

JSC “Uzbekneftegaz”

Consolidated financial statements

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

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Independent auditor's report

To the Shareholders, Supervisory Board and Management of
Joint-Stock Company "Uzbekneftegaz"

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its 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 (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
<i>Impairment of non-current assets</i> We considered this matter to be one of the matters of most significance in the audit due to materiality of the balances of non-current assets to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. Significant assumptions and estimates included discount rates, natural gas price forecast, oil and gas product prices forecast, inflation and exchange rate forecasts, production forecast, future capital expenditures and oil and gas reserves available for development and production. Information on non-current assets and the impairment test performed is disclosed in <i>Notes 4 and 15</i> to the consolidated financial statements.	We involved our business valuation specialists in the testing of impairment analysis and calculation of recoverable amounts performed by management as well as the assessment of valuation techniques and methodology used. We analysed the assumptions underlying management forecasts, including weighted average cost of capital, price assumptions, inflation rates, exchange rates, future project costs, cash flows and other significant assumptions used in the models. We tested the mathematical integrity of the impairment models and assessed the analysis of the sensitivity of the results of impairment tests to changes in assumptions. We performed procedures to assess competence, capabilities and objectivity of the external experts engaged by the Group to (a) estimate the volumes of oil and gas reserves and (b) prepare impairment models. We analysed disclosure on impairment test in the consolidated financial statements.
<i>Compliance with debt covenants</i> In accordance with the terms of certain financing arrangements (<i>Note 20</i> to the consolidated financial statements), the Group should comply with certain financial and non-financial covenants. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the availability of funding and classification of interest-bearing liabilities in the consolidated statement of financial position.	We inspected the terms of financing arrangements, including covenant ratios and event of default definitions. We analysed waivers provided by lenders. We evaluated management's calculations of the covenant ratios. We assessed the classification of interest-bearing liabilities as current or non-current.

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

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

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

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

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

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

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

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

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

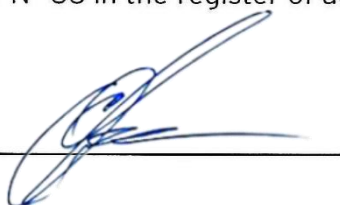
Tashkent, Uzbekistan
29 June 2023

FE Audit Organization „Ernst & Young“ LLC

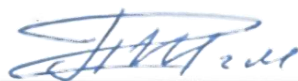
FE Audit Organization "Ernst & Young" LLC

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

Oleg Svetleuschi
Audit Partner



Pavel Zholdaspayev
Partner / Qualified auditor



Auditor's qualification certificate authorizing audit practice No. 06151 dated 10.02.2023 issued by "Buxgalterlar va auditorlar imtihon markazi" LLC

Nataliya Kim
General Director "Ernst & Young" LLC



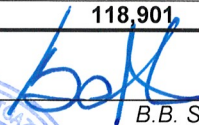
Auditor's qualification certificate authorizing audit practice No. 05555 dated 12.07.2018 issued by "Buxgalterlar va auditorlar imtihon markazi" LLC



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In billions of Uzbek soums	Note	As at 31 December	
		2022	2021
Assets			
Non-current assets			
Property, plant and equipment	15	70,755	70,007
Exploration and evaluation assets	16	919	712
Investments in joint ventures and associates	17	24,472	21,148
Trade receivables	10	1,130	27
Advances for non-current assets	15	2,593	3,200
Loans due from related parties	12	5,921	5,683
Other non-current assets		291	348
Total non-current assets		106,081	101,125
Current assets			
Cash and cash equivalents	8	2,487	2,217
Restricted cash	9	239	211
Trade receivables	10	2,775	3,131
Advances paid		918	730
Inventories	11	2,315	3,103
Income tax prepaid		384	28
Loans due from related parties	12	707	355
Other current assets	14	1,184	1,379
Total current assets		11,009	11,154
Assets held for sale	13	1,811	–
Total assets		118,901	112,279
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	22	21,243	21,536
Retained earnings		23,477	21,640
Currency translation reserve		14,440	13,781
Attributable to equity holders of the parent company		59,160	56,957
Non-controlling interest		227	234
Total shareholders' equity		59,387	57,191
Non-current liabilities			
Borrowings	20	36,486	34,410
Provisions	21	1,769	2,011
Deferred tax liabilities	30	3,006	2,437
Deferred income from government grants		173	173
Other non-current liabilities		60	53
Total non-current liabilities		41,494	39,084
Current liabilities			
Trade and other payables	18	8,040	6,691
Borrowings	20	7,071	6,542
Income tax payables		–	145
Provisions	21	33	30
Other financial liabilities	19	2,401	2,205
Other current liabilities		475	391
Total current liabilities		18,020	16,004
Total liabilities		59,514	55,088
Total liabilities and shareholders' equity		118,901	112,279

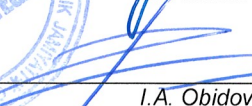
Chairman of the Executive Board – Chief Executive Officer


 B.B. Sidikov

Deputy Chairman of the Executive Board – Chief Financial Officer


 S.A. Mirzaev

Chief accountant


 I.A. Obidov

The accounting policies and explanatory notes on pages 6 through 53
form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>In billions of Uzbek soums</i>	Note	For the years ended 31 December	
		2022	2021
Oil, gas, petroleum products and petrochemicals sales	23	24,624	20,716
Equity share in profits of associates and joint ventures	17	2,761	2,808
Construction services and other sales		218	250
Other operating income		612	473
Total sales and other income		28,215	24,247
Cost of purchased oil, gas, petroleum products and other materials	24	(7,881)	(5,056)
Production expenses	25	(2,964)	(2,870)
Taxes other than income tax	26	(2,809)	(2,278)
Depreciation, depletion and amortization		(3,923)	(2,965)
Impairment of trade and loans receivable and other assets	10, 12	(168)	(1,007)
General and administrative expenses	27	(1,470)	(1,489)
Transportation and selling expenses	28	(680)	(845)
Exploration and evaluation expenses		(409)	(253)
Loss on disposal of property, plant and equipment, net		(131)	(33)
Other operating expenses		(556)	(252)
Total costs and expenses		(20,991)	(17,048)
Operating profit		7,224	7,199
Finance income	29	497	344
Other non-operating income		–	106
Foreign exchange loss, net		(1,193)	(188)
Finance costs	29	(2,694)	(595)
Profit before income tax		3,834	6,866
Income tax expense	30	(981)	(1,351)
Net profit for the year		2,853	5,515
Net profit/(loss) for the year attributable to:			
Equity holders of the parent company		2,860	5,557
Non-controlling interests		(7)	(42)
		2,853	5,515

Chairman of the Executive Board – Chief Executive Officer


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Deputy Chairman of the Executive Board – Chief Financial Officer


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Chief accountant


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CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In billions of Uzbek soums</i>	<i>Note</i>	For the years ended 31 December	
		2022	2021
Net profit for the year		2,853	5,515
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of companies with different functional currency, net of income tax		659	936
Total other comprehensive income to be reclassified to profit or loss in subsequent periods		659	936
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain on defined benefit plans of the Group, net of income tax		80	97
Net gain/(loss) on equity instruments at fair value through other comprehensive income after income tax		(29)	74
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		51	171
Total comprehensive income for the year, net of income tax		3,563	6,622
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent company		3,570	6,664
Non-controlling interests		(7)	(42)
Total comprehensive income for the year, net of income tax		3,563	6,622

Chairman of the Executive Board – Chief Executive Officer

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CONSOLIDATED STATEMENT OF CASH FLOWS

In billions of Uzbek soums	Note	For the years ended 31 December	
		2022	2021
Operating activities			
Profit before income tax from continuing operations		3,834	6,866
<i>Adjustments for:</i>			
Depreciation, depletion and amortization		3,923	2,965
Exploration and evaluation expenses		409	186
Impairment of trade and loans receivables and other assets	10, 12	168	1,007
Change in provisions		(25)	61
Loss on disposal of property, plant and equipment		131	33
Finance income		(497)	(344)
Finance costs	29	2,694	595
Foreign exchange loss, net		1,193	188
Equity share in profit of associates and joint ventures	17	(2,761)	(2,808)
Other		80	–
Operating cash flows before working capital changes		9,149	8,749
Change in trade and other receivables		(1,382)	(806)
Change in inventories		1,018	(831)
Change in trade and other payables		(909)	212
Change in advances paid, other assets and other liabilities		1,233	(730)
Cash generated from operations		9,109	6,594
Income taxes paid		(1,012)	(819)
Interest received		27	81
Dividends received from associates and joint ventures	17	163	–
Net cash flows from operating activities		8,287	5,856
Investing activities			
Purchase of property, plant and equipment		(5,805)	(10,585)
Change in restricted cash		(11)	183
Net cash flows used in investing activities		(5,816)	(10,402)
Financing activities			
Proceeds from borrowings	20	7,310	16,306
Repayment of borrowings	20	(5,972)	(10,481)
Interest paid	20	(2,233)	(1,437)
Dividends paid		(1,340)	(179)
Net cash inflow from financing activities		(2,235)	4,209
Net foreign exchange difference on cash and cash equivalents		34	20
Net change in cash and cash equivalents		270	(317)
Cash and cash equivalents, at the beginning of the year		2,217	2,534
Cash and cash equivalents, at the end of the year		2,487	2,217

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In billions of Uzbek soums	For the years ended 31 December 2022 and 2021			
	Share capital	Cumulative translation differences	Retained earnings	Attributable to equity holders of the parent company
				Total
				Non-controlling interest
				Total
Balance at 1 January 2021	21,536	12,845	16,173	50,554
Net profit/(loss) for the year	-	-	5,557	5,557
Other comprehensive income	-	936	171	1,107
Total comprehensive income/(loss) for the year	-	936	5,728	6,664
Other distributions to Shareholder	-	-	(261)	(261)
Balance at 31 December 2021	21,536	13,781	21,640	56,957
Net profit/(loss) for the year	-	-	2,860	2,860
Other comprehensive income	-	659	51	710
Total comprehensive income/(loss) for the year	-	659	2,911	3,570
Reduction of share capital (Note 22)	(293)	-	217	(76)
Other distributions to Shareholder (Note 22)	-	-	(1,143)	(1,143)
Other movements (Note 22)	-	-	(148)	(148)
Balance at 31 December 2022	21,243	14,440	23,477	59,160
				227
				59,387

Chairman of the Executive Board – Chief Executive Officer

Deputy Chairman of the Executive Board – Chief Financial Officer

Chief accountant



B.B. Sidikov

S.A. Mirzaev

I.A. Obidov

The accounting policies and explanatory notes on pages 6 through 53 form an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Joint-Stock Company “Uzbekneftegaz” (JSC “Uzbekneftegaz” or the “Company”) is a state oil and gas enterprise of the Republic of Uzbekistan. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in extraction and refining of crude oil, gas and gas condensate, as well as transportation and sale of gas and refined oil products.

The Company was originally established as an Uzbek State Conglomerate of the Oil and Gas Industry pursuant to the Presidential Decree No. UP-393, dated 3 May 1992, which was subsequently superseded by the Presidential Decree No. UP-518, dated 23 December 1992, in order to mainly re-organize the legal and organizational structure of the Company from State Conglomerate of Oil and Gas Industry to National Oil and Gas Corporation. In 1998, National Oil and Gas Corporation was restructured to be National Holding Company, which subsequently became a Joint-Stock Company in June 2017, in accordance with the Presidential Decree No. PP-3107.

As of 31 December 2019, on behalf of the Government of Uzbekistan (the “Government”), the Centre for the State Asset Management under the State Property Committee owned 100% of total common shares of the Company or 99.94% of the total shares. The preferred non-voting shares consist of 0.06% of total shares and are owned by private individuals and other legal entities. The shares, owned by foreign investors consist of 0.003% of total shares. On 14 December 2020, in accordance with the Decree of the President of Uzbekistan dated 27 October 2020, the Centre for the State Asset Management under the State Property Committee transferred its shares in JSC “Uzbekneftegaz” to the Ministry of Finance of the Republic of Uzbekistan (the “Shareholder”). According to the Decree of President of Republic of Uzbekistan № 83, Since March 1, 2023 the Ministry of Finance of the Republic of Uzbekistan transferred its shares to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan.

The Company has its registered office in the Republic of Uzbekistan, Tashkent city, Yashnabod district, Istigbol Street, 21.

Under Uzbekistan law, natural resources, including oil, gas, precious metals, and minerals and other commercial resources situated in the territory of Uzbekistan, are the property of the Republic of Uzbekistan, until they are extracted. Law of the Republic of Uzbekistan, On Subsurface Resources, regulates relations arising in connection with the geological study, use and protection of subsurface resources in the territory of the Republic of Uzbekistan. Pursuant to the law, geological study and exploration activities may be conducted only on the basis of a license, unless it is financed through the state budget or it is a part of the Government approved exploration program. A separate production license is required for the development and extraction activities, which is given for the duration of field life as approved by the State Committee on Geology and Mineral Resources.

Main objectives of the Group include, but not limited, to the following:

- To determine strategic development of the oil and gas industry in Uzbekistan and to develop executable steps for achieving these strategic goals;
- To fulfill the needs of the national economy and the population of Uzbekistan for the oil and gas products.

The consolidated financial statements of the Group include the following material operating companies that are directly or indirectly controlled by the Company:

Name of the Subsidiary	Principal activities	Country of incorporation	Equity interest, %	
			2022	2021
“Shurtan Gas Chemical Complex” LLC	Petrochemicals production	Uzbekistan	100%	100%
“Bukhara Refinery Plant” LLC	Oil refining	Uzbekistan	100%	100%
“Uzbekistan GTL” LLC	Gas-to-liquids production	Uzbekistan	100%	100%

The Group also has share ownership in the following material joint ventures, which are accounted for under the equity method:

Name of the equity investee	Principal activities	Country of incorporation	Equity interest, %	
			2022	2021
“Asia Trans Gaz” JV LLC	Gas transportation	Uzbekistan	50%	50%
“Uz-Kor Gas Chemical” JV LLC	Petrochemicals production	Uzbekistan	50%	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including all International Financial Reporting Standards (“IFRS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and effective in the reporting period, and are fully compliant therewith.

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

The Group’s consolidated financial statements are presented in billions of Uzbek soums (“UZS”), unless otherwise indicated.

The consolidated financial statements of 2022 were approved and authorized for issue by the Management of the Group on 29 June 2023.

Going concern considerations

These consolidated financial statements have been prepared on a going concern basis. When making a going concern assessment, management considered the Group’s current financial position and analyzed relevant subsequent developments, as well as its ability to comply with financial covenants on multiple loan agreements.

As at 31 December 2022, the Group’s current liabilities exceed its current assets by UZS 7,011 billion (31 December 2021: UZS 4,850 billion). During reporting period certain lenders agreed to waive the anticipated breaches of some financial covenants.

The following factors and circumstances support the management’s conclusion about the appropriateness of the use of the going concern assumption:

- The Group has been profitable with sufficient profit margin and consistently generates positive cash flows from operating activities including the current and subsequent reporting periods;
- According to its cash flow forecasts, the Group expects to generate sufficient cash from operations in 2023–2024 as well as to attract new and restructure existing loans to settle current liabilities when they become due;
- Also, management believes that the Group will be compliant with the financial and non-financial covenants stipulated by the loan agreements within 12 months from the date of authorization of these consolidated financial statements or will be able to renegotiate their terms in advance so that the lenders will not request an accelerated repayment of the existing debts;
- The Group’s shareholders have neither the intention nor the need to liquidate or significantly reduce the range of the activities of the Group;
- The Group has strategic importance for the Government of Uzbekistan which can positively influence Group’s cash flows by regulating prices for gas sales to related parties.

Foreign currencies*Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The consolidated financial statements are presented in Uzbek soums, which is the Company’s and the majority of subsidiaries’ functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Basis of preparation (continued)**Foreign currencies (continued)***Transactions and balances (continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group Companies

The results and financial position of all the Group's subsidiaries, joint ventures and associates (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

The exchange rates established by the Central Bank of Uzbekistan (“CBU”) are used as official currency exchange rates in the Republic of Uzbekistan.

The currency exchange rate of CBU as of 31 December 2022 was 11,225 UZS to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars (“US dollar”, or “USD”) as of 31 December 2022 (31 December 2021: 10,838 UZS to 1 US dollar). The weighted average rate for the year ended 31 December 2022 was 11,051 UZS to 1 US dollar (for the year ended 31 December 2021: 10,610 UZS to 1 US dollar). The currency exchange rate of CBU as of 29 June 2023 was 11,488 UZS to 1 US dollar.

3. Significant accounting policies**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2022. Control is achieved when the Group is exposed to variable returns from its involvement with the investee, or has rights to receive such returns, as well as has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Basis of consolidation (continued)**

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss, or, as in certain cases of under common control transactions, directly in equity. Any investment retained is recognized at fair value.

Business combinations, goodwill and other intangible assets

Acquisitions by the Group of controlling interests in third parties are accounted for using the acquisition method.

The date of acquisition is the date when effective control over the acquiree passes to the Group.

The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Business combinations, goodwill and other intangible assets (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) below:

- (a) The aggregate of: (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquire;
- (b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Investments in associates and joint ventures (continued)**

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture or associate, deducted by the amount of dividends declared from joint venture or associate to the Group. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Impairment of investment in joint venture or associate' in the consolidated statement of profit or loss.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss, or, as in certain cases of under common control transactions, directly in equity.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 (twelve) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 (twelve) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade and other receivables, loans due from related parties and bank deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Financial assets (continued)*****Derecognition***

A financial asset is primarily derecognized (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognized in three stages. First stage relates to credit exposures for which there has not been a significant increase in credit risk since initial recognition and which are required to recognize ECL within the next 12-months (a 12-month ECL). The second stage relates to credit exposures for which there has been significant increase in credit risk since initial recognition. For those credit exposures, ECL should be recognized over the remaining life of the exposure (a lifetime ECL). Third stage represent losses for financial instruments that are already credit impaired (defaulted). For financial assets in stage three, entities will continue to recognize lifetime ECL.

For trade and other receivables the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Financial liabilities (continued)*****Initial recognition and measurement (continued)***

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the expected credit losses allowance calculated under IFRS 9 and the amount initially recognized liability less cumulative amortization, if any.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Cash and cash equivalents

Cash represents cash on hand, in the Group's bank accounts, in transit and interest-bearing deposits which can be effectively withdrawn at any time without prior notice or any penalties reducing the principal amount of the deposit. Cash equivalents are highly liquid, short-term investments that are readily convertible to known amounts of cash and have original maturities of three months or less from their date of purchase. Restricted cash is presented separately in the consolidated statement of financial position if its amount is significant.

Inventories

Inventories consisting primarily of natural gas, crude oil, petroleum products, petrochemicals and materials and supplies are measured at the lower of cost and net realizable value. Cost of product inventories is determined using the weighted average cost method. Materials and supplies inventories are carried at first-in, first-out (FIFO) method. Cost comprises direct purchase costs, cost of production, transportation and manufacturing expenses (based on normal operating capacity).

Exploration and evaluation costs*Subsoil use rights for geological activities*

In accordance with Uzbekistan law, if geological activities are approved by the Government or financed with government grant, subsoil use rights are considered granted by the competent government authorities upon the receipt of Government approved cost estimates. Such subsoil use rights are granted with no substantial cost to the Group.

Exploration and evaluation cost or drilling activities

The Group recognizes exploration and evaluation costs using the successful efforts method as permitted by IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under this method, costs related to exploration and evaluation (exploration and appraisal drilling) are temporarily capitalized in cost centers by wells until the drilling program results in the discovery of economically feasible oil and gas reserves.

The length of time necessary for this determination depends on the specific technical or economic difficulties in assessing the recoverability of the reserves. If a determination is made that the well did not encounter oil and gas in economically viable quantities, the well costs are expensed to Exploration expenses in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Exploration and evaluation costs (continued)**

Expenditures related to drilling of exploration and evaluation wells are capitalized. Costs of seismic, topographical, geological, geophysical research are expensed as incurred. Exploration and evaluation assets are recognized at cost less impairment, if any, until the existence (or absence) of commercial reserves has been established. The initial cost of exploration and evaluation assets acquired through a business combination is formed as a result of purchase price allocation. The cost allocation to mineral rights to prove properties and mineral rights to unproved properties is performed based on the respective oil and gas reserves information. Exploration and evaluation assets are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, an impairment test is performed.

If, subsequently, commercial reserves are discovered, the carrying value, less losses from impairment of the respective exploration and evaluation assets, is classified as oil and gas properties. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Property, plant and equipment

The initial cost of an asset purchased comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of decommissioning obligation, if any, and, for qualifying assets, borrowing costs. Non-recoverable value-added tax related to the acquisition of property, plant and equipment is capitalized by the Group. Non-recoverable value-added tax related with operational activities is charged to profit or loss.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss, if any, is recognized in the consolidated statement of profit or loss. An impairment loss recognized for an asset or cash generating unit in prior years is reversed if there are indicators that impairment loss may no longer exist or may have decreased.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are recognized in profit or loss.

The cost of maintenance, repairs, and the replacement of minor items of property is charged to operating expenses. Renewals and betterments of assets are capitalized. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is written-off.

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as separators, compressors, the pipelines and the drilling of commercially proven development wells is capitalized within tangible and intangible assets according to nature. When development is completed on a specific field, it is transferred to production assets (oil and gas properties).

The present value of the estimated costs of decommissioning oil and gas production wells and facilities, including abandonment and site restoration costs, are recognized when the obligation is incurred and are included within the carrying value of property, plant and equipment, subject to depletion using unit-of-production method.

Depreciation, depletion and amortization

Property, plant and equipment related to oil and gas properties are depleted using a unit-of-production method.

Depletion of oil and gas assets is computed on a field-by-field basis over proved developed reserves or over total proved reserves, as appropriate. Shared oil and gas properties and equipment (e.g. gathering and initial processing systems, etc.) are depleted over total proved reserves.

Other property, plant and equipment are depreciated using the straight-line method over their estimated useful lives from the time they are ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. Significant accounting policies (continued)****Depreciation, depletion and amortization (continued)**

Components of other property, plant and equipment and their respective estimated useful lives are as follows:

Property, plant and equipment	Useful life
Buildings and structures	30–45 years
Refinery assets	5–30 years
Machinery and equipment	5–20 years
Vehicles and other property, plant and equipment	3–10 years

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life unless scrap value is significant. The assets' residual values are reviewed, and adjusted if appropriate, at each reporting date.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Non-current assets held for sale and discontinued operations (continued)**

In the consolidated statements of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Asset retirement (decommissioning) obligations

The Group has asset retirement (decommissioning) obligations (ARO) associated with its core business activities.

The Group's exploration, development and production activities involve the use of wells, related equipment and operating sites, oil and gas gathering and treatment facilities, oil tank farms and pipelines to the main oil and gas pipelines. Generally, licenses and other regulatory acts require that such assets be decommissioned upon the completion of production. According to these requirements, the Group is obliged to decommission wells, dismantle equipment, restore the sites and perform other related activities. The Group's estimates of these obligations are based on current regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Group using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability.

In accordance with “IFRIC” Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, the provision is reviewed at each balance sheet date as follows:

- Upon changes in the estimates of future cash flows (e.g., the costs of and timeframe for abandoning one well) or the discount rate, changes in the amount of the liability are included in the cost of the item of property, plant, and equipment, whereby such cost may not be negative and may not exceed the recoverable value of the item of property, plant, and equipment;
- Any changes in the liability due to its nearing maturity (change in the discount) are recognized in Finance expenses.

The Group's refining and distribution activities involve oil and gas refining operations, and other distribution terminals, and retail sales. The Group's refining operations consist of major petrochemical operations and industrial complexes. Legal or contractual asset retirement (decommissioning) obligations related to petrochemical, oil refining and distribution activities are not recognized due to the limited history of such activities in these segments, the lack of clear legal requirements as to the recognition of obligations, as well as the fact that decommissioning periods for such assets are not determinable.

Because of the reasons described above, the fair value of an asset retirement (decommissioning) obligation in the refining and distribution segment cannot be reasonably estimated.

Due to continuous changes in the regulatory and legal environment in Uzbekistan, there could be future changes to the requirements and contingencies associated with the retirement of long-lived assets.

Capitalized interest

Interest expense on borrowed funds used for capital construction projects and the acquisition of property, plant and equipment is capitalized provided that the interest expense could have been avoided if the Group had not made capital investments. Interest is capitalized only during the period when construction activities are actually in progress and until the resulting properties are put into operation.

Capitalized borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Government grants**

Grants from the Government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Provisions for liabilities and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Taxes collected from customers and remitted to governmental authorities

Refundable taxes (excise and value-added tax (“VAT”)) are deducted from revenues. Other taxes and duties are not deducted from revenues and are recognized as expenses in Taxes other than income tax in the consolidated statement of profit or loss.

Pension and other post-retirement benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group’s entities and their employees. The collective agreement provides for certain one-off retirement payments, payments on holidays, pension supplements, financial aid for employees’ disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Net interest expense relating to pensions and other post-retirement benefits, which is recognized in the consolidated statement of profit or loss, represents the net change in present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year, and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year. Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses are recognized within other comprehensive income in the period in which they occur. Other movements are recognized in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements. Past service costs, resulting from amendment to a plan are recognized immediately when the Group becomes committed to a change.

Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, sales of refined oil products, gas and gas products and petrochemical products and other sales are usually recognized at the point in time when title passes. The entity recognizes revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Revenue recognition (continued)***Interest income and costs*

For all financial instruments measured at amortised cost and interest cost is interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income and interest expense is included in finance costs in the consolidated statement of profit or loss.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

Refinery maintenance costs

The Group recognizes the costs of overhauls and preventive maintenance performed with respect to oil refining assets as expenses when incurred.

Income taxes

Corporate income taxes have been provided for in the consolidated financial statements in accordance with the applicable legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized on the profit or loss unless it relates to transactions that are recognized, in the same or a different period, in other comprehensive income or directly in equity. Deferred income tax assets and liabilities are recognized in the accompanying consolidated financial statements in the amount determined by the Group in accordance with IAS 12 *Income Taxes*.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which:
 - Is not a business combination; and
 - Affects neither accounting profit, nor taxable profit;
- Investments in subsidiaries when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

A prior period tax loss planned to be used to reduce the current or future amount of income tax is recognized as a deferred tax asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Income taxes (continued)**

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- Is not a business combination; and
- At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

The Group recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, to the extent that the following two conditions are met:

- The temporary difference will be recovered in the foreseeable future; and
- Taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date.

The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are not discounted.

Accounting for contingencies

Certain conditions may exist as of the date of these consolidated financial statements which may further result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur. The Group's management makes an assessment of such contingent liabilities which is based on assumptions and is a matter of opinion. In assessing loss contingencies relating to legal or tax proceedings that involve the Group or unasserted claims that may result in such proceedings, the Group, after consultation with legal or tax advisors, evaluates the perceived merits of any legal or tax proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a loss will be incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Group's consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve financial guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the Group may disclose contingent liabilities or other uncertainties of an unusual nature which, in the judgment of management after consultation with its legal or tax counsel, may be of interest to shareholders or others.

Equity*Non-controlling interest*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Group's owners. Total comprehensive income is attributed to the Group's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Significant accounting policies (continued)**Equity (continued)***Other distributions to the Shareholder*

Expenditures incurred by the Group based on the respective resolution of the Government or decision and instructions of Cabinet of Ministers or the President are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets), acquisitions and transfer of investments.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose sales, results or assets are 10 per cent or more of all the segments are reported separately.

Related parties

Related parties are defined in IAS 24 *Related Party Disclosures*.

Governmental economic and social policies affect the Group's financial position, results of operations and cash flows. The Government imposed an obligation on the Group to provide an uninterrupted supply of oil and gas to customers in Uzbekistan at government-controlled prices. Transactions with the state include taxes, which are detailed in *Note 30*.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

It is the nature of transactions with related parties that they cannot be presumed to be carried out on an arm's length basis.

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Critical estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Consolidation of subsidiaries

Management judgment is involved in the assessment of control and the consolidation of subsidiaries in the Group's consolidated financial statements taken into account voting rights and contractual arrangements with other shareholders and other relevant facts and circumstances in assessing whether it has control over the entity in accordance with IFRS 10 *Consolidated Financial Statements*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Recoverability of oil and gas assets, midstream, refining, and other assets**

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performances, changes in product mixes, and for oil and gas properties, significant downward revisions of estimated proved reserves. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil and gas prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Assumptions made during the impairment testing

The Group assessed the existence of impairment indicators of non-current assets. On CGUs (cash-generating units), where there were identified impairment indicators, namely CGU 2 (Gas, gas condensate and oil production and sales) and CGU 3 (Gas refining and sale of gas products), the Group performed the impairment tests, by comparing the carrying amount with the recoverable amount, which was determined using the value in use assessment, as of 31 December 2022.

During the impairment analysis, the Group estimated forecast of production and processing volumes of hydrocarbons and gas, oil, petroleum products and petrochemicals prices, tolling tariffs, capital expenditures and other factors. The Group's long-term assumptions for Brent oil prices, the UZS/USD exchange rate, and inflation forecasts were considered and based on externally sourced forecasts.

Production volumes estimates are based on the Group's proved developed and probable reserves. Production period is based on subsoil license period, that the Group has strong intention to extend.

Discount rates were estimated on the weighted average cost of capital for each CGU and ranged between 18.7%-21.49% depending on the production period, equity risk premium, beta and gearing ratio of the relevant CGU.

As of December 31, 2022 recoverable amount of non-current assets of CGU 2 and CGU 3 exceeded the carrying value, as a result, impairment was not recognized.

Sensitivity to changes in assumptions

As of 31 December 2022, the Group provided sensitivity test of the recoverable amount of non-current assets of CGU 2 and CGU 3 for changes in the most significant assumptions.

Change in significant assumptions (discount rate and Brent oil price) of CGU 2 in the range of the most probable and possible changes do not result in impairment.

Change in significant assumptions (discount rate) of CGU 3 within the range of +/- 0.5% results in the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Assumptions made during the impairment testing (continued)****Other CGUs (CGU 1 and CGU 4)**

In analyzing the impairment indicators of CGU 1 (Oil refining and retail) and CGU 4 (Production of synthetic liquid fuel using gas-to-liquid technology (GTL)), impairment indicators were not identified as of 31 December 2022.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses and impairment losses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation, Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Proved reserves of the Group as of 31 December 2022 were based on reports prepared by independent reservoir engineers in accordance with Petroleum Resources Management System rules.

Assets retirement obligations

Under the provisions of current legislation and regulations, the Group has legal or constructive obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells. The settlement date of the final closure obligations has been assumed to be the end of production period due to economic life test of the oil and gas reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Assets retirement obligations (continued)**

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each field. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Uzbekistan market.

At each reporting date the Group reviews site restoration provisions and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at 31 December 2022 were equal to 12% and 16%, respectively (31 December 2021: 8% and 14%). Movements in the provision for asset retirement obligations are disclosed in *Note 21*.

Employee benefits

Employee-benefit obligations include post-employment benefits and other long-term benefits. Other long-term benefits include financial aid for employees' disability, anniversaries, funeral and other benefits. The cost of defined long-term employee benefits before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Measurement of liabilities under guarantees issued

As of 31 December 2022, the Company issued a number of guarantees to its related parties (see *Note 32*). As of 31 December 2022, the Group recognized the financial liabilities in respect of the issued guarantees amounting to UZS 269 billion (31 December 2021: UZS 346 billion) as part of other current and non-current liabilities. ECL rate in the range of 2,1% was used to measure the book value of the financial guarantee liabilities as of 31 December 2022 (2021: 2,6%). The Group is using general approach in calculation of expected credit losses for government companies. Country rating with appropriate downgrade based on overdue bucket is assigned and was used to estimate probability of default. Loss given default estimates are based on the external statistics using weighted average of recovery rates specific to the country.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Critical estimates and judgements (continued)**Taxation**

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. Uncertainties related to taxation are disclosed in *Note 30*.

Taxable income is computed in accordance with the tax legislation enacted as at 1 January 2022. Deferred income tax is calculated on temporary differences for assets and liabilities at the expected rates that were enacted by tax authorities as at 31 December 2022.

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies (*Note 30*).

Value of net assets transferred and received from one organization to another, including during their reorganization and liquidation, in accordance with Government Decrees commonly is not subject to taxation for all types of taxes.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. Adoption of new or revised standards and interpretations and new accounting pronouncements**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**New and amended standards and interpretations (continued)***Reference to the Conceptual Framework – Amendments to IFRS 3*

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 “Business Combinations” to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**New and amended standards and interpretations (continued)***IAS 41 Agriculture – Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**Standards issued but not yet effective (continued)***Definition of Accounting Estimates – Amendments to IAS 8 (continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

In September 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendments are effective for annual periods beginning on or after 1 January 2024.

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Adoption of new or revised standards and interpretations and new accounting pronouncements (continued)**The amendments are not expected to have a material impact on the Group’s financial statements (continued)***Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (continued)*

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. These amendments did not have any impact on the Group’s consolidated financial statements.

6. Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the management of the Group and for which discrete financial information is available.

The Group is organized into business units and subsidiaries based on their products and services and has three reportable segments as follows:

- Gas, gas condensate and oil production and sales – representing extraction of natural gas, gas condensate and oil, as well as their subsequent sales;
- Oil refining and retail – representing refining of crude oil and sales of oil products and petrochemicals;
- Gas refining – representing production and sales of polyethylene, polypropylene, diesel, naphtha, jet fuel and other products from gas refining.

The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Substantially all the Group’s operations and assets are located in the Republic of Uzbekistan.

The Group’s segments are strategic business units and subsidiaries that focus on different customers. Management monitors the operating results of its business units and subsidiaries separately for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between operating segments are either on an arm’s length basis or non-arm’s length basis.

The Executive Management Board is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Management evaluates performance of each segment based on both sales and profit after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. Segment information (continued)**

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

<i>In billions of Uzbek soums</i>	Gas, gas condensate and oil production and sales	Oil refining and retail	Gas refining	Other	Total segments	Adjustments and eliminations*	Total
Sales and other income							
External customers	8,460	12,098	5,011	2,646	28,215	–	28,215
Inter-segment	1,484	387	848	1,851	4,570	(4,570)	–
Total sales and other income	9,944	12,485	5,859	4,497	32,785	(4,570)	28,215
Costs and expenses							
Costs and expenses other than depreciation, depletion and amortization	(6,345)	(10,679)	(2,455)	(2,159)	(21,638)	4,570	(17,068)
Depreciation, depletion and amortization	(2,994)	(87)	(759)	(83)	(3,923)	–	(3,923)
Total costs and expenses	(9,339)	(10,766)	(3,214)	(2,242)	(25,561)	4,570	(20,991)
Operating profit	605	1,719	2,645	2,255	7,224	–	7,224
Finance income	443	6	43	5	497	–	497
Finance expense	(1,814)	(20)	(842)	(18)	(2,694)	–	(2,694)
Other non-operating income	–	–	–	–	–	–	–
Foreign exchange (loss)/gain, net	(240)	(97)	(836)	(20)	(1,193)	–	(1,193)
Profit/(loss) before income tax	(1,006)	1,608	1,010	2,222	3,834	–	3,834
Income tax expense	(507)	(157)	(310)	(7)	(981)	–	(981)
Net profit/(loss) for the year	(1,513)	1,451	700	2,215	2,853	–	2,853
Other segment information							
Investments in associates and joint ventures	–	–	10,175	14,297	24,472	–	24,472
Capital expenditures**	5,648	249	745	320	6,962	–	6,962
Total segment assets	51,743	5,609	52,412	19,075	128,839	(9,938)	118,901
Total segment liabilities	31,315	3,940	28,148	6,049	69,452	(9,938)	59,514

* Inter-segment balances are eliminated on consolidation.

** Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. Segment information (continued)**

Segment information for the reportable segments for the year ended 31 December 2021 is set out below:

<i>In billions of Uzbek soums</i>	Gas, gas condensate and oil production and sales	Oil refining and retail	Gas refining	Other	Total segments	Adjustments and eliminations*	Total
Sales and other income							
External customers	7,970	9,850	3,797	2,630	24,247	–	24,247
Inter-segment	2,049	318	260	1,547	4,174	(4,174)	–
Total sales and other income	10,019	10,168	4,057	4,177	28,421	(4,174)	24,247
Costs and expenses							
Costs and expenses other than depreciation, depletion and amortization	(6,844)	(7,429)	(1,891)	(2,093)	(18,257)	4,174	(14,083)
Depreciation, depletion and amortization	(2,749)	(64)	(56)	(96)	(2,965)	–	(2,965)
Total costs and expenses	(9,593)	(7,493)	(1,947)	(2,189)	(21,222)	4,174	(17,048)
Operating profit	426	2,675	2,110	1,988	7,199	–	7,199
Finance income	262	8	67	7	344	–	344
Finance expense	(519)	(15)	(27)	(34)	(595)	–	(595)
Other non-operating income	106	–	–	–	106	–	106
Foreign exchange loss, net	(209)	(24)	73	(28)	(188)	–	(188)
Profit before income tax	66	2,644	2,223	1,933	6,866	–	6,866
Income tax expense	(843)	(48)	(451)	(9)	(1,351)	–	(1,351)
Net profit/(loss) for the year	(777)	2,596	1,772	1,924	5,515	–	5,515
Other segment information							
Investments in associates and joint ventures	–	–	8,985	12,163	21,148	–	21,148
Capital expenditures**	7,513	275	3,352	71	11,211	–	11,211
Total segment assets	46,882	5,265	50,560	16,909	119,616	(7,337)	112,279
Total segment liabilities	26,667	2,798	28,012	4,948	62,425	(7,337)	55,088

* Inter-segment balances are eliminated on consolidation.

** Capital expenditure represents additions to non-current assets other than financial instruments and deferred tax assets.

Seasonality

The Group's business is not significantly affected by seasonality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. Related party transactions**

For the purpose of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In 2022 and 2021 the Group entered into transactions with shareholder and companies controlled by shareholder (including enterprises directly or indirectly controlled by the Uzbekistan Government), associates and joint ventures and key management.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms as transactions between unrelated parties.

The disclosure of related party transactions is presented on an aggregate basis for shareholders and companies controlled by shareholders, joint ventures and associates. In addition, there may be additional disclosures of certain significant transactions (balances and turnovers) with certain related parties.

In the course of its ordinary business, the Group enters into transactions with other companies controlled by the Uzbekistan Government. Bank loans are recorded based on market interest rates. Taxes are accrued and paid in accordance with applicable tax law. The Group sells crude oil and petroleum products to related parties in the ordinary course of business at prices close to average market prices. For gas sales to related parties selling prices are set by the Government (UZS 250–340 thousand for 1,000 cubic meters in 2022 and 2021).

At 31 December 2022 and 2021, the outstanding balances with related parties were as follows:

	As at 31 December			
	2022		2021	
	Government and entities under government control	Associates and joint ventures	Government and entities under government control	Associates and joint ventures
<i>In billions of Uzbek soums</i>				
Trade receivables	3,071	535	2,485	483
Provision for expected credit losses on trade receivables	(387)	(440)	(288)	(371)
Cash and cash equivalents	1,548	–	1,178	–
Restricted cash	166	–	196	–
Advances paid (including for non-current assets)	86	62	159	258
Loans due from related parties	397	6,231	363	5,675
Provision for expected credit losses on loans due from related parties	(69)	(83)	(69)	(142)
Borrowings	(2,107)	–	(2,784)	–
Trade and other payables	(84)	(2,197)	(143)	(1,359)
Advances received	10	3	(2)	(3)

The transactions with related parties for the year ended 31 December 2022 and 2021 were as follows:

	2022		2021	
	Government and entities under government control	Associates and joint ventures	Government and entities under government control	Associates and joint ventures
Sales of gas and gas products	5,863	587	7,275	334
Sales of refined oil products	2,310	7	1,551	–
Services rendered	–	238	–	255
Interest on loans due from related parties	38	277	45	218
Interest on loans due to related parties	(261)	–	(164)	–
Transportation and selling expenses	(53)	–	(47)	–
Other operating income	5	–	10	–

Key management compensation

Key management personnel include members of the Management Board. Compensation of key management personnel (7 employees in 2022 and 6 employees in 2021 years), including basic salary, bonuses and other payments, amounted to UZS 13,282 million and UZS 9,538 million in 2022 and 2021, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. Cash and cash equivalents**

<i>In billions of Uzbek soums</i>	As at 31 December	
	2022	2021
Current accounts with banks – US dollars	1,890	1,289
Current accounts with banks – UZS	328	165
Current accounts with banks – other currencies	186	370
Deposits in banks– UZS	81	365
Cash on hand	2	28
Total cash and cash equivalents	2,487	2,217

9. Restricted cash

At 31 December 2022 and 2021 years, restricted cash was mainly represented by accounts held by the Group as collateral for letters of credit.

10. Trade receivables

<i>In billions of Uzbek soums</i>	As at 31 December	
	2022	2021
Long-term trade receivables	1,130	27
Short-term trade receivables	4,803	4,931
Less: provision for expected credit losses	(2,028)	(1,800)
Trade accounts receivable	3,905	3,158

Trade receivables are mainly represented by receivables from sales of oil products and natural gas sold to customers of the Group.

Long-term trade receivables

During the twelve months ended December 31, 2022, the Group signed additional agreements on prolongation of certain short-term trade receivables related to the sales of gas for the period of three and two years. As a result, the Group classified UZS 1,103 billion as the long-term trade receivables. The difference of UZS 551 billion between the book value of trade receivables before the prolongation and the present value of the amended expected cash flows was recognized within finance costs (Note 29). During 2022, the group recognized unwinding of discount in the amount UZS 125 billion. The restructuring of the receivables was accounted as a significant modification with the financial result recognized in the statement of profit and loss.

Loss allowance for expected credit losses (ECL)

Movements in the provision for expected credit losses of trade accounts receivable were as follows:

<i>In billions of Uzbek soums</i>	2022	2021
At 1 January	1,800	991
Charge for the year	626	980
Recovered during the year	(398)	(171)
At 31 December	2,028	1,800

The impaired receivables mainly relate to overdue debts (in excess of 90 days) for products supplied and services rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Trade receivables (continued)****Loss allowance for expected credit losses (ECL) (continued)**

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

	Days past due					
<i>In billions of Uzbek soums</i>	Not overdue	<30 days	30–60 days	61–90 days	>90 days	Total
31 December 2021						
<i>ECL rate</i>	2.2%	7%	22%	33.5%	100%	
Trade accounts receivable	3,297	216	226	456	1,738	5,933
ECL	72	15	50	153	1,738	2,028
31 December 2021						
<i>ECL rate</i>	2%	4%	11%	50%	100%	
Trade accounts receivable	2,360	731	153	28	1,686	4,958
ECL	53	30	17	14	1,686	1,800

11. Inventories

<i>In billions of Uzbek soums</i>	As at 31 December	
	2022	2021
Refined oil products (at cost or net realizable value)	1,048	1,773
Materials and supplies (at cost or net realizable value)	764	783
Work-in-progress (at cost)	278	322
Crude oil (at cost)	165	138
Gas products (at cost)	–	2
Other	60	85
Total inventories	2,315	3,103

12. Loans due from related parties

<i>In billions of Uzbek soums</i>	Maturity	Interest rate	As at 31 December	
			2022	2021
Loans due from JV “Uz–Kor Gas Chemical” in US dollars	July 2029	10%	5,990	5,514
Loans due from JSC “Uztransgaz” in US dollars	December 2023	3%	363	340
Loans due from JV “Natural Gas Stream” in US dollars	2023	3.5%	328	304
Loans due from other related parties in other currencies			99	91
Less: provision for expected credit losses			(152)	(211)
Total loans due from related parties			6,628	6,038
Current portion of loans due from related parties			(707)	(355)
Non-current portion of loans due from related parties			5,921	5,683

Loss allowance for expected credit losses (ECL)

Movements in the provision for expected credit losses of loans due from related parties were as follows:

<i>In billions of Uzbek soums</i>	2022	2021
At 1 January	211	108
Charge for the year	7	111
Recovered during the year	(66)	(8)
At 31 December	152	211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. Loans due from related parties (continued)****Loss allowance for expected credit losses (ECL) (continued)**

Set out below is the information about credit risk exposure on the Group's loans receivables using a provision matrix:

<i>In billions of Uzbek soums</i>	Days past due					Total
	Not overdue	<30 days	30–60 days	61–90 days	>90 days	
31 December 2021						
<i>ECL rate</i>	2%	–	–	–	–	
Loans receivables	6,628	–	–	–	–	6,628
ECL	152	–	–	–	–	152
31 December 2021						
<i>ECL rate</i>	3.5%	–	–	–	–	
Loans receivables	6,038	–	–	–	–	6,038
ECL	211	–	–	–	–	211

13. Assets held for sale

According to the Resolution of the Cabinet of Supervision No. 535 dated September 28, 2022, the Group intends to sell oil and gas assets in the amount of UZS 3,206 billion to the Sanoat Energetika Guruhi LLC.

As of December 31, 2022 the book value of the assets amounted to UZS 1,811 billion.

14. Other current assets

<i>In billions of Uzbek soums</i>	As at 31 December	
	2022	2021
Other current non-financial assets		
Prepayments on other taxes	341	759
Other current financial assets		
Dividends receivable	53	56
Prepayment to the shareholder	538	143
Other receivables	252	421
	843	620
Total other current assets	1,184	1,379

Prepayments paid to the Shareholder were subsequently net off against dividends, declared to the Shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Property, plant and equipment

<i>In billions of Uzbek soums</i>	Oil and gas assets	Refinery assets	Buildings and structures	Machinery and equipment	Other	CIP	Total
Cost							
At 1 January 2021	30,856	683	1,628	1,146	320	36,847	71,480
Additions	2	13	9	27	18	10,554	10,623
Disposals	(90)	(5)	(33)	(15)	(11)	–	(154)
Transfers from construction-in-progress	8,033	13	12	20	125	(8,203)	–
Transfers from exploration and evaluation assets	368	–	–	–	–	13	381
Translation to presentation currency	–	–	–	–	4	1 098	1,102
At 31 December 2021	39,169	704	1,616	1,178	456	40,309	83,432
Additions	2	16	24	41	5	6 912	7,000
Disposals	(260)	(2)	(32)	(37)	(28)	(138)	(497)
Transfer to assets held for sale	(3,446)	–	–	–	–	–	(3,446)
Transfers from construction-in-progress	4,790	15	8,849	25,505	57	(39,216)	–
Transfers from exploration and evaluation assets	483	–	–	–	–	–	483
Change in asset retirement obligation	(420)	–	–	–	–	–	(420)
At 31 December 2022	40,318	733	10,457	26,687	490	7,867	86,552
Depreciation and impairment							
At 1 January 2021	(9,398)	(269)	(364)	(292)	(186)	–	(10,509)
Charge for the year	(2,729)	(46)	(78)	(66)	(46)	–	(2,965)
Disposals	27	1	13	4	4	–	49
At 31 December 2021	(12,100)	(314)	(429)	(354)	(228)	–	(13,425)
Charge for the year	(3,020)	(50)	(266)	(751)	(50)	–	(4,137)
Transfer to assets held for sale	1,635	–	–	–	–	–	1,635
Disposals	83	1	16	17	13	–	130
At 31 December 2022	(13,402)	(363)	(679)	(1,088)	(265)	–	(15,797)
Net book value							
At 1 January 2021	21,458	414	1,264	854	134	36,847	60,971
At 31 December 2021	27,069	390	1,187	824	228	40,309	70,007
At 31 December 2022	26,916	370	9,778	25,599	225	7,867	70,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. Property, plant and equipment (continued)**

In 2022 subsidiary company “Uzbekistan GTL” LLC, completed the construction of the plant related to the development of synthetic liquid fuel using gas-to-liquid (GTL) technology. During this process methane rich gas is used as feedstock for the GTL facility, as a result of which GTL diesel, GTL aviation kerosene, GTL naphtha and liquified petroleum gas (LPG) are produced in Uzbekistan. The plant has launched its production operations in July 2022, and as a result has transferred the majority of the Plant’s facilities, previously classified as construction-in-progress, to the corresponding items of property, plant and equipment.

Also, another subsidiary of the Group, “Shurtan Gas Chemical Complex” LLC is in process of the construction of the capital project related to the expansion of the production of polyethylene, polypropylene, and pyrolysis gasoline in Uzbekistan. As of December 31, 2022, advances for non-current assets given under this project amounted to UZS 2,252 billion (31 December 2021: UZS 2,256 billion) and the construction-in-progress balance amounted to UZS 2,705 billion (31 December 2021: UZS 2,483 billion).

In 2022, the Group capitalized borrowing costs in the amount of UZS 530 billion (2021: UZS 1,327 billion).

16. Exploration and evaluation assets

In billions of Uzbek soums

Net book value as at 1 January 2021	454
Additions	825
Transfer to property, plant and equipment	(381)
Expensed	(186)
Net book value as at 31 December 2021	712
Additions	1,099
Transfer to property, plant and equipment	(483)
Expensed	(409)
Net book value as at 31 December 2022	919

17. Investments in joint-ventures and associates

<i>In billions of Uzbek soums</i>	Place of business	Main activity	Percentage ownership	As at 31 December	
				2022	2021
“Asia Trans Gas” LLC	Uzbekistan	Natural gas transportation	50%	13,159	11,237
“Uz-Kor Gas Chemical” LLC	Uzbekistan	Manufacturing of the polymer products	50%	10,175	8,985
Other joint ventures and associates	Uzbekistan			1,138	926
Total investments in joint ventures and associates				24,472	21,148

The following table summarizes the movements in the investments in 2022 and 2021:

<i>In billions of Uzbek soums</i>	2022	2021
At 1 January	21,148	17,676
Share in profits of joint ventures and associates, net	2,761	2,808
Dividends received	(163)	(5)
Foreign currency translation	775	666
Impairment of investment	(41)	–
Other	(8)	3
At 31 December	24,472	21,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. Investments in joint-ventures and associates (continued)**

The equity share in profits of associates and joint ventures comprises the following:

<i>In billions of Uzbek soums</i>	2022	2021
“Asia Trans Gaz” JV LLC	1,663	2,011
“Uz-Kor Gas Chemical” JV LLC	828	783
Other joint ventures and associates	270	14
Total equity share in profits of associates and joint ventures	2,761	2,808

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 31 December 2022 and 2021:

“Asia Trans Gas” JV LLC	As at 31 December	
	2022	2021
Non-current assets	26,913	27,910
Current assets, including	5,453	5,844
<i>Cash and cash equivalents</i>	2,363	2,661
Non-current liabilities	3,003	7,084
Current liabilities, including	3,045	4,196
<i>Current financial liabilities</i>	2,876	3,926
Equity	26,318	22,474
Share of ownership of the Group	50%	50%
Carrying amount of the investment	13,159	11,237

“Asia Trans Gas” JV LLC	2022	2021
Revenue	7,446	7,059
Cost of sales	(3,305)	(2,819)
General and administrative expenses	(101)	(117)
Interest expense	–	(347)
Other income	18	3
Other operational expenses	(56)	(10)
Foreign exchange loss, net	(72)	(11)
Finance costs	(368)	–
Income tax expense	(236)	264
Profit for the year	3,326	4,022
Share of ownership of the Group	50%	50%
Share in profit of joint venture	1,663	2,011

“Uz-Kor Gas Chemical” LLC	As at 31 December	
	2022	2021
Non-current assets	32,164	31,349
Current assets, including	12,517	11,534
<i>Cash and cash equivalents</i>	5,025	3,827
Non-current liabilities, including	10,440	6,543
<i>Non-current financial liabilities</i>	10,380	6,488
Current liabilities	13,379	18,370
Equity	20,862	17,970
Share of ownership of the Group	50%	50%
Unrecognized amount of the prior year correction	(256)	–
Carrying amount of the investment	10,175	8,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. Investments in joint-ventures and associates (continued)**

“Uz-Kor Gas Chemical” LLC	2022	2021
Revenue	7,454	8,201
Cost of sales	(4,403)	(4,395)
General and administrative expenses	(392)	(338)
Allowance for expected credit losses	(515)	(83)
Interest expense	(2,119)	(1,884)
Finance income	912	–
Income tax expense	–	(474)
Other income	337	540
Profit for the year	1,274	1,567
Share of ownership of the Group	50%	50%
Prior year corrections	191	–
Share in profit of joint venture	828	783

18. Trade and other payables

	As at 31 December	
<i>In billions of Uzbek soums</i>	2022	2021
Trade accounts payable	5,669	5,384
Other financial payables		
Dividends payable	888	652
Other non-financial payables		
Other tax payables	677	337
Contract liabilities	806	318
Total trade and other payables	8,040	6,691

Trade payables mainly represent payables for crude oil, oil products, gas, construction, drilling, transportation and utilities provided by vendors of the Group.

As at 31 December 2022 and 2021 trade and other payables were not interest bearing.

19. Other financial liabilities

In 2020 the Group received UZS 2,095 billion from Air Products Netherlands Gases B.V. under the Advance Payment Agreement as a prepayment for future supply of certain equipment that constructed in the plant of “Uzbekistan GTL” LLC (Note 15). In accordance with the terms of this agreement, in order to complete the transaction, it is necessary to obtain a letter of consent from the creditors of “Uzbekistan GTL” LLC. This letter of consent should have been received by June 30, 2021. However, as of December 31, 2022, letter of consent has not been received and the agreement has not been renewed. As a result, as of December 31, 2022 and 2021, liabilities to Air Products Netherlands Gases B.V. were reclassified to other financial liabilities

The difference between the book value of liabilities and the amount mentioned above, received in 2020, is represented by accumulated foreign exchange differences and accumulated interest. Subsequently, in 2023 the letter of consent from the creditors was obtained (Note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**20. Borrowings**

At 31 December 2022, borrowings of the Group were represented by the following facilities:

Facilities	Interest rate	Maturity date	Balance as at 31 December 2022	
			Non-current portion	Current portion
USD 1,200 million	6M LIBOR +3.5%	June 2031	9,985	2,019
USD 700 million	4.75%	November 2028	7,827	47
USD 500 million	6M LIBOR +3.61%	June 2031	4,122	881
USD 360 million	LIBOR + 3.25%	December 2029	2,919	551
EURO 200 million	3M EURIBOR + 4.5%	November 2025	2,354	16
USD 200 million	3M SOFR + 3.75%	December 2025	2,203	1
USD 280 million	6M LIBOR +1.15%	June 2031	2,140	422
CNY 1,600 million	SHIBOR + 0.5%	October 2031	1,993	263
	LIBOR +1.86%			
USD 120 million	LIBOR +4.85%	June 2031	968	195
	LIBOR +1.86%			
USD 100 million	LIBOR +4.85%	June 2031	791	157
USD 100 million	6M LIBOR +1.15%	June 2031	754	162
USD 57,87 million	2%	December 2024	165	236
UZS 511,65 million	14%	July 2024	102	111
UZS 464,87 million	14%	July 2024	93	100
UZS 316,27 million	10%	August 2024	70	112
EURO 40 million	2%	November 2024	–	229
UZS 285,000million	19%	October 2023	–	194
UZS 137,000million	19%	October 2023	–	137
USD 9,7 million	7.5%	November 2023	–	117
USD 10 million	8%	November 2023	–	112
USD 172 million	3.5%	January 2023	–	98
UZS 100,000 million	19%	July 2023	–	84
UZS 123,940 million	19%	June 2023	–	70
UZS 56,500 million	19%	October 2023	–	57
UZS 100,000 million	19%	September 2023	–	50
UZS 100,000 million	19%	September 2023	–	49
USD 5 million	6.5%	October 2023	–	47
USD 5 million	6.5%	October 2023	–	47
UZS 45,000 million	19%	August 2023	–	45
USD 3.98 million	8.3%	April 2023	–	45
USD 5 million	8%	August 2023	–	34
UZS 40,000 million	19%	July 2023	–	33
USD 6,01 million	9%	March 2023	–	33
US 31,400 million	19%	September 2023	–	31
Others			–	286
Total			36,486	7,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**20. Borrowings (continued)**

At 31 December 2021, borrowings of the Group were represented by the following facilities:

Facilities	Interest rate	Maturity date	Balance as at 31 December 2021	
			Non-current portion	Current portion
USD 1,200 million	6M LIBOR +3.5%	December 2031	10,476	1,715
USD 700 million	4.75%	November 2028	7,549	46
USD 500 million	6M LIBOR +3.61%	December 2031	4,359	720
USD 360 million	LIBOR + 3.25%	December 2029	3,251	495
CNY 1,600 million	SHIBOR + 0.5%	October 2031	2,351	287
USD 280 million	6M LIBOR +1.15%	December 2031	2,230	333
	LIBOR +1.86%			
USD 120 million	LIBOR +4.85%	December 2031	991	185
	LIBOR +1.86%			
USD 100 million	LIBOR +4.85%	December 2031	827	127
USD 100 million	6M LIBOR +1.15%	December 2031	795	119
USD 57 million	2%	December 2024	398	260
UZS 511,653 million	14%	July 2024	307	237
UZS 464,874 million	14%	July 2024	279	216
UZS 316,267 million	10%	August 2024	173	159
EURO 40 million	2%	July 2024	152	77
USD 172 million	3.5%	January 2023	96	191
USD 5 million	6.5%	October 2023	44	9
USD 5 million	6.5%	October 2023	44	9
UZS 100,000 million	17%	April 2023	34	67
USD 6 million	6%	July 2023	25	42
EURO 300 million	6M EURIBOR + 4.95%	February 2022	–	770
UZS 198,000 million			–	198
EURO 8 million	19%	December 2022	–	107
Others	6%	October 2022	29	173
Total borrowings			34,410	6,542

In 2022 and 2021 years lenders of the Group comprise of financial institutions.

In November 2021, the Group issued Eurobonds on the London Stock Exchange for a total amount of USD 700 million, interest rate – 4.75%. The repayment date of Eurobonds is November 2028. Funds received as a result of issue of these Eurobonds were mainly used for the early repayment of certain short-term borrowings, as well as for financing of the investment projects

Changes in liabilities arising from financing activities:

<i>In billions of Uzbek soums</i>	2022	2021
As at 1 January	40,952	34,175
Proceeds from borrowings	7,310	16,306
Finance costs, including capitalized to property, plant and equipment	2,252	1,639
Change in foreign exchange rates	1,248	317
Translation to presentation currency	–	734
Repayment of borrowings	(5,972)	(10,481)
Interest paid	(2,233)	(1,437)
Other	–	(301)
As at 31 December	43,557	40,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. Provisions**

<i>In billions of Uzbek soums</i>	Asset retirement obligations	Employee benefit		Total
		Post-employ- ment benefits	Other long-term payments	
As at 1 January 2021	971	891	67	1,929
Provision for the year / current service cost	62	40	6	108
Change in estimate	(77)	(114)	(9)	(200)
Unwinding of discount (Note 29)	107	–	–	107
Interest cost (Note 29)	–	116	9	125
Use of provision/payment	–	(22)	(6)	(28)
As at 31 December 2021	1,063	911	67	2,041
Provision for the year / current service cost	35	29	3	67
Change in estimate	(455)	(81)	(12)	(548)
Unwinding of discount (Note 29)	–	–	–	119
Interest cost (Note 29)	–	143	10	153
Use of provision/payment	–	(29)	(1)	(30)
As at 31 December 2022	762	973	67	1,802
As at 31 December 2021				
Short-term portion	–	25	5	30
Long-term portion	1,063	886	62	2,011
As at 31 December 2021	1,063	911	67	2,041
As at 31 December 2022				
Short-term portion	–	27	6	33
Long-term portion	762	946	61	1,769
As at 31 December 2022	762	973	67	1,802

Key actuarial assumptions

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plan are shown below:

	2022	2021
Discount rate	15,69%	13,89%
Future salary increases	10,29%	12,50%
Growth of the minimum wage	13,16%	13,58%
Increase in surcharges	13,16%	13,58%

A quantitative sensitivity analysis for significant assumption as at 31 December 2022 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Mortality	
	1%	1%	1%	1%	1%	1%	10%	10%
Sensitivity level	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Impact on post-employment benefits	(127)	159	10	(9)	(56)	65	(35)	39
Impact on other long-term payments	(5)	6	11	(5)	(5)	6	1	(1)

A quantitative sensitivity analysis for significant assumption as at 31 December 2021 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover		Mortality	
	1%	1%	1%	1%	1%	1%	10%	10%
Sensitivity level	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Impact on post-employment benefits	(124)	156	155	(125)	(61)	70	(38)	43
Impact on other long-term payments	(5)	6	6	(5)	(6)	7	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. Provisions (continued)****Key actuarial assumptions (continued)**

The sensitivity analysis above were made based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

22. Shareholders' equity

As of 31 December 2022, the share capital of the Company consisted of 42,462,508,839 common shares (as of 31 December 2021: 43,048,493,329 common shares) issued at UZS 500 par value as well as preferred non-voting shares of 24,437,863 items (as of 31 December 2021: 24,437,863 preferred shares) issued at UZS 500 par value.

Reduction of share capital

In 2021 the Group transferred certain assets based on the Order of the Ministry of Finance of the Republic of Uzbekistan with the book value of UZS 217 billion. Disposal of the assets was recognized in retained earnings.

In March 2022, when the formal registration of the share capital reduction (in the total amount of UZS 293 billion: 585,984,490 common shares with par value UZS 500), related to the transfer of the above-mentioned assets was completed, the Group recognized the decrease in the share capital in the amount of UZS 293 billion, with the respective adjustment of the retained earnings in the amount of UZS 217 billion.

Dividends

In 2022 based on decision of the shareholders, the Group declared dividends:

- UZS 27,89 per common share in the total amount of UZS 1,140 billion for 2020;
- UZS 125 per common share in the total amount of UZS 3 billion for 2020.

In 2021 the Group did not declare dividends.

Other distributions to shareholder

During 2022, according to the Decree of President of the Republic of Uzbekistan, dated 29 January 2021 and the Decree of Cabinet of Ministers of the Republic of Uzbekistan № 570 dated 14 July 2018, the Group provided sponsorship for the construction of several social objects in the total amount of UZS 148 billion.

23. Oil, gas, petroleum products and petrochemicals sales

<i>In billions of Uzbek soums</i>	2022	2021
Sales of refined oil and gas products	13,909	9,618
Sales of gas	7,066	8,134
Sales of petrochemical products	2,128	1,832
Gas processing and tolling fees	798	648
Oil refinery tolling fees	120	93
Gas transportation fees	92	90
Sales of other products	511	301
Total oil, gas, petroleum products and petrochemicals sales	24,624	20,716
Geographical markets		
Uzbekistan	24,474	20,387
Other countries	150	329
	24,624	20,716

In 2022, 20% of the Group's total sales comprised gas sales to the companies under the common control of the Shareholder (in 2021 – 29%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. Cost of purchased oil, gas, petroleum products and other materials**

<i>In billions of Uzbek soums</i>	2022	2021
Purchased crude oil	7,464	4,500
Materials and supplies	417	524
Purchased gas for resale	–	32
Total cost of purchased oil, gas, petroleum products and other materials	7,881	5,056

25. Production expenses

<i>In billions of Uzbek soums</i>	2022	2021
Payroll	1,472	1,424
Services	626	575
Utilities	506	466
Repair and maintenance	292	289
Other	68	116
Total production expenses	2,964	2,870

26. Taxes other than income tax

<i>In billions of Uzbek soums</i>	2022	2021
Subsoil tax	1,529	1,624
Property tax	639	217
Excise tax	339	190
Land tax	160	169
Other taxes	142	78
Total taxes other than income tax	2,809	2,278

27. General and administrative expenses

<i>In billions of Uzbek soums</i>	2022	2021
Payroll	618	596
Charitable donations and sponsorship	334	362
Consulting services	142	128
Repair and maintenance	106	149
Materials and supplies	17	38
Other	253	216
Total transportation and selling expenses	1,470	1,489

28. Transportation and selling expenses

<i>In billions of Uzbek soums</i>	2022	2021
Payroll	251	453
Transportation	202	190
Services	160	191
Other	67	11
Total transportation and selling expenses	680	845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Finance income and finance costs****Finance income**

Finance income mainly comprises of interest accrued on loans due from related parties and other finance income.

Finance costs

<i>In billions of Uzbek soums</i>	2022	2021
Interest expenses	1,722	286
Loss on initial recognition of financial assets (Note 10)	551	–
Other	–	6
Total interest expenses	2,273	292
Unwinding of discount of asset retirement obligations (Note 21)	153	125
Interest expenses on employee benefit obligations (Note 21)	119	107
Other	149	71
Total finance costs	2,694	595

30. Income tax

The major components of income tax expense for the years ended 31 December are:

<i>In billions of Uzbek soums</i>	2022	2021
Current tax charge	544	1,202
Deferred tax charge	437	149
Income tax expense reported in the consolidated statement of profit or loss	981	1,351

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes

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. Temporary differences as at 31 December 2022 and 2021 relate mostly to with different methods/timing of accounting for income and expenses, as well as temporary differences arising from the difference in the accounting and tax values of certain assets and liabilities.

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (15% in 2022 and 2021) to income tax expenses was as follows for the years ended 31 December:

<i>In billions of Uzbek soums</i>	2022	2021
Profit before income tax	3,834	6,866
Statutory tax rate	15%	15%
Theoretical income tax expense at the statutory rate	575	1,030
Non-deductible expenses, net	103	220
Unrecognized deferred tax assets	241	27
Income of subsidiaries taxed at different rates	62	74
Income tax expense	981	1,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. Income tax (continued)

Deferred tax assets and liabilities as of 31 December 2022 and 2021 were calculated using the expected income tax rates of 15%. Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

<i>In billions of Uzbek soums</i>	1 January 2021	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2021	In the consolidated statement of profit or loss	In the consolidated statement of other comprehensive income	31 December 2022
Deferred tax assets							
Trade receivables	80	243	–	323	116	–	439
Inventories	27	(4)	–	23	0	–	23
Provisions	359	(37)	(17)	305	(21)	(14)	270
Other	–	109	(16)	93	85	(2)	176
Deferred tax assets	466	311	(33)	744	180	(16)	908
Deferred tax liabilities							
Property, plant and equipment	(659)	(40)	–	(699)	(195)	–	(894)
Investments in joint ventures and associates	(1,963)	(420)	(99)	(2,482)	(422)	(116)	(3,020)
Deferred tax liabilities	(2,622)	(460)	(99)	(3,181)	(617)	(116)	(3,914)
Net deferred tax liabilities	(2,156)	(149)	(132)	(2,437)	(437)	(132)	(3,006)

The temporary differences associated with investments in the Group's subsidiaries for which a deferred tax liability was not recognized in the periods presented, aggregate to UZS 2,558 billion (2021: UZS 2,320 billion). The Group determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. Financial risk management**

The Group's principal financial instruments mainly consist of borrowings, cash and cash equivalents, loans due from related parties as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements.

The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 2021 years.

Foreign exchange risk

The Group's main financial instruments in foreign currencies include Cash and cash equivalents, trade receivables and payables denominated in US dollar, and borrowings denominated in US dollar, Euro and CNY.

As a result of significant borrowings denominated in the US dollars, Euro and CNY, and cash and cash equivalents, trade receivables and payables denominated in US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / UZS, Euro/UZS and CNY/UZS exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro and CNY exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

<i>In billions of Uzbek soums</i>	Increase/ decrease in UZS to US dollar exchange rate	Effect on profit before tax	Increase/ decrease in UZS to CNY exchange rate	Effect on profit before tax	Increase/ decrease in UZS to Euro exchange rate	Effect on profit before tax
2022	+24%	7,015	+20%	425	+23%	606
	-24%	(7,015)	-20%	(425)	-23%	(606)
2021	+3%	911	+22%	543	+20%	213
	-20%	(6,072)	-22%	(543)	-20%	(213)

Interest rate risk

Borrowings at floating interest rates expose the Group to interest rate risk arising from possible changes in the variable elements of the overall interest rate.

The Group analyzes its interest rate exposure, including by performing scenario analysis to measure the impact of an interest rate shift on annual income before income tax. According to sensitivity analysis, which is limited to variable rate borrowings and is conducted with all other variables held constant the impact of a potential increase or decrease in interest rates on the Group's profit before tax, as applied to the variable element of interest rates on borrowings is immaterial, since the Group does not have significant exposure to interest rate risk.

The analysis is prepared with the assumption that the amount of variable rate liability outstanding at the balance sheet date was outstanding for the whole year. The interest rate on variable rate borrowings will effectively change throughout the year in response to fluctuations in market interest rates. The impact measured through the sensitivity analysis does not take into account other potential changes in economic conditions that may accompany the relevant changes in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. Financial risk management (continued)****Market risk (continued)***Interest rate risk (continued)*

	Increase/ decrease in Libor	Sensitivity of finance cost	Increase/ decrease in Euribor	Sensitivity of finance cost	Increase/ decrease in SOFR	Sensitivity of finance cost
2022	+2.45% -2.45%	640 (640)	+1.36% -1.36%	32 (32)	+2.23% -2.23%	49 (49)
2021	+1.25% -0.25%	333 (67)	+0.2% -0.2%	2 (2)	+1.00% -0.15%	– –

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily oil and gas products. The Group is exposed to fluctuations of the prices of Brent crude oil, which are set in US dollars per barrel on international markets. The Group prepares annual budgets and periodic forecasts, including sensitivity analyzes of different levels of oil prices in future.

Credit risk

The Group controls its own exposure to credit risk. All external customers and their financial guarantors, including related parties, undergo a creditworthiness check (including sellers of goods and services who act on a prepayment basis).

The Group performs an ongoing assessment and monitoring of the financial position and the risk of default. In the event of a default by the parties on their respective obligations under the financial guarantee contracts, the Group's exposure to credit risk will be limited to the corresponding contract amounts.

In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash and performs trade finance operations. The Group primarily has banking relationships with the reputable large financial institutions in the Republic of Uzbekistan. The Group's exposure to credit risk is limited to the carrying value of financial assets recognized on the consolidated balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 December 2022	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	9,314	6,854	17,464	20,656	54,288
Trade accounts payable	6,557	–	–	–	6,557
Other financial liabilities	2,401	–	–	–	2,401
Other current liabilities	475	–	–	–	475
Other non-current liabilities	–	60	–	–	60
Total undiscounted financial liabilities	18,747	6,914	17,464	20,656	63,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. Financial risk management (continued)****Liquidity risk (continued)**

At 31 December 2021	<1 year	1 to 2 years	3 to 5 years	>5 years	Total
Borrowings	8,155	5,529	13,120	23,581	50,385
Trade accounts payable	6,025	11	–	–	6,036
Other financial liabilities	2,205	–	–	–	2,205
Other current liabilities	391	–	–	–	391
Other non-current liabilities	–	53	–	–	53
Total undiscounted financial liabilities	16,776	5,593	13,120	23,581	59,070

Management believes that the Group has access to sufficient financing resources with domestic and foreign banks in order to meet the Group's obligations in accordance with the set deadlines.

Capital management

The primary objective of the Group's capital management policy is to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain government, investor and creditor confidence to support its business activities.

Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

<i>In billions of Uzbek soums</i>	31 December 2022		31 December 2021	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Cash and cash equivalents	2,487	2,487	2,217	2,217
Restricted cash	239	239	211	211
Trade receivables	3,905	3,905	3,158	3,158
Other current assets	843	843	620	620
Loans due from related parties	6,628	6,628	6,038	6,038
Other non-current assets	291	291	348	348
Total financial assets	14,393	14,393	12,592	12 592
Trade and other payables	6,557	6,557	6,036	6,036
Borrowings	43,557	41,981	40,952	40,863
Other financial liabilities	2,401	2,401	2,205	2,205
Other current liabilities	475	475	391	391
Other non-current liabilities	60	60	53	53
Total financial liabilities	53,050	51,474	49,637	49,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. Financial risk management (continued)****Fair value of financial instruments (continued)**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2022:

<i>In billions of Uzbek soums</i>	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	2,487	–	–	2,487
Restricted cash	239	–	–	239
Trade receivables	–	–	3,905	3,905
Other current assets	–	–	843	843
Loans due from related parties	–	–	6,628	6,628
Other non-current assets	288	–	3	291
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	6,557	6,557
Borrowings	6,333	34,081	1,567	41,981
Other financial liabilities	–	2,401	–	2,401
Other current liabilities	–	–	475	475
Other non-current liabilities	–	–	60	60

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2020:

<i>In billions of Uzbek soums</i>	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	2,217	–	–	2,217
Restricted cash	211	–	–	211
Trade receivables	–	–	3,158	3,158
Other current assets	–	–	620	620
Loans due from related parties	–	–	6,038	6,038
Other non-current assets	160	–	188	348
Other financial liabilities	–	–	–	–
Liabilities for which fair values are disclosed				
Trade and other payables	–	–	6,036	6,036
Borrowings	7,595	32,138	1,130	40,863
Other financial liabilities	–	2,205	–	2,205
Other current liabilities	–	–	391	391
Other non-current liabilities	–	–	53	53

32. Contingencies, commitments and operating risks**Operating environment**

The Group's operations are only conducted in the Republic of Uzbekistan. The Republic of Uzbekistan continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Uzbekistan's economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Specifically, the President of the Republic of Uzbekistan issued Decree No.60 dated 28 January 2022 and confirmed Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2022–2026. The government is carrying large-scale political and legal socio-economic reforms, state and regional programs in accordance with the Action Strategy for 2022–2026.

The Uzbekistan's economy has been impacted by government's currency reforms in 2017, which resulted in significant devaluation of Uzbek soums against major hard currencies by 92–94%, based on official exchange rates as established by the CBU of Uzbekistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Contingencies, commitments and operating risks (continued)**Operating environment (continued)**

For the first time, the Republic of Uzbekistan obtained international credit rating in 2019. International Rating Agency Standard & Poor's Global Ratings has confirmed the long-term and short-term sovereign credit ratings of the Republic of Uzbekistan on obligations in national and foreign currencies “BB-/B”.

In the beginning of September 2022, Fitch Ratings confirmed Uzbekistan's long-term foreign currency credit rating at “BB-” with a stable forecast.

The Group's management is monitoring economic developments in the current environment and taking precautionary measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are 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 in excess of provisions that have been made in these consolidated financial statements.

Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations (like the State Tax Committee and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency controls matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges.

These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that the relevant authorities could take differing positions with regard interpretive issues.

Management believes that as of 31 December 2022, its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs legislation position will be sustained.

Capital commitments

As at 31 December 2022, the Group had capital commitments of UZS 11,647 billion (2021: UZS 11,114 billion) mainly related to the construction of “Uzbekistan GTL” plant and to the project on expansion of the Shurtan Gas Chemical Complex.

Financial guarantees

The Group has guaranteed the obligation of Uztransgaz JSC under an Uzbek law-governed Gas Sales Contract with “Uz-Kor Gas Chemical” JV LLC. In the event that Uztransgaz JSC fails to fulfill its guaranteed obligations, the Group may receive claims and become liable in the amount of UZS 12,618 billion as of 31 December 2022 (31 December 2021: UZS 13,233 billion). All financial guarantee agreements are subject to the absence of compensation in favor of the Company. The main part of the financial obligations of Uztransgaz JSC, guaranteed by the Company, is payable on demand or within 12 months.

33. Subsequent events**Dividends**

During the year 2023, based on the decision of the shareholders, the Group declared dividends of UZS 23.64 per ordinary share for the total amount of UZS 1,003 billion and UZS 125 per preferred share for the total amount of UZS 3 billion for 2021 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Subsequent events (continued)**Sales of assets to Sanoat Energetika Guruhi LLC**

In May 2023 the Group concluded agreement with Sanoat Energetika Guruhi LLC for sale of some oil and gas assets, with book value amounted to UZS 1,811 billion. The amount of agreement is UZS 3,591 billion (including VAT), and payment till 2033 year.

Agreement with Air Products Netherlands Gases B.V.*Sale-purchase agreement*

In May 2023 the Group concluded the agreement with Air Products Netherlands Gases B.V for the sale of industrial gas facilities, related to the Uzbekistan GTL LLC, in the total amount of USD 1 billion. As of June 2023, in accordance with previously concluded advance payment agreement, the Group received advance payments in the amount of USD 800 million, out of which USD 200 million were received in 2020.

Tolling service agreement

In addition, in May 2023, the Group concluded tolling service agreement with Air Products Netherlands Gases B.V., according to which Air Products Netherlands Gases B.V. will provide tolling services to Uzbekistan GTL LLC, using the above-mentioned facilities sold under the sale-purchase agreement. Period of tolling service agreement is 15 years, with the subsequent sale back of these facilities by Uzbekistan GTL LLC.

Borrowings

In February 2023, the Group received new tranches under the loan agreement with JSCB “Uzbek Industrial and Construction Bank” in the amount of USD 198 million (equivalent to UZS 2,247 billion) for refinancing of certain borrowings. Subsequently, in June 2023, the Group fully repaid this borrowing.

Also, in February 2023, the Group made a full redemption of the outstanding balance of the borrowings under the agreements with Gazprombank JSC in the total amount of USD 198 million (equivalent to UZS 2,247 billion).

In June 2023, the Group made repayments of borrowings, received by Uzbekistan GTL LLC under the Common Terms Loan Agreement, in the amount of USD 208 million (equivalent to UZS 2,388 billion).