"

Opinion

We have audited the consolidated financial statements of Joint-Stock Company "Almalyk Mining and Metallurgical Complex" and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) 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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Site restoration provisions	
<p>We considered this matter to be one of most significance in the audit because the estimation of site restoration provisions requires significant judgement due to the complexity, inherent in estimating future costs. In addition to possible different interpretations of legal requirements, the Group's assessment of site restoration provisions includes the effects of changes in local legislation, management's anticipated approach to the liquidation process and the discount rate, along with the impact of changes in inflation rates.</p> <p>Information related to site restoration provisions is presented in Note 31 to the consolidated financial statements.</p>	<p>Our testing of site restoration provisions included an understanding of the legal and constructive obligations to decommission each asset based on local laws. We have analysed the data used in the calculation including estimation of the expected costs of liquidation of quarries, mines and tailings. We analyzed the calculation of the discount rate and inflation rate.</p> <p>We analyzed the respective disclosures of site restoration provisions in the consolidated financial statements.</p>

Key audit matter	How our audit addressed the key audit matter
Revenue from contracts with customers	
<p>We considered this matter to be one of most significance in the audit because of materiality of revenue, high level of subjectivity with respect to judgements and estimates underlying revenue recognition. Significant components of analysis included identification of performance obligations, timing of passing the control over goods/services to a customer and metal prices forecast.</p> <p>Information on recognition of revenue from contracts with customers is disclosed in Note 9 to the consolidated financial statements.</p>	<p>As part of our audit procedures, among others, we:</p> <ul style="list-style-type: none"> - evaluated the accounting policy with respect to revenue recognition; - analysed contract terms with respect to the criteria of revenue recognition, in particular, the timing of transfer of control over goods; - on a sample basis, received confirmation of outstanding balances of trade receivables from counterparties; - evaluated the payment terms to determine the presence of a significant financing component; - traced a sample of revenue recognition transactions to supporting documents; - analysed management's assumptions with regards to the probability of receiving payment from the counterparties; - analysed management's assumptions and estimates with regards to identification of performance obligations, prices forecast and significant financing component; - analyzed the respective disclosures of revenue from contracts with customers in the consolidated financial statements.

Responsibilities of management and the Supervisory board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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 the Supervisory board 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 the Supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Anvar Azamov.

Tashkent, Uzbekistan
15 July 2022

Audit Organization "Ernst & Young" LLC

Audit Organization "Ernst & Young" LLC

Registered under №66 in the register of audit organizations of Ministry of Finance of the Republic of Uzbekistan

Anvar Azamov

Anvar Azamov

Auditor's qualification certificate authorizing audit practice No. 04880 dated 9 October 2020 issued by the Ministry of Finance of the Republic of Uzbekistan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*(in millions of Uzbekistani soums)*

	Note	2021 r.	2020 r.
Revenue from contracts with customers	9	31,236,273	23,323,154
Cost of sales	10	(15,132,923)	(12,224,664)
Gross profit		16,103,350	11,098,490
Selling and distribution expenses	11	(124,458)	(109,583)
General and administrative expenses	12	(2,271,286)	(1,648,600)
Other operating income	13	243,996	142,264
Other operating expenses		(248,328)	(214,255)
Operating profit		13,703,274	9,268,316
Finance income		30,736	24,234
Finance costs	14	(514,549)	(540,840)
Share of (loss)/ profit of associate and joint venture	19	(10,665)	4,123
Foreign exchange loss, net		(223,376)	(527,816)
Profit before tax		12,985,420	8,228,017
Income tax expense	15	(8,077,159)	(4,566,924)
Profit for the year		4,908,261	3,661,093
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Actuarial gain/(loss) on defined employee benefits		3,611	(21,222)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		3,611	(21,222)
Other comprehensive income/(loss) for the year (net of tax)		3,611	(21,222)
Total comprehensive income for the year (net of tax)		4,911,872	3,639,871

Earnings per share

Basic and diluted, profit attributable to ordinary equity holders of the parent	36	18,314	29,289
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On behalf of the management:

A. Kh. Khursanov
Chairman of the Board of JSC
"Almalyk MMC"

F. R. Khamidova
Deputy Chairman of the Board for
Economics and Finance of JSC
"Almalyk MMC"

N. K. Ten
Chief Accountant of JSC
"Almalyk MMC"

15 July 2022
Uzbekistan

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(in millions of Uzbekistani soums)*

	Note	As at 31 December 2021	As at 31 December 2020	As at 1 January 2020
Assets				
Non-current assets				
Property, plant and equipment	16	14,670,961	13,734,975	13,405,494
Mining assets	18	6,018,807	4,445,332	2,538,508
Exploration and evaluation assets	17	-	-	1,126,418
Investments in associates and joint ventures	19	114,092	124,757	128,956
Equity securities at fair value through other comprehensive income	20	57,704	73,070	97,957
Advances for non-current assets	21	106,342	1,093,088	227,780
Restricted cash	26	104,846	384,263	-
Deferred tax assets	15	156,694	-	-
Other non-current assets		36,895	44,812	52,725
		21,266,341	19,900,297	17,577,838
Current assets				
Inventories	22	4,954,802	3,935,097	4,354,218
Trade accounts receivable	23	510,769	141,948	202,763
Advances paid	24	302,584	329,116	494,843
Tax assets other than income tax	25	94,179	198,327	210,114
Restricted cash	26	797,025	784,023	252,946
Cash and cash equivalents	27	2 063,168	239,533	979,792
Other current assets		14,186	12,218	7,644
		8,736,713	5,640,262	6,502,320
Total assets		30,003,054	25,540,559	24,080,158

The accounting policies and explanatory notes on pages 7 through 63 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*(in millions of Uzbekistani soums)*

	Note	As at 31 December 2021	As at 31 December 2020	As at 1 January 2020
Equity and liabilities				
Equity				
Share capital	28	1,483,906	643,414	356,130
Retained earnings		13,917,726	11,348,458	9,412,313
Other reserves	28	498	1,046,258	1,045,758
		15,402,130	13,038,130	10,814,201
Non-current liabilities				
Borrowings	29	4,670,234	5,205,454	5,097,324
Defined employee benefit obligations	30	1,032,008	933,917	729,440
Site restoration provisions	31	880,764	1,228,655	2,030,010
Deferred tax liabilities	15	-	335,995	1,549,060
		6,583,006	7,704,021	9,405,834
Current liabilities				
Trade accounts payable	32	1,838,095	1,486,135	1,052,547
Contract liabilities	33	344,478	426,212	1,018,995
Borrowings	29	4,796,428	1,865,240	629,066
Payable to employees	34	282,080	215,857	213,921
Dividends payable	35	41,198	-	210,618
Income tax liabilities		128,993	313,499	338,390
Tax payable other than income tax	25	428,786	411,427	319,073
Defined employee benefit obligations	30	100,458	69,313	48,040
Other current liabilities		57,402	10,725	29,473
		8,017,918	4,798,408	3,860,123
Total liabilities		14,600,924	12,502,429	13,265,957
Total equity and liabilities		30,003,054	25,540,559	24,080,158

On behalf of the management:

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*(in millions of Uzbekistani soums)*

	Note	Share capital	Retained earnings	Other reserves	Total equity
Balance at 1 January 2020		356,130	9,412,313	1,045,751	10,814,201
Net profit for the year		-	3,661,093	-	3,661,093
Other comprehensive loss		-	(21,222)	-	(21,222)
Total comprehensive income		-	3,639,871	-	3,639,871
Dividends	28	-	(1,627,476)	-	(1,627,476)
Acquisition of LLC "Kyzylkum Phosphorite Complex" under common control	28, 8	287,284	(76,250)	-	211,034
Other movements		-	-	500	500
Balance at 31 December 2020		643,414	11,348,458	1,046,251	13,038,130
Net profit for the year		-	4,908,261	-	4,908,261
Other comprehensive loss		-	3,611	-	3,611
Total comprehensive income for the year		-	4,911,872	-	4,911,872
Issue of share capital	28	840,492	-	(840,492)	-
Dividends	28	-	(1,208,053)	(41,198)	(1,249,251)
Other distributions to shareholders	28	-	(1,298,621)	-	(1,298,621)
Transfer of reserve to retained earnings		-	164,070	(164,070)	-
Balance at 31 December 2021		1,483,906	13,917,728	498	15,402,130

On behalf of the management:

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CONSOLIDATED STATEMENT OF CASH FLOWS*(in millions of Uzbekistani soums)*

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		12,985,420	8,228,017
<i>Adjustments for:</i>			
Depreciation, depletion and amortization	16, 18	1,586,913	1,693,736
Impairment of trade receivables	23, 27	137,972	36,744
Share of loss of joint venture and associates		10,665	(4,123)
Finance costs	14	514,549	540,840
Finance income		(30,736)	(24,234)
Changes in defined employee benefit obligations	30	23,850	81,955
Foreign exchange differences		223,376	527,816
Operating profit before working capital changes		15,452,009	11,080,751
<i>Changes in working capital:</i>			
Change in trade accounts receivable		(499,235)	24,071
Change in advances paid		26,532	165,727
Change in inventories		(846,198)	419,121
Change in trade accounts payable		351,508	433,588
Change in contract liabilities		(81,734)	(592,783)
Changes in tax assets and tax liabilities other than income tax		121,507	104,141
Change in other assets and liabilities		97,371	29,413
Change in restricted cash		(13,002)	(531,077)
Cash generated from operating activities		14,608,758	11,132,952
Income tax paid		(8,756,716)	(5,604,459)
Net cash flows from operating activities		5,852,042	5,528,493
Cash flows from investing activities			
Purchase of property, plant and equipment and mining assets		(3,749,840)	(4,589,853)
Change in restricted cash		279,417	(384,263)
Dividends received from investments at fair value through OCI		10,482	24,180
Net cash flows used in investing activities		(3,459,941)	(4,949,936)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*(in millions of Uzbekistani soums)*

Cash flows from financing activities			
Proceeds from borrowings	39	3,110,394	1,388,161
Other distributions to shareholders	39	(1,298,621)	-
Repayment of borrowings	39	(977,921)	(668,519)
Interest paid	39	(249,205)	(253,885)
Dividends paid	39	(1,208,053)	(1,838,094)
Net cash flows used in financing activities		(623,406)	(1,372,337)
Net increase/(decrease in cash and cash equivalents		1,768,695	(793,780)
Net foreign exchange difference on cash and cash equivalents		54,940	53,521
Cash and cash equivalents at the beginning of the year		239,533	979,792
Cash and cash equivalents at the end of year		2,063,168	239,533

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