

JSC UZBEKTELECOM

**Consolidated Financial Statements
for the year ended 31 December 2022 and
Independent Auditor's Report**

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JOINT STOCK COMPANY UZBEKTELECOM

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of Joint Stock Company Uzbektelecom ("the Company") and its subsidiaries (together "the Group") as at 31 December 2022 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (hereinafter the "consolidated financial statements") in compliance 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;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- 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 consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the Management on 08 September 2023.

Signed on behalf of Group Management:


Khasanov N.N.
Chairman Board

08 September 2023
Tashkent, Republic of Uzbekistan




Tokhtiyarov A.N.
Deputy General Director
of the Financial Affairs

08 September 2023
Tashkent, Republic of Uzbekistan

INDEPENDENT AUDITOR'S REPORT

To: Shareholders of Joint Stock Company Uzbektelecom

Opinion

We have audited the consolidated financial statements of Joint Stock Company Uzbektelecom and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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.

Why the matter was determined to be a key audit matter

Revenue recognition

The revenue from mobile network and fixed line internet services are processed through the billing system and amounted to UZS 4,096,808,780 thousand for the year ended 31 December 2022 (Note 17). The amount of advances received from subscribers as at 31 December 2022 amounted to UZS 345,922,172 thousand (Note 15).

How the matter was addressed in the audit

We obtained an understanding of the internal processes and control procedures of the Group related to manual adjustments of advances received from subscribers associated with correction of monthly tariff plans revenue of mobile network and fixed line internet services.

Erkin Ayupov, Qualified Auditor/Engagement Partner

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Why the matter was determined to be a key audit matter

The Group offers monthly tariff plans of mobile network and fixed line internet services, which are not limited to the calendar month, and can be rolled over to the next month.

The billing system of the Group recognizes revenue for the whole amount of advances received from subscribers for the monthly tariff plans. At the end of the reporting period the Management of the Group posts manual adjustments in order to correct amount of the revenue and transfer unearned revenue to advances received from subscribers.

Due to the size of these revenue streams and absence of automation related to the manual adjustments described above, we identified this issue as a key audit matter.

How the matter was addressed in the audit

We involved our IT Specialists to test operating effectiveness of controls over the billing system.

We applied a combination of substantive analytical procedures and test of details to obtain assurance over the validity and completeness of the reported output of these systems.

We recalculated the amount of manual adjustments made by the Management of the Group.

Based on our audit procedures, no material exceptions were identified in the amount of revenue from mobile network and fixed line internet services for the year ended 31 December 2022 and the amount of advances received from subscribers as at reporting date.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISA's 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 judgement 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.



Deloitte.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



A handwritten signature in blue ink, appearing to read "Erkin Ayupov".

"Deloitte & Touche" Audit Organisation LLC is included in the Register of auditing organizations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

Erkin Ayupov
Qualified Auditor/Engagement Partner

08 September 2023
Tashkent, Uzbekistan

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(in thousands of Uzbekistan Soums)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets:			
Property, plant and equipment	6	7,654,450,039	6,897,418,929
Right-of-use assets	7	194,812,780	139,755,625
Intangible assets	8	112,548,783	126,604,949
Investments in associates		36,958,825	35,116,990
Investments in joint ventures		204,705	188,656
Investments at FVTPL		2,542,779	6,113,437
Cost to obtain a contract – long-term portion		11,464,256	10,441,404
Other long term assets		2,902,427	540,203
Total non-current assets		8,015,884,594	7,216,180,193
Current assets:			
Cash and cash equivalents	9	17,501,681	19,594,875
Trade and other receivables	10	362,773,449	331,103,491
Inventories	11	266,233,353	348,619,733
Cost to obtain a contract – short-term portion		22,928,513	20,882,809
Income tax prepaid		46,788,893	-
Total current assets		716,225,889	720,200,908
TOTAL ASSETS		8,732,110,483	7,936,381,101
EQUITY			
Share capital	12	331,556,392	331,556,392
Additional paid-in-capital		59,005,346	44,504,034
Retained earnings		2,005,994,200	1,274,170,466
Equity attributable to shareholders		2,396,555,938	1,650,230,892
Non-controlling interests		4,549,409	4,980,052
TOTAL EQUITY		2,401,105,347	1,655,210,944
LIABILITIES			
Non-current liabilities:			
Long term borrowings	13	2,674,348,294	2,865,330,822
Long term lease liabilities	7	177,075,442	123,880,786
Deferred tax liability	25	183,318,829	95,672,444
Other long term liabilities		18,041,621	16,739,335
Total non-current liabilities		3,052,784,186	3,101,623,387
Current liabilities:			
Trade accounts payable	14	892,255,169	421,466,858
Short term borrowings	13	1,636,470,654	2,049,758,709
Advances received from subscribers	15	345,922,172	364,804,504
Income tax liabilities		-	6,549,796
Short term lease liabilities	7	52,328,656	36,166,723
Other current liabilities	16	351,244,299	300,800,180
Total current liabilities		3,278,220,950	3,179,546,770
TOTAL LIABILITIES		6,331,005,136	6,281,170,157
TOTAL EQUITY AND LIABILITIES		8,732,110,483	7,936,381,101

Signed on behalf of the Group Management:


Khasanov N.N.
Chairman Board

08 September 2023
Tashkent, Republic of Uzbekistan




Tokhtiyarov A.N.
Deputy Chairman of the Board for Financial
Affairs

08 September 2023
Tashkent, Republic of Uzbekistan


The notes on pages 10-61 form an integral part of these consolidated financial statements

JOINT STOCK COMPANY UZBEKTELECOM

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**
(in thousands of Uzbekistan Soums)

	Notes	2022	2021
Revenue	17	6,359,923,320	5,402,509,757
Cost of sales	18	(3,834,939,311)	(2,962,331,987)
Gross profit		2,524,984,009	2,440,177,770
Selling expenses	19	(455,432,635)	(419,715,332)
General and administrative expenses	20	(716,578,292)	(578,843,276)
(Accrual)/recovery of impairment losses on non-financial assets, net	22	(8,094,146)	7,185,594
Expected credit losses	10,22	(191,180,592)	(73,572,070)
Other operating income	21	56,499,135	43,291,345
Operating profit		1,210,197,479	1,418,524,031
Finance income		1,999,229	21,703,755
Finance costs	23	(337,567,080)	(354,460,348)
Share of results of associates		(11,971,389)	3,158,746
Share of results of joint ventures		20,994	11,911
Net foreign exchange gain	24	3,812,518	16,033,702
Fair value gain/(loss) on investments at FVTPL		4,820,973	(12,075,359)
Profit before income tax		871,312,724	1,092,896,438
Income tax expense	25	(137,069,033)	(154,360,817)
Net profit for the year		734,243,691	938,535,621
Other comprehensive income		-	-
Total comprehensive income for the year		734,243,691	938,535,621
Net profit and total comprehensive income attributable to:			
Owners of the Company		734,669,638	938,232,559
Non-controlling interests		(425,947)	303,062
Earnings per share (in UZS), basic and diluted	12	2,647.97	5,880.12

Signed on behalf of the Group Management:


Khasanov N.N.
Chairman Board



08 September 2023
Tashkent, Republic of Uzbekistan


Tokhtiyarov A.N.
Deputy Chairman of the Board for Financial Affairs

08 September 2023
Tashkent, Republic of Uzbekistan

The notes on pages 10-61 form an integral part of these consolidated financial statements

JOINT STOCK COMPANY UZBEKTELECOM

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

(in thousands of Uzbekistan Soums)

	Notes	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to shareholders	Non-controlling interest	Total equity
As at 01 January 2021		217,435,315	17,968,951	382,871,051	618,275,317	4,676,990	622,952,307
Issuance of shares	12	139,098,544	(120,149,935)	-	18,948,609	-	18,948,609
Redemption of shares	12	(24,977,467)	-	-	(24,977,467)	-	(24,977,467)
Net profit and total comprehensive income for the year		-	-	938,232,559	938,232,559	303,062	938,535,621
In-kind contribution	12	-	146,685,018	-	146,685,018	-	146,685,018
Dividends	12	-	-	(46,933,144)	(46,933,144)	-	(46,933,144)
As at 31 December 2021		331,556,392	44,504,034	1,274,170,466	1,650,230,892	4,980,052	1,655,210,944
Net profit and total comprehensive income for the year	12	-	-	734,669,638	734,669,638	(425,947)	734,243,691
In-kind contribution	12	-	14,501,312	-	14,501,312	-	14,501,312
Dividends	12	-	-	(2,845,904)	(2,845,904)	-	(2,845,904)
Dividends to non-controlling shareholders		-	-	-	-	(4,696)	(4,696)
As at 31 December 2022		331,556,392	59,005,346	2,005,994,200	2,396,555,938	4,549,409	2,401,105,347

Signed on behalf of the Group Management:



Khasanov N.M.
Chairman Board

08 September 2023
Tashkent, Republic of Uzbekistan


Tokhtiyarov A.N.
Deputy Chairman of the Board for Financial Affairs

08 September 2023
Tashkent, Republic of Uzbekistan

The notes on pages 10-61 form an integral part of these consolidated financial statements

JOINT STOCK COMPANY UZBEKTELECOM
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Uzbekistan Soums)

	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before income tax		871,312,724	1,092,896,438
Adjustments for:			
Share of results of associates		11,971,389	(3,158,746)
Share of results of joint ventures		(20,994)	(11,911)
Income from disposal of property, plant and equipment	21	(6,953,363)	(4,049,544)
Income from write off of borrowings and payables	21	(694,498)	(1,102,915)
Equipment received free of charge	21	(2,091,555)	(3,571,889)
Donated property, plant and equipment	20	15,878,993	5,698,363
Finance income		(1,999,229)	(21,703,755)
Finance costs	23	337,567,080	354,460,348
Net foreign exchange gain		(3,815,837)	(15,806,565)
Depreciation of property, plant and equipment and right-of-use assets	6,7	740,767,440	593,738,092
Amortization of intangible assets	8	105,910,981	111,337,523
Amortization of cost to obtain a contract	19	98,559,995	127,907,296
Accrual of operating expenses		158,671,453	71,006,000
Credit sales		(31,669,958)	(18,626,934)
Accrual/(recovery) of provision for slow-moving and obsolete inventories	18	15,334,928	(7,385,419)
Accrual/(recovery) of provision for advances paid for inventories and services, net	22	673,307	(4,474,156)
Accrual of allowance for expected credit losses, net	22	191,180,592	73,572,070
Accrual/(recovery) of provision for non-current advances paid, net	6,22	7,420,839	(2,711,437)
Accrual of provision for unused vacation and related taxes	20	2,187,868	13,665,635
Provision for retirement benefit obligations	20	1,659,115	6,778,540
Fair value (gain)/loss on investments at FVTPL		(4,820,973)	12,075,359
Operating cash flows before movements in working capital		2,507,030,297	2,380,532,393
Change in working capital and other balances:			
Inventories		67,051,452	(148,365,849)
Trade and other receivables		(197,456,140)	(74,593,040)
Cost to obtain a contract		(101,628,551)	(103,521,840)
Trade accounts payable		298,803,708	(136,709,222)
Advances received from subscribers		(18,882,332)	112,896,828
Other current liabilities		42,689,016	46,602,112
Cash generated from operations		2,597,607,450	2,076,841,382
Interest paid		(265,611,480)	(193,169,252)
Income taxes paid		(102,761,337)	(77,210,146)
Net cash generated from operating activities		2,229,234,633	1,806,461,984
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,339,155,968)	(1,077,934,799)
Purchases of licenses and software		(94,709,987)	(93,783,613)
Proceeds on disposal of property, plant and equipment		41,019,497	41,451,475
Interest received		510,354	20,855,207
Acquisition of investment in associate		(3,771,720)	(3,797,153)
Acquisition of investment at FVTPL		-	(7,831,990)
Disposal of investment in FVTPL		9,771,822	-
Disposal of investment in joint venture		-	1,923,897
Disposal of investment in associates		278,307	781,154
Dividends received from associates		1,481,368	58,986
Dividends received from joint ventures		4,945	1,101
Dividends received from investments at FVTPL		112,511	697,029
Others		(2,374,065)	2,630,752
Net cash used in investing activities		(1,386,832,936)	(1,114,947,954)

JOINT STOCK COMPANY UZBEKTELECOM

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022 (in thousands of Uzbekistan Soums)

	Notes	2022	2021
FINANCING ACTIVITIES			
Proceeds from borrowings	13	905,604,680	459,381,879
Repayments of borrowings	13	(1,735,586,273)	(1,286,422,359)
Dividends paid	12	(2,845,904)	(46,933,144)
Repayment of lease liabilities	7	(11,670,713)	(11,694,973)
Net cash used in financing activities		(844,498,210)	(885,668,597)
Net decrease in cash		(2,096,513)	(194,154,567)
CASH AND CASH EQUIVALENTS, at the beginning of the year		19,594,875	213,976,579
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		3,319	(227,137)
CASH AND CASH EQUIVALENTS, at the end of the year	9	17,501,681	19,594,875

Non-cash investing activities:

1. The amount of purchases of licenses and software acquired on credit in 2022 equals to UZS 7,262,434 thousand (2021: UZS 10,117,606 thousand). The amount of repayments in 2022 for the licenses and software purchased on credit in previous years equal to UZS 10,117,606 thousand (2021: UZS 11,812,727 thousand);
2. Purchases of property, plant and equipment on credit on 2022 equal to UZS 173,445,534 thousand (2021: UZS 632,368,400 thousand);
3. In 2022, the Group has received in kind contribution in the form of building in the amount of UZS 14,501,312 thousand at fair value, which resulted in an increase of additional paid in capital.

Signed on behalf of the Group Management:


Khasanov N.N.
Chairman Board



08 September 2023
Tashkent, Republic of Uzbekistan


Tokhtiyarov A.N.
Deputy Chairman of the Board for Financial Affairs

08 September 2023
Tashkent, Republic of Uzbekistan

The notes on pages 10-61 form an integral part of these consolidated financial statements

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of Uzbekistan Soums)

1. GENERAL INFORMATION

In 1992, state telecommunication enterprises "Uzbektelecom" was created on the basis of regional postal and electronic communications enterprises of Uzbekistan.

On 30 June 2000, in accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan, state telecommunication enterprises "Uzbektelecom" were combined into the Joint Stock Company "Uzbektelecom" ("the Company").

The Company provides the following services:

- lease of communication channels to operators and providers of fixed and mobile communication services;
- mobile and fixed communications in CDMA-450 and GSM standards;
- fixed line communication;
- internet access;
- video conferencing and television services;

The Government of the Republic of Uzbekistan is the major shareholder of the Company through the Ministry of Digital Technologies of the Republic of Uzbekistan (2021: Ministry of Finance of the Republic of Uzbekistan), which owns 96.57% (2021: 96.57%) of the Company's controlling shares. The following is the list of shareholders of the Company:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Ministry of Digital Technologies of the Republic of Uzbekistan	96.57%	-
Ministry of Finance of the Republic of Uzbekistan	-	96.57%
Other legal entities and individuals (individually hold less than 1%)	3.43%	3.43%
	<u>100%</u>	<u>100%</u>

Preference shares of the Company are listed in the Republican Stock Exchange "Toshkent".

As at 31 December 2022, the Company owns the following subsidiaries (together "the Group"):

	<u>Ownership interest</u>		<u>Main business operation</u>	<u>Country</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>		
LLC Granit	100.00%	100.00%	Manufacture of hardware (antennas, masts)	Uzbekistan
LLC Broadband Solutions	100.00%	100.00%	Manufacture of telecom equipment	Uzbekistan
LLC Svyazsooruzheniya Stroy	98.83%	98.83%	Building and assembly jobs	Uzbekistan
LLC Telecom Qurilish	97.52%	97.52%	Building and assembly jobs	Uzbekistan
LLC Telecom Device Pro	93.09%	100.00%	Manufacture of telecom equipment	Uzbekistan
LLC UzAloqa Consulting	87.00%	87.00%	Consulting services	Uzbekistan
LLC CIB Group	71.63%	71.63%	Publishing house (ICTNEWS)	Uzbekistan
LLC Tashagroinvest	54.85%	54.85%	Manufacture of telecom equipment	Uzbekistan
LLC Telecom Innovations	-	87.27%	Manufacture of telecommunication devices	Uzbekistan

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

According to the decision of the joint meeting of the founders LLC Telecom Devices Pro and LLC Telecom Innovations #1 dated 23 September 2022, LLC Telecom Innovations joined to LLC Telecom Devices Pro, after which, the Group's share in LLC Telecom Device Pro has decreased from 100% to 93.09%.

The Company operates under the following licenses issued by the Ministry of development of information technologies and communications of the Republic of Uzbekistan:

<i>Type of License</i>	<i>Number</i>	<i>Issued</i>	<i>Valid until</i>
<i>Provision of mobile radiotelephone (cellular) communication networks</i>	<i>AA0005717</i>	<i>3 November 2015</i>	<i>3 November 2030</i>
<i>Provision of international telecommunication networks</i>	<i>AA0005659</i>	<i>03 January 2017</i>	<i>03 January 2032</i>
<i>Provision of local telecommunication networks</i>	<i>AA0005657</i>	<i>23 February 2017</i>	<i>23 February 2032</i>
<i>Provision of data transfer services</i>	<i>AA0007407</i>	<i>25 February 2022</i>	<i>Unlimited</i>
<i>Provision of broadcasting networks</i>	<i>AA0007400</i>	<i>25 February 2022</i>	<i>25 February 2027</i>
<i>Provision of long-distance telecommunication networks</i>	<i>AA0005718</i>	<i>3 November 2015</i>	<i>3 November 2030</i>

As at 31 December 2022, the legal address of the Company is: 28 A, Navoi str., Tashkent, 100011, Republic of Uzbekistan.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value and property, plant and equipment that was measured at fair value on 1 January 2018 to determine a deemed cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future.

As at 31 December 2022, the Group's current liabilities exceeded its current assets by UZS 2,561,995,061 thousand (31 December 2021: UZS 2,459,345,862 thousand). Nevertheless, net profit and net cash generated from operating activities for the year ended 31 December 2022 amounted to UZS 734,243,691 thousand and UZS 2,229,234,633 thousand, respectively (2021: UZS 938,535,621 thousand and UZS 1,806,461,984 thousand, respectively). The management of the Group believes that net cash from operating activities is sufficient to meet its working capital requirements, as the 39% of liabilities comprised the borrowings from the government owned entities which may be restructured in terms of repayment schedule. In addition, the management of the Group is attracting a long-term borrowing from international financial institutions to inject in working capital. Also, the Group is actively developing its telecommunication network, which will positively affect its revenue growth (Note 29). Revenue in 2022 increased by more than 18% in comparison with 2021.

Moreover, JSC Uzbektelecom is considered as core to the telecommunication market of the Republic of Uzbekistan, and the management expects further support from the government.

In accordance with the Presidential Decree #6079 from 5 October 2020, the following strategies were outlined in order to improve the information and communication technologies of the Republic of Uzbekistan:

- increase the level of regions' connection to the internet, installing fiber optic communication lines;
- increase the level of mobile communication coverage of the population through the development of mobile communication network;
- introduce the electronic services and other software products in various areas of socio-economic development of the regions.

Following the Presidential Decree, in 2022 the Group has acquired telecommunication equipment from Huawei Technologies Co. LTD, Huawei International Pte. LTD, ZTE Corporation and Iskratel, D.O.O., Kranj which will improve the broadband telecommunication network and upgrade base stations.

Management has considered the Group's future plans, and in light of these plans and the profitability of the Group, positive cash flows from operations, available financing, management believes that the Group will continue to operate as a going concern for the foreseeable future.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the NCI's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other NCI are initially measured at fair value. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity.

Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary of the economic environment in which the Group operates ("the functional currency"). The functional currency of the Company and all of its subsidiaries is the Uzbekistan Soums ("UZS"). The presentational currency of the consolidated financial statements of the Group is the UZS. All values are rounded to the nearest thousand UZS, except when otherwise indicated.

Property, plant and equipment

Property, plant and equipment mainly consists of fiber optic and copper cables, telecommunication equipment and base stations.

The management of the Group has attracted independent appraisers to perform fair valuation of property, plant and equipment as at date of transition to IFRS, 1 January 2018. The fair value was used as deemed cost as a reasonable starting point for a cost-based measurement. The deemed cost is then used as a basis for subsequent depreciation and impairment tests.

For additions subsequent to the date of transition, cost includes all costs directly attributable in bringing the asset to the working condition for its intended use. Where assets received as charter capital contributions, these assets were initially valued at fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Assets under construction and equipment awaiting for installation comprises reserve equipment and spare parts for assembling of line constructions and telecommunication stations. Reserve equipment and spare parts are recorded within property and equipment accounts as they are initially assumed to be a part of construction and are not supposed to bring economic value as a stand-alone asset. These equipment and spare parts start being depreciated upon completion of installation or assembling.

Subsequent expenditures

Subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income as an expense when incurred.

Depreciation of property, plant and equipment

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The following average useful economic lives are used:

Buildings	25-60 years
Constructions and cable lines	15-30 years
Telecommunication equipment	10-15 years
Transport vehicles	7-15 years
Furniture and office equipment	5-7 years
Other	5-7 years

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the asset is derecognized.

Intangible assets

Intangible assets that were purchased separately, at initial recognition are recorded at cost, amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

The Group's intangible assets primarily comprise capitalized billing system licenses, telecommunication operation licenses and frequency fee payments. Acquired billing system licenses are capitalized on the basis of the costs incurred to acquire and bring them to use. All other costs associated with licenses, e.g. its maintenance, are expensed when incurred. Capitalized intangible assets are amortized on a straight line basis over their expected useful lives. The following average useful economic lives are used:

Licenses and software	1-7 years
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Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently recovers, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A recovery of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories mainly include SIM cards, modems and other goods. The cost of inventories is assigned by using the weighted average cost formula. Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Joint ventures and associates

Joint ventures are those companies and other entities in which the Group, directly or indirectly, undertake an economic activity that is subject to joint control. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures and associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control/significant influence commences until the date that joint control/significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition. Financial liabilities are derecognized when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

All recognized financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

The business model

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Trade receivables, investments at FVTPL and cash and cash equivalent are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

Unless not material, appropriate allowances for expected credit losses ('ECLs') are recognized in profit or loss in accordance with the Group's accounting policy on ECLs. Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognized in profit or loss. Trade receivables, which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for ECLs.

ECLs

The amount of ECLs is updated at each reporting date. The ECLs on trade and other receivables are estimated using a provision matrix based on the Group's historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The macroeconomic conditions takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, however due to insignificant nature of the impact, ECLs are not adjusted for macroeconomic parameters.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The Group applies the 'simplified approach' to trade receivables. The simplified approach allows entities to recognize lifetime expected credit losses without the need to identify significant increases in credit risk.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial asset.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full;
- irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

Borrowings include bank loans and long term financing of telecommunication equipment from suppliers.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Share capital

The Company owners' interest is classified as equity since the Company has an unconditional right to refuse redemption of the member's interest, based on its charter and local legislation. Foreign exchange rate difference arising between dates of investment by the parent company and the date of actual share capital increase, fair value adjustments on the borrowings from the parent company, unpaid interest on the interest-free loans and forgiven liabilities classified as additional paid in capital in accordance with the charter.

Preventive measures reserve

The statutory rules require the Group to maintain a preventive measures reserve aimed to allocate funds to cover the Group's future costs associated with activities and measures taken to prevent accidents, promote general safety, and prevent a loss of or damage to insured property. In the National Accounting Standards ("NAS") accounting records, the Group establishes and maintains the balance of preventive measures reserve by recognizing accounts receivable in the current year upon receipt of a proof of intentional use of funds. For the purposes of IFRS, preventive measures reserve is included in retained earnings/(accumulated deficit) and disclosed in Note 12.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and term deposits with an original maturity of three months or less, and are subject to insignificant risk of change in value. Balances restricted from being exchanged or used to settle a liability are included in restricted cash.

Advances paid to suppliers

Advances paid to suppliers and prepaid expenses for goods and services are recognized when advances are paid and are carried at cost less provision for impairment, where required and derecognized when the counterparty performs its obligations under the contract. Advances paid are classified as non-current when they relate to an assets, which will themselves be classified as non-current upon initial recognition.

Advances received from subscribers

Prepayments received from subscribers are recorded as advances received from subscribers. The Group recognizes revenue when the related service has been provided to the subscriber.

Trade accounts payable

Trade payables are recognized when the counterparty performed its obligations under the contract. The Group recognizes trade payables initially at fair value. Subsequently, trade payables are carried at amortized cost using the effective interest method.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. Revenue recognized when the goods or services are transferred to the customer, at the transaction price, being the sales value, net of discounts granted and value added tax ("VAT").

The Group's activities mainly relate to the mobile network services, fixed line internet services, fixed line telephony services, interconnect / traffic transmission of other operators and usage of channels.

(i) Mobile network, fixed line internet and fixed line telephony services

Revenue from the provision of mobile network, fixed line internet and fixed line telephony services are recognized over time when the transmission is made over the Group's network. Subscription fees, consisting primarily of monthly charges for access to voice services, SMS and data are recognized as revenue over time. Prepayments received from subscribers are not recognized as revenue until the related service has been provided to the subscriber.

(ii) Interconnection revenue and cost

Interconnection revenue and cost is generated from charges per minute between local fixed and mobile operators for mutual terminated voice traffic. Group recognizes revenue over time during the provision of services.

(iii) Revenue from usage of channels

Revenue from the rental of analogue and digital channels and private circuits as well as wholesale access revenue is recognized on a straight-line basis over the period to which it relates.

(iv) Value added services

Value added services generally comprise of SMS, MMS, content, various information services, voice messages and other. Revenue from value added services subscribers is recognized over time during the provision of services, based on actual usage.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Incremental costs of obtaining a contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the entity expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group sells a portion of SIM cards via a network of distributors. The Group pays certain commission fees to dealers on the basis of subscriber activation. These commissions are recognized when items are sold and activated by subscribers. The subscriber activation fee is recognized as a cost to obtain a contract under IFRS 15 and amortized during expected life of a customer.

Contract modifications

A contract modification is accounted for as a separate contract if (a) the scope of the contract increases because of the addition of promised goods or services that are distinct and (b) the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. A contract modification is accounted for as if it were a termination of the existing contract and the creation of a new contract if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification.

A contract modification is accounted for as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. If the remaining goods or services are partly distinct and partly not distinct, the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract are accounted for in a manner that is consistent with the objectives of IFRS 15. It is necessary to assess whether contract modifications shall be accounted for retrospectively (one-off adjustment) or prospectively (as a "catch-up" adjustment to future revenues), or even as for a separate contract.

Costs and expenses

Costs and expenses, unless associated with the earning of specific items of income and deferred, are recognized when incurred, regardless of when cash is paid, and are recorded in the statement of profit or loss and other comprehensive income in the period to which they relate.

Employee benefits

Wages, salaries, other benefits and payroll taxes, contributions, to the Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, non-monetary and other benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
UZS/1 USD	11,225.46	10,837.66

Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, which are described in Note 2, the Management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

Impairment of property and equipment and intangible assets

Management reviews the carrying amounts of assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. The assessment of whether there are indicators of a potential impairment is based on various assumptions including market conditions, asset utilization and the ability to utilize the asset for alternative purposes. If an indication of impairment exists, the Group estimates the recoverable value (greater of fair value less cost to sell and value in use) and compares it to the carrying value, and records impairment to the extent the carrying value is greater. Any change in these estimates may result in impairment in future periods. Given the pace of technological advancements in the telecommunication industry, management considers impairment of property, plant and equipment and intangible assets as significant area of judgment.

The management of the Group has made an assessment of whether the impairment indicators exist at the reporting date. As a result of the analysis performed, the management has not identified any evidence of impairment indicators.

4 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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Annual Improvements to IFRS Standards 2018-2020:
Amendments to IFRS 3 – “Reference to the Conceptual Framework”
Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use
Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” – “Loss-making Contracts – Completion Value”

The application of the new standards and interpretations did not lead to significant changes in the Group's accounting policies affecting the reporting data for the current and prior periods.

New and revised IFRS Standards in issue but not yet effective.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<i>New or revised standard or interpretation</i>	<i>Applicable to annual reporting periods beginning on or after</i>
<i>Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).</i>	<i>1 January 2023</i>
<i>Amendments to IAS 8 – "Definition of Accounting Estimates"</i>	<i>1 January 2023</i>
<i>Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"</i>	<i>1 January 2023</i>
<i>Annual Improvements to IFRS Standards 2018-2020:</i>	
<i>Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction</i>	<i>1 January 2023</i>
<i>Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<i>Date to be determined by the IASB</i>
<i>IFRS 17 (including the June 2020 Amendments to IFRS 17) Insurance Contracts</i>	<i>1 January 2023</i>
<i>Amendments to IFRS 16 Lease Liability in a Sale and Leaseback</i>	<i>1 January 2024</i>
<i>Amendments to IAS 1 Non-current Liabilities with Covenants</i>	<i>1 January 2024</i>

Management anticipates that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

5 SEGMENT INFORMATION

The Group's operations are a single reportable segment.

The Group provides telecommunication services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 “Operating Segments”, and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyze performance and allocate resources among business units of the Group.

The General Director has been determined as the Group's Chief Executive Officer. The General Director reviews the Group's internal reporting in accordance with National Accounting Standards (“NAS”), including revenue, net profit for the year and total assets as at reporting date, in order to assess performance and allocate resources. Management has determined a single operating segment being telecommunication services based on these internal reports.

The tables below are based on the financial information prepared in accordance with National Accounting Standards (“NAS”) and incorporates the adjustments to bring the numbers in line with IFRS.

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	Notes	31 December 2022, NAS (unaudited)	Adjustments (unaudited)	31 December 2022, IFRS	31 December 2021, NAS (unaudited)	Adjustments (unaudited)	31 December 2021, IFRS
Non-current assets:							
Property, plant and equipment	1,2,7,10,15	5,982,113,574	1,672,336,465	7,654,450,039	5,874,961,465	1,022,457,464	6,897,418,929
Right-of-use assets	3	-	194,812,780	194,812,780	-	139,755,625	139,755,625
Intangible assets	4	22,566,315	89,982,468	112,548,783	30,853,306	95,751,643	126,604,949
Investments in associates		84,464,213	(47,505,388)	36,958,825	69,169,621	(34,052,631)	35,116,990
Investments in joint ventures		82,476	122,229	204,705	82,476	106,180	188,656
Investments at FVTPL	12	45,787,311	(43,244,532)	2,542,779	53,314,571	(47,201,134)	6,113,437
Cost to obtain a contract – long-term portion	11	-	11,464,256	11,464,256	-	10,441,404	10,441,404
Other long term assets	15	279,708,612	(276,806,185)	2,902,427	245,466,650	(244,926,447)	540,203
Capitalized foreign exchange loss	5	671,384,394	(671,384,394)	-	1,062,323,439	(1,062,323,439)	-
Total non-current assets		7,086,106,895	929,777,699	8,015,884,594	7,336,171,528	(119,991,335)	7,216,180,193
Current assets:							
Cash and cash equivalents		12,450,224	5,051,457	17,501,681	19,594,875	-	19,594,875
Trade and other receivables	4,6	802,210,018	(439,436,569)	362,773,449	502,136,515	(171,033,024)	331,103,491
Inventories	7,14	551,751,736	(285,518,383)	266,233,353	623,285,370	(274,665,637)	348,619,733
Cost to obtain a contract – short-term portion	11	-	22,928,513	22,928,513	-	20,882,809	20,882,809
Income tax prepaid		46,788,893	-	46,788,893	-	-	-
Total current assets		1,413,200,871	(696,974,982)	716,225,889	1,145,016,760	(424,815,852)	720,200,908
TOTAL ASSETS		8,499,307,766	232,802,717	8,732,110,483	8,481,188,288	(544,807,187)	7,936,381,101
EQUITY							
Share capital		336,441,295	(4,884,903)	331,556,392	197,307,871	134,248,521	331,556,392
Additional paid-in capital	10,13	67,762,076	(8,756,730)	59,005,346	60,431,890	(15,927,856)	44,504,034
Property, plant and equipment revaluation reserve under NAS	1	1,215,751,033	(1,215,751,033)	-	1,221,873,649	(1,221,873,649)	-
Retained earnings/(accumulated deficit)		852,920,763	1,153,073,437	2,005,994,200	631,187,637	642,982,829	1,274,170,466
Equity attributable to shareholders		2,472,875,167	(76,319,229)	2,396,555,938	2,110,801,047	(460,570,155)	1,650,230,892
Non-controlling interests		4,549,409	-	4,549,409	4,980,052	-	4,980,052
TOTAL EQUITY		2,477,424,576	(76,319,229)	2,401,105,347	2,115,781,099	(460,570,155)	1,655,210,944
Non-current liabilities:							
Long term borrowings	10	2,706,719,263	(32,370,969)	2,674,348,294	2,903,304,238	(37,973,416)	2,865,330,822
Long term lease liabilities	3	-	177,075,442	177,075,442	-	123,880,786	123,880,786
Capitalized foreign exchange gain	5	101,773,093	(101,773,093)	-	141,728,075	(141,728,075)	-
Deferred tax liability	9	-	183,318,829	183,318,829	-	95,672,444	95,672,444
Other long term liabilities		-	18,041,621	18,041,621	-	16,739,335	16,739,335
Total non-current liabilities		2,808,492,356	244,291,830	3,052,784,186	3,045,032,313	56,591,074	3,101,623,387
Current liabilities:							
Trade account payable		858,730,638	33,524,531	892,255,169	399,466,789	22,000,069	421,466,858
Short term borrowings	10	1,674,482,445	(38,011,791)	1,636,470,654	2,099,447,057	(49,688,348)	2,049,758,709
Advances received from subscribers	8	266,838,850	79,083,322	345,922,172	314,551,495	50,253,009	364,804,504
Income tax liabilities		-	-	-	6,549,796	-	6,549,796
Short term lease liabilities	3	-	52,328,656	52,328,656	-	36,166,723	36,166,723
Other current liabilities	13	413,338,901	(62,094,602)	351,244,299	500,359,739	(199,559,559)	300,800,180
Total current liabilities		3,213,390,834	64,830,116	3,278,220,950	3,320,374,876	(140,828,106)	3,179,546,770
TOTAL LIABILITIES		6,021,883,190	309,121,946	6,331,005,136	6,365,407,189	(84,237,032)	6,281,170,157
TOTAL EQUITY AND LIABILITIES		8,499,307,766	232,802,717	8,732,110,483	8,481,188,288	(544,807,187)	7,936,381,101

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	Notes	2022 NAS (unaudited)	Adjustments (unaudited)	IFRS	2021 NAS (unaudited)	Adjustments (unaudited)	IFRS
Revenue	8	6,523,573,933	(163,650,613)	6,359,923,320	5,426,305,178	(23,795,421)	5,402,509,757
Cost of sales	1,2,3, 4,7,14	(4,222,655,076)	387,715,765	(3,834,939,311)	(3,129,171,383)	166,839,396	(2,962,331,987)
Gross Profit		2,300,918,857	224,065,152	2,524,984,009	2,297,133,795	143,043,975	2,440,177,770
Selling expenses	1,2,11	(435,045,457)	(20,387,178)	(455,432,635)	(377,036,860)	(42,678,472)	(419,715,332)
General and administrative expenses (Accrual)/recovery of impairment losses on non-financial assets, net	1,2	(1,085,141,493)	368,563,201	(716,578,292)	(974,777,557)	395,934,281	(578,843,276)
Expected credit losses	6	-	(8,094,146)	(8,094,146)	-	7,185,594	7,185,594
Other operating income	6	-	(191,180,592)	(191,180,592)	-	(73,572,070)	(73,572,070)
		78,642,407	(22,143,272)	56,499,135	85,184,392	(41,893,047)	43,291,345
Operating profit		859,374,314	350,823,165	1,210,197,479	1,030,503,770	388,020,261	1,418,524,031
Finance income		1,999,229	-	1,999,229	23,838,943	(2,135,188)	21,703,755
Finance costs	3,10	(242,455,128)	(95,111,952)	(337,567,080)	(215,827,234)	(138,633,114)	(354,460,348)
Share of results of associates		-	(11,971,389)	(11,971,389)	-	3,158,746	3,158,746
Share of results of joint ventures		-	20,994	20,994	-	11,911	11,911
Net foreign exchange gain	5	(352,046,862)	355,859,380	3,812,518	(256,742,607)	272,776,309	16,033,702
Fair value gain/(loss) on investments at FVTPL	12	-	4,820,973	4,820,973	-	(12,075,359)	(12,075,359)
Profit before income tax		266,871,553	604,441,171	871,312,724	581,772,872	511,123,566	1,092,896,438
Income tax expense	9	(49,422,648)	(87,646,385)	(137,069,033)	(79,232,402)	(75,128,415)	(154,360,817)
Net profit for the year		217,448,905	516,794,786	734,243,691	502,540,470	435,995,151	938,535,621
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		217,448,905	516,794,786	734,243,691	502,540,470	435,995,151	938,535,621

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Explanation of significant adjustments related to transformation from NAS to IFRS is as follows:

- 1) Per NAS, property, plant and equipment are subject to obligatory revaluation at 1 January each year;
- 2) Fair valuation of property, plant and equipment was performed during transition to IFRS as at 1 January 2018. The valuation was then used as a deemed cost as a reasonable starting point for a cost-based measurement. This resulted in the change of carrying amount of property, plant and equipment for IFRS purposes, and affected the corresponding depreciation expense;
- 3) NAS does not include a specific standard covering the recognition of right-of-use assets and related lease liabilities;
- 4) Billing system license purchase was recognized as prepayment in accordance with NAS. However, this license is recognized as intangible asset in accordance with IFRS;
- 5) Before 1 January 2019, NAS permitted the application of the accumulation method to account for unrealized foreign exchange gains and losses. From 1 January 2019, the accumulation method is no longer permitted by NAS, and previously accumulated foreign exchange gains and losses are recognized in profit or loss when the corresponding assets or liabilities are realized. Such approach is not in accordance with IFRS, thus the adjustment was made to reverse the accumulated foreign exchange gains and losses;
- 6) Assets are not assessed for impairment under NAS, thus the adjustment was made in accordance with IFRS to recognize the allowance for expected credit losses and the impairment provisions for advances paid for inventories and services and non-current advances paid;
- 7) Under NAS, certain items that management has intentions to ultimately use as part of property, plant and equipment such as telecommunication cables and spare parts of telecommunication equipment are accounted as inventory. Thus, these assets were reclassified to property, plant and equipment in accordance with IFRS;
- 8) Under NAS, the Group recognized revenue from the subscription fee for mobile network and fixed line internet services in full amount when the prepayments are received from subscribers. Under IFRS, revenue is recognized during the period of time when the services were provided;
- 9) No deferred income tax is recognized under NAS;
- 10) Under NAS, the Group recognized borrowings in the amount of actual cash received or acquisition cost of property, plant and equipment. Under IFRS, the borrowings are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method;
- 11) Unlike NAS, IFRS requires the sales commissions granted to dealers for obtaining a specific contract to be capitalized and deferred over the period over which the Group expects to provide services to the customer;
- 12) Under NAS, the Group recognizes investments under cost method. Under IFRS, investments are measured at fair value through profit or loss;
- 13) Under NAS, the cash received from other telecommunication operators in the Republic of Uzbekistan for the purchase of telecommunication equipment is recognized in equity. Under IFRS, cash received from operators is recognized as other current liabilities;
- 14) Under NAS, the Group carries its inventory at cost and not at the lower of cost or net realizable value (NRV) and as such has no practice of writing them down to NRV, including for slow-moving and obsolete inventory;
- 15) Under NAS, the Group recognizes advances paid for purchase of property, plant and equipment separately as other long term assets. However, for IFRS purposes, such advances paid were accounted for as part of property, plant and equipment.

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6 PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings, constructions and cable lines	Tele- communication equipment	Furniture and office equipment	Transport vehicles	Other	Assets under construction, equipment awaiting installation and non-current advances paid	Total
at 1 January 2021	-	1,302,576,980	3,266,866,756	104,796,783	80,403,789	84,084,804	1,751,161,122	6,589,890,234
Additions	50,179,541	163,955,761	254,751,819	9,330,579	2,410,960	834,521	1,326,049,944	1,807,513,125
Disposals	-	(47,684,128)	(131,489,683)	(7,508,081)	(5,055,681)	(9,163,775)	(3,338,745)	(204,240,093)
Transfers	-	679,046,601	888,378,112	11,776,816	14,122,778	17,545,994	(1,610,870,301)	-
At 31 December 2021	50,179,541	2,097,895,214	4,278,507,004	118,396,097	91,881,846	93,301,544	1,463,002,020	8,193,163,266
Additions	-	40,290,608	86,190,659	12,436,686	2,182,988	6,607,958	1,381,485,470	1,529,194,369
Disposals	-	(34,264,937)	(33,614,039)	(2,635,122)	(956,999)	(695,135)	(11,375,638)	(83,541,870)
Transfers	-	376,903,794	664,382,007	11,935,080	8,361,441	14,334,187	(1,075,916,509)	-
At 31 December 2022	50,179,541	2,480,824,679	4,995,465,631	140,132,741	101,469,276	113,548,554	1,757,195,343	9,638,815,765
Accumulated depreciation and impairment								
At 1 January 2021	-	(233,579,645)	(545,622,931)	(46,563,707)	(32,394,293)	(20,305,655)	(6,483,918)	(884,950,149)
Charge for the year	-	(106,576,032)	(430,195,695)	(19,359,641)	(11,203,818)	(7,310,238)	-	(574,645,424)
Accrual of provision for non-current advances paid	-	-	-	-	-	-	(2,227,421)	(2,227,421)
Recovery of provision for non-current advances paid	-	-	-	-	-	-	4,938,858	4,938,858
Disposals	-	27,408,197	120,364,515	7,459,442	2,939,027	2,968,618	-	161,139,799
At 31 December 2021	-	(312,747,480)	(855,454,111)	(58,463,906)	(40,659,084)	(24,647,275)	(3,772,481)	(1,295,744,337)
Charge for the year	-	(140,891,949)	(536,668,991)	(18,259,659)	(10,253,417)	(8,723,277)	-	(714,797,293)
Accrual of provision for non- current advances paid	-	-	-	-	-	-	(7,683,079)	(7,683,079)
Recovery of provision for non-current advances paid	-	-	-	-	-	-	262,240	262,240
Disposals	-	3,288,311	26,922,839	1,873,288	955,788	556,517	-	33,596,743
At 31 December 2022	-	(450,351,118)	(1,365,200,263)	(74,850,277)	(49,956,713)	(32,814,035)	(11,193,320)	(1,984,365,726)
Book value:								
At 31 December 2022	50,179,541	2,030,473,561	3,630,265,368	65,282,464	51,512,563	80,734,519	1,746,002,023	7,654,450,039
At 31 December 2021	50,179,541	1,785,147,734	3,423,052,893	59,932,191	51,222,762	68,654,269	1,459,229,539	6,897,418,929

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Assets under construction and equipment awaiting installation mainly include telecommunication equipment awaiting installation in the next year after the reporting period.

In 2022, the Group installed the telecommunication equipment purchased from Iskratel d.o.o. Kranj and Huawei International Pte. LTD in the previous year. Also in 2022, the Group installed additional fiber optic communication lines and base stations in order to improve the capacity and quality of communication network. The Company has received building as an in-kind contribution (Note 12).

During the year, the Company has made purchases of property, plant and equipment on credit in the amount of UZS 206,434,426 thousand (2021: UZS 632,368,400 thousand) (Note 13).

Additions to the equipment awaiting installation include the telecommunication equipment from Huawei International Pte. LTD, Iskratel d.o.o. Kranj, Huawei Technologies Co. Ltd and ZTE Corporation that were acquired in order to improve the broadband telecommunications network and the mobile network.

As at 31 December 2022, the carrying amount of property, plant and equipment that are pledged as collateral for bank loans was UZS 180,672,074 thousand (31 December 2021: UZS 113,650,731 thousand) (Note 13).

As at 31 December 2022, property, plant and equipment that had been fully amortized, but were still in use had an initial cost of UZS 237,775,106 thousand (31 December 2021: UZS 150,382,726 thousand).

The valuation of the Group's property, plant and equipment was performed by an independent appraiser as at 1 January 2018. The fair value was used as deemed cost as a reasonable starting point for a cost-based measurement. The deemed cost is then used as a basis for subsequent depreciation and impairment tests.

The following table shows non-current advances paid that is included in property, plant and equipment:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Non-current advances paid	58,139,304	59,521,868
Less: provision for non-current advances paid	<u>(11,193,320)</u>	<u>(3,772,481)</u>
	<u>46,945,984</u>	<u>55,749,387</u>

Non-current advances paid are measured at cost less the provision for impairment. The following table shows the movement of provision that has been recognized for non-current advances paid:

	<u>2022</u>	<u>2021</u>
As at 1 January	3,772,481	6,483,918
Accrual of provision for non-current advances paid	7,683,079	2,227,421
Recovery of provision for non-current advances paid	<u>(262,240)</u>	<u>(4,938,858)</u>
As at 31 December	<u>11,193,320</u>	<u>3,772,481</u>

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7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's lease agreements are mainly related to lease of sites for base stations (on the ground, towers, rooftops and inside buildings), and other premises, which mainly include offices for customer services and warehouses.

	Sites and base stations	Other premises	Total
Cost			
As at 1 January 2021	130,256,283	9,406,891	139,663,174
Additions and modifications	42,394,257	8,439,467	50,833,724
As at 31 December 2021	172,650,540	17,846,358	190,496,898
Additions and modifications	73,658,648	7,368,654	81,027,302
As at 31 December 2022	246,309,188	25,215,012	271,524,200
Accumulated depreciation			
As at 1 January 2021	(26,351,491)	(5,297,114)	(31,648,605)
Charges per year	(16,683,485)	(2,409,183)	(19,092,668)
As at 31 December 2021	(43,034,976)	(7,706,297)	(50,741,273)
Charges per year	(22,550,653)	(3,419,494)	(25,970,147)
As at 31 December 2022	(65,585,629)	(11,125,791)	(76,711,420)
Book value			
As at 31 December 2022	180,723,559	14,089,221	194,812,780
As at 31 December 2021	129,615,564	10,140,061	139,755,625

Interest expense on lease liabilities for the year ended 31 December 2022 amounted to UZS 38,426,498 thousand (2021: UZS 27,165,571 thousand). These expenses are included in finance costs in the consolidated statement of profit and loss and other comprehensive income.

The table below shows the future lease payments together with the present value of the net lease payments as at the end of the year:

	31 December 2022	31 December 2021
Lease payments		
Less than one year	52,328,656	36,166,723
From one year to five years	236,237,809	167,856,777
More than five years	134,308,323	71,239,816
Total lease payments	422,874,788	275,263,316
Less the effect of discounting	(193,470,690)	(115,215,807)
Present value of the net lease payments	229,404,098	160,047,509
Less short term part	(52,328,656)	(36,166,723)
Long term lease liabilities	177,075,442	123,880,786

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	Reconciliation of liabilities arising from financing activities					
	31 December 2021	Financing cash flows	Cash flows	Non-cash changes		31 December 2022
			Interest repaid	Accrual of lease liabilities	Interest accrued	
Lease Liabilities	160,047,509	(11,670,713)	(38,426,498)	81,027,302	38,426,498	229,404,098

	Reconciliation of liabilities arising from financing activities					
	31 December 2020	Financing cash flows	Cash flows	Non-cash changes		31 December 2021
			Interest repaid	Accrual of lease liabilities	Interest accrued	
Lease Liabilities	120,908,758	(11,694,973)	(27,165,571)	50,833,724	27,165,571	160,047,509

8 INTANGIBLE ASSETS

	Licenses and software
Initial cost	
1 January 2021	216,515,886
Additions	92,088,492
Disposals	(85,437,621)
31 December 2021	223,166,757
Additions	91,854,815
Disposals	(80,307,470)
31 December 2022	234,714,102
Accumulated amortization	
1 January 2021	(60,677,198)
Charge for the year	(111,337,523)
Disposals	75,452,913
31 December 2021	(96,561,808)
Charge for the year	(105,910,981)
Disposals	80,307,470
31 December 2022	(122,165,319)
Book value	
As at 31 December 2022	112,548,783
As at 31 December 2021	126,604,949

Additions in 2022 include mobile operation license and frequency fee payments in the amount of UZS 42,000,000 thousand and UZS 42,507,470 thousand, respectively (2021: UZS 37,800,000 thousand and UZS 37,652,915 thousand). Previous year payments in relation to mobile operation license and frequency fee were disposed in the current year because their useful lives are one year. Also, additions in 2022 in the amount of UZS 7,262,434 thousand include licenses and software that improve the capacity and operation of the billing system and telecommunication equipment.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Current bank accounts	17,293,719	15,887,209
Demand deposits	-	2,076,563
Cash in transit	193,016	136,899
Cash on hand	14,946	1,494,204
	17,501,681	19,594,875

The currency profile of cash and cash equivalents was as follows:

	31 December 2022	31 December 2021
UZS	12,295,938	12,998,154
USD	5,051,457	6,596,721
Others	154,286	-
	17,501,681	19,594,875

10 TRADE AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Financial assets		
Trade receivables	537,849,997	346,914,364
Less: allowance for expected credit losses	(293,427,026)	(102,246,434)
	244,422,971	244,667,930
Non-financial assets		
Advances paid for inventories and services	126,064,187	91,398,767
Other receivables	2,006,200	4,083,396
Less: provision for advances paid for inventories and services	(9,719,909)	(9,046,602)
	118,350,478	86,435,561
Total trade and other receivables	362,773,449	331,103,491

The average credit period provided by the Group is 90 days from the date of invoice issuance.

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The Group assessed ECL individually for each counterparty.

As at 31 December 2022	Not past due	Past due less than 90 days	Past due over 90 days	Total
Expected credit loss rate (outliers)	89.91%	90.10%	92.94%	
Expected credit loss rate	8.54%	6.82%	80.99%	
Total gross carrying amount at default (outliers)	53,417,565	52,701,168	165,816,639	271,935,372
Total gross carrying amount at default	211,095,544	25,105,999	29,713,082	265,914,625
Lifetime ECL (outliers)	(48,028,867)	(47,484,053)	(154,102,356)	(249,615,276)
Lifetime ECL	(18,034,986)	(1,713,016)	(24,063,748)	(43,811,750)
				244,422,971

As at 31 December 2021	Not past due	Past due less than 90 days	Past due over 90 days	Total
Expected credit loss rate (outliers)	55.61%	60.93%	80.38%	
Expected credit loss rate	5.11%	62.76%	77.32%	
Total gross carrying amount at default (outliers)	38,391,075	41,646,674	43,106,218	123,143,967
Total gross carrying amount at default	210,490,248	1,124,526	12,155,623	223,770,397
Lifetime ECL (outliers)	(21,349,885)	(25,377,337)	(34,649,398)	(81,376,620)
Lifetime ECL	(10,765,072)	(705,702)	(9,399,040)	(20,869,814)
				244,667,930

As at 31 December 2022, the Group's allowance for expected credit losses increased significantly due to charge of UZS 187,402,089 thousand of allowance on only four counterparties with gross carrying amount of UZS 271,935,372 thousand.

The following table shows the movement in lifetime ECL that has been recognized for financial trade receivables in accordance with the simplified approach set out in IFRS 9:

	2022	2021
As at 1 January	102,246,434	28,674,364
Accrual of allowance for expected credit losses (Note 22)	219,333,233	82,111,917
Recovery of allowance for expected credit losses (Note 22)	(28,152,641)	(8,539,847)
As at 31 December	293,427,026	102,246,434

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The following table shows the movement of provision that has been recognized for advances paid for inventories and services:

	<u>2022</u>	<u>2021</u>
As at 1 January	9,046,602	13,520,758
Accrual of provision for advances paid for inventories and services (Note 22)	7,031,587	4,775,206
Recovery of provision for advances paid for inventories and services (Note 22)	(6,358,280)	(9,249,362)
As at 31 December	<u>9,719,909</u>	<u>9,046,602</u>

Currency profile of trade receivables less allowance for ECL was as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
USD	140,830,494	140,688,321
UZS	99,039,386	102,353,941
Other	4,553,091	1,625,668
	<u>244,422,971</u>	<u>244,667,930</u>

11 INVENTORIES

	<u>31 December 2022</u>	<u>31 December 2021</u>
Repair and other materials	106,089,934	178,711,307
Consumables	28,214,495	34,801,371
Equipment for sale	145,076,446	114,455,297
Construction of apartments for employees	3,371,286	27,115,814
Spare parts	14,796,311	8,871,660
Other inventories	5,500,844	6,145,319
	<u>303,049,316</u>	<u>370,100,768</u>
Provision for obsolete inventories	(36,815,963)	(21,481,035)
	<u>266,233,353</u>	<u>348,619,733</u>

For the years ended 31 December 2022 and 2021, movement in the provision for slow-moving and obsolete inventories was as follows:

	<u>2022</u>	<u>2021</u>
As at 1 January	21,481,035	28,866,454
Accrual (Note 18)	15,334,928	-
Recovered (Note 18)	-	(7,385,419)
At 31 December	<u>36,815,963</u>	<u>21,481,035</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

12 EQUITY

	Number of outstanding ordinary shares (in thousand shares)	Number of outstanding preference shares (in thousand shares)	Ordinary shares	Preference shares	Total
1 January 2021	178,554	9,864	206,051,698	11,383,617	217,435,315
Issuance of shares	120,536	-	139,098,544	-	139,098,544
Redemption of shares	(21,644)	-	(24,977,467)	-	(24,977,467)
31 December 2021	277,446	9,864	320,172,775	11,383,617	331,556,392
31 December 2022	277,446	9,864	320,172,775	11,383,617	331,556,392

Share capital

The total number of authorized ordinary shares as at 31 December 2022 is 277,446 thousand shares (31 December 2021: 277,446 thousand shares), with a par value of UZS 1,154 per share (31 December 2021: UZS 1,154 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The total number of authorized preference shares as at 31 December 2022 is 9,864 thousand shares (31 December 2021: 9,864 thousand shares), with a par value of UZS 1,154 per share (31 December 2021: UZS 1,154 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Minimum annual dividends on preference shares are fixed at 25% of the nominal value and rank above ordinary dividends. The dividends declared on preference shares cannot be less than those declared for ordinary shares.

In 2021, according to the decision of the shareholders, the Group had netting off of receivables from Unified integrator for the creation and support of state information systems with its share capital. This resulted in reduction of ordinary shares by 21,644 thousand for total amount of UZS 24,977,467 thousand.

In June 2021, the majority shareholder made a decision to increase the share capital through additional issue of shares, which is 120,536 thousand ordinary shares, with nominal value of UZS 1,154 for a total amount of UZS 139,098,544 thousand. The increase of share capital has been due to reinvestment of the additional paid in capital in the amount of UZS 120,149,935 thousand and properties received as in-kind contribution in the amount of UZS 18,948,609 thousand.

Additional paid-in capital

During 2022 and 2021, according to the decision of State Asset Management Agency, the Company has received land and building in the amount UZS 14,501,312 thousand and UZS 146,685,018 thousand, respectively at fair value as an in-kind contribution to its Equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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Retained earnings

As at 31 December 2022, the Group's retained earnings included the general reserve funds and preventive measure reserve in the amount of UZS 601,537,932 thousand (31 December 2021: UZS 105,389,243 thousand) and UZS 52,547,222 thousand (31 December 2021: UZS 27,597,493 thousand) respectively.

Dividends declared and paid during the years ended were as follows:

	<u>2022</u>	<u>2021</u>
Dividends payable as at 1 January	-	-
Dividends declared during the year	2,845,904	46,933,144
Dividends paid during the year	<u>(2,845,904)</u>	<u>(46,933,144)</u>
Dividends payable as at 31 December	<u>-</u>	<u>-</u>

In accordance with Presidential Decree # 357 dated 22 August 2022 "On measures to accelerate the sphere of information and communication technologies to a new level in 2022-2023" the Group has a right not to accrue dividends for the ordinary shares during the period of 2021-2025 and the accumulated funds shall be used to finance projects in the field of information and communication technologies.

Earnings per share

Earnings per share is calculated as the profit for the year attributable to equity holders divided by the weighted average number of ordinary shares issued and outstanding during the year, as shown below:

	<u>2022</u>	<u>2021</u>
Calculation of basic and diluted earnings per share		
Net profit for the year attributable to owners of the Company	734,669,638	938,232,559
Weighted average number of ordinary shares	<u>277,446,000</u>	<u>159,560,000</u>
Basic and diluted earnings per share, in UZS	<u><u>2,647.97</u></u>	<u><u>5,880.12</u></u>

As at the end of the year, there are no dilutive financial instruments or other financial instruments that may require the Group to issue ordinary shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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13 BORROWINGS

	<u>31 December 2022</u>	<u>31 December 2021</u>
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	919,634,852	1,205,407,234
Credit Suisse AG, London branch	876,895,905	-
Aloqabank JSCB	740,302,348	757,168,134
ZTE Corporation	469,372,250	795,077,380
Japan Bank for International Cooperation (JBIC)	281,752,004	361,210,215
Huawei International Co. Ltd	248,946,477	473,612,839
China Development Bank Corporation	175,444,824	337,034,783
KDB Bank Uzbekistan	162,607,962	-
Iskratel d.o.o.	130,983,166	-
Overseas Economic Cooperation Fund (OECF), Japan	126,818,156	201,982,873
Huawei Technologies Co. Ltd	83,596,899	587,588,049
Chirkom LLC	74,843,266	83,728,951
Other	19,620,839	112,279,073
	<u>4,310,818,948</u>	<u>4,915,089,531</u>
<i>Including</i>		
Long term borrowings – principal amount	2,694,374,411	2,904,244,427
Short term borrowings – principal amount	1,610,495,148	2,033,211,151
Borrowings discount – long term part	(20,026,117)	(38,913,605)
Borrowings discount – short term part	(39,370,634)	(48,748,159)
Borrowings - accrued interest	65,346,140	65,295,717

The following table shows the details of the largest borrowing agreements of the Group as at the end of the year. The line “others” below consists of less significant agreements:

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Bank name	Date of issue	Maturity date	Nominal Interest rate	Currency	Outstanding balance as at 31 December 2022	Outstanding balance as at 31 December 2021
Credit Suisse AG, London branch	10/26/2022	10/26/2027	Euribor 6m+ 5.2%	EUR	876,895,905	-
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	3/27/2019	3/27/2031	CIRR + 1.52%	JPY	530,999,253	662,584,042
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	12/20/2019	12/20/2024	Libor 6m + 4.2%	USD	289,207,992	387,704,501
ZTE Corporation	11/6/2015	11/30/2023	3.9%	USD	268,924,249	369,576,930
Huawei International Co. Ltd	5/1/2021	3/25/2024	0%	USD	248,946,477	473,612,839
Aloqa Bank JSCB	5/28/2021	5/18/2023	Libor 6m + 4.5%	USD	202,669,082	188,707,754
Aloqa Bank JSCB	12/21/2021	12/25/2026	20.00%	UZS	200,767,123	150,000,000
Aloqa Bank JSCB	7/11/2018	7/11/2025	11.5%	UZS	189,856,326	200,199,029
Japan Bank for International Cooperation (JBIC)	6/3/2013	12/20/2029	2.2%	JPY	183,202,684	234,870,283
China Development Bank Corporation	8/19/2014	12/31/2023	Libor 6m + 3.9%	USD	175,444,824	337,034,783
KDB Bank Uzbekistan	10/12/2022	10/5/2027	SOFR 3m +5%	USD	162,607,962	-
Iskratel d.o.o.	5/1/2021	5/31/2024	0.0%	USD	130,983,166	-
ZTE Corporation	12/15/2021	7/22/2024	0%	USD	119,313,905	129,447,650
Aloqa Bank JSCB	6/20/2017	6/19/2025	12.5%	UZS	94,060,890	105,000,856
Huawei Technologies Co. Ltd	11/25/2015	11/25/2023	3.9%	USD	80,820,603	359,271,834
Chirkom LLC	8/27/1996	11/30/2032	6%	EUR	71,720,676	79,315,210
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	7/9/2010	1/21/2030	2.5%	USD	59,953,438	66,567,779
ZTE Corporation	8/28/2019	3/19/2023	0%	USD	54,100,625	123,395,115
Aloqa Bank JSCB	10/18/2021	10/12/2023	15.00%	UZS	41,786,530	91,666,667
Overseas Economic Cooperation Fund (OECF), Japan	12/31/2009	6/20/2025	3%	JPY	40,651,171	67,381,589
Overseas Economic Cooperation Fund (OECF), Japan	9/30/2010	6/20/2025	3.00%	JPY	33,786,241	43,314,780
ZTE Corporation	8/28/2019	3/19/2023	0%	USD	27,030,828	94,364,108
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	3/27/2019	3/27/2024	Libor 6m + 4.45%	JPY	25,524,839	57,256,482
Huawei Technologies Co. Ltd	8/29/2019	8/25/2022	0.0%	USD	-	210,033,851
ZTE Corporation	8/28/2019	4/1/2023	0.0%	USD	-	78,291,026
Others					201,564,159	405,492,423
					4,310,818,948	4,915,089,531

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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Analysis of borrowings by currency:

	UZS	USD	JPY	Other	Total
31 December 2022					
Long term borrowings – principal amount	506,621,823	455,884,832	782,097,433	949,770,323	2,694,374,411
Short term borrowings – principal amount	57,428,289	1,350,142,533	196,943,401	5,980,925	1,610,495,148
Borrowings discount	(8,786,805)	(34,111,330)	(2,253,929)	(14,244,687)	(59,396,751)
Borrowings – accrued interest	2,015,433	50,841,420	2,256,678	10,232,609	65,346,140
	557,278,740	1,822,757,455	979,043,583	951,739,170	4,310,818,948
31 December 2021					
Long term borrowings – principal amount	477,625,650	1,257,168,138	1,096,381,208	73,069,431	2,904,244,427
Short term borrowings – principal amount	217,762,229	1,588,411,043	220,925,439	6,112,440	2,033,211,151
Borrowings discount	(15,956,648)	(69,100,885)	(2,604,231)	-	(87,661,764)
Borrowings – accrued interest	1,416,513	56,014,150	3,317,975	4,547,079	65,295,717
	680,847,744	2,832,492,446	1,318,020,391	83,728,950	4,915,089,531

As at 31 December 2022, property, plant and equipment with the carrying value of UZS 180,672,074 thousand have been pledged as collateral for the borrowings from Aloqabank JSCB, the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC and KDB Bank Uzbekistan JSC (31 December 2021: UZS 113,650,731 thousand) (Note 6).

As part of its normal financing arrangement, the Group enters into various loan agreements, only two of which contain covenant clauses covering performance indicators of the Group. As at 31 December 2022 and 2021, the Group complied with all of the required covenants.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Reconciliation of liabilities arising from financing activities						
	Cash flows			Non-cash changes			
	31 December 2021	Financing cash flows	Interest paid	Foreign exchange gain, net	Interest expense on borrowings and unwinding discount	Other changes (i)	31 December 2022
Borrowings	4,915,089,531	(829,981,593)	(227,184,982)	(19,690,124)	299,140,582	173,445,534	4,310,818,948

(i) Other changes represent the following:

- Property, plant and equipment purchased on credit in the amount of UZS 173,445,534 thousand.

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	Reconciliation of liabilities arising from financing activities						
	Cash flows			Non-cash changes			
	31 December 2020	Financing cash flows	Interest repaid	Foreign exchange gain, net	Interest expense on borrowings and unwinding discount	Other changes (i)	31 December 2021
Borrowings	5,037,804,995	(827,040,480)	(166,003,681)	(16,235,975)	327,294,777	559,269,895	4,915,089,531

(ii) Other changes represent the following:

- Property, plant and equipment purchased on credit in the amount of UZS 632,368,400 thousand and recognition of discount related to the loan received for the acquisition of this property, plant and equipment in the amount of UZS 71,995,590 thousand;
- Income from write-off of borrowings in the amount of UZS 1,102,915 thousand (Note 21).

14 TRADE ACCOUNTS PAYABLE

	31 December 2022	31 December 2021
Payables for SORM	56,484,280	47,053,863
Trade payables for services	395,049,389	241,560,438
Trade payables for goods	403,052,325	122,734,950
Payables for the billing system	37,669,175	10,117,607
	892,255,169	421,466,858

As at 31 December 2022, trade payables for goods and services comprise payables on amount of UZS 298,317,791 thousand and UZS 42,164,690 thousand for two counterparties for purchase of telecommunication equipment and provision of technical service, respectively, in accordance with contract terms and conditions.

The usual credit terms provided to the Group is 30 to 60 days from the date of invoice issuance.

As at the end of the year, trade accounts payable were denominated in the following currencies:

	31 December 2022	31 December 2021
UZS	243,840,122	169,720,175
USD	647,178,593	251,687,661
Other	1,236,454	59,022
	892,255,169	421,466,858

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15 ADVANCES RECEIVED FROM SUBSCRIBERS

The movement in advances received from subscribers is as follows:

	<u>2022</u>	<u>2021</u>
As at 1 January	364,804,504	251,907,676
Payments received from subscribers	4,568,095,020	3,963,756,137
Revenue	<u>(4,586,977,352)</u>	<u>(3,850,859,309)</u>
As at 31 December	<u>345,922,172</u>	<u>364,804,504</u>

Revenue in the amount of UZS 364,804,504 thousand was recognized during the year that was included in the advances received from subscribers balance at the beginning of the year. The balance of advances received from subscribers as at 31 December 2022 is expected to be realized during the year ended 31 December 2023.

16 OTHER CURRENT LIABILITIES

	<u>31 December 2022</u>	<u>31 December 2021</u>
Other current financial liabilities:		
Payments for SORM received from operators	59,111,753	51,625,681
Payables to employees	10,634,274	15,600,099
Payables to dealers	1,419,284	6,052,707
Payables for bank services	3,063,060	2,462,124
Payables for labor union	1,383,474	1,687,654
Other payables	<u>24,358,258</u>	<u>25,068,181</u>
	<u>99,970,103</u>	<u>102,496,446</u>
Other current non-financial liabilities:		
Taxes payable	101,271,047	73,865,785
Advances received for construction of apartments	34,845,056	52,149,138
Unused vacation reserve	44,595,562	32,891,603
Advances received for construction works	26,612,064	7,650,500
Retirement benefit obligations	2,792,562	2,435,733
Other advances received	<u>41,157,905</u>	<u>29,310,975</u>
	<u>251,274,196</u>	<u>198,303,734</u>
	<u>351,244,299</u>	<u>300,800,180</u>

As at 31 December 2022 and 2021 other current financial liabilities were denominated in UZS.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

17 REVENUE

	<u>2022</u>	<u>2021</u>
Mobile network services	2,220,350,824	2,058,621,003
Fixed line internet services	1,876,457,956	1,367,558,507
Interconnect	1,464,016,186	1,306,183,568
Usage of channels	408,785,779	392,925,911
Sale of equipment and accessories	139,883,757	47,141,301
Fixed line telephony services	88,105,856	104,274,153
Telecommunication maintenance services	19,351,441	64,058,759
Internet protocol television services	4,643,524	5,128,662
Others	138,327,997	56,617,893
	<u>6,359,923,320</u>	<u>5,402,509,757</u>
At a point in time	139,883,757	47,141,301
Over time	6,220,039,563	5,355,368,456
Total revenues	<u>6,359,923,320</u>	<u>5,402,509,757</u>

The revenue from mobile network and fixed line internet services are processed through the billing system and amounted to UZS 4,096,808,780 thousand for the year ended 31 December 2022. Revenue from mobile network services includes voice, data, sms and value added services.

18 COST OF SALES

	<u>2022</u>	<u>2021</u>
Interconnect	1,351,031,960	1,046,844,373
Depreciation and amortization	826,745,225	696,716,885
Payroll expenses and social security contributions	849,638,210	589,197,523
Inventories	235,696,416	171,582,563
Technical support (SORM)	161,147,473	189,294,846
Installment of cables and maintenance fee	98,742,067	91,253,648
Utilities	84,611,994	77,090,329
Usage of channels	11,374,095	17,837,694
Accrual/(recovery) of provision for slow-moving and obsolete inventory (Note 11)	15,334,928	(7,385,419)
Other	200,616,943	89,899,545
	<u>3,834,939,311</u>	<u>2,962,331,987</u>

19 SELLING EXPENSES

Selling expenses comprise the following:

	<u>2022</u>	<u>2021</u>
Payroll expenses and social security contributions	171,679,402	124,689,265
Payment systems commission	149,208,173	131,325,442
Amortization of cost to obtain contract	98,559,995	127,907,296
Advertising expenses	25,892,544	30,188,739
Depreciation and amortization	1,146,199	1,074,636
Other selling expenses	8,946,322	4,529,954
	<u>455,432,635</u>	<u>419,715,332</u>

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED) (in thousands of Uzbekistan Soums)

The Group pays commission fees to dealers for the sale of SIM cards. The commission fees are the only cost that the Group would not have incurred if the contract had not been obtained. Whilst the Group incurs other costs that are necessary to facilitate a sale, those costs would have been incurred even if the customer decided not to execute the contract and therefore have not been capitalized.

These costs are amortized on a straight-line basis over the period of expected contract term (in general, 1.5 years) as this reflects the average period over which the Group provides services to its subscribers. In 2022, amortization amounting to UZS 98,559,995 thousand (2021: UZS 127,907,296 thousand) was recognized as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income. There was no impairment loss in relation to the costs capitalized.

20 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2022</u>	<u>2021</u>
Payroll expenses and social security contributions	299,340,828	228,666,912
Taxes and other payments	259,892,185	191,516,790
Charity contributions	46,854,927	18,997,740
Depreciation and amortization	18,786,997	7,284,094
Materials	17,192,197	36,524,041
Donated property, plant and equipment	15,878,993	5,698,363
Audit and consulting services	10,060,409	6,199,363
Bank services	6,010,312	5,332,856
Retirement benefit obligations	1,659,115	6,778,540
Accrual of provision for unused vacation and related taxes	2,187,868	13,665,635
Other administrative expenses	38,714,461	58,178,942
	<u>716,578,292</u>	<u>578,843,276</u>

21 OTHER OPERATING INCOME

Other operating income comprises the following:

	<u>2022</u>	<u>2021</u>
Income from rent	25,052,550	22,808,060
Income from disposal of property, plant and equipment	6,953,363	4,049,544
Income from collected fines and penalties	4,595,953	3,797,524
Equipment received free of charge	2,091,555	3,571,889
Income from write off of borrowings and payables	694,498	1,102,915
Other operating income	17,111,216	7,961,413
	<u>56,499,135</u>	<u>43,291,345</u>

JOINT STOCK COMPANY UZBEKTELECOM**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)***(in thousands of Uzbekistan Soums)***22 IMPAIRMENT AND EXPECTED CREDIT LOSSES**

Impairment comprises the following:

	<u>2022</u>	<u>2021</u>
Accrual of provision for advances paid for inventories and services (Note 10)	7,031,587	4,775,206
Accrual of provision for non-current advances paid (Note 6)	7,683,079	2,227,421
Recovery of provision for advances paid for inventories and services (Note 10)	(6,358,280)	(9,249,362)
Recovery of provision for non-current advances paid (Note 6)	(262,240)	(4,938,858)
	<u>8,094,146</u>	<u>(7,185,594)</u>

Expected credit losses comprise the following:

	<u>2022</u>	<u>2021</u>
Accrual of allowance for expected credit losses (Note 10)	219,333,233	82,111,917
Recovery of allowance for expected credit losses (Note 10)	(28,152,641)	(8,539,847)
	<u>191,180,592</u>	<u>73,572,070</u>

23 FINANCE COSTS

	<u>2022</u>	<u>2021</u>
Interest expense on borrowings (Note 13)	231,905,633	220,453,398
Unwinding discount (Note 13)	67,234,949	106,841,379
Interest expense on lease liabilities (Note 7)	38,426,498	27,165,571
	<u>337,567,080</u>	<u>354,460,348</u>

24 NET FOREIGN EXCHANGE GAIN/(LOSS)

	<u>2022</u>	<u>2021</u>
Borrowings (Note 13)	19,690,124	16,235,975
Other	(15,877,606)	(202,273)
	<u>3,812,518</u>	<u>16,033,702</u>

25 INCOME TAX

The Group performs its tax calculation on the basis of tax regulations in accordance with the legislation of the Republic of Uzbekistan, which can differ from IFRS.

Management believes that the Group is in compliance with the tax laws applicable to its operations; however, there is a risk that relevant authorities could take differing positions interpreting those laws.

The Group's permanent tax differences arise mainly due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

As at 31 December 2022 and 31 December 2021, temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

(a) Components of income tax expense

Income tax expense comprises of the following:

	<u>2022</u>	<u>2021</u>
Current income tax	49,422,648	79,232,402
Change in deferred income tax	87,646,385	75,128,415
Income tax expense	<u>137,069,033</u>	<u>154,360,817</u>

(b) Reconciliation between tax expense and profit or loss multiplied by applicable tax rate

The tax rate used for the income tax computations is corporate income tax rate of 15% (2021: 15%) payable by legal entities in the Republic of Uzbekistan on taxable profits (as defined) under tax law in that jurisdiction. For the purposes of deferred taxes calculation for the years ended 31 December 2022 and 31 December 2021, the rate of 15% was used.

Reconciliation between the expected and the actual taxation charge is provided below.

	<u>2022</u>	<u>2021</u>
Profit before income tax	871,312,724	1,092,896,438
Theoretical tax charge at the statutory rate of 15%	130,696,909	163,934,466
Effect of expenses that are not deductible in determining taxable profit	20,520,128	16,180,295
Effect of income that is not taxable in determining taxable profit	<u>(14,148,004)</u>	<u>(25,753,944)</u>
Income tax expense	<u>137,069,033</u>	<u>154,360,817</u>

(c) Deferred taxes analyzed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 15% (31 December 2021: 15%).

JOINT STOCK COMPANY UZBEKTELECOM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

(in thousands of Uzbekistan Soums)

	<u>31 December 2022</u>	<u>Change recognized in consolidated statement of profit or loss</u>	<u>31 December 2021</u>
Tax effect of deductible/(taxable) temporary differences:			
Inventories	3,791,330	14,901,802	(11,110,472)
Capitalized foreign exchange loss	85,441,695	(52,509,153)	137,950,848
Trade accounts payable	5,525,460	537,656	4,987,804
Right-of-use assets and lease liabilities	5,188,698	2,144,916	3,043,782
Intangible assets	11,198,531	2,584,742	8,613,789
Others	41,565,583	9,028,824	32,536,759
Property, plant and equipment	(345,514,869)	(95,368,466)	(250,146,403)
Borrowings	(7,961,535)	4,239,751	(12,201,286)
Cost to obtain contract	(5,158,915)	(460,283)	(4,698,632)
Trade and other receivables	22,605,193	27,253,826	(4,648,633)
Deferred income tax liabilities, net	<u>(183,318,829)</u>	<u>(87,646,385)</u>	<u>(95,672,444)</u>

	<u>31 December 2021</u>	<u>Change recognized in consolidated statement of profit or loss</u>	<u>31 December 2020</u>
Tax effect of deductible/(taxable) temporary differences:			
Inventories	(11,110,472)	(27,484,678)	16,374,206
Capitalized foreign exchange loss	137,950,848	(38,488,418)	176,439,266
Trade accounts payable	4,987,804	1,904,373	3,083,431
Right-of-use assets and lease liabilities	3,043,782	1,109,654	1,934,128
Intangible assets	8,613,789	4,940,374	3,673,415
Others	32,536,759	17,947,679	14,589,080
Property, plant and equipment	(250,146,403)	(43,658,468)	(206,487,935)
Borrowings	(12,201,286)	5,181,751	(17,383,037)
Cost to obtain contract	(4,698,632)	3,657,818	(8,356,450)
Trade and other receivables	(4,648,633)	(238,500)	(4,410,133)
Deferred income tax liabilities, net	<u>(95,672,444)</u>	<u>(75,128,415)</u>	<u>(20,544,029)</u>

(d) Movement in deferred taxes for the years ended 31 December was as follows:

	<u>2022</u>	<u>2021</u>
Deferred tax (liabilities)/assets		
As at 1 January	(95,672,444)	(20,544,029)
Change in deferred tax balances recognized in consolidated statement of profit or loss and other comprehensive income	<u>(87,646,385)</u>	<u>(75,128,415)</u>
As at 31 December	<u>(183,318,829)</u>	<u>(95,672,444)</u>

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

26 RELATED PARTY TRANSACTIONS

The related parties of the Group include the direct and ultimate shareholders of the Group and the companies, over which the Group or its shareholders exercise control or significant influence and key management personnel of the Group.

Transactions between the Company and its subsidiaries are excluded on consolidation and are not presented in this note.

As at 31 December 2022 and 2021 and for the years then ended, the Group had the following transactions and balances with related parties:

	31 December 2022		31 December 2021	
	Related party balances	Total category as per financial statements	Related party balances	Total category as per financial statements
Cash and cash equivalents	11,920,161	17,501,681	15,483,851	19,594,875
- state owned entities	11,920,161	-	15,483,851	-
Trade and other receivables	118,227,935	362,773,449	60,390,770	331,103,491
- shareholders	9,597,065	-	1,307,706	-
- state owned entities	105,689,805	-	35,974,840	-
- associates	2,941,065	-	23,108,224	-
Investments at FVTPL	2,542,779	2,542,779	5,346,485	6,113,437
- state owned entities	2,542,779	-	5,346,485	-
Trade accounts payable	110,642,830	892,255,169	57,689,811	421,466,858
- shareholders	51,766	-	1,248	-
- state owned entities	106,333,690	-	47,224,034	-
- associates	4,257,374	-	10,464,529	-
Borrowings	1,655,431,281	4,310,818,948	1,972,157,500	4,915,089,531
- state owned entities	1,655,431,281	-	1,972,157,500	-
Lease liabilities	62,092,378	229,404,098	41,470,013	160,047,509
- state owned entities	62,092,378	-	41,470,013	-
Other current liabilities	37,974,385	351,244,299	26,908,605	300,800,180
- shareholders	140,568	-	14,987	-
- state owned entities	37,822,151	-	26,891,268	-
- associates	11,666	-	2,350	-
Advances received from subscribers	29,935,307	345,922,172	71,978,971	364,804,504
- state owned entities	29,935,307	-	71,978,971	-

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

	2022		2021	
	Related party transactions	Total category as per financial statements	Related party transactions	Total category as per financial statements
Revenue	311,002,020	6,359,923,320	261,834,880	5,402,509,757
- shareholders	173	-	173	-
- state owned entities	310,257,221	-	260,911,725	-
- associates	744,626	-	922,982	-
Cost of sales	210,849,264	3,834,939,311	125,554,534	2,962,331,987
- state owned entities	210,469,402	-	125,492,081	-
- associates	379,862	-	62,453	-
Selling expenses	83,848,314	455,432,635	32,032,408	419,715,332
- state owned entities	83,848,314	-	31,911,416	-
- associates	-	-	120,992	-
General and administrative expenses	2,068,352	716,578,292	670,418	578,843,276
- state owned entities	1,628,323	-	624,075	-
- associates	440,029	-	46,343	-
Other operating income	19,547,962	56,499,135	32,040,207	43,291,345
- state owned entities	19,385,174	-	31,798,269	-
- associates	162,788	-	241,938	-
Finance income	1,569,640	1,999,229	12,954,172	21,703,755
- state owned entities	83,326	-	12,881,566	-
- associates	1,486,314	-	72,606	-
Finance costs	92,888,207	337,567,080	90,240,502	354,460,348
- state owned entities	92,888,207	-	90,240,502	-

	2022		2021	
	Related party transactions	Total category as per financial statements	Related party transactions	Total category as per financial statements
Additions of intangible assets	84,524,870	91,854,815	75,452,915	92,088,492
State owned entities	84,524,870	-	75,452,915	-
Additions of property, plant and equipment	43,469,538	1,529,194,369	102,638,733	1,807,513,125
State owned entities	43,469,538	-	102,638,733	-

Revenue from related parties mainly includes fixed line internet, fixed line telephony, mobile network services and usage of channels. Cost of sales mainly includes the payments for registration and usage of telecommunication equipment.

As at the end of the reporting period, the Group also recognized corporate income tax (Note 25) and expenses for taxes and other payments to related parties (Note 20). Taxes and other payments mainly include statutory payments for each active subscriber and property tax.

For the year ended 31 December 2022, the total compensation to key management personnel included in the accompanying statement of profit or loss and other comprehensive income under general and administrative expenses was UZS 4,092,923 thousand (2021: UZS 3,552,160 thousand). These expenses represent salary and bonuses paid to the key management personnel.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

27 FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>31 December 2022</u>	<u>31 December 2021</u>
Financial assets		
<i>Financial assets measured at amortized cost</i>		
Cash and cash equivalents (Note 9)	17,501,681	19,594,875
Trade receivables (Note 10)	244,422,971	244,667,930
	<u>261,924,652</u>	<u>264,262,805</u>
<i>Financial assets at FVTPL</i>		
Investments at FVTPL	2,542,779	6,113,437
	<u>2,542,779</u>	<u>6,113,437</u>
	<u>264,467,431</u>	<u>270,376,242</u>
Financial liabilities		
Borrowings (Note 13)	4,310,818,948	4,915,089,531
Trade accounts payable (Note 14)	892,255,169	421,466,858
Lease liabilities (Note 7)	229,404,098	160,047,509
Other current financial liabilities (Note 16)	99,970,103	102,496,446
	<u>5,532,448,318</u>	<u>5,599,100,344</u>

Capital risk management

The Group manages capital risk to ensure that the Group is able to continue as a going concern while maximizing the return to shareholders through the optimization of the ratio of debt to equity.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents as disclosed in Note 9 and items presented within equity in the consolidated statement of financial position.

Fair value of financial instruments

- 1) *Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)*

Except for the financial instruments detailed in the following table, the management considers that the carrying values of financial assets and liabilities recognized in the consolidated financial statements approximate their fair values.

JOINT STOCK COMPANY UZBEKTELECOM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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Financial liabilities as at 31 December	2022		Fair value hierarchy	Valuation model(s) and key input(s)	Relationship of unobservable inputs to fair value
	Carrying value	Fair value			
Borrowings	4,310,818,948	4,202,577,005	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value
Lease liabilities	229,404,098	224,819,221	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value
Financial liabilities as at 31 December	2021		Fair value hierarchy	Valuation model(s) and key input(s)	Relationship of unobservable inputs to fair value
	Carrying value	Fair value			
Borrowings	4,915,089,531	4,340,597,043	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value
Lease liabilities	160,047,509	156,837,355	Level 2	Future cash flows discounted using the observable average interest rates (from Statistical bulletin of the CBU)	The greater discount – the smaller fair value

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

2) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's following financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Hierarchy of fair value as at 31 December 2022 is set out below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	-	-	2,542,779	2,542,779
Totals	-	-	2,542,779	2,542,779

Hierarchy of fair value as at 31 December 2021 is set out below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at FVTPL	-	-	6,113,437	6,113,437
Totals	-	-	6,113,437	6,113,437

Investments at FVTPL	Valuation technique(s) and key input(s) Present value of future dividends by assuming dividend growth rate of zero per annum			
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JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

Credit risk management

Credit risk refers to the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Financial assets, which potentially subject the Group to concentrations of credit risk consist principally of receivables, investments at FVTPL and cash and cash equivalents. Receivables are presented net of an allowance for expected credit losses.

Management is responsible for the quality of the Group's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality. There is no independent credit rating information about the Group's customers available. Management assesses the credit quality of the customers taking into account the relationship with the customer, its size and past payment discipline.

Bank accounts of the Group are mainly opened in domestic bank – Aloqabank. The rating of Aloqabank is "Ba3/B1/NP"/Positive (Moody's).

Management considers the credit risk related to the Group's bank accounts with reference to the size of the banks. The total carrying amount of all cash and cash equivalents, trade and other receivables represent the maximum credit risk exposure to the Group.

Trade receivables mainly consist of telecommunication operators and subscribers, which are spread across different geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. For the year ended 31 December 2022 and 31 December 2021, there were no major customers with share of total revenue exceeding ten percent.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the supervisory board, which has established an appropriate liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. 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.

JOINT STOCK COMPANY UZBEKTELECOM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities with agreed repayment periods.

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	Total
FINANCIAL ASSETS:					
Cash and cash equivalents	-	17,501,681	-	-	17,501,681
Trade receivables	-	244,422,971	-	-	244,422,971
Investments at FVTPL	-	-	-	2,542,779	2,542,779
Total financial assets		261,924,652	-	2,542,779	264,467,431
FINANCIAL LIABILITIES:					
Borrowings	6.87%	1,636,470,654	2,471,102,675	203,245,619	4,310,818,948
Trade accounts payable	-	892,255,169	-	-	892,255,169
Lease liabilities	23.6%	52,328,656	112,892,595	64,182,847	229,404,098
Other current financial liabilities	-	99,970,103	-	-	99,970,103
Total financial liabilities		2,681,024,582	2,583,995,270	267,428,466	5,532,448,318
Liquidity gap as at 31 December 2022		(2,419,099,930)	(2,583,995,270)	(264,885,687)	(5,267,980,887)
Cumulative liquidity gap as at 31 December 2022		(2,419,099,930)	(5,003,095,200)	(5,267,980,887)	

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	Total
FINANCIAL ASSETS:					
Cash and cash equivalents	15%	19,594,875	-	-	19,594,875
Trade receivables	-	244,667,930	-	-	244,667,930
Investments at FVTPL	-	-	-	6,113,437	6,113,437
Total financial assets		264,262,805	-	6,113,437	270,376,242
FINANCIAL LIABILITIES:					
Borrowings	4.46%	2,049,758,709	2,341,048,226	524,282,596	4,915,089,531
Trade accounts payable	-	421,466,858	-	-	421,466,858
Lease liabilities	21%	36,166,723	86,969,995	36,910,791	160,047,509
Other current financial liabilities	-	102,496,446	-	-	102,496,446
Total financial liabilities		2,609,888,736	2,428,018,221	561,193,387	5,599,100,344
Liquidity gap as at 31 December 2021		(2,345,625,931)	(2,428,018,221)	(555,079,950)	(5,328,724,102)
Cumulative liquidity gap as at 31 December 2021		(2,345,625,931)	(4,773,644,152)	(5,328,724,102)	

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The following tables detail the undiscounted maturity analysis of financial liabilities:

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	31 December 2022 Total
Borrowings	6.87%	1,712,508,159	2,606,909,844	217,735,661	4,537,153,664
Trade accounts payable	-	892,255,169	-	-	892,255,169
Lease liabilities	23.6%	52,328,656	236,237,809	134,308,323	422,874,788
Other current financial liabilities	-	99,970,103	-	-	99,970,103
Total financial liabilities		2,757,062,087	2,843,147,653	352,043,984	5,952,253,724

	Weighted average effective interest rate, %	Less than 1 year	1 year to 5 years	More than 5 years	31 December 2021 Total
Borrowings	4.46%	2,115,994,614	2,441,408,256	573,838,987	5,131,241,857
Trade accounts payable	-	421,466,858	-	-	421,466,858
Lease liabilities	21%	36,166,723	167,856,777	71,239,816	275,263,316
Other current financial liabilities	-	102,496,446	-	-	102,496,446
Total financial liabilities		2,676,124,641	2,609,265,033	645,078,803	5,930,468,477

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

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The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities		Net position	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
USD	145,881,951	147,285,042	(2,469,936,048)	(3,084,180,107)	(2,324,054,097)	(2,936,895,065)
JPY	-	-	(979,043,583)	(1,318,020,391)	(979,043,583)	(1,318,020,391)
Others	4,707,377	1,625,668	(952,975,624)	(83,787,972)	(948,268,247)	(82,162,304)
	150,589,328	148,910,710	(4,401,955,255)	(4,485,988,470)	(4,251,365,927)	(4,337,077,760)

The following table details the Group's sensitivity to a 15% increase and decrease in the UZS against the relevant foreign currencies. 15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% change in foreign currency rates. A positive number below indicates an increase in profit before income tax and other equity where the UZS strengthens 15% against the relevant currency. For a 15% weakening of the UZS against the relevant currency, there would be a comparable impact on the profit before income tax and other equity, and the balances below would be negative.

	Year ended 31 December 2022	Year ended 31 December 2021
USD strengthening by 15%	(348,608,115)	(440,534,260)
USD weakening by 15%	348,608,115	440,534,260
JPY strengthening by 15%	(146,856,537)	(197,703,059)
JPY weakening by 15%	146,856,537	197,703,059
Other currency strengthening by 15%	(142,240,237)	(12,324,346)
Other currency strengthening by 15%	142,240,237	12,324,346

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyzes do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

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Other limitations in the above sensitivity analyzes include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Interest rate risk management

Interest rate risk is the risk that a change in the interest rates will negatively affect the Group's income and/or cash flows. The Group's sources of funds are primarily cash flows from operating activities, borrowings and owners' equity. The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

The planning and finance department is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. The sensitivity analysis is calculated for borrowing with floating rate, which is denominated in USD and JPY. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended 31 December 2022 would decrease/increase by UZS 22,699,274 thousand (2021: UZS 16,553,036 thousand).

Geographical risk concentration

The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

	<u>Uzbekistan</u>	<u>OECD</u>	<u>Non-OECD</u>	<u>Total</u>
Assets				
Cash and cash equivalents	17,501,681	-	-	17,501,681
Trade receivables	152,314,056	39,236,584	52,872,331	244,422,971
Investments at FVTPL	2,542,779	-	-	2,542,779
Total financial assets	172,358,516	39,236,584	52,872,331	264,467,431
Liabilities				
Borrowings	1,917,009,267	1,416,449,231	977,360,450	4,310,818,948
Trade accounts payable	238,440,122	128,225,014	525,590,033	892,255,169
Lease liabilities	229,404,098	-	-	229,404,098
Other current financial liabilities	99,970,103	-	-	99,970,103
Total financial liabilities	2,484,823,590	1,544,674,245	1,502,950,483	5,532,448,318

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(in thousands of Uzbekistan Soums)

The geographical concentration of the Group's financial assets and liabilities at 31 December 2021 is set out below:

	<u>Uzbekistan</u>	<u>OECD</u>	<u>Non-OECD</u>	<u>Total</u>
Assets				
Cash and cash equivalents	19,594,875	-	-	19,594,875
Trade receivables	103,641,498	26,949,826	114,076,606	244,667,930
Investments at FVTPL	6,113,437	-	-	6,113,437
Total financial assets	129,349,810	26,949,826	114,076,606	270,376,242
Liabilities				
Borrowings	2,160,465,406	561,311,073	2,193,313,052	4,915,089,531
Trade accounts payable	169,748,027	83,838,924	167,879,907	421,466,858
Lease liabilities	160,047,509	-	-	160,047,509
Other current financial liabilities	102,496,446	-	-	102,496,446
Total financial liabilities	2,592,757,388	645,149,997	2,361,192,959	5,599,100,344

28 COMMITMENTS AND CONTINGENCIES

a. Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these consolidated financial statements.

b. Licenses

Substantially all of the Group's revenues are derived from operations conducted pursuant to licenses granted by the Ministry of Digital Technologies of the Republic of Uzbekistan. These licenses expire as indicated in Note 1. Management of the Group believes that the licenses will be renewed. However, suspension or termination of the Group's main licenses or any failure to renew any or all of these main licenses could have a material adverse effect on the financial position and operations of the Group. The information regarding the expiry date of licenses are described in Note 1.

c. Taxation

Taxpayers, whose core business is provision of mobile network services, should be subject to corporate income tax at the rate of 20%. The management of the Group believes that provision of mobile network services is not its core business as the Group also provides other various telecommunication services; therefore, the Group applied 15% tax rate to total taxable income. The revenue from mobile network services for the year ended 31 December 2022 was 35% of the total revenue (2021: 38%).

Uzbekistan tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open

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to review by the authorities in respect of taxes for five calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Uzbekistan tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

d. Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Uzbekistan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

At the end of 2022 the Uzbekistan's gross domestic product ("GDP") grew by 5.7%. In 2022, the highest inflation over the past three years was recorded in the country, amounting to 12.3% per annum (in 2021, inflation was 9.98% per annum).

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, the export of labour to Russia and the related level remittances may also reduce, which could have a negative impact on the economy of Uzbekistan.

Moreover, in March 2022, the Uzbekistan Soum depreciated against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, the Central Bank of the Republic of Uzbekistan made a number of adjustments to the base rate throughout 2022 and fixed it at 15% per annum at the end of the year comparing to 14% per annum at the beginning of the period. In addition, interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

In December 2022, S&P Global Ratings affirmed its long and short-term foreign and local currency ratings on Uzbekistan at BB-/B. The outlook was remained as "stable". The decision was made due to the slowdown in the growth of country's external debt, improved fiscal policy and reforms.

Management of the Group is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Group's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group's operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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29 SUBSEQUENT EVENTS

In accordance with Presidential Decree #83 dated 1 March 2023 “On additional measures to accelerate strategic reforms”, the government shares in the share capital of the Company (96.57%) have been transferred to the Agency for Strategic reforms under the President of the Republic of Uzbekistan and during August 2023, the shares have been transferred to the Ministry of Economy and Finance of Republic of Uzbekistan.

In January 2023, the Company has gained a control of LLC Buzton by increasing its share in the charter capital from 30% to 100%.

In 2023, the Company has signed the loan agreement with Japan Bank for International Cooperation (JBIC) and MUFG Bank for the amount of JPY 22,794,342 thousand (UZS equivalent of 1,877,569,950 thousand) for the purpose of implementation of three investment projects. The Company will expand the bandwidth of international packet switching centers, increasing the speed of the transmission network and organization of Data centers in three regions of the Republic of Uzbekistan.

According to changes in the legislation of the Republic of Uzbekistan effective from 1 January 2023, the Value Added Tax decreased from 15% to 12%.

30 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Management of the Group and authorized for issue on 08 September 2023.