Uzbektelecom JSC

Consolidated financial statements

For the year ended 31 December 2024
together with independent auditor's report

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Joint Stock Company "Uzbektelecom" and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

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

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition from the provision of telecommunications services	
Recognition and measurement of revenue from provision of telecommunication services was one of the matters of most significance in our audit. The risk of improper revenue recognition arises because the Group provides diversified services offerings with varying tariff structures to a large number of customers. In addition, the effect of accounting treatment of changing tariff structures and multi-element arrangements on revenue could be significant. Further, the Group posts manual adjustments into the general ledger at year-end to correct billed revenue from monthly tariff plans, by deferring unearned portion to contract liabilities due to subscribers, for services not provided in the current period. The development and application of revenue recognition policies, including the application of IFRS 15 Revenue from contracts with customers, involve a number of key judgements and estimates by management, and therefore revenue could be subject to misstatement, whether due to fraud or error, including untimely recognition. The Group's disclosure of information in respect of the accounting policies on revenue recognition is included in Note 3 to the consolidated financial statements, and disclosures by types of revenue are included in Note 27 to the consolidated financial statements.	We have considered the relevant IT systems and the design of controls and tested the operating effectiveness of internal controls over capturing and recording data, and calculation of amounts billed to the customers. We examined the authorising of changes in tariffs implemented in the billing system. We performed analytical procedures, including monthly fluctuations analysis and analysis of changes in the number of subscribers and tariffs impacting revenue, and compared trends in financial data with trends in non-financial data. We recalculated the amounts of manual adjustments posted by the Group related to the deferral of unearned portion of revenue to contract liabilities. We performed tests of details on revenue recognition by inspecting both key items selected based on risk considerations and items selected on a random basis. We examined underlying contracts and supporting documentation to assess whether the timing and amount of revenue recognised were in accordance with IFRS 15. We analysed the key judgements and estimates used by management in the accounting for revenue. We evaluated the Group's accounting policy for revenue recognition. We analysed the disclosures related to revenue recognition.
Compliance with debt covenants	
In accordance with the terms of certain financing arrangements, the Group should comply with certain financial and non-financial covenants. Breaching covenants could result in funding shortages. Compliance with the covenants is one of the matters of most significance in the audit since it has a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on the classification of interest-bearing liabilities in the consolidated statement of financial position. Information on compliance with covenants is disclosed in Note 20 to the consolidated financial	We analysed the terms and conditions of the Group's financing arrangements to identify financial and non-financial covenants. We compared data used in the financial covenants' calculations for compliance with the consolidated financial statements. We tested the mathematical accuracy of the financial covenants' calculations. We analysed the disclosures in respect of debt covenants compliance in the consolidated financial statements of the Group.

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statements.

Other information included in the Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2024 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

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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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

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

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

Tashkent, Uzbekistan

1 August 2025

Mukhammadyokubkhuja Sharafitdinkhodjaev, Director
on behalf of Audit Organization "Ernst & Young" LLC
Certificate authorizing audit practice No. 66 registered with the Ministry of Finance of the Republic of Uzbekistan.

Ruslan Khoroshvili
Engagement Partner

Mukhammadyokubkhuja Sharafitdinkhodjaev
Qualified Auditor

Auditor's qualification certificate authorizing audit practice No. 06392 dated 24 August 2024 issued by "Buxgalterlar va auditorlar imtihon markazi"

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2024

In thousand soums	Note	31 December 2024	31 December 2023 Restated *(Note 5)*	1 January 2023 Restated *(Note 5)*
Assets				
Non-current assets				
Property and equipment	10	**12,476,638,705**	9,960,877,135	7,523,767,053
Right-of-use assets	21	**293,483,470**	272,887,430	194,812,780
Intangible assets	11	**77,272,069**	88,886,446	112,548,783
Investment in an associate and a joint venture	12	**443,546,157**	381,897,794	37,163,530
Investments at FVTPL		**–**	–	2,542,779
Advances paid for non-current assets	10	**197,587,281**	209,550,300	46,945,986
Cost to obtain a contract	13	**24,234,285**	18,496,972	11,464,256
Other non-current financial assets	14	**6,089,303**	3,410,425	2,902,427
Total non-current assets		**13,518,851,270**	10,936,006,502	7,932,147,594
Current assets				
Inventories	15	**392,029,637**	368,485,403	326,033,353
Trade receivables	16	**477,325,557**	252,333,898	272,412,971
Advances paid	17	**163,954,639**	89,501,895	116,344,278
Other current financial assets		**14,450,000**	1,784,200	2,006,200
Cost to obtain a contract – short-term portion	13	**36,383,267**	36,993,946	22,928,513
Income tax prepaid		**5,640,191**	40,756,804	46,788,893
Cash and cash equivalents	18	**106,279,870**	19,992,817	17,501,681
		1,196,063,161	809,848,963	804,015,889
Assets held for distribution	7	**–**	179,070,424	–
Total current assets		**1,196,063,161**	988,919,387	804,015,889
Total assets		**14,714,914,431**	11,924,925,889	8,736,163,483
Equity and liabilities				
Share capital	19	**326,171,556**	319,776,035	331,556,392
Additional paid-in-capital	19	**100,852,325**	74,962,330	59,005,346
Retained earnings		**2,897,316,203**	2,311,039,443	2,018,702,986
Equity attributable to shareholders of the parent		**3,324,340,084**	2,705,777,808	2,409,264,724
Non-controlling interests		**6,660,444**	8,742,693	4,549,409
Total equity		**3,331,000,528**	2,714,520,501	2,413,814,133

The accompanying notes on pages 8 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousand soums	Note	31 December 2024	31 December 2023 Restated *(Note 5)*	1 January 2023 Restated *(Note 5)*
Non-current liabilities				
Borrowings	20	**6,517,914,344**	3,878,964,319	2,659,035,568
Lease liabilities	21	**237,514,644**	233,955,702	177,075,442
Contract liabilities	24	**57,130,223**	52,624,000	22,054,000
Employee benefits obligations	22	**86,311,070**	72,932,640	56,420,437
Provisions		**13,549,184**	6,430,142	–
Other non-current financial liabilities		**2,542,303**	–	–
Deferred tax liabilities	34	**403,921,702**	219,154,066	179,935,678
Total non-current liabilities		**7,318,883,470**	4,464,060,869	3,094,521,125
Current liabilities				
Trade account payables	23	**1,375,443,397**	1,778,815,895	892,255,169
Contract liabilities	24	**460,633,562**	409,823,487	441,266,703
Borrowings	20	**1,869,793,239**	2,081,058,763	1,638,111,718
Income tax payable		**–**	7,086,827	–
Employee benefits obligations	22	**7,680,392**	7,224,157	6,891,526
Lease liabilities	21	**83,676,736**	55,987,381	52,328,656
Other current non-financial liabilities	26	**133,043,975**	191,926,548	121,271,047
Other current financial liabilities	25	**134,759,132**	107,511,669	75,703,406
		4,065,030,433	4,639,434,727	3,227,828,225
Liabilities directly associated with the assets held for distribution	7	**–**	106,909,792	–
Total current liabilities		**4,065,030,433**	4,746,344,519	3,227,828,225
Total liabilities		**11,383,913,903**	9,210,405,388	6,322,349,350
Total equity and liabilities		**14,714,914,431**	11,924,925,889	8,736,163,483

General Director — *Khasanov N.N.*

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

Chief accountant — *Sattarov Kh.I.*

The accompanying notes on pages 8 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

In thousand soums	Note	2024	2023 Restated (*Note 5*)
Revenue	27	**8,884,090,368**	7,748,539,971
Cost of sales	28	**(5,771,176,600)**	(5,009,871,027)
Gross profit		**3,112,913,768**	2,738,668,944
Selling expenses	29	**(699,755,350)**	(599,035,794)
General and administrative expenses	30	**(896,713,388)**	(759,880,786)
Other operating income	33	**142,763,472**	115,192,057
Reversal of impairment losses on non-financial assets	31	**6,345,455**	12,382,185
Expected credit losses	31	**(117,012,420)**	(182,498,754)
Operating profit		**1,548,541,537**	1,324,827,852
Finance income	32	**16,389,666**	996,009
Finance costs	32	**(607,164,891)**	(499,523,519)
Net foreign exchange gain/(loss)		**113,759,974**	(543,627,859)
Share of profit/(loss) of associates and joint ventures	12	**(19,496,421)**	23,280,698
Fair value gain on investments at FVTPL	8	**–**	30,873,307
Gain on bargain purchase	8	**–**	5,126,595
Profit before tax		**1,052,029,865**	341,953,083
Income tax expenses	34	**(250,765,176)**	(63,418,921)
Profit for the year		**801,264,689**	278,534,162
Other Comprehensive income			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax)			
Actuarial gain/loss on defined benefits plans	22	**2,127,309**	(1,426,761)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**2,127,309**	(1,426,761)
Other comprehensive income/(loss) for the year, net of tax		**2,127,309**	(1,426,761)
Total comprehensive income for the year, net of tax		**803,391,998**	277,107,401
Profit attributable to:			
Equity holders of the Parent		**799,496,602**	275,462,347
Non-controlling interests		**1,768,087**	3,071,815
		801,264,689	278,534,162
Total comprehensive income attributable to:			
Equity holders of the Parent		**801,623,911**	274,035,586
Non-controlling interests		**1,768,087**	3,071,815
		803,391,998	277,107,401
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, Uzbek soums	19	**2,980**	1,031

General Director _____ *Khasanov N.N.*

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

Chief accountant _____ *Sattarov Kh.I.*

The accompanying notes on pages 8 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Parent					
In thousand soums	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total Equity
At 1 January 2023 (as reported)	331,556,392	59,005,346	2,037,874,173	2,428,435,911	4,549,409	2,432,985,320
Correction of error (*Note 5*)	–	–	(19,171,187)	(19,171,187)	–	(19,171,187)
At 1 January 2023 (as restated)	331,556,392	59,005,346	2,018,702,986	2,409,264,724	4,549,409	2,413,814,133
Net profit for the year (restated)	–	–	275,462,347	275,462,347	3,071,815	278,534,162
Other comprehensive loss	–	–	(1,426,761)	(1,426,761)	–	(1,426,761)
Total comprehensive income	–	–	274,035,586	274,035,586	3,071,815	277,107,401
Redemption of shares (Note 19)	(11,780,357)	–	11,780,357	–	–	–
Transfer of subsidiaries to government (Note 19)	–	–	(6,343,582)	(6,343,582)	(117,635)	(6,461,217)
Transfer of shares to government (Note 19)	–	–	(1,199,636)	(1,199,636)	1,199,636	–
Transactions with shareholder (Note 19)	–	–	40,991,641	40,991,641	–	40,991,641
Transactions with shareholder (gain on initial recognition of the borrowings) (Note 19)	–	15,425,166	–	15,425,166	–	15,425,166
In-kind dividends (Note 19)	–	–	(19,094,195)	(19,094,195)	–	(19,094,195)
Dividends to non-controlling shareholders	–	–	–	–	(4,390)	(4,390)
Other	–	531,818	(7,833,714)	(7,301,896)	43,858	(7,258,038)
At 31 December 2023	319,776,035	74,962,330	2,311,039,443	2,705,777,808	8,742,693	2,714,520,501

The accompanying notes on pages 8 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Parent					
In thousand soums	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total Equity
At 31 December 2023	**319,776,035**	**74,962,330**	**2,311,039,443**	**2,705,777,808**	**8,742,693**	**2,714,520,501**
Net profit for the year	–	–	**799,496,602**	**799,496,602**	**1,768,087**	**801,264,689**
Other comprehensive income	–	–	**2,127,309**	**2,127,309**	–	**2,127,309**
Total comprehensive income	–	–	**801,623,911**	**801,623,911**	**1,768,087**	**803,391,998**
Issuance of shares *(Note 19)*	**6,395,521**	**26,856,755**	–	**33,252,276**	–	**33,252,276**
Transfer of subsidiary to government *(Note 7)*	–	**(966,760)**	**(67,343,536)**	**(68,310,296)**	**(3,850,336)**	**(72,160,632)**
Transactions with shareholders *(Note 19)*	–	–	**(135,825,970)**	**(135,825,970)**	–	**(135,825,970)**
Dividends paid to shareholders	–	–	**(2,438,340)**	**(2,438,340)**	–	**(2,438,340)**
Other	–	–	**(9,739,305)**	**(9,739,305)**	–	**(9,739,305)**
At 31 December 2024	**326,171,556**	**100,852,325**	**2,897,316,203**	**3,324,340,084**	**6,660,444**	**3,331,000,528**

General Director _____ *Khasanov N.N.*

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

Chief accountant _____ *Sattarov Kh.I.*

The accompanying notes on pages 8 to 79 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

In thousand soums	Note	2024	2023 Restated (*Note 5*)
Operating activities			
Profit before tax for the year		**1,052,029,865**	341,953,083
Adjustments for:			
Share of (profit)/loss of associates and joint ventures	12	**19,496,421**	(23,280,698)
Gain on bargain purchase	8	**–**	(5,126,595)
Income from disposal of property and equipment		**(33,823,658)**	(57,046,228)
Income from write off of payables		**(11,775,125)**	(1,014,905)
Equipment received free of charge		**–**	(490,462)
Depreciation of property and equipment and right of use assets	10, 21	**972,735,026**	737,952,010
Amortisation of intangible assets	11	**143,667,041**	137,422,994
Amortisation of cost to obtain a contract	13, 29	**146,496,886**	105,196,128
Recovery of provision for slow-moving and obsolete inventories	15	**(9,813,462)**	(7,825,931)
Recovery of provision for advances paid for inventories and services, net	31	**(6,345,455)**	(7,460,978)
Recovery of provision for non-current advances paid, net	31	**(6,112,856)**	(4,921,207)
Net foreign exchange (gain)/loss		**(113,759,974)**	543,627,859
Accrual of provision for unused vacation and related taxes		**17,600,294**	1,427,718
Finance costs	32	**607,164,891**	499,523,519
Finance income	32	**(16,389,666)**	(996,009)
Accrual of allowance for expected credit losses, net	16	**117,012,420**	182,498,754
Provision for retirement benefit obligations	22	**8,492,868**	11,984,914
Fair value gain on investments at FVTPL		**–**	(30,873,307)
Operating cash flows before changes in operating assets and liabilities		**2,886,675,516**	2,422,550,659
Changes in operating assets and liabilities			
Change in trade and other receivables		**(473,398,248)**	(258,797,687)
Change in inventories		**(7,617,916)**	(89,504,912)
Change in advances paid		**(1,772,203)**	34,303,361
Change in contract liabilities		**55,316,298**	(21,384,065)
Change in trade payables		**(421,446,030)**	(27,776,375)
Change in cost to obtain contracts		**(151,623,520)**	(126,294,277)
Changes in other current liabilities		**(13,560,777)**	14,696,962
Cash flows from operating activities		**1,872,573,120**	1,947,793,666

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousand soums	Note	2024	2023
Interest paid	37	**(546,408,409)**	(376,967,825)
Income tax paid		**(31,218,473)**	(11,081,618)
Net cash flows from operating activities		**1,294,946,238**	1,559,744,223
Investing activities			
Purchase of property and equipment		**(2,958,110,921)**	(1,564,920,606)
Purchase of intangible assets		**(132,052,664)**	(117,090,542)
Proceeds from sale of property and equipment		**96,478,528**	179,550,115
Interest received	32	**16,389,666**	–
Acquisition of subsidiary, net of cash acquired	8	**–**	1,417,342
Acquisition of investment in associate	8	**–**	(240,189,010)
Receipt of government grants	26	**17,000,000**	33,000,000
Others		**–**	1,003,554
Net cash flows used in investing activities		**(2,960,295,391)**	(1,707,229,147)
Financing activities			
Borrowings received	37	**4,071,782,418**	1,744,112,935
Borrowings repaid	37	**(2,256,652,162)**	(1,540,645,788)
Proceeds from issue of shares	19	**33,252,276**	–
Distribution to shareholders	19	**(44,342,985)**	–
Dividends paid to Shareholders	19	**(2,438,340)**	–
Repayment of principal portion of lease liabilities	37	**(31,059,466)**	(54,413,660)
Net cash flows from financing activities		**1,770,541,741**	149,053,487
Effect of exchange rate changes on cash and cash equivalents		**(18,905,535)**	922,573
Net change in cash and cash equivalents		**86,287,053**	2,491,136
Cash and cash equivalents, as at 1 January	18	**19,992,817**	17,501,681
Cash and cash equivalents, as at 31 December	18	**106,279,870**	19,992,817

Disclosure of significant non-cash transactions is presented in *Note 35*.

General Director — *Khasanov N.N.*

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

Chief accountant — *Sattarov Kh.I.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL INFORMATION

Uzbektelecom JSC (the "Company" or "Uzbektelecom") was established in 1992 in accordance with the legislation of the Republic of Uzbekistan.

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

The Company provides the following services:

- Lease of communication channels to operators and providers of fixed and mobile communication services;
- Mobile and fixed communications in cdma-450 and gsm standards;
- Fixed line communication;
- Internet access;
- Video conferencing and television services.

The Government of the Republic of Uzbekistan is the major shareholder of the Company through the Ministry of Economy and Finance of the Republic of Uzbekistan, which owns 92.17% (2023: 94.02%) of the Company's controlling shares. The following is the list of shareholders of the Company: Below is a list of the Company's shareholders as at 31 December 2024:

	31 December 2024	31 December 2023
Ministry of Economy and Finance of the Republic of Uzbekistan	**92.17%**	94.02%
Other legal entities and individuals (individually hold less than 1%)	**7.83%**	5.98%
	100.00%	100.00%

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

The Company and its subsidiaries listed in *Note 6* (hereinafter collectively referred to as the "Group") have a significant share of the fixed line and mobile communication markets, including local, long-distance intercity and international telecommunication services including CIS and non-CIS countries; leases out lines and provides data transfer services, sells mobile devices and provides other telecommunication services.

These consolidated financial statements of the Group were approved for issue by the Chairman of the Management Board on behalf of the Management of the Company on 1 August 2025.

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

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

As at 31 December 2024, the legal address of the Company is: Mirzo Ulugbek, Street Muminov, 4/2, Tashkent, Republic of Uzbekistan.

2. BASIS FOR PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with IFRS accounting standards as issued by International Accounting Standard Board (hereinafter, "IASB").

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 consolidated financial statements are presented in Uzbek soums ("soums") and all amounts are rounded to the nearest thousands, except when otherwise indicated.

Going concern

As at 31 December 2024 the Group's current liabilities exceeded its current assets by 2,868,967,272 thousand soums. The Group's current liabilities mainly comprise short-term borrowings of 1,869,793,239 thousand soums, trade payables of 1,375,443,397 thousand soums and other current financial and non-financial liabilities.

The Group's net profit and net cash generated from operating activities for the year ended 31 December 2024 amounted to 801,264,689 thousand soums and 1,294,946,238 thousand soums, respectively (2023: 278,534,162 thousand soums and 1,559,744,223 thousand soums, respectively).

Management believes that the Group will continue to operate as a going concern in the foreseeable future. Management's assessment is based on the following facts and assumptions:

- As of 31 December 2024, the Group had outstanding trade payable of 966,868,356 thousand soums related to the acquisition of property, plant and equipment (Note 10). Subsequently, the Group entered into a loan agreement with Sanoat Qurishilish Bank to refinance the outstanding trade payable (Note 39). The refinanced liability was classified as non-current liability, with the first principal repayment scheduled to commence in March 2028;
- On 27 January 2023 the Group entered into the loan agreement with JBIC for the amount of 19,375,190,740 Japanese Yen (equivalent of approximately 1,590,121,904 thousand soums at the exchange rate as at 31 December 2024) for the purpose to finance the acquisition of the goods and services from "Toyota Tsusho Corporation", which are required for the implementation and completion of the Project "Expansion of telecom infrastructure". The loan is issued at interest rate of 2.54% with maturity until 17 December 2034. Unutilized amount of the loan under the loan agreement was 5,897,237,407 Japanese Yen (equivalent of approximately 483,986,274 thousand soums at the exchange rate as at 31 December 2024), which the Group expects to utilise to fund capital expenditures in 2025 and 2026;
- The Group is in advanced stage of negotiations with a syndicate of financial institutions to obtain long-term debt of up to USD 500 million (equivalent of approximately 6,460,240,000 thousand soums at the exchange rate as at 31 December 2024). The Group plans that proceeds will be primarily used for funding for expansion of its 5G and wire networks, as well as the modernization of its existing 4G/3G infrastructure. These investment plans are in line with its strategy to develop of wired and mobile data transmission networks in the eastern and western rural areas of Uzbekistan. It is expected that first tranches under this project will be received in second half of 2025;
- During years 2022-2024 the Group achieved an average growth in revenues of 19% per annum, driven by increase in customer base, types of services and pricing. The Group expects the growth to continue in a foreseeable future, resulting in further increase in operating inflows.

Management believes that the Group generates and will continue to generate sufficient operating profit and cash flows from operating activities to support its growth and provide access to funding. During first six months of 2025 the Group repaid loans and related interest on existing borrowings of approximately 1,349,769,781 thousand soums and raised additional new debt funding of approximately 33,568,503 thousand soums (net of any proceeds form JBIC facility mentioned above). As a result of the above, management believes that the Group will continue as a going concern in the foreseeable future.

These consolidated financial statements do not include any adjustments that would be necessary should the Group be unable to continue as going concern.

2. BASIS FOR PREPARATION (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and 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;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results 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(s) 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, income 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions among members of the Group are eliminated in full on consolidation.

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 derecognises- the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. MATERIAL ACCOUNTING POLICIES

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 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments in IFRS 16 specify 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.

The amendments had no impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

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

The amendments to IAS 1 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.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments have resulted in additional disclosures in Note 20, but have not had an impact on the classification of the Group's liabilities.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's consolidated financial statements.

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.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to implement the standard impact that will have effect on the primary financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the Board issued Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7). The amendments include:

- Clarifying the application of the 'own-use' requirements
- Permitting hedge accounting if these contracts are used as hedging instruments
- Adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. Early adoption is permitted, but will need to be disclosed. The clarifications regarding the 'own use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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

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 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.

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 Business combinations. 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.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

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

Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

In May 2024, the Board issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which:

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met;
- larified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features;
- Clarifies the treatment of non-recourse assets and contractually linked instruments.
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later. The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

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

Improvements to International Financial Reporting Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter

Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. These amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. • An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Improvements to International Financial Reporting Standards (continued)

IFRS 7 Financial Instruments: Disclosures

Gain or Loss on Derecognition
The amendments update the language on unobservable inputs in paragraph B38 of IFRS 7 and include a cross reference to paragraphs 72 and 73 of IFRS 13 Fair Value Measurement.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Introduction

The amendments to paragraph IG1 of the Guidance on implementing IFRS 7 clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

Disclosure of Deferred Difference between Fair Value and Transaction Price

Paragraph IG14 of the Guidance on implementing IFRS 7 has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.

Credit Risk Disclosures

Paragraph IG20B of the Guidance on implementing IFRS 7 has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.

IFRS 9 Financial Instruments - Lessee Derecognition of Lease Liabilities

Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9.oAn entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

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

IFRS 9 Financial Instruments - Transaction Price

Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 Revenue from Contracts with Customers' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Improvements to International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments - Transaction Price (continued)

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

IFRS 10 Consolidated Financial Statements - Determination of a 'De Facto Agent'

Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in paragraph B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendments are intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.oAn entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

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

IAS 7 Statement of Cash Flows - Cost Method

Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

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

IFRS Practice Statement 1: Management Commentary (Revised)

Companies are permitted to apply the revised guidance in the Practice Statement (revised PS) to financial statements prepared any time after 23 June 2025. The revised PS is not an IFRS accounting standard, and an entity can prepare IFRS compliant financial statements without preparing management commentary that complies with the revised PS.

The revised PS includes more extensive and comprehensive guidance on management commentary.

- Identifying management commentary and other related general purpose financial reports – The IASB decided to update and clarify some procedural requirements for entities that are required or choose to prepare management commentary by applying the revised PS;
- The objective of management commentary – The IASB has clarified that the objective of management commentary is to improve users' understanding of the entity's financial performance and financial position as presented in the financial statements;
- Material information and key matters and areas of content – The IASB decided to provide guidance that will assist management in identifying information that is material in the context of management commentary;
- Attributes of useful information in management commentary – The revised PS includes a description of each attribute of useful information;
- Coherence – The revised PS requires information to be provided in the management commentary in a way that makes clear the relationships between related matters and the relationships between related pieces of information;
- Metrics – The revised PS includes requirements and guidance on providing metrics in management commentary.

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

3. MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Foreign currency translation

The consolidated financial statements of the Group are presented in Uzbek soums, which is the functional currency of the Company and its subsidiaries. Uzbek soum ("UZS" or "soums") is the currency of the primary economic environment in which the Company and its subsidiaries operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the official rate published by the Central Bank of the Republic of Uzbekistan (the "CBU") at the reporting date. All translation differences are recognized in the consolidated statement of profit or loss.

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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Foreign exchange rates are presented in the following table:

In soums	**31 December 2024**	31 December 2023
US dollar	**12,920**	12,339
Euro	**13,436**	13,732
Japanese Yen	**82**	88
Russian Rubles	**130**	136

During consolidation the assets and liabilities of foreign operation are translated into soums at the rate of exchange prevailing at the reporting date and its statement of profit or loss is translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets 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 recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its 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*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICIES (continued)

Current versus non-current classification

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised in profit or loss.

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 has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

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

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 37*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The respective unit of the Group (hereinafter, the "Working Group") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations. The composition of the Working Group is determined by the Management of the Group.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is determined annually by the Working Group after discussion with and approval by the Group's Supervisory Board. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Working Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Working Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Working Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Working Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Working Group and external valuers of the Group provide valuation results to the Supervisory Board and independent auditors of the Group on a regular basis that assumes discussion of main assumptions used in valuation.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3. MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

Land is not depreciated.

An item of property and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference betwsseen the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Construction-in-progress

Construction-in-progress represents property and equipment under construction and machinery and equipment awaiting installation and is recorded at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. When construction of such assets is completed or when the machinery and equipment are ready for their intended use, construction-in-progress is transferred to the appropriate category of depreciable assets. Construction-in-progress is not depreciated.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets have finite useful lives.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Expenses on amortization of intangible assets with finite useful life are recognized in the consolidated statement of profit or loss in the category of expenses, which corresponds to the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets are amortized on a straight-line basis within the following estimated useful lives.

	Years
Licenses	5
Computer software	1-7

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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 or cash-generating unit's (CGU) recoverable amount is the higher of: the fair value of an asset (cash generating unit) less costs of disposal and its value in use (cash generating unit). The recoverable amount 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. When 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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 are generally covering a period of 5 (five) years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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 financial asset to be classified and measured at amortised 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets of the Group include cash and cash equivalents, trade receivables, financial assets at amortized cost and other current financial assets.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, bank deposits and other non-current and current financial assets.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets on FVTPL

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed excluded from the Group's 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, the Group evaluates if it has retained the risks and rewards of the property, and to which extent, if any. 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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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

Financial assets carried at amortised cost

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs 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 credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For long-term trade receivable that contain a significant financing component the Group measures the loss allowance at an amount equal to lifetime expected losses. An entity applies the simplified approach for ECL calculation of long-term trade receivables

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities comprise trade payables, loans and borrowings, lease liabilities, debt component of preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. Further details are contained in *Note 20*.

Financial guarantee obligations

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 recognised 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 amount of the loss allowance determined in accordance with IFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Debt component of preferred shares recorded in liabilities

The debt component of the preferred shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding minimal guaranteed dividends on those shares are charged as interest expense in the consolidated statement of profit or loss. On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows at a market interest rate for a comparable debt instrument. The fair value of the equity component on initial recognition is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. Subsequently, the liability component is measured according to the same principles used for loans and borrowings, and the equity component is not remeasured in subsequent years.

Trade payables

Liabilities for trade payables are recognised at fair value to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition

A financial liability is derecognised 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Sites and base stations	10
Offices and warehouses	10

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *Impairment of non-financial assets.*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

Inventories are valued at the lower of: cost of acquisition and net realisable value.

Cost comprise expenses incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. All inventories are determined based on weighted average cost method.

Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognised 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

Employee benefit

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Uzbekistan. Social tax expenses are charged to expenses as incurred.

Besides, the Group withholds 10% of the salary of employees paid as contributions of employees to the accumulating pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement, except as provided below.

Pension payments

The Group does not incur any expenses in relation to provision of pensions or other post-employment benefits to its employees. In accordance with the legal requirements of the Republic of Uzbekistan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds on behalf of its employees. Pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement. Upon retirement of employees, all pension payments are administered by the pension funds directly.

Defined benefits pension plan

In accordance with the Collective Agreement the Company provides certain long-term and retirement benefits to some of its employees (the "Defined Benefit Scheme").

Long-term benefits are paid to employees upon completion of a certain number of years of service whereas retirement benefits represent one-off payments paid upon retirement in accordance with the the Collective Agreement. Both items vary according to the employee's average salary and length of service.

Cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit obligation and the return on plan assets (excluding amounts included in net interest on the net defined benefit obligation), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset. The Group recognises the outlined changes of net defined benefit obligation in the lines: "cost of sales", "general and administrative expenses" in the consolidated statement of profit or loss.

Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. According to the legislation, distribution is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the acquisition, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

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.

The Group's activities mainly relates to the provision of data transmission services, rendering of fixed line and wireless phone services, rent of channels, local, intercity and international calls, interconnect / traffic transmission of other operators, value added services and sale of equipment and mobile devices.

At the beginning of the contract, the Group assesses the goods and services promised in the contract with the buyer and defines as a performance obligation each promise to transfer to the buyer a certain product or service or a set of certain goods or services.

The Group has concluded that it is acting as a principal in all of its revenue arrangements, since in all cases it is the main party that assumed obligations under the contract, controls the goods and services before transferring them to the customer.

Interconnection fees from domestic and foreign telecommunication operators are recognized when the services are rendered based on the actual minutes of traffic transferred through the network.

Revenue from international and intercity calls and calls to local operators are recognized at the time the call is made over the Group's network.

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet services or voice services, are recognised as revenue over time on a straight-line basis. Revenue from dial up internet is recognized based on the actual airtime provided to the customers.

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

Non-refundable upfront consideration received for initial connection of new subscribes to fixed line networks are deferred and recognized during the expected period of the subscriber lifetime. The expected period of the subscriber lifetime is based on past history of subscriber lifetime period and industry practice.

Equipment provided to customers

The Group provides Internet and other data transmission services and equipment for the provision of these services, including modem, routers and others.

The Group provides internet transmission services that are either sold separately or bundled together with the sale of equipment to a subscriber. Contracts for bundled sales of equipment and internet transmission services are comprised of two performance obligations because the equipment and internet transmission services are both sold on a stand-alone basis and are distinct within the context of the contract. Based on the analysis of current operating indicators, the Group concluded that equipment that can be used by the subscriber separately from the services of the Group. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services. The Group recognises revenue from internet transmission services over time because the customer simultaneously receives and consumes the benefits provided to them. The Gorup recognises revenue from the equipment at the point in time when control of the asset is transferred to the subscriber, generally on delivery of the equipment at the subscriber's location.

Sale of equipment and mobile devices

The Group may bundle services and products into one customer offering. Offerings may involve the delivery of telecommunication equipment or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, connection, or activation services and involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Costs associated with delivery of telecommunication equipment and performance of multiple services are recognised when revenue is recognised. The revenue is allocated to the distinct telecommunication equipment and services based on their relative stand-alone selling prices.

3. MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Sale of equipment and mobile devices (continued

The stand-alone selling prices are determined based on the list prices at which the Group sells telecommunication equipment and services separately. In revenue arrangements where more than one performance obligation, transaction price is allocated between the distinct goods and services using a relative stand-alone selling price method. Determining the transaction price for each separate performance obligation can require complex estimates. The Group generally determines the stand-alone selling price for each separate performance obligation based on prices at which the good or services are regularly sold on a stand-alone basis after considering volume discounts where appropriate.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Group also receives long-term advances from customers for the connection to international telecommunication network. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Costs to obtain a contract

The Group sells part of payment scratch cards, sim cards, and handsets using sales agents. The Group pays commission to sales agents for new connected subscribers in the B2C segment. The commission to sales agents is capitalized as costs to obtain a contract in the consolidated statements of financial position. Costs to obtain a contract are amortized over the period the service is provided to the customer.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instruments − initial recognition and subsequent measurement.*

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The interest income is recorded as part of finance income in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and reported in the consolidated statement of profit or loss in the period to which they relate on the accrual basis.

Connection cost

The Group records connection costs incurred and attributable to the related deferred income over the expected period of the customer relationship.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in transaction that is not a business combination and, at the same time of transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference 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 the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3. MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Contingent assets and liabilities

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed.

Contingent liabilities are not recognized in the consolidated financial statements unless an outflow of resources embodying economic benefits has become probable. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Related parties

In accordance with IAS 24 *Related Party Disclosures*, 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.

Transactions with related parties are used to reflect the status of settlements for property, works and services received from companies or sold to companies that are related parties to the Group. Items of a similar nature are disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments and financial risk management objectives and principles − *Note 37*;
- Sensitivity analyses disclosures − *Note 37*.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options − Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of space for technical sites with shorter non-cancellable period. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

Leases − estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Useful lives of property and equipment and intangible assets

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that non-current assets may be impaired. If any such indication exists, the Group estimates the recoverable amount. As at 31 December 2024, the Group did not identify any indicators of impairment and therefore the test has not been performed.

Provision for expected credit losses

The Group recognizes provision for expected credit losses for trade receivables, other current financial assets and funds in credit institutions (cash and cash equivalents, bank deposits).

For trade receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime of these financial instruments. The Group used a provision model that is prepared taking into account Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses (continued)

For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in *Note 16*.

For funds in credit institutions (cash and cash equivalents, bank deposits), the Group calculated expected credit losses based on the 12-month period. The 12-month expected credit losses is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also, it is considered a financial asset in default when contractual payment 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.

Thus, as at 31 December 2024 provision for expected credit losses was recognized in the amount of 592,938,200 thousand soums (2023: 475,925,780 thousand soums) *(Note 16).* Changes in the economy, industry or specific customer conditions would have impact to these allowances recorded in the consolidated financial statements.

Costs to obtain a contract

The Group considers commission to sales agents to be an additional cost to obtain a contract, and capitalizes such costs as an asset on expenses under contracts with customers. The Group depreciates the costs to obtain a contract with customers on a systematic basis, which corresponds to the timing of the provision of services to customers. The Group reviews depreciation periods if the expected service dates have changed.

Contract liabilities

Deferred revenues are recognized as contract liabilities and recognized over the expected period of the customer relationship. In making its judgments, management considered the detailed criteria for the recognition of revenues from contracts with customers set out in IFRS 15, industry practice and the Company's historical churn rate.

Decommissioning liability

Decommissioning liabilities are recognized in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs in the reporting period when the related environmental disturbance occurs. Decommissioning costs are recorded at the discounted value of expected liability settlement costs calculated using estimated cash flows and recognized as part of the initial cost of the particular asset. Cash flows are discounted at the current rate before tax, which reflects risks inherent to the decommissioning obligations. Unwinding of discount is expensed as incurred and recognised in the consolidated statement of profit or loss as finance costs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Investment in an associate and a joint venture

Investment in an associate and a joint venture includes the entity in which the Group holds less than 20% of the voting power. However, the Group has assessed that it exercises significant influence over these entities despite the ownership interest being below 20%. This significant influence arises from the Group's representation on the supervisory board of the investee and its participation in decisions relating to the relevant activities of this entity.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Employee benefit obligations

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit obligation and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future salary increases). Due to the long-term nature of these benefits, such estimates are subject to significant uncertainty.

The current portion of employee benefit obligations represents the obligations which the Group is going to repay within the twelve months period since the end of the annual reporting period.

In determining the appropriate discount rate, management of the Group considers the interest rates of high-yield corporate bonds in respective currencies.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about employee benefit obligations are contained in *Note 22*.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures;
- Impairment of non-financial assets. The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group’s products;
- Decommissioning liability. The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning one of the Group’s manufacturing facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. RESTATEMENT

Certain amounts in the statement of financial position as of 1 January 2023 and 31 December 2023 and in the consolidated statement of profit or loss and in the statement of cash flows for the year ended 31 December 2023, have been adjusted to reflect correction of errors. All the disclosure amounts within the comparative information were changed respectively.

Extract from the consolidated statement of financial position as at 31 December 2023

The following items previously reported and restated in the Group's consolidated statement of financial position as at 31 December 2023 are presented below:

In thousand soums	**As presented**	**Notes**	**Correction of errors**	**As restated**
Property and equipment	10,015,409,630	[A,B,D,H]	(54,532,495)	9,960,877,135
Total non-current assets	**10,990,538,997**		**(54,532,495)**	**10,936,006,502**
Inventories	322,375,141	[A]	46,110,262	368,485,403
Trade receivables	229,333,898	[B]	23,000,000	252,333,898
Total current assets	**919,809,125**		**69,110,262**	**988,919,387**
Total assets	**11,910,348,122**		**14,577,767**	**11,924,925,889**
Equity				
Retained earnings	2,456,765,577		(145,726,134)	2,311,039,443
Equity attributable to shareholders of the parent	2,851,503,942		(145,726,134)	2,705,777,808
Total equity	**2,860,246,635**		**(145,726,134)**	**2,714,520,501**
Liabilities				
Non-current liabilities:				
Borrowings	3,910,577,222	[D,E]	(31,612,903)	3,878,964,319
Contract liabilities	-	[H]	52,624,000	52,624,000
Employee benefits obligations	55,103,260	[C]	17,829,380	72,932,640
Deferred tax liability	245,409,933	[I]	(26,255,867)	219,154,066
Total non-current liabilities	**4,451,476,259**		**18,584,610**	**4,464,060,869**
Current liabilities:				
Trade account payables	1,704,823,673	[G]	73,992,222	1,778,815,895
Contract liabilities	337,791,358	[H, F]	72,032,129	409,823,487
Borrowings	2,079,366,253	[D, E]	1,692,510	2,081,058,763
Employee benefits obligations	7,221,727	[C]	2,430	7,224,157
Total current liabilities	**4,598,625,229**		**147,719,291**	**4,746,344,519**
Total liabilities	**9,050,101,487**		**160,303,901**	**9,210,405,388**
Total equity and liabilities	**11,910,348,122**		**14,577,767**	**11,924,925,889**

5. RESTATEMENT (continued)

Extract from the consolidated statement of profit or loss and other comprehensive income for the year then 31 December 2023

The following items previously reported and restated in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 are presented below:

In thousand soums	As presented	Notes	Correction of errors	As restated
Revenue	7,853,153,100	[B,F,H]	(104,613,129)	7,748,539,971
Cost of sales	(4,947,200,039)	[B,G,H]	(62,670,988)	(5,009,871,027)
Gross profit	**2,905,953,061**		**(167,284,117)**	**2,738,668,944**
General and administrative expenses	(754,212,554)	[C]	(5,668,232)	(759,880,786)
Operating profit	**1,497,780,201**		**(172,952,349)**	**1,324,827,852**
Finance costs	(518,886,479)	[C,D,E]	19,362,960	(499,523,519)
Net foreign exchange gain / (loss)	(544,732,475)	[D,G]	1,104,616	(543,627,859)
Profit before tax	**494,437,856**		**(152,484,773)**	**341,953,083**
Income tax expenses	(86,291,637)	[I]	22,872,716	(63,418,921)
Profit for the year	**408,146,219**		**(129,612,057)**	**278,534,162**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain on benefit plans of the Group, net of tax	(4,483,871)	[C]	3,057,110	(1,426,761)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(4,483,871)**		**3,057,110**	**(1,426,761)**
Total comprehensive income for the year, net of tax	**403,662,348**		**(126,554,947)**	**277,107,401**
Profit attributable to:				
Equity holders of the Parent	405,074,404		(129,612,057)	275,462,347
Non−controlling interests	3,071,815		–	3,071,815
Total comprehensive income attributable to:	**408,146,219**		**(129,612,057)**	**278,534,162**
Equity holders of the Parent	400,590,533		**(126,554,947)**	274,035,586
Non−controlling interests	3,071,815		–	3,071,815
	403,662,348		**(126,554,947)**	**277,107,401**
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, Uzbek soums	**1,466**		**(435)**	**1,031**

Details Revenue from contracts with customer for the years ended 31 December comprised:

In thousands soums	As issued	Notes	Correction of the errors	As restated
Fixed line internet services	2,749,000,000	[B,F, H]	(135,163,281)	2,613,436,681
Mobile network services	2,504,665,758	[B,F]	(68,659,848)	2,436,005,910
Interconnect	1,606,981,981		−	1,606,981,981
Usage of channels	513,083,005		−	513,083,005
Sale of equipment and accessories	101,326,337	[B,H]	99,210,000	200,536,337
Fixed line telephony services	74,162,206		−	74,162,206
Telecommunication maintenance services	21,648,820		−	21,648,820
Internet protocol television services	4,430,772		−	4,430,772
Others	277,854,221		−	278,254,259
Total	**7,853,153,100**		**(104,613,129)**	**7,748,539,971**

5. RESTATEMENT (continued)

Extract from the consolidated cash flow statement for the year ended 31 December 2023

The following items previously reported and restated in the Group's consolidated cash flow statement for the year ended 31 December 2023 are presented below:

In thousand soums	As presented	Notes	Correction of errors	As restated
Operating activities				
Profit before tax for the year	494,437,856		152,484,773	341,953,083
Adjustments for:				
Depreciation of property and equipment and right of use assets	708,224,012	[B,D]	(29,727,998)	737,952,010
Net foreign exchange gain	544,732,475	[D,G]	1,104,616	543,627,859
Finance costs	518,886,479	[C,D,E]	19,362,960	499,523,519
Provision for retirement benefit obligations	(1,134,935)	[C]	(13,119,849)	11,984,914
Operating cash flows before changes in operating assets and liabilities	**2,552,655,161**		**130,104,502**	**2,422,550,659**
Changes in operating assets and liabilities				
Change in trade and other receivables	(235,797,687)	[B]	23,000,000	(258,797,687)
Change in inventories	(43,394,650)	[A]	46,110,262	(89,504,912)
Change in contract liabilities	(100,496,345)	[F,H]	(79,112,280)	(21,384,065)
Change in trade payables	(101,768,597)	[G]	(73,992,222)	(27,776,375)
Cash flows from operating activities	**1,993,903,928**		**46,110,262**	**1,947,793,666**
Net cash flows from operating activities	**1,605,854,485**		**46,110,262**	**1,559,744,223**
Investing activities				
Purchase of property and equipment	(1,611,030,868)	[A]	**(46,110,262)**	**(1,564,920,606)**
Net cash flows used in investing activities	**(1,753,339,409)**		**46,110,262)**	**(1,707,229,147)**
Net cash flow from financing activities	**149,053,487**		**–**	**149,053,487**
Effect of exchange rate changes on cash and cash equivalents	922,573		**–**	922,573
Net change in cash and cash equivalents	**2,491,136**		**–**	**2,491,136**
Cash and cash equivalents, as at 1 January	**17,501,681**		**–**	**17,501,681**
Cash and cash equivalents, as at 31 December	**19,992,817**		**–**	**19,992,817**

5. RESTATEMENT (continued)

Extract from the consolidated statement of financial position as at 1 January 2023

The following items previously reported and restated in the Group's consolidated statement of financial position as at 1 January 2023 are presented below:

In thousand soums	As presented	Notes	Correction of errors	As restated
Property and equipment	7,607,504,053	[A,B,D,H]	(83,737,000)	7,523,767,053
Total non-current assets	**8,015,884,594**		**(83,737,000)**	**7,932,147,594**
Inventories	266,233,353	[A]	59,800,000	326,033,353
Trade receivables	244,422,971	[B]	27,990,000	272,412,971
Tota current assets	**716,225,889**		**87,790,000**	**804,015,889**
Total assets	**8,732,110,483**		**4,053,000**	**8,736,163,483**
Equity				
Retained earnings	2,037,874,173		(19,171,187)	2,018,702,986
Equity attributable to shareholders of the parent	2,428,435,911		(19,171,187)	2,409,264,724
Total equity	**2,432,985,320**		(19,171,187)	2,413,814,133
Liabilities				
Non-current liabilities:				
Borrowings - LT	2,674,348,294	[E]	(15,312,726)	2,659,035,568
Contract liabilities - LT	-	[F,H]	22,054,000	22,054,000
Employee benefits obligations - LT	42,655,437	[C]	13,765,000	56,420,437
Deferred tax liability	183,318,829	[I]	(3,383,151)	179,935,678
Total non-current liabilities	**3,077,398,002**		**17,123,123**	3,094,521,125
Current liabilities:				
Contract liabilities	438,287,703	[F,H]	2,979,000	441,266,703
Borrowings - ST	1,636,470,654	[E]	1,641,064	1,638,111,718
Employee benefits obligations	5,410,526	[C]	1,481,000	6,891,526
Total current liabilities	**3,221,727,161**		**6,101,064**	**3,227,828,225**
Total liabilities	**6,299,125,163**		**23,224,187**	**6,322,349,350**
Total equity and liabilities	**8,732,110,483**		**4,053,000**	**8,736,163,483**

[A] ***Apartments constructed for sale***

The Group builds apartments primarily for future sale to its employees. The costs of apartments for construction were accounted as part of the Group's property, plant and equipment and the sales were accounted for as part of the gain or loss on disposal of property, plant and equipment. As a result, as at 1 January 2023 the carrying value of the property, plant and equipment was overstated by 59,800,000 thousand soums, while the carrying value of inventories was understated by the same amount. As at 31 December 2023 the carrying value of the property, plant and equipment was overstated by 46,110,262 thousand soums and the carrying value of inventories was understated by the same amount.

[B] ***Recognition of revenue on bundled services and products for fixed line internet***

In accounting for fixed-line internet service revenue from bundled service contracts signed in 2022 and later, the Group did not identify the sale of equipment as a distinct performance obligation. As a result, the Group recognized the related revenue over time together with the service component, instead of recognizing it at the point in time when control of the equipment was transferred—typically upon installation—in accordance with IFRS 15. The equipment sold was incorrectly capitalized as property, plant and equipment and depreciated in periods before 1 January 2023. In 2023, the modems were accounted for as inventory and expensed as part of cost of sales.

The Group restated the comparative information increasing the trade receivables by 23,000,000 thousand soums, and by decreasing property, plant and equipment by 95,699,000 thousand soums as at 31 December 2023 (as at 1 January 2023: increase of trade receivables by 27,990,000 thousand soums and decrease of property, plant and equipment by 78,840,000 thousand soums). The effect of change in the trade receivables and property, plant and equipment decreased revenue by 4,990,000 thousand soums and increased cost of sales by 16,859,000 thousand soums for the year ended 31 December 2023. Revenue from fixed line internet services for the year ended 31 December 2023 was decreased by 127,229,000 thousand soums, while revenue from the sale of equipment and accessories increased by the same amount.

5. RESTATEMENT (continued)

[C] ***Recognition of additional amount of employee benefits obligations***

In accordance with IAS 19, the Group has a collective agreement that gives rise to obligations classified as post-employment benefits and other long-term employee benefits. In previous periods, the Group mistakenly omitted certain post-employment benefits granted to its employees, when calculating employee benefit obligations. The Group revised the calculations for previous periods and restated the comparative employee benefits obligations, increasing its non-current portion by 17,829,380 thousand soums and its current portion by 2,430 thousand soums as at 31 December 2023 (as at 1 January 2023: increase of non-current portion by 13,765,000 thousand soums and current portion by 1,481,000 thousand soums). The effect of change in the employee benefit obligations increased general and administrative expenses by 5,668,232 thousand soums, decreased the actuarial loss on defined benefit plans by 3,057,110 thousand soums, and decreased finance costs by 25,312 thousand soums for the year ended 31 December 2023.

[D] ***Recognition of transaction cost of borrowed funds***

In accounting of the certain borrowed fund, the Group mistakenly expensed transaction costs to profit or loss instead of accounting for them as part of the effective interest rate, as required by IFRS 9, and capitalising them as part of cost of qualifying assets, as required by IAS 23. The Group restated the comparative information for the borrowed funds and property, plant and equipment by decreasing the borrowed fund's non-current portion by 16,300,177 thousand soums, increasing current portion by 1,692,510, and increasing property, plant and equipment by 3,647,767 thousand soums as at 31 December 2023. The effect of change in the borrowed funds decreased finance cost by 17,696,584 thousand soums and Net foreign exchange loss by 558,850 for the year ended 31 December 2023.

[E] ***Accounting for modifications in the repayment schedules of the borrowed funds:***

When accounting for the certain borrowed funds, the Group mistakenly did not consider the modifications in the repayment schedules in the agreements. The Group restated the comparative information of the borrowed funds by decreasing its non-current portion by 15,312,726 thousand soums as at 31 December 2023 (as at 1 January 2023: decrease of non-current portion of the borrowed funds by 13,671,662 thousand soum). The effect of change in the borrowed funds decreased finance cost by 1,641,064 thousand soums for the year ended 31 December 2023.

[F] ***Revenue recognition in the incorrect period***

When accounting for revenue from mobile network services with floating tariffs the Group mistakenly recognized a portion of revenue related to 2024 in 2023. As a result, the Group restated the comparative information for the contract liabilities, increasing it by 71,604,129 thousand soums as at 31 December 2023. The effect of change in the contract liabilities decreased revenue by 71,604,129 thousand soums for the year ended 31 December 2023.

[G] ***Cost of sales recognition in the incorrect period***

The Group mistakenly did not recognize fully certain interconnect service costs related to 2023. As a result, the Group restated the comparative information by increasing trade payables by 73,992,222 thousand soums as at 31 December 2023. The effect of change in trade payables increased cost of sales by 74,537,988 thousand soums and decreased net foreign exchange loss by 545,766 thousand soums charge for the year ended 31 December 2023.

[H] ***Revenue recognition and capitalization of costs related to last-mile connectivity***

The Group, in accounting of the consideration received and the costs incurred in relation to drop cables related to the connection of subscribers to a magistral network (last-mile connectivity), mistakenly wrote off such costs as part of period cost of sales and recognised related consideration as revenue at a point in time. The Group's management made the conclusion that the consideration does not represent a performance obligation which gives rise to a distinct benefit to customers, therefore it should not be recognised separately from service obligation to provide internet service and must be deferred for subscriber lifetime period. Accordingly, the costs associated with these services will provide benefit for multiple periods and the costs incurred in relation to drop cables should be capitalised as part of the property, plant and equipment.

The Group restated comparative information, increasing the current portion of contract liabilities by 428,000 thousand soums, increasing non-current portion by 52,624,000 thousand soums, and increasing property, plant and equipment by 83,629,000 thousand soums as at 31 December 2023 (as at 1 January 2023: increase in current portion of contract liabilities by 2,979,000 thousand soums, increasing non-current portion by 22,054,000 thousands soums, and increase in property, plant and equipment balance by 54,903,000 thousand soums). The effect of the change in contract liabilities and property, plant and equipment decreased revenue by 28,019,000 thousand soums and decreased cost of sales by 28,726,000 thousand soums for the year ended 31 December 2023.

[I] The correction of errors presented above resulted in decrease in deferred tax liability by 26,255,867 thousand soums as at 31 December 2023 (as at 1 January 2023: decrease in deferred tax liability by 3,383,041 thousand soums). The effect of the change in deferred tax liability decreased income tax expense by 22,872,826 thousand soums for the year ended 31 December 2023)

6. CONSOLIDATION

The following subsidiaries have been included in these consolidated financial statements:

Name	Principal activities	Country of incorporation	% equity interest	
			31 December 2024	31 December 2023
Granit LLC	Manufacture of hardware	Uzbekistan	**100%**	100%
Buzton LLC	Internet services	Uzbekistan	**55%**	55%
Svyazsoorujeniya story LLC	Residential construction	Uzbekistan	**99%**	99%
Telecom Qurilish LLC	Metal recycling services	Uzbekistan	**98%**	98%
Telecom Devices Pro LLC (*Note 7*)	Electrical appliances	Uzbekistan	**–**	94%
Toshagroinvest LLC	Agricultural products	Uzbekistan	**55%**	55%
Telecomsoft LLC	Software development activities	Uzbekistan	**98.2%**	–

Formation of the Telecomsoft LLC

On October 7, 2024, the Group, together with its three subsidiaries and one associate, formed an entity, Telecomsoft LLC, specializing in other telecommunications services, specifically in the development and maintenance of software. The Group contributed 21,600,000 thousand soums and holds a controlling interest, owning 98.2% of the ordinary voting shares, while the remaining 1.8% represents NCI which amounts to 400,000 thousand soums.

As of December 31, 2024, Telecomsoft LLC is included in the Group's consolidated financial statements.

7. ASSETS HELD FOR DISTRIBUTION

In accordance with Presidential Decree issued on March 24, 2023 "On Additional Measures to Reduce State Participation in the Economy" particulars steps have been taken to effectively manage non-core and unused assets of state companies. Approved lists detailing the assets to be transferred to the Agency for State Assets Management (further "SAMA") at book value are set for future sale at public auctions. Accordingly, assets related to Telecom Devices Pro LLC, with net assets amounting to 72,160,632 thousand soums, were classified as assets held for distribution. In February 2024, the Group transferred to SAMA the assets related to Telecom Devices Pro LLC with interest 94% interest ownership which resulted in a reduction in total equity in the amount of 72,160,632 thousand soums which includes the non-controlling interest share of 6% in the carrying amount of 3,850,336 thousand soums.

7. ASSETS HELD FOR DISTRIBUTION (continued)

Summarised consolidated statement of financial position of Telecom devices Pro LLC as at 31 December:

In thousand soums	**2023**
Assets	
Property and equipment	19,240,406
Trade receivables	72,806,266
Inventories	66,810,386
Advances paid	19,031,819
Other current financial assets	1,181,547
Assets held for distribution	**179,070,424**
Liabilities	
Trade account payables	(86,884,315)
Contract liabilities	(18,611,139)
Other current non-financial liabilities	(1,414,338)
Liabilities directly associated with the assets held for distribution	**(106,909,792)**
Net assets directly associated with the assets held for distribution	**72,160,632**

8. BUSINESS COMBINATIONS

Buzton LLC

On 30 December 2022 the Company signed a purchase-sale with Vimpel-Communications JSC, third party, on acquisition of 55.37% of the shares in the charter capital of Buzton LLC, a company specializing in providing internet services. As of 31 December 2022 the Company has not complied with all conditions of the agreement and accordingly did not control Buzton LLC.

In January 2023, the Company has gained a control of Buzton LLC by increasing its share in the charter capital from 44.63 % to 100%. The Company acquired Buzton LLC for the amount of 5,100,000 thousand soums.

The fair value of the identifiable assets and liabilities of Buzton LLC acquired as at the date of acquisition were:

Assets	**Fair value recognised on acquisition**
Property and equipment	3,081,512
Inventories	866,313
Trade receivables	2,282,701
Cash and cash equivalents	6,517,342
	12,747,868
Liabilities	
Trade account payables	1,029,580
Other current non-financial liabilities	103,470
	1,133,050
Total identifiable net assets at fair value	**11,614,818**
Fair value of the share 44.6% in the charter of Buzton LLC	1,388,223
Gain on bargain purchase	5,126,595
Purchase consideration transferred	**5,100,000**

Cash outflow on acquisition of the subsidiary

Net cash acquired with the subsidiary (included in cash flows from investing activities)	6,517,342
Cash paid (included in cash flows from investing activities)	5,100,000
Net cash Inflow	**1,417,342**

8. BUSINESS COMBINATIONS (continued)

Aloqabank JSC

As of 31 December 2022, the Company owned 2.34% of the shares in Aloqabank JSC (further "Aloqabank"), a commercial and retail bank incorporated in October 1994 and domiciled in the Republic of Uzbekistan. The Government of the Republic of Uzbekistan held a controlling interest of 61.8% in Aloqabank through The Uzbekistan Fund for Reconstruction and Development, a state-owned fund established in 2006 to finance investment projects in priority sectors.

As of 31 December 2022, Aloqabank was in breach of the capital adequacy ratios as stipulated by the Central Bank of Uzbekistan, with regulatory capital and Tier 1 capital below the required 13% and 10% of risk-weighted assets, respectively. Additionally, the Bank's exposure to a single borrower or a group of related borrowers was recorded at 37.1%, exceeding the maximum limit of 25% of Tier 1 capital.

To address this breach, the Supervisory Board of Aloqabank, following a confidential resolution by the Government of Uzbekistan dated 11 August 2022, decided to increase the authorized capital of the bank by issuing additional shares for a total amount of 400,000 million soums. This capital increase was approved by the Regulator and was to be placed with Uzbektelecom JSC.

On 27 February 2023, the Company concluded an agreement with Aloqabank to subscribe to the newly issued shares. Pursuant to this agreement and the decision registered by the Ministry of Finance of the Republic of Uzbekistan, the Company committed to subscribe for ordinary shares totaling 400,026 million soums for subsequent transfer to the Company.

On September 12, 2023, the Company acquired an additional 1,985,033 thousand shares at a price of 121 soums per share, amounting to a total consideration of 240,189,010 thousand soums. The acquisition of the remaining shares is expected to be acquired in the foreseeable future.

This acquisition is a business combination and all combining parties are under common control of the Government. The investment in share of the equity of Aloqabank was recognized at fair value, which was equal to the fair value of net assets. The difference between the consideration and the fair value of investment in Aloqabank was recognized directly in equity as an equity transaction. This approach reflects the transaction as an equity transaction rather than a business combination, given the nature of the transaction involving entities under common control and the specific decree of the Government.

The fair values of the identifiable assets and liabilities of Aloqabank JSC as at the date of acquisition were as follows:

In thousand soums

Assets	**Fair value recognised on acquisition**
Cash and cash equivalents	659,062,091
Due from other banks	2,527,066,558
Loans and advances to customers	10,338,256,782
Investment in debt securities	316,201,714
Investment in equity securities	128,746,445
Investment in associates and joint ventures	58,658,454
Premises, equipment, and right of use assets	1,741,688,002
Other non-financial assets	298,928,486
	16,068,608,532
Liabilities	
Due to other banks	2,532,694,186
Customer accounts	11,203,827,209
Other financial liabilities	160,151,032
Other non-financial liabilities	585,285,268
Corporate income tax liabilities	397,960
Subordinated debt	158,215,035
	14,640,570,690
Total identifiable net assets at fair value	**1,428,037,842**
Share in total identifiable net assets at fair value	314,596,737
Fair value of the existing 2.34% of investment in Aloqabank JSC	33,416,086
Consideration paid	240,189,010
Difference recognized in the consolidated statement of changes in equity	**40,991,641**

9. SEGMENT INFORMATION

As of 31 December 2024, the Group presents its operations across three reportable operating segments, aligned with its current organizational structure for management and financial reporting purposes. These segments are defined as follows:

– Rendering fixed-line telecommunication services;

– Rendering mobile telecommunication services in GSM and LTE standards;

– Other.

The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance. The Group's segments are strategic business units and subsidiaries that focus on different customers. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. 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 the performance of each segment based on both sales and profit after tax. Management monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The following tables disclose revenue and profit information for the Group's operating segments for the years ended 31 December 2024 and

For the year ended 31 December 2024

In thousand soums	Fixed line	Mobile tele-communi-cation services in GSM and LTE standards	Other	Elimina-tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	**4,246,473,363**	**4,247,583,925**	**390,033,080**	**–**	**8,884,090,368**
Inter-segment	**119,494**	**–**	**99,434,741**	**(99,554,235)**	**–**
Total revenue from contracts with customers	**4,246,592,857**	**4,247,583,925**	**489,467,821**	**(99,554,235)**	**8,884,090,368**
Cost of sales					
Cost of sales to external customers	**(2,511,258,077)**	**(3,076,338,712)**	**(183,579,811)**	**–**	**(5,771,176,600)**
Inter-segment	**(335,882)**	**–**	**(91,619,889)**	**91,955,771**	**–**
Total cost of sales	**(2,511,593,959)**	**(3,076,338,712)**	**(275,199,700)**	**91,955,771**	**(5,771,176,600)**
Gross profit	**1,734,998,898**	**1,171,245,213**	**214,268,121**	**(7,598,464)**	**3,112,913,768**
Financial results					
Selling expenses	**(234,245,967)**	**(438,396,802)**	**(27,112,581)**	**–**	**(699,755,350)**
General and administrative expenses	**(206,402,921)**	**(637,787,882)**	**(52,522,585)**	**–**	**(896,713,388)**
Other operating income	**67,484,675**	**67,500,425**	**7,778,372**	**–**	**142,763,472**
Reversal of impairment losses on non-financial assets	**6,345,455**	**–**	**–**	**–**	**6,345,455**
Expected credit losses	**(55,312,084)**	**(55,324,993)**	**(6,375,343)**	**–**	**(117,012,420)**
Operating income	**1,312,868,056**	**107,235,961**	**136,035,984**	**(7,598,464)**	**1,548,541,537**
Finance costs	**(287,008,470)**	**(287,075,452)**	**(33,080,969)**	**–**	**(607,164,891)**
Finance income	**7,747,439**	**7,749,247**	**892,980**	**–**	**16,389,666**
Net foreign exchange loss	**53,774,644**	**53,787,194**	**6,198,136**	**–**	**113,759,974**
Share of profit (loss) of associates	**2,804,364**	**(716,620)**	**(21,584,165)**	**–**	**(19,496,421)**
Segment profit / (loss) before tax	**1,090,186,033**	**(119,019,670)**	**88,461,966**	**(7,598,464)**	**1,052,029,865**
Operating assets	**6,918,892,531**	**6,701,410,851**	**1,094,611,049**	**–**	**14,714,914,431**
Operating liabilities	**(4,447,409,437)**	**(6,688,646,763)**	**(247,857,703)**	**–**	**(11,383,913,903)**
Other disclosures					
Investment in an associate and a joint venture	**37,543,408**	**2,871,375**	**403,131,374**	**–**	**443,546,157**
Capital expenditures	**1,271,196,489**	**1,774,868,925**	**44,098,171**	**–**	**3,090,163,585**

9. SEGMENT INFORMATION (continued)

For the year ended 31 December 2023

In thousand soums	Fixed line	Mobile tele-communi−cation services in GSM and LTE standards	Other	Elimina−tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	3,303,028,320	4,037,877,174	407,634,477	−	7,748,539,971
Inter-segment	133,939	−	53,599,917	(53,733,856)	−
Total revenue from contracts with customers	**3,303,162,259**	**4,037,877,174**	**461,234,394**	**(53,733,856)**	**7,748,539,971**
Cost of sales					
Cost of sales to external customers	(1,864,848,714)	(2,861,997,535)	(283,024,778)	−	(5,009,871,027)
Inter-segment	(108,854)	−	(53,625,002)	53,733,856	−
Total cost of sales	**(1,864,957,568)**	**(2,861,997,535)**	**(336,649,780)**	**53,733,856**	**(5,009,871,027)**
Gross profit	**1,438,204,691**	**1,175,879,639**	**124,584,614**	**−**	**2,738,668,944**
Financial results					
Selling expenses	(207,050,630)	(360,846,354)	(31,138,810)	−	(599,035,794)
General and administrative expenses	(319,478,713)	(394,900,677)	(45,501,396)	−	(759,880,786)
Other operating income	48,380,664	59,899,870	6,911,523	−	115,192,057
Reversal of impairment losses on non-financial assets	12,382,185	−	−	−	12,382,185
Expected credit losses	(76,649,477)	(94,899,352)	(10,949,925)	−	(182,498,754)
Operating income	**895,788,720**	**385,133,126**	**43,906,006**	**−**	**1,324,827,852**
Finance costs	(208,252,663)	(260,138,779)	(31,132,077)	−	(499,523,519)
Finance income	149,251	−	846,758	−	996,009
Net foreign exchange loss	(228,508,251)	(282,435,659)	(32,683,949)	−	(543,627,859)
Share of profit/(loss) of associates	4,036,473	(48,396)	19,292,621	−	23,280,698
Fair value gain on investments at FVTPL	−	−	30,873,307	−	30,873,307
Gain on bargain purchase	−	−	5,126,595	−	5,126,595
Segment profit before tax /(loss before tax)	**463,213,530**	**(157,489,709)**	**36,229,261**	**−**	**341,953,083**
Operating assets	**4,737,261,194**	**6,000,136,588**	**1,304,428,125**	**(116,900,018)**	**11,924,925,889**
Operating liabilities	**(3,252,980,987)**	**(5,462,978,035)**	**(387,707,973)**	**(106,738,393)**	**(9,210,405,388)**
Other disclosures					
Investment in an associate and a joint venture	**34,256,638**	**3,738,309**	**343,902,847**	**−**	**381,897,794**
Capital expenditures	**697,809,092**	**799,573,192**	**184,628,864**	**−**	**1,682,011,148**

10. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2024 and 2023 were as follows:

COST	Land	Buildings, constructions and cable lines	Telecommuni-cation equipment	Furniture and office equipment	Transport vehicles	Other	Assets under construction and equipment awaiting installation	Total
Balance as at 1 January 2023	50,179,541	2,421,024,679	4,977,696,631	140,132,741	101,469,276	113,548,554	1,699,056,037	9,503,107,459
Additions	–	23,337,738	498,630,796	66,746	10,148,858	5,866,493	2,703,558,294	3,241,608,925
Assets retirement obligation	–	–	5,389,323	–	–	–	–	5,389,323
Disposals	(3,774,299)	(70,036,287)	(117,982,143)	(4,576,798)	(7,604,917)	(1,411,582)	(38,265,782)	(243,651,808)
Internal movements	27,789	525,611,127	1,047,313,967	8,905,652	23,388,978	(6,180,773)	(1,599,066,740)	–
Transfer assets held for sale	–	(18,294,969)	(16,802,708)	(598,911)	(1,534,881)	(394,830)	–	(37,626,299)
Balance as at 31 December 2023	46,433,031	2,881,642,288	6,394,245,866	143,929,430	125,867,314	111,427,862	2,765,281,809	12,468,827,600
Additions	**–**	**957,463**	**192,778,052**	**91,743**	**23,439**	**1,420**	**3,434,555,812**	**3,628,407,929**
Assets retirement obligation	**–**	**–**	**6,338,457**	**–**	**–**	**–**	**–**	**6,338,457**
Disposals	**–**	**(25,391,171)**	**(206,898,968)**	**(8,567,223)**	**(5,921,027)**	**(2,328,835)**	**(158,806,931)**	**(407,914,155)**
Internal movements	**–**	**832,451,052**	**2,059,152,429**	**21,983,696**	**31,374,488**	**(5,339,020)**	**(2,939,622,645)**	**–**
Balance as at 31 December 2024	**46,433,031**	**3,689,659,632**	**8,445,615,836**	**157,437,646**	**151,344,214**	**103,761,427**	**3,101,408,045**	**15,695,659,831**
ACCUMULATED DEPRECIATION								
Balance as at 1 January 2023	–	450,351,118	1,371,368,263	74,850,277	49,956,713	32,814,035	–	1,979,340,406
Charge for the year	–	135,990,471	530,606,843	10,019,412	12,228,668	12,228,623	–	701,074,017
Disposals	–	(26,175,039)	(115,043,327)	(4,573,576)	(7,420,320)	(1,264,187)	–	(154,476,449)
Transfer assets held for sale	–	(6,590,274)	(9,885,895)	(362,257)	(917,915)	(231,168)	–	(17,987,509)
Balance as at 31 December 2023	–	553,576,276	1,777,045,884	79,933,856	53,847,146	43,547,303	–	2,507,950,465
Charge for the year	**–**	**161,874,066**	**726,585,513**	**14,180,022**	**15,821,715**	**12,561,987**	**–**	**931,023,303**
Disposals	**–**	**(15,191,491)**	**(189,021,092)**	**(8,444,093)**	**(5,152,159)**	**(2,143,807)**	**–**	**(219,952,642)**
Internal movements	**–**	**16,386,696**	**(14,036,989)**	**(576,654)**	**4,865,402**	**(6,638,455)**	**–**	**–**
Balance as at 31 December 2024	**–**	**716,645,547**	**2,300,573,316**	**85,093,131**	**69,382,104**	**47,327,028**	**–**	**3,219,021,126**
Net Book value:								
As at 31 December 2023	46,433,031	2,328,066,012	4,617,199,982	63,995,574	72,020,168	67,880,559	2,765,281,809	9,960,877,135
As at 31 December 2024	**46,433,031**	**2,973,014,085**	**6,145,042,520**	**72,344,515**	**81,962,110**	**56,434,399**	**3,101,408,045**	**12,476,638,705**

10. PROPERTY AND EQUIPMENT (continued

As at 31 December 2024 and 2023, Assets under construction and equipment awaiting installation primarily comprised equipment pending installation for base transmission stations, mobile switching servers, and other telecommunication infrastructure and service-related works. In addition, as at 31 December 2024, Assets under construction and equipment awaiting installation included a 26-floor office building (inclusive of fixtures and fittings) acquired from Aloqa Bank on 27 December 2024 with a carrying amount of 772,728,218 thousand soums (*Note 12*). As of the reporting date, the building was not yet ready for its intended use.

During 2024 and 2023, the Group continued the installation of telecommunication equipment, including disassembled base transmission stations, associated batteries and power supply units, switches, and cable units. These installations utilized equipment procured from ZTE Corporation, Huawei Technologies Co., Ltd., and Huawei International Pte. Ltd.

In 2024, installations also incorporated telecommunication equipment purchased from Toyota Tsusho Corporation under the Project for Expansion of Telecommunication Connection. This included route switch processors, SFP modules, generators, and other equipment essential for the construction and installation of base stations. Throughout 2023, the Group implemented base station installations aimed at enhancing network capacity and communication quality.

The Group continued investments in telecommunication infrastructure in line with the national strategic initiative, *Digital Uzbekistan – 2030*, focusing on several key projects, including:

- *Expansion of Uzbektelecom International Packet Switching Centers*;
- *Further Development of Telecommunication Infrastructure*; and
- *Construction of Fiber-Optic Communication Lines*.

Accordingly, substantial additions were made during 2024 to telecommunication equipment pending installation. These included complex technological equipment imported from ZTE Corporation (disassembled switching systems, generators, and power supply systems); base station expansion equipment, including DWDM systems, from Huawei International Pte. Ltd.; and switches, networking cables, data storage systems, and additional telecommunication infrastructure from Toyota Tsusho Corporation. These acquisitions aim to enhance both the broadband and mobile telecommunication networks.

The Group capitalised borrowing costs in the amount of 34,987,102 thousand soums during the year ended 31 December 2024 (2023: 3,647,767 thousand soums) in accordance with IAS 23 *Borrowing Costs* (*Note 37*). The rate used to determine the amount of borrowing costs eligible for capitalization was 4%, which is the EIR of the specific borrowing.

In 2024, the Group acquired property and equipment on credit amounting to 630,780,369 thousand soums (2023: 896,577,692 thousand soums) (*Notes 35 and 37*).

As at 31 December 2024, the carrying amount of property and equipment pledged as collateral for bank borrowings was 1,024,470,330 thousand soums (31 December 2023: 979,807,330 thousand soums).

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

	31 December 2024	31 December 2023
Non-current advances paid	**197,746,538**	215,822,413
Less: provision for non-current advances paid	**(159,257)**	(6,272,113)
	197,587,281	209,550,300

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

	2024	2023
As at 1 January	**6,272,113**	11,193,320
Accrual of provision for non-current advances paid	**–**	696,469
Recovery of provision for non-current advances paid	**(6,112,856)**	(5,617,676)
As at 31 December	**159,257**	6,272,113

11. INTANGIBLE ASSETS

Movements of intangible assets for 2024 and 2023 were as follows:

In thousand soums	**Licenses and software**	**Development cost**	**Total**
Cost			
At 1 January 2023	234,549,396	164,706	234,714,102
Additions	107,894,261	9,196,281	117,090,542
Disposals	(58,402,820)	–	(58,402,820)
At 31 December 2023	284,040,837	9,360,987	293,401,824
Additions	**132,052,664**		**132,052,664**
Disposals	**(160,851,484)**		**(160,851,484)**
At 31 December 2024	**255,242,017**	**9,360,987**	**264,603,004**
Accumulated amortisation and impairment			
At 1 January 2023	(122,165,319)	–	(122,165,319)
Amortisation charge	(136,743,420)	(679,574)	(137,422,994)
Disposals	55,072,935	–	55,072,935
At 31 December 2023	(203,835,804)	(679,574)	(204,515,378)
Amortisation charge	**(143,667,041)**	**–**	**(143,667,041)**
Disposals	**160,851,484**	**–**	**160,851,484**
At 31 December 2024	**(186,651,361)**	**(679,574)**	**(187,330,935)**
Net book value			
At 31 December 2023	80,205,033	8,681,413	88,886,446
At 31 December 2024	**68,590,656**	**8,681,413**	**77,272,069**

Additions in 2024 include mobile operations license and frequency fee payments in the amount of 47,600,000 thousand soums and 72.651,484 thousand soums, respectively (2023: mobile operations license and frequency fee payments in the amount of 46,200,000 thousand soums and 54,021,709 thousand soums, respectively). License payments are made annually based on the invoices issued by the licensor. Previous year payments in relation to mobile operation license and frequency fee were amortized in the current year due to one-year useful life. The Group also capitalized other software licenses in the amount of 9,232,863 thousand soums.

In 2024, disposals of intangible assets included the derecognition of mobile operation licenses and frequency fee rights from 2024 and 2023 in the amount of 88,200,000 thousand soums and 72,651,484 thousand soums, respectively, due to the expiration of their useful life and full amortization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following associates and joint ventures have been included in these consolidated financial statements:

			2024		2023	
In thousand soums	**Principal activities**	**Country of incorporation**	**Carrying amount**	**% equity interest**	Carrying amount	% equity interest
Associates						
Aloqabank JSC	Bank services	Uzbekistan	**390,879,498**	**17.66%**	332,799,422	22.02%
Global optical communication LLC	Production of cables	Uzbekistan	**37,543,408**	**49.95%**	34,256,638	49.77%
Alskom IC JS	Insurance services	Uzbekistan	**12,251,876**	**35.39%**	11,707,065	35.39%
UzSAT LLC	Construction of base stations	Uzbekistan	**2,871,375**	**30.00%**	3,134,669	30.00%
			443,546,157		381,897,794	

In 2024 the movements in balances of Investments in associates and joint ventures were as follows:

in thousand soums	**Aloqabank JSC**	**Global optical communication LLC**	**Alskom IC JS**	**UzSAT LLC**	**Total**
At 1 January 2024	**332,799,422**	**34,256,638**	**11,707,065**	**3,134,669**	**381,897,794**
Share in profit / (loss) of joint ventures and associates	**34,301,998**	**2,804,364**	**1,333,854**	**(716,620)**	**37,723,596**
Gain on dilution	**32,601,215**	**–**	**–**	**–**	**32,601,215**
Tax effect of capitalized dividends	**(8,823,137)**				**(8,823,137)**
Others	**–**	**482,406**	**(789,043)**	**453,326**	**146,689**
At 31 December 2024	**390,879,498**	**37,543,408**	**12,251,876**	**2,871,375**	**443,546,157**

In 2023 the movements in balances of Investments in associates and joint ventures were as follows:

in thousand soums	**Aloqabank JSC**	**Global optical communication LLC**	**Alskom IC JS**	**UzSAT LLC**	**Others**	**Total**
At 1 January 2023	–	21,720,165	10,666,264	3,183,065	1,594,036	**37,163,530**
Contribution to associate and joint venture	314,596,737	8,499,261	672,506	–	–	**323,768,504**
Share in profit / (loss) of joint ventures and associates	18,202,685	4,037,212	368,295	(48,396)	720,902	**23,280,698**
Othe distribution to shareholder	–	–	–	–	(2,314,938)	**(2,314,938)**
At 31 December 2023	**332,799,422**	**34,256,638**	**11,707,065**	**3,134,669**	**–**	**381,897,794**

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Aloqabank JSC

The following table illustrates the summarized financial information of the Group's investment in *JSC Aloqabank:*

In thousands soums	**31-Dec-24**	31-Dec-23
Total assets including:	**21,707,688,690**	14,891,830,690
Cash and cash equivalents	**2,615,062,000**	1,474,301,000
Due from other banks	**210,580,000**	655,816,000
Loans and advances to customers	**11,913,135,690**	10,485,387,000
Investment in debt securities	**2,178,373,000**	217,796,000
Other financial assets	**1,094,742,000**	40,236,000
Other non-financial assets	**3,695,796,000**	2,018,294,690
Total liabilities including:	**(19,494,328,000)**	(13,380,480,000)
Due to other banks	**(2,118,276,000)**	(1,144,772,000)
Customer accounts	**(12,765,106,000)**	(8,518,726,000)
Other borrowed funds	**(4,133,614,000)**	(3,230,591,000)
Other financial liabilities	**(216,781,000)**	(223,770,000)
Subordinated debt	**(171,731,000)**	(160,342,000)
Other non-financial liabilities	**(88,820,000)**	(102,279,000)
Equity	**2,213,360,690**	1,511,350,690
Interest ownership	**17.66%**	22.02%
Carrying amount of the Group`s investments	**390,879,498**	332,799,422

Summarized consolidated statement of profit or loss of significant associate is set out below:

in thousands soums	**2024**	from the date of acqusition till 31 December 2023
Interest income calculated using the effective interest method	**2,381,452,000**	484,964,250
Other similar income	**1,072,000**	551,250
Interest and similar expense	**(1,771,250,000)**	(322,525,500)
Net margin on interest and similar income	**611,274,000**	162,990,000
Credit loss allowance for assets carried at amortised cost	**(321,841,000)**	(32,390,250)
Net margin on interest and similar income	**289,433,000**	130,599,750
Initial recognition adjustment on interest bearing assets	**(13,378,000)**	–
Fee and commission income	**853,127,000**	172,656,750
Fee and commission expense	**(658,909,000)**	(128,522,250)
Foreign exchange translation gains less losses	**70,583,000**	16,585,250
Net gain from trading in foreign currencies	**92,817,000**	22,427,000
Other operating income	**421,980,000**	65,307,250
Administrative and other operating expenses	**(753,371,000)**	(169,570,487)
Other impairment and provisions	**(4,925,000)**	–
Impairment of assets held for sale	**(2,337,000)**	–
Share of result from associates and JV	**(2,000)**	(138,250)
Profit before tax	**295,018,000**	109,345,013
Income tax expense	**(42,103,000)**	(26,699,000)
Profit for the year	**252,915,000**	82,646,013
Total Comprehensive income for the year	**252,915,000**	82,646,013

Share of the Group in profit for the year	**2024**	2023
Share of the Group in profit of Aloqabank	**34,301,998**	18,202,685
Gain on dillution	**32,601,215**	–
Elimination of unrealised profit	**(89,821,232)**	–
Share of the Group in profit/(loss) for the year	**(22,918,019)**	**18,202,685**

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Aloqbank JSC (continued)

On 3 December 2024, Aloqabank issued 500,000 million new ordinary shares, bringing the total to 2,514,533 million shares. As a result of this transaction, the Company's ownership percentage decreased from 22.02% to 17.66%. Despite the dilution, the Group retained significant influence over the associate through continued board representation and active involvement in strategic and operating decisions. Consequently, the investment continues to be accounted for using the equity method.

The Group's share of profit from Aloqabank represents the profit attributable to the Group based on a 22.02% interest prior to dilution and a 17.66% interest subsequent to dilution.

A gain from dilution was recognized in the consolidated statement of profit or loss. This gain arose because the cash consideration received by Aloqabank for the newly issued shares significantly exceeded its book value per share, thereby increasing its net assets and generating a proportionate uplift in the Group's share of equity.

The Group acquired a building from AloqaBank in a transaction classified as an upstream transaction under IAS 28. In accordance with IAS 28, the Group's share of the unrealised profit arising from this transaction, amounting to 89,821,232 thousand soums, was eliminated and the building's book value amended (Note 10).

Global optical communication LLC

Summarized financial information of significant associate, based on their financial statements for 2024 and 2023 is set out below:

In thousand soums	**31 December 2024**	31 December 2023
Non-current assets	**45,358,248**	63,435,991
Current assets	**117,492,410**	61,996,894
Non-current liabilities	**(22,287,826)**	(14,290,081)
Current liabilities	**(65,400,854)**	(42,354,374)
Equity	**75,161,978**	**68,788,430**
Interest ownership	**49.95%**	49.80%
Group`s carrying amount of the investment	**37,543,408**	34,256,638

Summarized statement of profit or loss of significant associates is set out below:

In thousand soums	**2024**	2023
Revenue	**178,984,252**	229,086,162
Cost of sales	**(148,131,210)**	(196,724,521)
Gross profit	**30,853,042**	32,361,641
Selling expenses	**(10,478,045)**	(166,820)
Administrative expenses	**(11,483,948)**	(6,781,143)
Other expenses	**(1,592,160)**	(2,931,862)
Other income	**14,500**	50,945
Foreign exchange gain	**2,459,527**	3,630,600
Interest income	**3,522,274**	–
Income from finance lease	**23,074**	–
Interest expenses	**(1,840,221)**	(2,288,214)
Foreign exchange loss	**(5,863,700)**	(15,768,296)
Profit for the year	**5,614,343**	8,106,851
Share of the Group in profit for the year	**2,804,364**	4,037,212

13. COST TO OBTAIN THE CONTRACT

As at 31 December 2024 and 2023 cost to obtain the contract comprised:

In thousand soums	**31 December 2024**	31 December 2023
Current portion	**36,383,267**	36,993,946
Non-current portion	**24,234,285**	18,496,972
	60,617,552	55,490,918

In thousand soums	**2024**	2023
As at 1 January	**55,490,918**	34,392,769
Payment to the dealers	**151,623,520**	126,294,277
Amortization of cost to obtain a contract (*Note 29*)	**(146,496,886)**	(105,196,128)
As at 31 December	**60,617,552**	55,490,918

14. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31 December 2024 and 2023, other non-current financial assets comprised:

In thousand soums	**2024**	2023
Loans to employees	**137,482**	298,132
Other	**5,951,821**	3,112,293
	6,089,303	3,410,425

15. INVENTORIES

As at 31 December 2024 and 2023, inventories comprised:

In thousand soums	**2024**	2023
Cable materials (at cost)	**187,962,141**	215,352,935
Raw and other materials at cost	**102,475,499**	17,218,532
Goods for resale (at lower of cost and net realizable value)	**74,438,905**	82,371,131
Apartments(at cost)	**19,590,301**	46,110,262
Fuel (at cost)	**5,534,116**	6,296,641
Spare parts (at cost)	**2,028,675**	1,135,902
	392,029,637	368,485,403

As at 31 December 2024, the provision for slow-moving and obsolete inventories was 19,176,570 thousand soums (31 December 2023: 28,990,032 thousand soums).

16. TRADE RECEIVABLES

As at 31 December 2024 and 2023, trade receivables comprised:

In thousand soums	**31 December 2024**	31 December 2023
Trade receivables	**1,070,263,757**	728,259,678
Less: allowance for expected credit losses	**(592,938,200)**	(475,925,780)
Total trade receivables	**477,325,557**	252,333,898

Movements in the allowance for expected credit losses were as follows for the years ended 31 December:

In thousand soums	**2024**	2023
Allowance for expected credit losses at the beginning of the year	**475,925,780**	293,427,026
Accrual of allowance for expected credit losses (*Note 31*)	**117,012,420**	182,498,754
Allowance for expected credit losses at the end of the year	**592,938,200**	475,925,780

Below is information as at 31 December 2024 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

	Days past due			
In thousand soums	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Total**
Estimated credit loss rate	**13.03%**	**69.43%**	**100.00%**	
Estimated total gross carrying amount at default	**529,124,250**	**56,086,266**	**485,053,241**	**1,070,263,757**
Allowance for expected credit losses	**68,943,386**	**38,941,573**	**485,053,241**	**592,938,200**

Below is information as at 31 December 2023 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

	Days past due			
In thousand soums	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Total**
Estimated credit loss rate	19.16%	40.89%	100.00%	
Estimated total gross carrying amount at default	244,210,258	92,889,358	391,160,062	**728,259,678**
Allowance for expected credit losses	46,787,249	37,978,469	391,160,062	**475,925,780**

As at 31 December 2024, the Group's allowance for expected credit losses increased significantly due to charge of 149,495,398 thousand soums of allowance on the balance of Humans LLC (31 December 2023: 135,792,652 thousand soums).

As at 31 December 2024 and 2023, the Group's trade receivables were denominated in the following currencies:

In thousand soums	**2024**	2023
US dollars	**262,970,763**	101,716,456
Soums	**209,472,358**	150,617,442
Other currencies	**4,882,436**	–
	477,325,557	252,333,898

17. ADVANCES PAID

As at 31 December, advances paid comprised:

In thousand soums	**31 December 2024**	31 December 2023
Advances paid for inventories and services	**165,980,971**	91,760,826
Less: allowance for impairment	**(2,026,332)**	(2,258,931)
Total advances paid and other receivables	**163,954,639**	89,501,895

17. ADVANCES PAID (continued)

Movements in the allowance for impairment were as follows for the years ended 31 December:

In thousand soums	**2024**	2023
Provision for impairment at the beginnings of the year	**2,258,931**	9,719,909
Accrual of provision for advances paid for inventories and services (*Note 31*)	**1,556,036**	83,620
Recovery of provision for advances paid for inventories and services (*Note 31*)	**(1,788,635)**	(7,544,598)
Provision for impairment at the end of the year	**2,026,332**	2,258,931

As at 31 December 2024 and 2023 advances paid for short term assets were given to contractors for services and delivery of inventories for operational activities of the Group.

18. CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents comprised:

In thousand soums	**2024**	2023
Cash on current bank accounts	**46,815,455**	14,003,325
Demand deposits	**58,516,975**	5,975,651
Cash in transit	**947,440**	13,841
	106,279,870	19,992,817
Less: allowance for expected credit losses	**–**	–
	106,279,870	19,992,817

Bank deposits amounting to 58,516,975 thousand soums earn interest at rates ranging from 3.5% to 19% (as at 31 December 2023: 5,975,651 thousand soums).

As at 31 December cash and cash equivalents were denominated in the following currencies:

In thousand soums	**2024**	2023
US dollars	**23,766,147**	10,224,838
Soums	**73,339,118**	8,596,036
Other	**9,174,605**	1,171,943
	106,279,870	19,992,817

19. EQUITY

	Number of shares, in thousands		**In thousand soums**		
	Common shares	**Preferred non-voting shares**	**Common shares**	**Preferred non-voting shares**	**Total issued shares**
At 1 January 2023	277,446	9,864	320,172,775	11,383,617	331,556,392
Redemption of shares	(10,208)	–	(11,780,357)	–	(11,780,357)
At 31 December 2023	267,238	9,864	308,392,418	11,383,617	319,776,035
Increase in shares	5,542	–	6,395,521	–	6,395,521
At 31 December 2024	**272,780**	**9,864**	**314,787,939**	**11,383,617**	**326,171,556**

Share capital

The total number of authorized ordinary shares as at 31 December 2024 is 272,780 thousand shares (31 December 2023: 267,228 thousand shares), with a par value of 1,154 soums per share (31 December 2023: 1,154 soums per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

The total number of authorized preference shares as at 31 December 2024 is 9,864 thousand shares (31 December 2023: 9,864 thousand shares), with a par value of 1,154 soums per share (31 December 2023: 1,154 soums per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Minimum annual dividends on preference shares are fixed at 25% of the nominal value and rank above ordinary dividends. The dividends declared on preference shares cannot be less than those declared for ordinary shares.

19. EQUITY (continued)

Share capital (continued)

Issuance of shares

On October 22, 2024, the Group issued 5,542,046 ordinary shares, each with a nominal value of 1,154 soums totaling 6,395,521 thousand soums. The total proceeds amounted to 33,252,276 thousand soums, including 26,856,755 thousand soums recognized as additional paid-in capital. The shares were fully subscribed and paid by investors.

Redemption of shares

In 2023, the Group undertook several significant equity transactions involving the transfer of assets to various governmental and affiliated entities. These transactions were executed in accordance with government mandates and decisions outlined in presidential decrees and other legal provisions. As a result of the transfers, share capital of the Group reduced by 11,780,357 thousand soums.

Additional paid-in capital

Transaction with shareholders

Transfer of Assets to the Tashkent City Khokimiyat

On June 25, 2024, in accordance with Decree No. 204-F of the Cabinet of Ministers of the Republic of Uzbekistan dated April 28, 2021, the Group transferred its building with the carrying amount of 91,482,985 thousand soums to the Tashkent City Khokimiyat.

Transactions with shareholder (gain on initial recognition of the borrowings)

On 10 February 2023, the Group received borrowed funds from entities and financial institutions under the common control of the shareholder, (Aloqabank, Directorate of Technological Park of Software Products and Information Technologies, Information and Communications Technology Development Fund), in accordance with Order No. 3-F/90-XFU in its capacity as shareholder.

At initial recognition, the loans were measured at fair value based on the expected future cash outflows discounted at a market rate observable for similar instruments at the date the loans were issued. The total discount of 15,425,166 arising from the difference between the nominal amount and fair value was recognised within additional paid-in capital, as the loans were provided by entities under common government control (Note 20).

Transfer of sponsorship funds.

During 2024, in accordance with Decree No. 37-M of the Cabinet of Ministers of the Republic of Uzbekistan, dated January 25, 2023, the Group contributed cash to the Personal Treasury Fund under the Ministry of Economy and Finance in the total amount of 38,091,430 thousand soums, with several tranches. Also, On March 11, 2024, the Group contributed cash to the to the Youth Initiative Support Fund in the amount of 6,251,555 thousand soums.

Transfer of subsidiaries and shares to government

On October 11, 2023, the Group transferred share in 10 entities with the net assets equalled to 6,461,217 to thousand soums to the State Asset Management Agency. Moreover, the Group transferred a 44% interest in the share capital of JV Buzton LLC, with a carrying amount of 1,199,636 thousand soums to the State Asset Management Agency.

In-kind dividends

On February 20, 2023, the Group had 19,094,195 thousand soums deducted by the Interregional State Tax Inspectorate for Large Taxpayers for additional dividend payments on the state's share. The funds were withdrawn on February 21, 2023.

The Group requested clarification from the Ministry of Economy and Finance and the Tax Inspectorate regarding the legality and reasons for the deduction. The Tax Inspectorate confirmed that the deduction complied with a July 29, 2021, working group decision to allocate 75% of the state's 2020 net profit for dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. EQUITY (continued)

In-kind dividends (continued)

At the April 29, 2024, General Meeting of Shareholders, the allocation of net profit and the additional deduction were examined. The decisions were:

- The allocation of 50% of the 2020 net profit, decided on June 30, 2021, will not change, maintaining the 34,671,663,437.07 soums dividend distribution for ordinary shares;
- The deducted 19,094,195 thousand soums from February 21, 2023, will be treated as dividends paid on the state's share as per regulations;
- The Board of Directors is to adjust the financial records to accurately show this additional dividend payment and ensure clear dividend reporting.

Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company (after adjusting for the after-tax amount of dividends on preferred shares) by the weighted average number of ordinary and preferred shares outstanding during the year.

Diluted earnings per share are equal to basic earnings per share, as the Group does not have any dilutive potential ordinary shares.

The following tables reflects profit and share data used in the basic and diluted earnings per share computations:

In thousand soums	**2024**	2023
Calculation of basic and diluted earnings per share		
Profit for the year attributable to equity holders of the Parent	**799,496,602**	275,462,347
Weighted average number of ordinary shares	**268,300,655**	267,238,000
Basic and diluted earnings per share, Uzbek soums	**2,980**	1,031

20. BORROWINGS

As at 31 December borrowings comprised:

In thousand soums	**Weighted average effective interest rate**	**2024**	Weighted average effective interest rate	2023
Borrowings with fixed interest rate	**8.1%**	**3,317,670,384**	9.8%	2,851,905,664
Borrowings with floating interest rate	**5.3%**	**5,070,037,199**	7.8%	3,108,117,418
		8,387,707,583		5,960,023,082

Borrowings are repayable as follows:

In thousand soums	**2024**	2023
Current portion of borrowings	**1,869,793,239**	2,081,058,763
Maturity between 1 and 5 years	6,267,659,163	3,669,002,290
Maturity over 5 years	250,255,181	209,962,029
Total non-current portion of borrowings	**6,517,914,344**	3,878,964,319
Total borrowings	**8,387,707,583**	5,960,023,082

20. BORROWINGS (continued)

As of 31 December 2024, and December 2023, loans represented by the following:

Borrower	Maturity date	Currency	Interest rate	2024	2023
Deutsche Bank AG	8 May 2029	EUR	6M-EUIRBOR + 4.8%	**2,643,674,907**	–
Credit Suisse AG	31 October 2027	EUR	6M-EUIRBOR + 4.5%	**1,378,084,331**	1,649,200,213
JBIC	31 January 2035	JPY	2.54%	**1,121,223,052**	1,814,967
ZTE Corporation	14 July 2026	USD	9.30%	**631,791,987**	630,444,095
ZTE Corporation	25 June 2027	USD	9.67%	**576,993,493**	–
National Bank of Uzbekistan	20 November 2030	JPY	CIRR + 1,02% + 0,5%	**389,071,397**	484,858,139
Tenge Bank JSC	30 June 2028	EUR	3M-EUIRBOR + 4%	**218,971,910**	255,832,998
MUFG Bank Ltd	30 June 2026	JPY	TORF + 3.1%	**208,692,245**	295,246,805
KDB Bank Uzbekistan JSC	28 October 2027	USD	3M-SOFR + 5%	**178,193,227**	179,627,390
Aloqa Bank JSCB	31 July 2025	UZS	17.69%	**170,622,085**	180,818,172
Aloqa Bank JSCB	21 December 2026	UZS	20.00%	**133,844,749**	200,767,123
JBIC	20 December 2029	JPY	2.20%	**127,837,199**	163,872,117
Aloqa Bank JSCB	25 June 2027	UZS	12.50%	**75,128,425**	93,860,445
JBIC	20 December 2029	JPY	2.20%	**68,719,630**	88,090,411
Chirkom Joint Venture	30 November 2032	EUR	2.00%	**67,806,295**	77,548,799
National Bank of Uzbekistan	15 January 2025	USD	6.90%	**66,696,152**	192,369,433
Aloqa Bank JSCB	13 June 2027	UZS	26.00%	**66,431,497**	–
Hamkorbank JSC	6 October 2030	USD	6M-SOFR + 5.5%	**53,349,182**	50,982,441
National Bank of Uzbekistan	31 January 2030	USD	3.00%	**50,220,239**	57,125,649
Ipoteka Bank JSCMB	10 February 2025	UZS	20.00%	**45,542,466**	110,904,110
KDB Bank Uzbekistan JSC	28 May 2026	UZS	20.00%	**40,591,781**	40,241,096
Huawei International Co. Ltd	25 January 2025	USD	6.90%	**39,361,442**	293,058,643
OECF, Japan	20 June 2025	JPY	3.30%	**25,164,084**	80,536,734
ZTE Corporation	31 May 2024	USD	3.90%	**–**	202,753,272
Aloqa Bank JSCB	10 August 2024	USD	8.53%	**–**	188,144,482
Directorate of the Technological Park	25 March 2024	UZS	20.99%	**–**	152,059,037
ZTE Corporation	20 October 2024	USD	6.70%	**–**	102,099,467
Kontron	31 May 2024	USD	6.26%	**–**	96,528,388
Fund for the Development of Inf. Com. Technologies	26 August 2024	UZS	23.38%	**–**	29,681,979
Huawei Technologies Co. Ltd	1 June 2024	USD	3.50%	**–**	22,923,656
Nano leasing JSC	20 March 2024	UZS	28.00%	**–**	14,086,221
Other borrowings received				**9,695,808**	24,546,800
Total				**8,387,707,583**	5,960,023,082

Deutsche Bank AG

Unsecured syndicated term loan facility agreement dated 8 May 2024

In May 2024, the Group entered into a Facility Agreement with Deutsche Bank for a total amount of EUR 200,000,000. The purpose of the facility is to finance the Group's capital expenditure programmes, meet working capital requirements, and refinance existing financial indebtedness. As of 2024, the Group had drawn down EUR 199,503,595 under the facility, equivalent to 2,731,874,782 thousand soums. The loan has a maturity date of 8 May 2029, with principal repayments scheduled to commence in May 2026, following a 24-month grace period. The facility carries a floating interest rate based on the six-month EURIBOR plus a margin of 4.8%. The loan agreement included commissions and other fees directly attributable to the issuance of the loan, amounting to EUR 4,155,668 (equivalent to 56,586,904 thousand soums). These transaction costs were paid prior to the loan disbursement. In accordance with applicable accounting standards, the costs were capitalized and offset against the loan amount, with the net proceeds recognized at initial recognition.

The loan agreement includes both financial and non-financial covenants imposed by the lender. The key financial covenants require the Group to maintain an interest cover ratio of not less than 3.0 and a leverage ratio not exceeding 3.75. The interest cover ratio is calculated by dividing the Group's EBITDA by its interest expense for the reporting period, while the leverage ratio is determined by dividing net indebtedness by adjusted EBITDA. As of the reporting date, the Group was in full compliance with these covenants. The interest cover ratio stood at 5.24 (2023: not applicable), and the leverage ratio was 1.64 (2023: not applicable). The Group has no indication that it will have difficulty complying with these covenants.

20. BORROWINGS (continued)

Credit Suisse AG, London Branch

Unsecured loan facility agreement dated 26 October 2022

On 26 October 2022, the Group entered into a Syndicated Accordion Facility Agreement with Credit Suisse for a total amount of EUR 200,000,000. The facility was arranged to finance capital expenditure projects and to replenish working capital. During the availability period in 2022 and 2023, the Group received several tranches totaling EUR 119,897,713 (equivalent to 1,415,785,279 thousand soums). The loan bears a floating interest rate based on the six-month EURIBOR plus a margin of 4.5% per annum and matures on 31 October 2027. Transaction costs related to this loan, paid both prior to and after its issuance, amounted to EUR 1,618,619 (equivalent to 19,269,958 thousand soums). These costs were capitalized and deducted from the loan proceeds upon initial recognition.

The loan agreement includes both financial and non-financial covenants imposed by the lender. The key financial covenants require the Group to maintain an interest cover ratio of not less than 5.0 and a leverage ratio not exceeding 3.75. The interest cover ratio is calculated by dividing the Group's EBITDA by its net finance charge for the reporting period, while the leverage ratio is determined by dividing net indebtedness by EBITDA. As of the reporting date, the Group was in full compliance with these covenants. The interest cover ratio stood at 5.17 (2023: 5.36), and the leverage ratio was 3.07 (2023: 2.91). The Group has no indication that it will have difficulty complying with these covenants.

JBIC

Loan agreement guaranteed by the Republic of Uzbekistan dated 27 January 2023

The Group entered into a loan agreement with Japan Bank for International Cooperation (JBIC) for a total amount of JPY 19,375,190,740 in the beginning of 2023. The purpose of the loan is to finance 85% of the total contract value with Toyota Tsusho Corporation for the supply of digital telecommunication equipment. Disbursements under the facility are made progressively as equipment is delivered. In 2024, a total of JPY 13,477,953,334 (equivalent to 1,122,356,592 thousand soums) was drawn. The loan carries a fixed interest rate of 2.54% per annum and matures in January 2034. Repayment of the principal will commence in July 2025, following a 36-month grace period. The rest of the loan amount equal to 5,897,237,406 Japanese Yens (equivalent to 483,986,274 thousand soums) was not utilized yet and is expected to be drawn down during the following periods.

The loan agreement includes both financial and non-financial covenants imposed by the lender. The key financial covenants require the Group to maintain an interest cover ratio of not less than 2.0 and a leverage ratio not exceeding 3.5. The interest cover ratio is calculated by dividing the Group's EBITDA by its net finance charge for the reporting period, while the leverage ratio is determined by dividing net indebtedness by EBITDA. As of the reporting date, the Group was in full compliance with these covenants. The interest cover ratio stood at 4.68 (2023: 5.36), and the leverage ratio was 3.07 (2023: 2.91). The Group has no indication that it will have difficulty complying with these covenants.

JBIC

Unsecured loan agreement from 30 September 2010

On 30 September 2010, the Group and JBIC signed a loan agreement under the project "Expansion of telecommunication network" between JBIC and Government of the Republic of Uzbekistan from 14 December 1999. The total loan value is 12,121,149,229 Japanese Yen (equivalent to 1,062,661,153 thousand soums). The amount of loan transferred to branches of the Company is 3,263,461,382 Japanese Yen (equivalent to 286,107,659 thousand soums) with an interest rate of 4% and maturity until 20 December 2029.

On 3 June 2013, the Group and JBIC signed a supplementary agreement and decided to include the "Telecommunication Transport Tarmogi" branch in the list of sub-borrowers. The amount of loan allocated to this branch is 5,292,560,122 Japanese Yen (equivalent to 463,998,746 thousand soums), the interest rate is 4% with maturity until 20 December 2029.

20. BORROWINGS (continued)

ZTE Corporation

Contract for supply of goods No S1UZ2022022001FDD

On 17 October 2022, the Group and ZTE Corporation signed a frame agreement for goods supply in the amount of 67,171,973.59 US dollars (equivalent to 828,819,533 thousand soums). 85% of the total amount of the contract is made during two years starting from the date of ending of the grace period, in equal six payments to be made on each three months with interest rate of 0% with maturity until 14 July 2026. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 9.3% at the time the borrowed fund was issued.

Contract for supply of goods No S1UZ2022022002FDD

On 17 October 2022, the Group entered into a supply agreement with ZTE Corporation for the delivery of equipment totaling USD 64,393,880.78 (equivalent to 818,952,924 thousand soums). Under the terms of the agreement, 15% of the total contract amount is payable in advance, while the remaining 85% is payable over a two-year period following the end of a grace period. The repayment is structured as six equal quarterly installments, with a 0% interest rate, and the final payment due by 26 December 2027. Deliveries under the contract commenced in 2024, with goods received under three separate purchase orders. At initial recognition, the liability was measured at fair value using a market interest rate of 9.7%, which was observable for similar instruments at the time of the transaction.

Contract for supply of equipment No S1UZ2015102201GUS

On 6 November 2015, the Group and ZTE Corporation signed a contract for supply of equipment for project Development of Uzmobile National Mobile Network of JSC Uzbektelecom in the amount of 86,334,395 US dollars (equivalent to 1,065,260,243 thousand soums). The total price of the contract includes the amount of Goods delivery, that is equal to 73,800,860 US dollars (equivalent to 910,611,837 thousand soums) and deferred payment interests as 3.9% per annum without deduction that is equal to 12,533,535 US dollars (equivalent to 154,648,406 thousand soums). The maturity of the agreement was 31 December 2024, until all contractual obligations of both parties are being fully and satisfactorily completed. All the payments were completed by the Group during 2024 and the contract has been fulfilled.

Contract for supply of equipment No S1UZ2020113001PON

On 15 May 2021, the Group and ZTE Corporation signed a contract for supply of equipment for project Expansion of broadband network of JSC Uzbektelecom in western region in the amount of 13,271,381 US dollars (equivalent to 163,752,518 thousand soums). 85% of the total amount of the contract is made during two years starting from the date of ending of the grace period, in equal eight payments to be made on each three months with interest rate of 0% with maturity until 20 October 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 6.7% at the time the loan was issued, and a total discount of 1,347,504 US dollars (equivalent to 14,315,133 thousand soums) was identified as hidden credit charges due to the deferred payment terms.

The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC (NBU)

Loan agreement guaranteed by the government of the Republic of Uzbekistan No PF 2019/04

On 27 March 2019, the Group and NBU signed a loan agreement in the amount of 5,094,984,887 Japanese Yen (equivalent to 446,677,325 thousand soums) to finance the contract concluded between the Group and Toyota Tsusho Corporation. The loan was received in 15 tranches during 2019-2021 in the total amount of 5,094,984,887 Japanese Yen (equivalent to 446,677,325 thousand soums). The loan was received with an interest rate of CIRR (Yen) + 1.02% per annum + 0.5% margin of the bank with a maturity until 20 November 2030.

20. BORROWINGS (continued)

The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC (NBU) (continued)

Loan agreement guaranteed by the government of the Republic of Uzbekistan No PF 2019/06

On 27 March 2019, the Group and NBU signed a loan agreement in the amount of 2,784,743,903 Japanese Yen (equivalent to 244,138,498 thousand soums) to finance the contract concluded between the Group and Toyota Tsusho Corporation. The loan was received in 24 tranches during 2019-2022 in the total amount of 2,784,743,903 Japanese Yen (equivalent to 244,138,498 thousand soums). The loan was received with an interest rate of CIRR (Yen) + 1.02% per annum + 0.5% margin of the bank with a maturity until 20 November 2030.

Secured loan agreement No PF 2019/24

On 20 December 2019, the Group and NBU signed a loan agreement in the amount of 35,505,000 US dollars to finance the contract concluded between the Group and Huawei Technologies Co., Ltd. On 26 December 2019 and 30 June 2020, the tranches were received from NBU in the total amount of 35,505,500 US dollars with an interest rate of LIBOR (6month) + 3,2% per annum + 1.0% margin of the bank with a maturity until 15 January 2025. Following the discontinuation of LIBOR, the interest rate on the loan was converted to a fixed rate of 6.9% in July 2023. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 132,551,200 thousand soums.

Secured loan agreement No PF 2010/03

On 9 July 2010, the Group and NBU signed a loan agreement in the amount of 10,772,888 US dollars (equivalent to 132,924,187 thousand soums). The tranche was received from NBU in the amount of 10,772,888 US dollars with an interest rate of 2.5% per annum with a maturity until 21 January 2030. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 3% at the time the loan was issued. On initial recognition of remaining part of the loan (as of 1 January 2018) total discount in the amount of 218,728 US dollars (equivalent to 1,776,086 thousand soums) was recognized within the additional paid in capital part, as in accordance with the order of the shareholder, the Company entered into a loan agreement at a preferential interest rate below the market level. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 100,137,476 thousand soums.

Secured loan agreement No PF 2019/25

On 20 December 2019, the Group and NBU signed a loan agreement in the amount of 4,495,000 US dollars (equivalent to 44,206,756 thousand soums) to finance the contract concluded between the Group and Huawei Technologies Co., Ltd. On 26 December 2019, 31 May 2020 and 30 June 2020, the tranches were received from NBU in the total amount of 4,495,500 US dollars (equivalent to 438,088,029 thousand soums) with an interest rate of LIBOR (6month) + 3,2% per annum + 1.0% margin of the bank with a maturity until 15 January 2025. Following the discontinuation of LIBOR, the interest rate on the loan was converted to a fixed rate of 6.9% in July 2023. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 32,458,700 thousand soums.

JSC "Hamkorbank"

Secured loan agreement No 04074838/0180/01

On 24 October 2023, the Group and HamkorBank signed a loan agreement in the amount of 4,100,000 US dollars (equivalent to 50,588,957 thousand soums) for purchase of fixed assets. The loan was received with an interest rate of SOFR (6-month) +5.5 % per annum with a maturity until 24 October 2030. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 68,146,000 thousand soums.

20. BORROWINGS (continued)

JSC "Tenge Bank"

Secured credit line agreement No 2023-08

On 26 June 2023, the Group and JSC "Tenge Bank" signed a general agreement on opening a credit line in the amount of 18,600,000 Euros (equivalent to 255,411,852 thousand soums) with an interest rate of EURIBOR (3-month) + 4% per annum. On 27 June 2023, the Group signed an individual loan agreement for the amount of 18,600,000 Euros (equivalent to 255,411,852 thousand soums) with maturity until 23 June 2028. The loan was received in two tranches in the amounts of 6,000,000 Euros (equivalent to 82,390,920 thousand soums) and 12,600,000 Euros (equivalent to 173,020,932 thousand soums). The loan is secured by the telecommunication equipment of the Group with carrying value equivalent to 87,457,100 thousand soums.

The loan agreement includes both financial and non-financial covenants imposed by the lender. The key financial covenants require the Group to maintain an interest cover ratio of not less than 5.0 and a leverage ratio not exceeding 3.75. The interest cover ratio is calculated by dividing the Group's LTM EBITDA by its net finance charge for the reporting period, while the leverage ratio is determined by dividing net indebtedness by LTM EBITDA. As of the reporting date, the Group was in full compliance with these covenants. The interest cover ratio stood at 5.8 (2023: 5.5), and the leverage ratio was 3.02 (2023: 2.71). The Group has no indication that it will have difficulty complying with these covenants.

MUFG Bank Ltd

Loan agreement guaranteed by the Republic of Uzbekistan dated 27 January 2023

In January 2023, the Group entered into a loan agreement with MUFG Bank to finance the full advance payment to Toyota Tsusho Corporation under the supply contract for digital telecommunication equipment dated 3 October 2022. The loan amounted to JPY 3,419,151,308 (equivalent to 274,215,935 thousand soums) and bears interest at TORF (Tokyo Term Risk-Free Rate) plus a margin of 3.1% per annum. Transaction costs associated with the loan totaled JPY 80,133,073 (equivalent to 6,707,230 thousand soums) and were deducted from the loan proceeds at initial recognition in accordance with applicable accounting standards.

The loan agreement includes both financial and non-financial covenants imposed by the lender. The key financial covenants require the Group to maintain an interest cover ratio of not less than 2.0 and a leverage ratio not exceeding 3.5. The interest cover ratio is calculated by dividing the Group's EBITDA by its net finance charge for the reporting period, while the leverage ratio is determined by dividing net indebtedness by EBITDA. As of the reporting date, the Group was in full compliance with these covenants. The interest cover ratio stood at 4.68 (2023: 4.26), and the leverage ratio was 3.07 (2023: 2.91). The Group has no indication that it will have difficulty complying with these covenants.

JSC "KDB Bank Uzbekistan"

Secured loan agreement No 2022/14-1

On 12 October 2022, the Group and JSC "KDB Bank Uzbekistan" signed a loan agreement in the amount of 14,500,000 US dollars (equivalent to 178,912,165 thousand soums) for purchase and import of telecommunication equipment. In October 2022, the loan was received in two tranches in the amount of 14,500,000 US dollars (equivalent to 178,912,165 thousand soums) with an interest rate of USD Term SOFR (3-month) + 5% per annum with a maturity until 28 October 2027. The grace period implicit in the agreement comprised 2 years. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 199,906,000 thousand soums.

Secured loan agreement No 2023/06-1

On 19 May 2023, the Group and JSC "KDB Bank Uzbekistan" signed a loan agreement in the amount of 40,000,000 thousand soums for purchasing fixed assets. On 23 May 2023, the tranche was received in the amount of 40,000,000 thousand soums with an interest rate of 20% per annum with a maturity until 28 May 2026. The repayments under this agreement will commence in June 2025 after the expiry of two-year grace period. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 50,000,000 thousand soums.

20. BORROWINGS (continued)

JSCB "Aloqa Bank"

Secured loan agreement No 113

On 11 July 2018, the Group entered into a loan agreement with JSCB "Aloqa Bank" for a total amount of 350,000,000 thousand soums. Under this agreement, the Group received 317,331,542 thousand soums in 11 tranches, with an interest rate of 11.5% per annum and an original maturity date of 31 July 2027. At initial recognition, the loan was measured at fair value using a market interest rate of 17.69%, which was observable for similar instruments at the time of issuance. As a result, a discount of 50,644,738 thousand soums was recognized and accounted for within additional paid-in capital, as in accordance with the order of the shareholder, the Company entered into a loan agreement at a preferential interest rate below the market level. In 2022, the loan terms were modified through a supplemental agreement that extended the maturity date by two years. The modification was assessed as substantial and resulted in the recognition of an additional discount of 13,086,922 thousand soums. The loan is fully secured by a pledged deposit provided by a related party of the Group — the Fund for the Development of Information and Communication Technologies.

Secured loan agreement No 576Y000146

On 21 December 2021, the Group and JSCB "Aloqa Bank" signed a loan agreement in the amount of 150,000,000 thousand soums with an interest rate of 20% per annum and grace period of 24 months. Later, on 8 August 2022, the amount of the agreement was changed to 200,000,000 thousand soums. The loan was received in two tranches in the amounts of 150,000,000 thousand soums and 50,000,000 thousand soums in December 2021 and August 2022, with an interest rate of 20% per annum and maturity until 21 December 2026. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 163,988,854 thousand soums.

Secured loan agreement No 106

On 20 June 2017, the Group entered into a loan agreement with JSCB "Aloqa Bank" for a total amount of 150,000,000 thousand soums. During the period from 2018 to 2020, the Group received multiple tranches under this agreement totaling 132,382,554 thousand soums. The loan carries an annual interest rate of 12.5% and has a final maturity date of 25 June 2027. The loan is secured by the Group's building with a carrying value equivalent to 78,873,000 thousand soums.

Secured loan agreement No 576Y000038

On 13 June 2024, The Group entered into a loan agreement with JSCB "Aloqa Bank" for a total amount of 100,000,000 thousand soums. The purpose of the loan is to finance the implementation of an intelligent transport system, including the digitization of traffic management through the installation of smart traffic lights and the procurement of automated photo and video enforcement systems for detecting traffic violations. During 2024, multiple tranches were drawn under the facility, totaling 66,431,497 thousand soums. Additional drawdowns under this facility are expected in future periods, subject to the progress of the project implementation. The loan includes a six-month grace period, bears an interest rate of 26% per annum—considered to be within the market average at the date of issuance—and has a maturity period of 36 months. The loan is secured by a guarantee provided by Uzbektelecom acting as the guarantor.

Secured loan agreement No 576Y000005

On 10 February 2023, the Group and JSCB "Aloqa Bank" signed a loan agreement in the amount of 23,000,000 US dollars (equivalent to 283,791,710 thousand soums). In February and April 2023, four tranches were received from JSC "Aloqa Bank" in the amount of 23,000,000 US dollars (equivalent to 283,791,710 thousand soums) with an interest rate of 6.5% per annum with a maturity until 9 August 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 8.53% at the time the loan was issued. On initial recognition of loan, total discount in the amount of 406,115 US dollars (equivalent to 4,766,630 thousand soums) was recognized within the additional paid in capital part, as the loan was received from financial institution under the common control of the shareholder at an interest rate below the market rate in accordance with Order No. 3-F/90-XFU issued by shareholder in their capacity as shareholder**.** During 2024 all the payments were completed and the loan was closed.

20. BORROWINGS (continued)

Chirkom LLC

Unsecured loan agreement dated 27.08.1996

On 8 August 1996, Ministry of Foreign Economic Relations of the Republic of Uzbekistan and the Joint Uzbek-German Telecommunication Operating Company "Chirkom" signed a loan agreement in the amount of 25,000,000 Euros (equivalent to 343,295,500 thousand soums) with the aim of creating a modern, powerful and efficient telecommunications network in the city of Chirchik, including its connection to national and international networks**.** Uzbektelecom accepts an obligation as a borrower in this agreement. The loan is issued at interest rate of 2% with maturity until 30 November 2032.

JSCMB "Ipoteka Bank"

Secured loan agreement No 439/436650/2023

On 13 December 2023, the Group entered into a loan agreement with JSCMB "Ipoteka Bank" for a total amount of 50,000,000 thousand soums to finance working capital needs. On 14 December 2023, the full amount was disbursed. The loan carries an interest rate of 20% per annum and matures on 10 February 2025. The loan is fully secured by the Group's property, plant, and equipment with a carrying value equivalent to 62,500,000 thousand soums.

Secured loan agreement No 395/337317/2023

On 12 October 2023, the Group signed another loan agreement with JSCMB "Ipoteka Bank" for 60,000,000 thousand soums, also aimed at replenishing working capital. The full amount was disbursed on the agreement date. The loan bears an interest rate of 20% per annum and is due for repayment by 10 February 2025.

Huawei International Pte. Ltd.

Supply contract for the delivery of telecommunication equipment No 00F8602000000E

On 1 May 2021, the Group and Huawei International signed an agreement for supply of telecommunication equipment in the amount of 70,000,000 US dollars (equivalent to 863,713,900 thousand soums). The total contract value includes three purchase orders in the amounts of 30,000,000 US dollars (equivalent to 370,163,100 thousand soums), 22,000,000 US dollars (equivalent to 271,452,940 thousand soums), and 18,000,000 US dollars (equivalent to 222,097,860 thousand soums), payments are made in 6 installments for each purchase order in accordance with payment schedules. The interest rate of the commodity loan is 0% with maturity until 25 January 2025 (the last payment). All equipment were delivered during 2021-2023, the last delivery was in March 2023. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 6.7% at the time the agreement was signed.

Overseas Economic Cooperation Fund (OECF), Japan

Unsecured loan agreement from 30.09.2010

On 30 September 2010, the Group and OECF signed a loan agreement under the project "Expansion of telecommunication network" between OECF and Government of the Republic of Uzbekistan from 14 June 1995. The total loan value is 12,587,091,504 the Company Yen (equivalent to 1,103,510,312 thousand soums). The amount of loan transferred to branches of Uzbektelecom is 6,093,429,180 Japanese Yen (equivalent to 534,210,936 thousand soums) with an interest rate of 3% and maturity until 20 June 2025. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 3.3% at the time the loan was issued. On initial recognition of loan, total discount in the amount of 101,437,243 Japanese Yen (equivalent to 7,416,063 thousand soums) was recognised.

20. BORROWINGS (continued)

Directorate of Technological Park of Software Products and Information Technologies

Unsecured loan agreement No 1

On 7 September 2023, the Group and Directorate signed a loan agreement for 150,000,000 thousand soums at 0% interest, maturing on 7 November 2023. On the same day, the full amount was received. On 7 November 2023, the interest rate was changed to 18% per annum via a supplementary agreement. Another agreement on 29 December 2023 extended the maturity to 16 April 2024. The loan was initially recognized at fair value using a market rate of 20.99%, resulting in a 2,005,013 thousand soum discount recorded in additional paid-in capital, as the loan was received from entity under the common control of the shareholder at an interest rate below the market rate. The loan was fully repaid and closed in 2024.

Kontron d.o.o.

Contract for supply of equipment No A22-DE-20-54588

On 1 May 2021, the Group and Iskratel d.o.o. signed a contract for supply of telecommunication equipment in the amount of 25,000,000 US dollars (equivalent to 308,469,250 thousand soums). The payments for equipment are made in 26 instalments within 3 years, including grace period of 12 months. The maturity date of the loan is 31 May 2024. In 2023, the entity's name was changed from "Iskratel d.o.o." to "Kontron d.o.o.". Since the commodity loan was issued at interest rate of 0%, at the date of initial recognition, the borrowing was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 6.26% at the time the loan was issued, and and a total discount of 2,399,216 US dollars (equivalent to 26,462,458 thousand soums) was identified due to the deferred payment terms. All obligations and payments under this agreement were fully settled by the Group during 2024.

Information and Communications Technology Development Fund

Unsecured loan agreement No 3-2023-1

On 10 February 2023, the Group and Information and Communications Technology Development Fund signed an interest-free loan agreement in the amount of 40,000,000 thousand soums. The maturity date of the loan is 26 August 2024. At the date of initial recognition, the loan was recognized at fair value based on expected cash outflows at a market rate observable for similar instruments of 23.38% at the time the loan was issued. On initial recognition of loan, total discount in the amount of 8,653,523 thousand soums was recognised within additional paid in capital part, as the loan was received from an entity under the common control of the shareholder at an interest rate below the market rate in accordance with Order No. 3-F/90-XFU issued by shareholder in their capacity as shareholder**.**. In 2024 the loan was completely settled.

Unutilized amount of credit facilities

As of 31 December 2024, the Group had an existing credit loan agreements with an outstanding unwithdrawn credit amount of 517,554,777 thousand soums.

Effect of covenants

The Group's non-current loans and borrowings include borrowings amounting to 4,795,894,293 thousand soums that contain covenants, which, if not met, would result in the borrowings becoming repayable on demand. These borrowings are otherwise repayable more than 12 months after the end of the reporting period. As at 31 December 2024, the Group complied with all the covenants that were required to be met on or before 31 December 2024. The covenants that are required to be complied with at the end of the reporting period do not affect the classification of the related borrowings as current or non-current at the end of the reporting period. Therefore, all these borrowings remain classified as non-current liabilities. The Group has no indication that it will have difficulty complying with these covenants in foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

In thousand soums	**Sites and base stations**	**Offices and warehouses**	**Total**
Cost			
At 1 January 2023	246,309,188	25,215,012	271,524,200
Additions	83,878,676	3,420,021	87,298,697
Modifications	27,028,927	625,021	27,653,948
At 31 December 2023	357,216,791	29,260,054	386,476,845
Additions	**22,275,879**	**532,040**	**22,807,919**
Modifications	**20,786,509**	**18,713,335**	**39,499,844**
At 31 December 2024	**400,279,179**	**48,505,429**	**448,784,608**
Accumulated depreciation			
At 1 January 2023	(65,585,628)	(11,125,792)	(76,711,420)
Depreciation charge	(34,756,058)	(2,121,937)	(36,877,995)
At 31 December 2023	(100,341,686)	(13,247,729)	(113,589,415)
Depreciation charge	**(38,468,931)**	**(3,242,792)**	**(41,711,723)**
At 31 December 2024	**(138,810,617)**	**(16,490,521)**	**(155,301,138)**
Net book value			
At 31 December 2023	256,875,105	16,012,325	272,887,430
At 31 December 2024	**261,468,562**	**32,014,908**	**293,483,470**

The Group has entered into financial lease agreements with various contractors for the lease of premises for warehouses and offices and places for the installation of base stations.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

In thousand soums	**2024**	2023
At the beginning of the year	**289,943,083**	229,404,098
Additions *(Note 37)*	**22,807,919**	87,298,697
Modifications *(Note 37)*	**39,499,844**	27,653,948
Interest expenses *(Note 32)*	**56,164,193**	13,039,738
Payment of interest part *(Note 37)*	**(56,164,193)**	(13,039,738)
Payment of principal part *(Note 37)*	**(31,059,466)**	(54,413,660)
At the end of the year	**321,191,380**	289,943,083

Set out below are the carrying amounts of non-current and current lease liabilities:

In thousand soums	**31 December 2024**	31 December 2023
Non-current portion of liabilities	**237,514,644**	233,955,702
Current portion of lease liabilities	**83,676,736**	55,987,381

The following are the amounts recognised in profit or loss:

In thousand soums	**31 December 2024**	31 December 2023
Depreciation of right-of-use assets	**41,711,723**	36,877,995
Interest expense on lease liabilities *(Note 32)*	**56,164,193**	13,039,738
Expense relating to short-term leases and leases of low-value assets	**31,059,466**	54,413,660
	128,935,382	104,331,393

22. EMPLOYEE BENEFITS OBLIGATIONS

State contribution plan

The Group pays social tax according to the current statutory requirements of the Republic of Uzbekistan. The social tax and salary accruals are recorded in expenses as incurred.

In addition, the Group withholds 0.1% of the salary of employees paid as contributions of employees to the accumulating pension funds. These expenses are recorded in the period when they were incurred.

Employee benefit obligations

As at 31 December the total employee benefit obligations of the Group comprised the following:

In thousand soums	**2024**	2023
Present value of defined benefit pension plan obligation	**51,231,628**	47,439,499
Present value of obligations for other long-term payments	**42,759,834**	32,717,298
	93,991,462	80,156,797

The Group has recognized defined benefit obligations arising from long-term employee benefit arrangements. The most significant defined benefit obligations include:

- *Lump-sum payments upon retirement* – one-time benefits paid to employees at the time of retirement, calculated based on length of service and final remuneration;
- *Payments for holidays after retirement* – post-retirement benefits provided to former employees in connection with holiday entitlements;
- *Lump-sum funeral compensations to pensioners* – one-time payments made to the families of deceased retirees.

The recognized liability represents the present value of future benefit payments expected to be made, discounted using current market-based rates. A reconciliation of the present value of the defined benefit pension plan obligation with specified payments was as follows for the years ended 31 December:

In thousand soums	**2024**	2023
Total liability at the beginning of the year	**47,439,499**	37,409,795
Interest expenses (*Note 32*)	**8,344,608**	6,330,930
Current service cost	**4,935,460**	7,081,675
Benefits paid during the year	**(7,041,534)**	(5,023,677)
Actuarial (gain)/losses recognized during the year within other comprehensive income	**(2,446,405)**	1,640,776
Total liability at the end of the year	**51,231,628**	47,439,499
Liability payable within one year	**4,256,393**	4,037,917
Liability payable after one year	**46,975,235**	43,401,582

Other long-term benefits include payments to veterans, disabled employees, and jubilee awards granted in recognition of long service. A reconciliation of the present value of obligations for other long-term payments with specified payments was as follows for the years ended 31 December:

In thousand soums	**2024**	2023
Total liability at the beginning of the year	**32,717,298**	25,901,951
Interest expenses (*Note 32*)	**5,754,973**	2,742,645
Current service cost	**3,557,408**	4,903,239
Benefits paid during the year	(**2,534,118)**	(4,553,940)
Actuarial losses recognized during the year in profit and loss	**3,264,273**	3,723,403
Total liability at the end of the year	**42,759,834**	32,717,298
Liability payable within one year	**3,423,999**	3,186,240
Liability payable after one year	**39,335,835**	29,531,058

22. EMPLOYEE BENEFITS OBLIGATIONS (continued)

Employee benefit obligations (continued)

The estimates of the liability were made on the basis of the published statistical data regarding mortality of employees and actual Group's data concerning the number, age, gender and years of employee service. Other principal assumptions used in determining benefit obligations for the Group's plan were shown below:

	2024	2023
Discount rate	**16.24%**	18.93%
The expected rate of future annual minimum salary increases	**12.68%**	12.73%
Life expectation for pensioners:		
Male at the age of 60	**21.2 years**	20.9 years
Female at the age of 55	**29.1 years**	29.0 years

A quantitative sensitivity analysis for significant assumptions as at 31 December 2024, was as follows:

	Discount rate		**The expected rate of future annual minimum salary increases**	
Sensitivity level	**Growth by 1%**	**Reduction by 1%**	**Growth by 1%**	**Reduction by 1%**
Impact on defined benefit plan obligations, in thousand soums	**(7,099,304)**	**8,381,720**	**2,554,426**	**(2,289,335)**

A quantitative sensitivity analysis for significant assumptions as at 31 December 2024, was as follows:

	Discount rate		**The expected rate of future annual minimum salary increases**	
Sensitivity level	**Growth by 1%**	**Reduction by 1%**	**Growth by 1%**	**Reduction by 1%**
Impact on defined benefit plan obligations, in thousand soums	(3,456,340)	3,839,086	4,076,958	(3,732,236)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

23. TRADE ACCOUNT PAYABLES

As at 31 December trade payables comprised:

In thousand soums	**2024**	2023
Trade payables for supply of property and equipment	**981,775,502**	1,199,437,024
Trade payables for services rendered	**357,672,158**	516,595,015
Trade payables for inventory received	**35,976,935**	62,256,287
Trade payables for SORM equipment	**18,802**	527,569
	1,375,443,397	1,778,815,895

As at 31 December 2024 and 2023, trade payables were interest-free.

As at 31 December trade payables were mainly denominated in the following currencies:

In thousand soums	**2024**	2023
UZS	**1,218,855,420**	343,750,582
USD	**148,435,233**	687,887,708
RUB	**5,335,191**	-
JPY	**2,817,553**	747,177,605
	1,375,443,397	1,778,815,895

24. CONTRACT LIABILITIES

In thousand soums	**2024**	2023
Non-current contract liabilities		
Advances received from subscribers	**57,130,223**	52,624,000
	57,130,223	52,624,000

In thousand soums	**2024**	2023
Current contract liabilities		
Advances received from subscribers	**357,317,483**	314,947,830
Advances received for construction of apartments	**27,430,791**	34,319,480
Advances received for construction works	**312,513**	3,894,836
Other advances received	**75,572,775**	56,661,341
	460,633,562	409,823,487

Movements in advances received from subscribers for the years ended 31 December were as follows:

In thousand soums	**2024**	2023
As at 1 January	**367,571,830**	345,922,172
Payments received from subscribers	**7,953,793,906**	5,665,682,563
Recognised as Revenue during the year	**(7,906,918,030)**	(5,644,032,905)
As at 31 December	**414,447,706**	367,571,830

25. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December other current financial liabilities comprised:

In thousand soums	**2024**	2023
Other current financial liabilities		
Unused vacation reserve	**66,424,258**	48,823,964
Payables to content providers	**19,633,086**	16,623,228
Payables to dealers	**16,408,794**	8,773,339
Payables for labor union	**3,519,768**	3,551,846
Payables to employees	**2,289,366**	8,303,423
Payables for bank services	**657,898**	3,258,130
Other payables	**25,825,962**	18,177,739
As 31 December	**134,759,132**	107,511,669

26. OTHER CURRENT NON-FINANCIAL LIABILITIES

As at 31 December other current non-financial liabilities comprised:

In thousand soums	**2024**	2023
Taxes payable	**63,043,975**	138,926,548
Government grant	**70,000,000**	53,000,000
As 31 December	**133,043,975**	191,926,548

As at 31 December 2024 and 2023, other current financial liabilities were not interest bearing and the balances were mainly denominated in Uzbek soums.

In thousand soums	**2024**	2023
At 1 January	**53,000,000**	20,000,000
Received during the year	**17,000,000**	33,000,000
As 31 December	**70,000,000**	53,000,000

As at 31 December 2024, the Group has Government Grants received from Safe City Public Order Center and Information Communication Technologies Development Fund in the form of cash aimed to finance the investment projects under Presidential decrees related to the development of road safety and social services systems.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. REVENUE

Revenue from contracts with customer for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Fixed line internet services	**3,396,006,946**	2,613,436,681
Mobile network services	**2,667,367,444**	2,436,005,910
Interconnect	**1,580,216,481**	1,606,981,981
Usage of channels	**789,533,044**	513,083,005
Sale of equipment and accessories	**172,300,530**	200,536,337
Fixed line telephony services	**60,933,373**	74,162,206
Telecommunication maintenance services	**33,802,849**	21,648,820
Internet protocol television services	**4,590,010**	4,430,772
Others	**179,339,691**	278,254,259
Total revenue	**8,884,090,368**	7,748,539,971
Goods transferred at a point of time	**206,572,366**	222,184,367
Services transferred over time	**8,677,518,002**	7,526,355,604
Total revenue	**8,884,090,368**	7,748,539,971

The revenue from mobile network and fixed line internet services are processed through the billing system and amounted to 6,063,374,390 thousand soums for the year ended 31 December 2024 (2023: 5,049,687,264 thousand soums). Revenue from mobile network services includes voice, data, SMS and value-added services.

28. COST OF SALES

Cost of sales for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Interconnect	**1,797,336,465**	1,654,858,453
Payroll expenses and social security contributions	**1,717,783,545**	1,532,763,451
Depreciation and amortization	**1,102,912,354**	863,373,883
Inventories	**499,644,542**	472,557,345
Technical support (SORM)	**131,111,176**	119,479,664
Utilities	**176,570,277**	87,654,034
Installment of cables and maintenance fee	**132,680,585**	86,428,332
Usage of channels	**11,924,236**	11,948,054
Other	**201,213,420**	180,807,811
	5,771,176,600	5,009,871,027

29. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Payroll expenses and social security contributions	**259,640,566**	270,658,077
Payment systems commission	**218,866,640**	183,723,511
Amortization of cost to obtain contract (*Note 13*)	**146,496,885**	105,196,128
Advertising expenses	**60,306,208**	27,169,937
Depreciation and amortization	**2,175,991**	1,194,818
Other selling expenses	**12,269,060**	11,093,323
	699,755,350	599,035,794

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Taxes and other payments	**417,761,001**	332,963,547
Payroll expenses and social security contributions	**258,120,522**	262,759,878
Charity contributions	**69,114,817**	30,322,349
Materials	**46,076,370**	35,829,253
Donated property, plant and equipment	**16,392,644**	10,380,403
Employee benefit obligations	**11,757,141**	15,708,317
Depreciation and amortization	**11,313,722**	10,806,305
Bank services	**8,258,357**	6,311,682
Audit and consultancy services	**7,812,290**	11,590,333
Accrual of provision of unused vacation and related taxes	**3,904,039**	1,427,718
Other administrative expenses	**46,202,485**	41,781,001
	896,713,388	759,880,786

31. IMPAIRMENT AND EXPECTED CREDIT LOSSES

Impairment comprises the following:

In thousand soums	**2024**	2023
Accrual of provision for advances paid for inventories and services (*Note 17*)	**–**	696,469
Accrual of provision for non-current advances paid (*Note 10*)	**1,556,036**	83,620
Recovery of provision for advances paid for inventories and services *(Note 17)*	**(6,112,856)**	(5,617,676)
Recovery of provision for non-current advances paid *(Note 10)*	**(1,788,635)**	(7,544,598)
	(6,345,455)	(12,382,185)

Expected credit losses comprise the following:

In thousand soums	**2024**	2023
Accrual of allowance for expected credit losses (*Note 16*)	**117,012,420**	182,498,754
Recovery of allowance for expected credit losses (*Note 16*)	**–**	–
	117,012,420	182,498,754

32. (FINANCE COSTS) / FINANCE INCOME

Finance costs and finance income for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Finance costs		
Interest expense on loans (*Note 37*)	**(443,854,245)**	(369,272,626)
Unwinding of discount on long-term borrowings (*Note 37*)	**(88,288,812)**	(86,668,771)
Interest expense on lease liabilities (*Notes 21 and 37*)	**(56,164,193)**	(13,039,738)
Interest expense on employee benefits obligations (*Note 22*)	**(14,099,581)**	(9,073,575)
Other costs	**(4,758,060)**	(21,468,809)
	(607,164,891)	(499,523,519)
Finance income		
Interest income on deposits	**15,796,072**	564,328
Other finance income	**593,594**	431,681
	16,389,666	996,009

33. OTHER OPERATING INCOME

Other operating income and expenses for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Other operating income		
Income from rent	**42,953,289**	28,133,096
Income from disposal of property and equipment	**33,823,658**	57,046,228
Income from write-off of accounts payable	**11,775,124**	1,014,905
Income from recovery in provision for slow-moving and obsolete inventories	**9,813,462**	1,077,561
Income from penalties	**4,720,185**	5,919,391
Other operating income	**39,677,754**	22,000,876
	142,763,472	115,192,057

34. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

In thousand soums	**2024**	2023
Corporate income tax expenses	**65,997,540**	24,200,533
Deferred income tax expense	**184,767,636**	39,218,388
	250,765,176	63,418,921

Tax rate for the Group and subsidiaries was 15% in 2024 and 2023.

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. A reconciliation of income tax expenses applicable to profit before taxation at the statutory rate of 15% (2023: 15%), with the current corporate income tax expenses for the years ended 31 December is out below:

In thousand soums	**2024**	2023
Profit before taxation	**1,052,029,865**	341,953,083
Income tax at statutory income tax rate of 15%	**157,804,480**	51,292,962
Effect of income that is not taxable in determining taxable profit	**(7,997,576)**	(8,083,254)
Unrecognized deferred tax asset	**49,050,000**	–
Non-deductible expenses	**51,908,272**	20,209,213
Total income tax expenses	**250,765,176**	63,418,921

As at 31 December 2024, deferred taxes calculated by applying the official tax rates effective at the reporting date to the temporary differences between the tax bases of assets and liabilities and the amounts recognized in the consolidated financial statements included the following items:

In thousand soums	**31 December 2024**	**Recognized in consolidated statement of profir or loss**	**31 December 2023**	**Recognized in consolidated statement of profir or loss**	**31 December 2022**
Deferred tax assets					
Inventories	3,592,199	(9,380,529)	12,972,728	9,181,398	3,791,330
Capitalised foreign exchange loss	31,501,541	(22,065,152)	53,566,693	(31,875,002)	85,441,695
Trade accounts payable	435,008	(15,908,411)	16,343,419	10,817,959	5,525,460
Lease liabilities	48,178,707	4,687,245	43,491,462	19,484,336	24,007,126
Intangible assets	–	–		(11,198,531)	11,198,531
Trade and other receivables	88,556,710	22,781,754	65,774,956	47,368,263	18,406,693
Employee benefits obligations	14,098,719	2,075,199	12,023,520	2,526,725	9,496,794
Contract liabilities and others	67,252,258	22,226,892	45,025,366	6,914,728	38,110,639
Gross amount of deferred tax assets	**253,615,142**	**4,416,998**	**249,198,144**	**53,219,876**	**195,978,268**
Unrecognized deferred tax assets	(49,159,918)	(49,159,918)	–	–	–
Deferred tax asset, net	**204,455,224**	**(44,742,920)**	**249,198,144**	**53,219,876**	**195,978,268**
Deferred tax liabilities					
Property and equipment	(514,394,657)	(120,965,924)	(393,428,733)	(51,504,413)	(341,924,320)
Right-of-use assets	(44,022,521)	(3,089,407)	(40,933,114)	(22,114,686)	(18,818,428)
Intangible assets	(965,811)	2,195,846	(3,161,657)	(3,161,657)	
Costs to obtain a contract	(9,092,633)	(768,995)	(8,323,638)	(3,164,723)	(5,158,915)
Borrowings	(39,901,304)	(17,396,236)	(22,505,068)	(12,492,785)	(10,012,283)
Deferred tax liabilities	**(608,376,926)**	**(140,024,716)**	**(468,352,210)**	**(92,438,264)**	**(375,913,946)**
Deferred tax liabilities, net	**(403,921,702)**	**(184,767,636)**	**(219,154,066)**	**(39,218,388)**	**(179,935,678)**

There are no income tax consequences attached to the payment of dividends in either 2024 or 2023 by the Group to its shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. INCOME TAX EXPENSES (continued)

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 16,264,964 thousand soums (2023: 9,041,226 thousand soums). The Group determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Deferred tax assets and liabilities are presented in the consolidated statement of financial position as follows:

In thousand soums	**2024**	2023
Deferred tax assets	**204,455,224**	249,198,144
Deferred tax liabilities	**(608,376,926)**	(468,352,210)
Net deferred tax liabilities	**(403,921,702)**	(219,154,066)

In thousand soums	**2024**	2023
Reconciliation of deferred tax liabilities, net		
Balance at 1 January	**(219,154,066)**	(179,935,678)
Income tax expense for the reporting period	**(184,767,636)**	(39,218,388)
Balance at 31 December	**(403,921,702)**	(219,154,066)

The Group performs offsetting of tax assets and liabilities only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relating to income tax collected by the same taxation authority.

35. NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the consolidated statement of cash flows:

- The Group acquired property, plant and equipment equal to 630,780,369 thousand soums (2023: 896,577,692 thousand soums) through non-cash financing arrangements under deferred payment terms (*Notes 37 and 10*);
- In 2023, the Group received loans from its related parties at interest rates below market terms. In accordance with IFRS 9 *Financial Instruments*, the loans were initially recognised at fair value using market-based discount rates. The difference between the nominal amount received and the fair value, amounting to 15,425,166 thousand soums, was recognised directly in equity as a capital contribution within additional paid-in capital (*Note 37*).

36. RELATED PARTY TRANSACTIONS

The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of state-owned entities include different government agencies and ministries.

Related party transactions were made on terms, agreed to between the parties, which do not necessarily represent market terms and maybe not accessible to third parties. Outstanding balances at the end of the year are not secured, are short--term, and settlements are made in cash, except as described below.

At 31 December 2024, the Group recognized a provision for expected credit loss in the amount of 584,190 thousand soums in respect of receivables from related parties (2023: 330,831 thousand soums).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. RELATED PARTY TRANSACTIONS (continued)

Sales and purchases with related parties during the years ended 31 December 2024 and 2023 and the balances with related parties at 31 December 2024 and 2023 were as follows:

In thousand soums	**2024**	2023
Sales of goods and services	**97,070,111**	71,262,286
Parent	**–**	2,284
State owned entities	**89,188,458**	71,256,198
Associates	**7,881,653**	3,804
Purchases of goods and services	**375,368,069**	227,884,038
Parent	**307,855**	119,401
State owned entities	**372,781,640**	227,339,214
Associate	**2,278,574**	425,423
Selling expenses	**160,837,168**	157,077,924
Parent	**–**	30
State owned entities	**148,517,858**	157,074,994
Associate	**12,319,310**	2,900
General and administrative expenses	**355,695,804**	278,894,505
Parent	**451,223**	514,964
State owned entities	**352,460,450**	277,727,199
Associate	**2,784,131**	652,342
Other operating income	**36,137,522**	22,655,399
Parent	**2,875**	451
State owned entities	**34,639,392**	22,649,616
Associate	**1,495,255**	5,332
Finance income	**197,464,414**	359,984
State owned entities	**–**	359,984
Associate	**197,464,414**	–
Finance costs	**116,947,760**	147,083,264
Parent	**6,576,942**	2,712,693
State owned entities	**38,818,469**	144,370,571
Associate	**71,552,349**	–

36. RELATED PARTY TRANSACTIONS (continued)

In thousand soums	**2024**	2023
Cash and cash equivalents	**104,978,700**	11,817,078
Entities under state control	**6,386,900**	11,817,078
Associate	**98,591,800**	–
Borrowings and bonds *(Note 20)*	**641,703,166**	1,011,067,483
Entities under state control	**419,203,166**	1,011,067,483
Associate	**222,500,000**	–
Investment at FVTPL	**10,257,992**	2,385,964
State owned entities	**10,257,992**	2,385,964
Trade receivables	**8,841,052**	101,204,544
Shareholders	**–**	321,057
State owned entities	**7,923,621**	83,060,393
Associates	**917,431**	17,823,094
Trade payables	**1,012,327,740**	138,273,591
Shareholders	**216**	11,797
State owned entities	**36,975,364**	102,940,613
Associates	**975,352,160**	35,321,181
Lease liability	**4,058,549**	542,550
Shareholders	**–**	1,248
Associates	**1,250**	–
State owned entities	**4,057,299**	541,302
Other current liabilities	**466,368,477**	30,936,860
Shareholders	**15,090**	2,334
State owned entities	**298,183,476**	30,934,526
Associates	**168,169,911**	–

Compensation to key management personnel

For the years ended 31 December 2024 and 2023, the total compensation to key management personnel represented by the personnel that has the authority or responsibility for planning, directing and controlling the activities of the Group included in the accompanying consolidated statement of profit or loss under general and administrative expenses was 9,408,460 thousand soums and 10,287,111 thousand soums, respectively, Compensation to key management personnel consists of wages fixed in the employment agreement, as well as remuneration based on the performance for the year.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES

Interest rate risk

The interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

In thousand soums	**Increase in basis points**	**Effect on profit before tax**	**Decrease in basis points**	**Effect on profit before tax**
2024				
EURIBOR	**3.54%**	**(107,871,650)**	**-1.27%**	**39,284,353**
SOFR	**4.50%**	**(10,768,950)**	**-0.39%**	**772,203**
TORF/CIRR	**1.26%**	**(9,057,779)**	**-0.77%**	**5,519,129**
2023				
EURIBOR	3.16%	(57,407,864)	-3.16%	41,835,934
SOFR	3.82%	(8,034,099)	-3.82%	6,354,845
TORF/CIRR	1.76%	(12,736,987)	-1.76%	8,683,722

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of available significant loans and borrowings, accounts payable, cash and cash equivalents and accounts receivable denominated in the US dollars, Japanese Yens and Euros the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / Japanes Yen / Euro to Uzbek soums exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates of US dollar / Japanese Yen / Euro to Uzbek soums, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

	2024		2023	
In thousand soums	**Increase/ (decrease) in exchange rate**	**Effect on profit before tax**	Increase/ (decrease) in exchange rate	Effect on profit before tax
US dollars	**11%**	**(179,438,758)**	17%	(457,223,841)
	-2%	**32,552,777**	-17%	457,223,841
JPY	**19%**	**(371,835,431)**	17%	(332,359,929)
	-2%	**38,871,166**	-17%	332,359,929
Euro	**12%**	**(508,666,694)**	4%	(77,837,008)
	-5%	**226,830,771**	-4%	77,837,008

Credit risk

Credit risk is the risk that the Group will incur finance costs because its customers, clients or counterparties failed to discharge their contractual obligations, The Group is exposed to credit risk associated with its operating activities (primarily with respect to trade receivables) and financial activities, including bank deposits and financial organizations, foreign exchange transactions and other financial instruments.

Trade receivables and contract assets

Financial instruments in which the Group's credit risk is concentrated are primarily trade and other receivables, The credit risk associated with these assets is limited due to the large number of the Group's customers and the continuous monitoring procedures for customers and other debtors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in *Notes 14, 16, and 18*.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stressful circumstances.

The Group monitors its risk of a shortage of funds using a liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings and leases. The Group's policy is that not more than 35% of borrowings and leases should mature in the next 12 month period. Approximately 24% of the Group's debt will mature in less than one year at 31 December 2024 (31 December 2023: 34%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Liquidity risk (continued)

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

In thousand soums	On demand	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
At 31 December 2024						
Borrowings	**–**	**575,381,956**	**1,883,651,983**	**7,089,720,237**	**548,198,196**	**10,096,952,372**
Lease liabilities	**–**	**21,403,884**	**62,272,853**	**399,527,580**	**87,259,416**	**570,463,733**
Trade payables	**3,624,250**	**1,366,903,860**	**4,915,287**	**–**	**–**	**1,375,443,397**
Other current financial liabilities	**657,898**	**67,625,034**	**66,476,200**	**–**	**–**	**134,759,132**
Other non-current financial liabilities	**–**	**–**	**–**	**2,542,303**	**–**	**2,542,303**
	4,282,148	**2,031,314,734**	**2,017,316,323**	**7,491,790,120**	**635,457,612**	**12,180,160,937**
At 31 December 2023						
Borrowings	–	577,277,581	1,840,161,529	4,134,028,489	213,629,760	6,765,097,359
Lease liabilities	–	11,386,624	44,600,757	327,033,574	192,849,296	575,870,251
Trade payables	2,035,466	1,761,584,789	15,195,640	–	–	1,778,815,895
Other current financial liabilities	717,971	80,376,903	26,416,795	–	–	107,511,669
	2,753,437	**2,430,625,897**	**1,926,374,721**	**4,461,062,063**	**406,479,056**	**9,227,295,174**

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flows requirements are monitored on a regular basis and management provides for availability of sufficient funds required to fulfil any liabilities when they arise. The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the holders of ordinary shares, return equity to shareholders or issue new shares. No changes were made by the Group in the capital management objectives, policies or processes in 2024 and 2023.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity. The Group includes within net debt interest bearing borrowings and lease liabilities, less cash and cash equivalents. Equity includes equity attributable to the equity holders of the Group.

The Group's debt-to-equity ratio at the period end was as follows:

In thousand soums	**31 December 2024**	31 December 2023
Interest-bearing loans and borrowings	**8,387,707,583**	5,960,023,082
Lease liabilities	**321,191,380**	289,943,083
Less: Cash and cash equivalents	**(106,279,870)**	(19,992,817)
Net Debt	**8,602,619,093**	6,229,973,348
Total equity attributable to equity holders of the parent	**3,324,340,084**	2,705,777,808
Debt-equity ratio	**2.59**	2.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Fair value

For the purpose of disclosing the fair value, the Group determined classes of assets and liabilities based on characteristics and risks of assets or liabilities and fair value hierarchy level as described above.

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2024 was as follows:

		Fair value measurement using			
In thousand soums	**Date of valuation**	**Price quotations on active markets (Level 1)**	**Significant observable in-puts (Level 2)**	**Significant unobservable in-puts (Level 3)**	**Total**
Assets for which fair values are disclosed					
Other current financial assets	**31 December 2024**	**–**	**–**	**14,450,000**	**14,450,000**
Other non-current financial assets	**31 December 2024**	**–**	**–**	**5,763,551**	**5,763,551**
Liabilities for which fair values are disclosed					
Borrowings	**31 December 2024**	**–**	**–**	**8,036,089,019**	**8,036,089,019**
Other non-current financial liabilities	**31 December 2024**	**–**	**–**	**2,257,900**	**2,257,900**
Other current financial liabilities	**31 December 2024**	**–**	**–**	**134,759,132**	**134,759,132**

The table below presents fair value hierarchy of assets and liabilities of the Group. Disclosure of quantitative information of fair value hierarchy of financial instruments as at 31 December 2023 was as follows:

		Fair value measurement using			
In thousand soums	**Date of valuation**	**Price quotations on active markets (Level 1)**	**Significant observable in-puts (Level 2)**	**Significant unobservable in-puts (Level 3)**	**Total**
Assets for which fair values are disclosed					
Other current financial assets	31 December 2023	–	–	1,784,200	1,784,200
Other non-current financial assets	31 December 2023	–	–	3,039,108	3,039,108
Liabilities for which fair values are disclosed					
Borrowings	31 December 2023	–	–	5,840,957,434	5,840,957,434
Other current financial liabilities	31 December 2023	–	–	107,511,669	107,511,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Fair value (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position, The table does not include the fair values of non-financial assets and non-financial liabilities,

In thousand soums	**Carrying amount 2024**	**Fair value 2024**	**Unrecog-nised gain/(loss) 2024**	Carrying amount 2023	Fair value 2023	Unrecog-nised gain/(loss) 2023
Financial assets						
Other current financial assets	**14,450,000**	**14,450,000**	**–**	1,784,200	1,784,200	–
Other non-current financial assets	**6,089,303**	**5,763,551**	**(325,752)**	3,410,425	3,039,108	(371,317)
Financial liabilities						
Borrowings	**8,387,707,583**	**8,036,089,019**	**351,618,564**	5,960,023,082	5,840,957,434	119,065,648
Other non-current financial liabilities	**2,542,304**	**2,257,900**	**284,404**	–	–	–
Other current financial liabilities	**134,759,132**	**134,759,132**	**–**	107,511,669	107,511,669	–
Total unrecognised change in unrealised fair value			**351,577,216**			118,694,331

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial liabilities carried at amortised cost

The fair value of loans obtained is measured by discounting future cash flows using rates currently existing for outstanding amounts with similar terms, credit risk and maturity.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND PRINCIPLES (continued)

Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities for 2024 were as follows:

In thousand soums	1 January 2024	Cash flow principal obtained	Gain on initial recognition (recognized in equity)/ Lease modifications	Non-cash principal obtained*	New leases	Repayment of principal	Interest expense *(Note 32)*	Capitalized Interest expense	Interest paid	Unwinding of discount *(Note 32)*	Net foreign exchange loss	Other movements	31 December 2024
Borrowings	**5,960,023,082**	**4,071,782,418**	**–**	**630,780,369**	**–**	**(2,256,652,162)**	**443,854,245**	**34,987,102**	**(490,244,216)**	**88,288,812**	**(91,468,172)**	**(3,643,895)**	**8,387,707,583**
Lease liabilities	**289,943,083**	**–**	**39,499,844**	**–**	**22,807,919**	**(31,059,466)**	**56,164,193**	**–**	**(56,164,193)**	**–**	**–**	**–**	**321,191,380**
Total	**6,249,966,165**	**4,071,782,418**	**39,499,844**	**630,780,369**	**22,807,919**	**(2,287,711,628)**	**500,018,438**	**34,987,102**	**(546,408,409)**	**88,288,812**	**(91,468,172)**	**(3,643,895)**	**8,708,898,963**

Changes in liabilities due to financial activities for 2023 were as follows:

In thousand soums	1 January 2023	Cash flow principal obtained	Gain on initial recognition (recognized in equity)/ Lease modifications	Non-cash principal obtained*	New leases	Repayment of principal	Interest expense *(Note 32)*	Capitalized Interest expense	Interest paid	Unwinding of discount *(Note 32)*	Net foreign exchange loss	Other movements	31 December 2023
Borrowings	4,297,147,286	1,744,112,935	(15,425,166)	896,577,692	–	(1,540,645,788)	369,272,626	3,647,767	(363,928,087)	86,668,771	488,606,945	(6,011,899)	5,960,023,082
Lease liabilities	229,404,098	–	27,653,948	–	87,298,697	(54,413,660)	13,039,738	–	(13,039,738)	–	–	–	289,943,083
Total	**4,526,551,384**	**1,744,112,935**	**12,228,782**	896,577,692	**87,298,697**	**(1,595,059,448)**	**382,312,364**	**3,647,767**	**(376,967,825)**	**86,668,771**	**488,606,945**	**(6,011,899)**	**6,249,966,165**

*The Group acquired property, plant and equipment through non-cash financing arrangements under deferred payment terms. (Note 20).

38. COMMITMENTS AND CONTINGENCIES

Legal proceedings

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

Licenses

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

Taxation

Effective from 1 January 2020, the Tax Code was changed and corporate income tax increased from 12% to 15%. However, taxpayers, whose core business is provision of mobile network services, should be subject to corporate income tax at the rate of 20%. The management of the Group believes that provision of mobile network services is not its core business as the Group also provides other various telecommunication services; therefore, the Group applied 15% tax rate to total taxable income. The revenue from mobile network services for the year ended 31 December 2024 was 38% of the total revenue (2023: 32%).

Uzbekistan tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Uzbekistan tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

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

Operating environment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. EVENTS AFTER THE REPORTING DATE

In February 4, 2025, the Group entered into a loan agreement with Sanoat Qurishilish Bank to refinance the outstanding trade payables for supply of property and equipment in the amount of 966,868,356 thousand soums as at 31 December 2024. The refinanced liability was classified as non-current liability, with the first principal repayment scheduled to commence in March 2028.