

JSC “Almalyk Mining and Metallurgical Complex”

Consolidated financial statements

*For the year ended 31 December 2022
with independent auditor's report*

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Independent auditor’s report

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of JSC "Almalyk Mining and Metallurgical Company" and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 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
<p>Site Restoration Provisions</p> <p>We consider this matter to be the most significance in the audit because the estimation of site restoration provisions requires significant judgment 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, the expected management approach to the liquidation process, and the discount rate calculation, along with the influence of changes in inflation rates.</p> <p>Information related to site restoration obligations is disclosed in Note 30 to the consolidated financial statements.</p> <p>Revenue from contracts with customers</p> <p>We considered this matter to be one of the most significance in the audit due to the materiality of revenue and the high level of subjective judgements and estimates involved in revenue recognition. Significant components of the analysis included identification of performance obligations, the timing of transferring control over goods/services to a customer and determining forecasted metal prices.</p> <p>Information on recognition of revenue from contracts with customers is disclosed in Note 9 to the consolidated financial statements.</p>	<p>Our testing of site restoration provisions included understanding the legal and constructive obligations to decommission each asset based on local legislation. We analysed the data used in the calculation, including the estimation of expected costs of liquidation of quarries, mines and tailings. We analysed the calculation of the discount rate and inflation rate.</p> <p>We analysed the relevant disclosures of site restoration provisions in 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; - analysed 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.



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- ▶ 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.

25 August 2022
Tashkent, Uzbekistan

FE Audit Organization „Ernst & Young“

FE Audit Organization «Ernst & Young» LLC

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



A. Azamov

Anvar Azamov
Partner / Qualified Auditor

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

Nataliya Kim

Nataliya Kim
General Director

Auditor's qualification certificate authorizing audit practice No. 05555, issued on July 12, 2018, by the Center "Buxgalterlar va auditorlar imtihon markazi"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2022***(in millions of Uzbekistani soums)*

	Note	2022	2021
Revenue from contracts with customers	9	31,167,252	31,236,273
Cost of sales	10	(14,717,231)	(15,132,923)
Gross profit		16,450,021	16,103,350
Expected credit losses		(134,314)	(137,972)
Impairment of property, plant and equipment	16	(375,818)	–
Selling and distribution expenses	11	(118,222)	(124,458)
General and administrative expenses	12	(3,070,594)	(2,133,314)
Other operating income	13	388,998	243,996
Other operating expenses	9	(497,744)	(248,328)
Operating profit		12,642,327	13,703,274
Finance income		69,343	30,736
Finance costs	14	(679,745)	(514,549)
Share of profit/(loss) of an associate and a joint venture	18	2,313	(10,665)
Foreign exchange gain		1,360,276	1,246,096
Foreign exchange loss		(1,931,928)	(1,469,472)
Profit before tax		11,462,586	12,985,420
Income tax expense	15	(4,991,689)	(8,077,159)
Profit for the year		6,470,897	4,908,261
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Actuarial gain on employee benefits	15, 29	140,644	3,611
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		140,644	3,611
Other comprehensive income for the year, net of tax		140,644	3,611
Total comprehensive income for the year, net of tax		6,611,541	4,911,872
Earnings per share:			
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent	35	13,968	18,314

On behalf of the management:

A. Kh. Khursanov
Chairman of the Board of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

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

25 August 2023
Uzbekistan

N. K. Ten
Chief Accountant of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**For the year ended 31 December 2022***(in millions of Uzbekistani soums)*

	Note	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	16	16,315,309	14,670,961
Mining assets	17	8,503,965	6,018,807
Investments in associates and joint ventures	18	154,992	114,092
Equity securities at fair value through profit or loss	19	2,836	57,704
Advances for non-current assets	20	7,347,287	106,342
Deferred tax assets	15	–	156,694
Other non-current assets		36,032	36,895
		32,360,421	21,161,495
Current assets			
Inventory	21	5,370,731	4,954,802
Trade receivables	22	852,692	510,769
Advances paid	23	577,926	302,584
Income tax prepaid		168,665	–
Other taxes prepaid	24	382,090	94,179
Restricted cash	25	376,889	901,871
Cash and cash equivalents	26	2,710,960	2,063,168
Other current assets		13,642	14,186
		10,453,595	8,841,559
Total assets		42,814,016	30,003,054

The accounting policies and explanatory notes on pages 7 through 70 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	31 December 2022	31 December 2021
Equity and liabilities			
Equity			
Share capital	27	2,407,168	1,483,906
Retained earnings		8,618,314	13,917,726
Other reserves	27	–	498
		11,025,482	15,402,130
Non-current liabilities			
Borrowings	28	14,680,988	4,670,234
Defined employee benefit obligations	29	757,338	1,032,008
Site restoration provisions	30	1,054,050	880,764
Deferred tax liabilities	15	241,682	–
		16,734,058	6,583,006
Current liabilities			
Trade payables	31	1,854,692	1,838,095
Contract liabilities	32	85,649	344,478
Borrowings	28	12,202,399	4,796,428
Payable to employees	33	382,393	282,080
Dividends payable	34	70	41,198
Income tax liabilities		–	128,993
Tax payable other than income tax	24	367,200	428,786
Defined employee benefit obligations	29	93,414	100,458
Other current liabilities		68,659	57,402
		15,054,476	8,017,918
Total liabilities		31,788,534	14,600,924
Total equity and liabilities		42,814,016	30,003,054

On behalf of the management:

A. Kh. Khursanov
Chairman of the Board of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

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

25 August 2023
Uzbekistan

N. K. Ten
Chief Accountant of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2022***(in millions of Uzbekistani soums)*

	Note	Share capital	Retained earnings	Other reserves	Total equity
Balance at 1 January 2021		643,414	11,348,458	1,046,258	13,038,130
Net profit for the year		–	4,908,261	–	4,908,261
Other comprehensive income		–	3,611	–	3,611
Total comprehensive income		–	4,911,872	–	4,911,872
Issue of share capital	27	840,492	–	(840,492)	–
Dividends	27	–	(1,208,053)	(41,198)	(1,249,251)
Other distributions to shareholders	27	–	(1,298,621)	–	(1,298,621)
Transfer of reserve to retained earnings		–	164,070	(164,070)	–
Balance at 31 December 2021		1,483,906	13,917,726	498	15,402,130
Net profit for the year		–	6,470,897	–	6,470,897
Other comprehensive income		–	140,644	–	140,644
Total comprehensive income		–	6,611,541	–	6,611,541
Issue of share capital	27	1,483,907	(1,483,907)	–	–
Disposal of assets transferred to the state	27	(109,980)	109,980	–	–
Disposal of LLC “Kyzylkum Phosphorite Complex” under common control	8, 27	(450,665)	219,230		(231,435)
Disposal of LLC “Angren Pipe Plant”	8		(88,663)		(88,663)
Dividends	27	–	(5,051,892)	–	(5,051,892)
Other distributions to shareholders	27	–	(5,616,199)	–	(5,616,199)
Other movements		–	498	(498)	–
Balance at 31 December 2022		2,407,168	8,618,314	–	11,025,482

On behalf of the management:

A. Kh. Khursanov
Chairman of the Board of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

F. R. Khamidova
Deputy Chairman of the Board for
Economics and Finance of
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25 August 2023
Uzbekistan

N. K. Ten
Chief Accountant of
JSC “Almalyk MMC”

25 August 2023
Uzbekistan

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2022***(in millions of Uzbekistani soums)*

	Note	2022	2021
Cash flows from operating activities			
Profit before tax from continuing operations		11,462,586	12,985,420
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	16, 17	1,113,730	1,586,913
Impairment of property, plant and equipment	16	375,818	–
Accrued provision for expected credit losses	22, 26	134,314	137,972
Share of (profit)/loss of a joint venture and associates	18	(2,313)	10,665
Finance costs	14	679,745	514,549
Finance income		(69,343)	(30,736)
Changes in defined employee benefit obligations		(159,235)	23,850
Foreign exchange difference		571,652	223,376
Operating profit before working capital changes		14,106,954	15,452,009
<i>Changes in working capital:</i>			
Change in trade receivables		(622,345)	(499,235)
Change in advances paid		(193,435)	26,532
Change in inventories		(539,425)	(846,198)
Change in trade payables		175,277	351,508
Change in contract liabilities		(258,829)	(81,734)
Change in tax assets and tax liabilities other than income tax		(349,498)	121,507
Change in other assets and liabilities		113,387	97,371
Change in restricted cash		558,158	(13,002)
Cash generated from operating activities		12,990,244	14,608,758
Income tax paid		(4,984,352)	(8,756,716)
Net cash flows from operating activities		8,005,892	5,852,042
Cash flows from investing activities			
Purchase of property, plant and equipment and mining assets	16, 17, 20	(12,924,133)	(3,749,840)
Share of investment in joint venture		(39,800)	–
Change in restricted cash		(33,176)	279,417
Dividends received from investments at fair value through profit or loss		16,165	10,482
Net cash flows used in investing activities		(12,980,944)	(3,459,941)

The accounting policies and explanatory notes on pages 7 through 70 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	2022	2021
Cash flows from financing activities			
Proceeds from borrowings	38	18,816,943	3,110,394
Other distributions to shareholders	38	(5,616,199)	(1,298,621)
Repayment of borrowings	38	(2,130,472)	(977,921)
Interest paid	38	(407,161)	(249,205)
Dividends paid	38	(5,093,020)	(1,208,053)
Net cash flows used in financing activities		5,570,091	(623,406)
Net change in cash and cash equivalents		595,039	1,768,695
Net foreign exchange difference on cash and cash equivalents		52,753	54,940
Cash and cash equivalents at the beginning of the year		2,063,168	239,533
Cash and cash equivalents at the end of the year		2,710,960	2,063,168

On behalf of the management:

A. Kh. Khursanov
Chairman of the Board of
JSC “Almalyk MMC”

25 August 2023
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