



Uzbektelecom JSC

Consolidated financial statements

*For the year ended 31 December 2023
together with independent auditor's report*

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Independent auditor's report

Consolidated financial statements

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Uzbektelecom Joint Stock Company and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

Key audit matters

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

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

Key audit matter

How our audit addressed the key audit matter

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 uses a complex automated billing system. 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.

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

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 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.

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.

disclosed in *Note 20* to the consolidated financial statements.

Impairment of non-current assets

We consider this matter to be one of the matters of most significance in our audit due to the materiality of the balances of non-current assets to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management.

Significant assumptions included discount rate and inflation rate forecast. Significant estimates included future capital expenditures, average revenue per user and number of subscribers.

Information on non-current assets and the impairment test performed is disclosed in *Note 4* to the consolidated financial statements.

We analysed management's assessment of the existence of impairment indicators and where impairment indicators were identified, we involved our valuation specialists in the testing of management's impairment analysis and calculation of recoverable amounts.

We compared the discount rate and long-term growth rates to general market indicators and other available evidence and checked the calculation of the discount rate.

We tested the mathematical accuracy of the impairment model and assessed the analysis of the sensitivity of the results of impairment test to changes in assumptions.

We analysed disclosures on impairment test in the consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 8 September 2023.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 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.

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 activities 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.

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 Paul Cohn.

15 October 2024
Tashkent, Uzbekistan

FE Audit Company «Ernst & Young» LLC
FE Audit Company «Ernst & Young» LLC
Registered under №66 in the register of audit organizations of Ministry of Finance of Uzbekistan

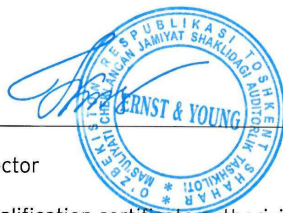
Paul Cohn
Audit Partner

O. Azamov
Anvarkhon Azamov
Qualified Auditor

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

Natalya Kim
Natalya Kim
General Director

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2023

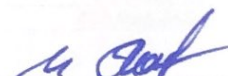
<i>In thousand soums</i>	<i>Note</i>	31 December 2023	31 December 2022 Restated (Note 5)	1 January 2022 Restated (Note 5)
Assets				
Non-current assets				
Property and equipment	10	10,015,409,630	7,607,504,053	6,841,669,542
Right-of-use assets	21	272,887,430	194,812,780	139,755,625
Intangible assets	11	88,886,446	112,548,783	126,604,949
Investments in associates and joint ventures	12	381,897,794	37,163,530	35,305,646
Investments at FVTPL		–	2,542,779	6,113,437
Advances paid for non-current assets	10	209,550,300	46,945,986	55,749,387
Cost to obtain contracts	13	18,496,972	11,464,256	10,441,404
Other non-current financial assets	14	3,410,425	2,902,427	540,203
Total non-current assets		10,990,538,997	8,015,884,594	7,216,180,193
Current assets				
Inventories	15	322,375,141	266,233,353	348,619,733
Trade receivables	16	229,333,898	244,422,971	244,667,930
Advances paid	17	89,501,895	116,344,278	82,352,165
Other current financial assets		1,784,200	2,006,200	11,569,468
Cost to obtain a contract	13	36,993,946	22,928,513	20,882,809
Income tax prepaid		40,756,804	46,788,893	–
Cash and cash equivalents	18	19,992,817	17,501,681	19,594,875
		740,738,701	716,225,889	727,686,980
Assets held for distribution	7	179,070,424	–	–
Total current assets		919,809,125	716,225,889	727,686,980
Total assets		11,910,348,122	8,732,110,483	7,943,867,173
Equity and liabilities				
Share capital	19	319,776,035	331,556,392	331,556,392
Additional paid-in-capital	19	74,962,330	59,005,346	44,504,034
Retained earnings		2,456,765,577	2,037,874,173	1,305,457,287
Equity attributable to shareholders of the parent		2,851,503,942	2,428,435,911	1,681,517,713
Non-controlling interests		8,742,693	4,549,409	4,980,052
Total equity		2,860,246,635	2,432,985,320	1,686,497,765

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

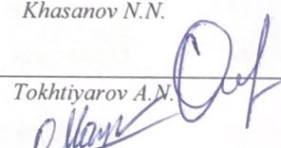
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousand soums</i>	<i>Note</i>	31 December 2023	31 December 2022 Restated (Note 5)	1 January 2022 Restated (Note 5)
Non-current liabilities				
Borrowings	20	3,910,577,222	2,674,348,294	2,865,330,822
Lease liabilities	21	233,955,702	177,075,442	123,880,786
Employee benefits obligations	22	55,103,260	42,655,437	44,564,267
Provisions		6,430,142	-	-
Deferred tax liabilities	34	245,409,933	183,318,829	95,672,444
Total non-current liabilities		4,451,476,259	3,077,398,002	3,129,448,319
Current liabilities				
Trade account payables	23	1,704,823,673	892,255,169	421,466,858
Contract liabilities	24	337,791,358	438,287,703	453,915,117
Borrowings	20	2,079,366,253	1,636,470,654	2,049,758,709
Income tax payable		7,086,827	-	6,549,796
Employee benefits obligations	22	7,221,727	5,410,526	2,435,733
Lease liabilities	21	55,987,381	52,328,656	36,166,723
Other current non-financial liabilities	26	191,926,548	121,271,047	73,865,785
Other current financial liabilities	25	107,511,669	75,703,406	83,762,368
		4,491,715,436	3,221,727,161	3,127,921,089
Liabilities directly associated with the assets held for distribution	7	106,909,792	-	-
Total current liabilities		4,598,625,228	3,221,727,161	3,127,921,089
Total liabilities		9,050,101,487	6,299,125,163	6,257,369,408
Total equity and liabilities		11,910,348,122	8,732,110,483	7,943,867,173

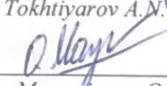
General Director


 Khasanov N.N.

Deputy General Director of the Financial Affairs

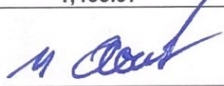
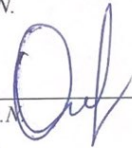

 Tokhtiyarov A.N.

Chief accountant


 Mamurjonov O.

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2023**

<i>In thousand soums</i>	Note	2023	2022 Restated (Note 5)
Revenue	27	7,853,153,100	6,359,923,320
Cost of sales	28	(4,947,200,039)	(3,829,796,716)
Gross profit		2,905,953,061	2,530,126,604
Selling expenses	29	(599,035,794)	(455,432,635)
General and administrative expenses	30	(754,212,554)	(716,578,292)
Other operating income	33	115,192,057	56,499,135
Reversal / (accrual) of impairment losses on non-financial assets	31	12,382,185	(8,094,146)
Expected credit losses	31	(182,498,754)	(191,180,592)
Operating profit		1,497,780,201	1,215,340,074
Finance income	32	996,009	1,999,229
Finance costs	32	(518,886,479)	(342,116,523)
Net foreign exchange gain/(loss)		(544,732,475)	3,812,518
Share of profit/(loss) of associates and joint ventures	12	23,280,698	(11,950,395)
Fair value gain on investments at FVTPL		30,873,307	4,820,973
Gain on bargain purchase	8	5,126,595	-
Profit before tax		494,437,856	871,905,876
Income tax expenses	34	(86,291,637)	(137,069,033)
Profit for the year		408,146,219	734,836,843
Other Comprehensive income			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Actuarial loss on defined benefits plans	22	(4,483,871)	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(4,483,871)	-
Other comprehensive loss for the year, net of tax		(4,483,871)	-
Total comprehensive income for the year, net of tax		403,662,348	734,836,843
Profit attributable to:			
Equity holders of the Parent		405,074,404	735,262,790
Non-controlling interests		3,071,815	(425,947)
		408,146,219	734,836,843
Total comprehensive income attributable to:			
Equity holders of the Parent		400,590,533	735,262,790
Non-controlling interests		3,071,815	(425,947)
		403,662,348	734,836,843
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent, Uzbek soums	19	1,465.97	2,647.97
General Director			Khasanov N.N.
Deputy General Director of the Financial Affairs			Tokhtiyarov A.N.
Chief accountant			Mamurov O.

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

<i>In thousand soums</i>	Attributable to equity holders of the Parent				Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to shareholders		
At 1 January 2022 (as reported)	331,556,392	44,504,034	1,274,170,466	1,650,230,892	4,980,052	1,655,210,944
Correction of error (Note 5)	-	-	31,286,821	31,286,821	-	31,286,821
At 1 January 2022 (as restated)	331,556,392	44,504,034	1,305,457,287	1,681,517,713	4,980,052	1,686,497,765
Net profit / (loss) for the year (restated)	-	-	735,262,790	735,262,790	(425,947)	734,836,843
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	735,262,790	735,262,790	(425,947)	734,836,843
In-kind contribution (Note 19)	-	14,501,312	-	14,501,312	-	14,501,312
Dividends (Note 19)	-	-	(2,845,904)	(2,845,904)	-	(2,845,904)
Dividends to non-controlling shareholders	-	-	-	-	(4,696)	(4,696)
At 31 December 2022	331,556,392	59,005,346	2,037,874,173	2,428,435,911	4,549,409	2,432,985,320

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In thousand soums	Attributable to equity holders of the Parent					Non-controlling interests	Total Equity
	Share capital	Additional paid-in capital	Retained earnings	Equity attributable to shareholders			
At 31 December 2022	331,556,392	59,005,346	2,037,874,173	2,428,435,911	4,549,409	2,432,985,320	
Net profit for the year	-	-	405,074,404	405,074,404	3,071,815	408,146,219	
Other comprehensive loss	-	-	(4,483,871)	(4,483,871)	-	(4,483,871)	
Total comprehensive income	-	-	400,590,533	400,590,533	3,071,815	403,662,348	
Redemption of shares (Note 19)	(11,780,357)	-	11,780,357	-	-	-	
Transfer of subsidiaries to government (Note 7)	-	-	(6,343,582)	(6,343,582)	(117,635)	(6,461,217)	
Transfer of shares to government (Note 7)	-	-	(1,199,636)	(1,199,636)	1,199,636	-	
Transactions with shareholder (Note 8)	-	-	40,991,641	40,991,641	-	40,991,641	
Transactions with shareholder (gain on initial recognition of the borrowings) (Note 37)	-	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	2,456,765,577	2,851,503,942	8,742,693	2,860,246,635	

General Director



Khasanov N.N.

Deputy General Director of the Financial Affairs



Tokhtiyarov A.N.

Chief accountant



Mamurjokov O.

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**For the year ended 31 December 2023**

<i>In thousand soums</i>	Note	2023	2022 Restated (Note 5)
Operating activities			
Profit before tax for the year		494,437,856	871,905,876
Adjustments for:			
Share of profit/(loss) of associates and joint ventures		(23,280,698)	11,950,395
Gain on bargain purchase	8	(5,126,595)	-
Income from disposal of property and equipment	33	(57,046,228)	(6,953,363)
Income from write off of borrowings and payables	33	(1,014,905)	(694,498)
Equipment received free of charge	33	(490,462)	(2,091,555)
Donated property and equipment	33	-	15,878,993
Depreciation of property and equipment and right of use assets	10, 21	708,224,012	740,767,440
Amortisation of intangible assets	11	137,422,994	105,910,981
Amortisation of cost to obtain a contract	13	105,196,128	98,559,995
Accrual/(recovery) of provision for slow-moving and obsolete inventories	15	(7,825,931)	15,334,928
Accruals/(recovery) of provision for advances paid for inventories and services, net	31	(7,460,978)	673,307
Accruals/(recovery) of provision for non-current advances paid, net	31	(4,921,207)	7,420,839
Net foreign exchange gain		544,732,475	(3,815,837)
Accrual of provision for unused vacation and related taxes	30	1,427,718	2,187,868
Finance costs	32	518,886,479	342,116,523
Finance income	32	(996,009)	(1,999,229)
Accrual of allowance for expected credit losses, net	31	182,498,754	191,180,592
Provision for retirement benefit obligations		(1,134,935)	(3,483,480)
Fair value (gain)/loss on investments at FVTPL		(30,873,307)	(4,820,973)
Operating cash flows before changes in operating assets and liabilities		2,552,655,161	2,380,028,802
Changes in operating assets and liabilities			
Change in trade receivables		(235,797,687)	(229,126,098)
Change in inventories		(43,394,650)	67,051,452
Change in advances paid		34,303,361	(18,882,332)
Change in contract liabilities		(100,496,345)	-
Change in trade payables		(101,768,597)	457,475,161
Change in cost to obtain contracts		(126,294,277)	(101,628,551)
Changes in other current liabilities		14,696,962	42,689,016
Cash flows from operating activities		1,993,903,928	2,597,607,450

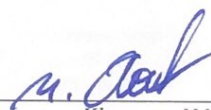
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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

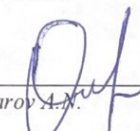
<i>In thousand soums</i>	Note	2023	2022
Income tax paid		(11,081,618)	(102,761,337)
Interest paid	37	(376,967,825)	(265,611,480)
Net cash flows from operating activities		1,605,854,485	2,229,234,633
Investing activities			
Purchase of property and equipment		(1,611,030,868)	(1,339,155,968)
Purchase of intangible assets		(117,090,542)	(94,709,987)
Proceeds from sale of property and equipment		179,550,115	41,019,497
Interest received		-	510,354
Acquisition of investment in associate	8	(240,189,010)	(3,771,720)
Acquisition of subsidiary, net of cash acquired	8	1,417,342	-
Disposal of investment in FVTPL		-	9,771,822
Disposal of investment in associates		-	278,307
Dividends received from associates		-	1,481,368
Dividends received from joint ventures		-	4,945
Dividends received from investments at FVTPL		-	112,511
Receipt of government grants	26	33,000,000	-
Others		1,003,554	(2,374,065)
Net cash flows used in investing activities		(1,753,339,409)	(1,386,832,936)
Financing activities			
Borrowings received	37	1,744,112,935	905,604,680
Borrowings repaid	37	(1,540,645,788)	(1,735,586,273)
Dividends paid on common and preferred shares	19	-	(2,845,904)
Repayment of principal portion of lease liabilities	37	(54,413,660)	(11,670,713)
Net cash flows from/(used in) financing activities		149,053,487	(844,498,210)
Effect of exchange rate changes on cash and cash equivalents		922,573	3,319
Effect of changes in expected credit losses		-	-
Net change in cash and cash equivalents		2,491,136	(2,093,194)
Cash and cash equivalents, as at 1 January	18	17,501,681	19,594,875
Cash and cash equivalents, as at 31 December	18	19,992,817	17,501,681

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

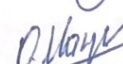
General Director


Khasanov N.N.

Deputy General Director of the Financial Affairs


Tokhtiyarov A.N.

Chief accountant


Mamurjonov O.

The accompanying notes on pages 8 to 73 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2023****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 of the Republic of Uzbekistan, which owns 94.02% (2022: 96.57%) 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 2023:

	31 December 2023	31 December 2022
Ministry of Digital Technologies of the Republic of Uzbekistan	94.02%	96.57%
Other legal entities and individuals (individually hold less than 1%)	5.98%	3.43%
	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 15 October 2024.

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 2023, the legal address of the Company is: Mirzo Ulugbek, Street Muminov, 4/2, Tashkent, Republic of Uzbekistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS FOR PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”), 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 2023 the Group’s current liabilities exceeded its current assets by 3,678,816,103 thousand soums. The Group’s current liabilities mainly comprise short-term borrowings of 2,079,366,253 thousand soums, trade payables of 1,704,823,673 thousand soums and other current financial and non-financial liabilities.

Nevertheless, net profit and net cash generated from operating activities for the year ended 31 December 2023 amounted to 408,146,219 thousand soums and 1,605,854,485 thousand soums, respectively (2022: 734,836,843 thousand soums and 2,229,234,633 thousand soums, respectively).

Management believes that the Group will continue to operate as a going concern in the foreseeable future.

Despite the working capital deficit, management does not expect any difficulties in fulfilling obligations, based on following assumptions:

- 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 1,698,622,972 thousand soums) 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 1,698,622,972 thousand soums as of 31 December 2023 (*Note 20*);
- As of 31 December 2023, the Group had an outstanding trade payable of 751,534,758 thousand soums related to acquisition of fixed asset from Toyota Tsusho Corporation. Subsequently, the Group received a credit under the existing loan agreement with JBIC that refinanced outstanding trade payable of Toyota Tsusho of 751,534,758 thousand soums that was classified as non-current liabilities with first principal amount payment starting from June 2025 (*Note 39*);
- As at the date of issue of these financial statements, the Group has the opportunity to attract additional funds on arm’s length terms under existing credit lines on acquisition of the fixed assets for a total amount of 631,663,720 thousand soums (*Note 20*);
- The Group expects an increase in profitability from its core activities in 2024 due to the growth in numbers of subscribers and tariffs.

Management believes that the Group generates and will continue to generate a sufficient operating profit and cash flows from operating activities to settle its obligations. 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS FOR PREPARATION (continued)

Basis of consolidation (continued)

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 SIGNIFICANT ACCOUNTING POLICIES

New and amended standards and interpretations

For the first time, the Group has applied certain standards and amendments that are effective for annual reporting periods beginning on or after 1 January 2023 (unless otherwise indicated). The Group has not prematurely applied standards, clarifications or amendments that have been issued but are not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

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

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

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

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

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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 consolidated are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

In September 2022, the IASB issued amendments to IFRS 16 to 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 are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced to require disclosure 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 are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to 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.

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to 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 will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

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

Lack of Exchangeability - Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT 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 identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated 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.

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 comprehensive income.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currency translation (continued)***Transactions and balances (continued)*

Foreign exchange rates are presented in the following table:

In soums	31 December 2023	31 December 2022
US dollar	12,339	11,225
Euro	13,732	11,962
Japanese Yen	88	84
Russian Rubles	136	157

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 comprehensive income 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

- Expected to be 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)****Fair value measurement (continued)**

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.

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 between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)****Property and equipment (continued)***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 comprehensive income 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 comprehensive income when the asset is derecognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

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 comprehensive income 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 comprehensive income.

Goodwill

Goodwill is tested for impairment annually as at 31 December, and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets on FVTPL (continued)***Derecognition (continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities (continued)*****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 comprehensive income.

This category generally applies to interest-bearing loans and borrowings. Further details are contained in *Note 23*.

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 comprehensive income. 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 comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Site for networks and base station equipment	10
Buildings and constructions	5

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT 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 comprehensive income 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 comprehensive income 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefit (continued)

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 comprehensive income.

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 comprehensive income.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue from contracts with customers (continued)**

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 fees received for initial connection of new subscribers to fixed line and wireless networks are recognized during the expected period of the customer relationship. The expected period of the customer relationship is based on past history of customer 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.

Based on the analysis of current operating indicators, the Group concluded that equipment that cannot be used by the subscriber separately from the services of the Group is not a separately identifiable performance obligation.

The Group capitalized the cost of equipment provided free of charge as costs to fulfil a contract. Costs to fulfil a contract are amortized over the period the service is provided to the customer.

Sale of equipment and mobile devices

The Group may bundle services and products into one customer offering. Offerings may involve the delivery or performance of multiple products, services, or rights to use assets (multiple deliverables). In some cases, the arrangements include initial installation, initiation, 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 the equipment are recognised when revenue is recognised. The revenue is allocated to separate product and services on a relative stand-alone selling price method.

The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices and telecommunication services. Customised equipment that can be used only in connection with services or products provided by the Group is not accounted for separately and revenue is deferred over the total service arrangement period.

In revenue arrangements where more than one performance obligation, transaction price is allocated between the goods and services using 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue from contracts with customers (continued)***Significant financing component (continued)*

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 comprehensive income.

Expense recognition

Expenses are recognized as incurred and reported in the consolidated statement of comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)**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 comprehensive income. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. MATERIAL SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – *Notes 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:

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Judgements (continued)***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 determined the fact that net income of the Group for the year ended 31 December 2023 was lower comparing to the budget as an indicator of impairment and performed impairment test. For impairment testing the Group identified one cash-generating unit related to Uzbektelecom JSC.

In 2023, the recoverable amounts have been determined based on the calculation of value-in-use. This valuation technique uses cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, terminal value is used. The terminal value is calculated based on the cash flow projections by extrapolating the results of the respective business plans using a zero real growth rate.

Estimation of future cash flows requires assumptions to be made in respect to uncertain factors, including management expectations in relation to Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) margin, timing and amount of capital expenditures, terminal growth rates and appropriate discount rates to reflect the risks involved. Therefore, EBITDA margin and capital expenditures used for value in use calculation are primarily derived from internal sources, based on past experience and extended to include management expectations. For the purposes of impairment testing EBITDA calculated as earnings before interest, taxation, depreciation and amortisation measured on the basis consistent with IFRS consolidated financial statements.

Key assumptions used for value in use calculation:

The recoverable amount as at 31 December 2023 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increased demand for products and services. The pre-tax discount rate applied to cash flow projections is 19% and cash flows beyond the five-year period are extrapolated using a 7.0% growth rate that is the same as the long-term average growth rate for the telecom industry. It was concluded that the value in use exceeded the carrying value of non-current assets and there was no impairment.

The calculation of value in use is most sensitive to the following assumptions:

- EBITDA;
- Discount rates.

Decreased demand can lead to a decline in the EBITDA. A decrease in EBITDA by 6.0% would result in an impairment of 776,000 thousand soums. A rise in the pre-tax discount rate to 25% would result in an impairment of 308,000 thousand soums.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)***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. 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 15*.

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 2023 provision for expected credit losses was recognized in the amount of 475,925,780 thousand soums (2022: 293,427,026 thousand soums) (*Notes 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 comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 21*.

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 2022 and 31 December 2022 and in the statement of comprehensive income and in the statement of cash flows for the year ended 31 December 2022, have been adjusted to reflect correction of the errors identified as described below and reclassification adjustments to comply with current year presentation.

Extract from the statement of financial position as at 31 December 2022 and statement of comprehensive income for the year then ended

The following items previously reported and restated in the Group's consolidated statement of financial position as at 31 December 2022 and consolidated statement of comprehensive income for the year then ended are presented below:

	As presented	Reclassification adjustments	Correction of the errors	As restated
Property and equipment	7,654,450,039	(46,945,986)	-	7,607,504,053
Investments in associates and joint ventures	36,958,825	204,705	-	37,163,530
Investments in joint ventures	204,705	(204,705)	-	-
Advances paid for non-current assets	-	46,945,986	-	46,945,986
Total non-current assets	8,015,884,594	-	-	8,015,884,594
Current assets:				
Trade and other receivables	362,773,449	(118,350,478)	-	244,422,971
Advances paid	-	116,344,278	-	116,344,278
Other current financial assets	-	2,006,200	-	2,006,200
Total assets	8,732,110,483	-	-	8,732,110,483
Equity				
Retained earnings	2,005,994,200	-	31,879,973	2,037,874,173
Equity attributable to shareholders of the parent	2,396,555,938	-	31,879,973	2,428,435,911
Total equity	2,401,105,347	-	31,879,973	2,432,985,320
Liabilities				
Non-current liabilities:				
Employee benefits obligations	18,041,621	-	24,613,816	42,655,437
Total non-current liabilities	3,052,784,186	-	24,613,816	3,077,398,002
Current liabilities:				
Contract liabilities	345,922,172	92,365,531	-	438,287,703
Employee benefits obligations	-	2,792,562	2,617,964	5,410,526
Other current financial liabilities	-	75,703,406	-	75,703,406
Other current non-financial liabilities	351,244,299	(170,861,499)	(59,111,753)	121,271,047
Total current liabilities	3,278,220,950	-	(56,493,789)	3,221,727,161
Total liabilities	6,331,005,136	-	(31,879,973)	6,299,125,163
Total equity and liabilities	8,732,110,483	-	-	8,732,110,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. RESTATEMENT (continued)****Extract from the statement of financial position as at 31 December 2022 and statement of comprehensive income for the year then ended**

The following items previously reported and restated in the Group's consolidated statement of financial position as at 31 December 2022 and consolidated statement of comprehensive income for the year then ended are presented below:

<i>In thousand soums</i>	As presented	Reclassifi- cation adjustments	Correction of the errors	As restated
Cost of sales	(3,834,939,311)	–	5,142,595	(3,829,796,716)
Gross profit	2,524,984,009	–	5,142,595	2,530,126,604
Operating profit	1,210,197,479	–	5,142,595	1,215,340,074
Finance costs	(337,567,080)	–	(4,549,443)	(342,116,523)
Share of profit of associates	(11,971,389)	20,994	–	(11,950,395)
Share of profit of joint ventures	20,994	(20,994)	–	–
Profit before tax	871,312,724	–	593,152	871,905,876
Profit for the year	734,243,691	–	593,152	734,836,843
Total comprehensive income for the year, net of tax	734,243,691	–	593,152	734,836,843

Extract from the consolidated cash flow statement for the year ended 31 December 2022

<i>In thousand soums</i>	As presented	Reclassifi- cation adjustments and correction of errors	As restated
Operating activities			
Profit before tax for the year	871,312,724	593,152	871,905,876
Adjustments for:			
Share of profit/(loss) of associates and joint ventures	11,971,389	(20,994)	11,950,395
Share of results of joint ventures	(20,994)	20,994	–
Accrual of operating expenses	158,671,453	(158,671,453)	–
Credit sales	(31,669,958)	31,669,958	–
Finance costs	337,567,080	4,549,443	342,116,523
Provision for retirement benefit obligations	1,659,115	(5,142,595)	(3,483,480)
Operating cash flows before changes in operating assets and liabilities	2,507,030,297	(127,001,495)	2,380,028,802
Changes in operating assets and liabilities			
Change in trade receivables	(197,456,140)	(31,669,958)	(229,126,098)
Change in trade payables	298,803,708	158,671,453	457,475,161
Cash flows from operating activities	2,597,607,450	–	2,597,607,450
Net cash flows from operating activities	2,229,234,633	–	2,229,234,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. RESTATEMENT (continued)****Extract from the statement of financial position as at 1 January 2022**

The following items previously reported and restated in the Group's consolidated statement of financial position as at 1 January 2022 are presented below:

	As presented	Reclassifi- cation adjustments	Correction of the errors	As restated
Non-current assets:				
Property and equipment	6,897,418,929	(55,749,387)	–	6,841,669,542
Investment in an associate and a joint venture	35,116,990	188,656	–	35,305,646
Investments in joint ventures	188,656	(188,656)	–	–
Advances paid for non-current assets	–	55,749,387	–	55,749,387
Total non-current assets	7,216,180,193	–	–	7,216,180,193
Current assets:				
Trade and other receivables	331,103,491	(86,435,561)	–	244,667,930
Advances paid	–	82,352,165	–	82,352,165
Other current financial assets	–	4,083,396	7,486,072	11,569,468
Total current assets	720,200,908	–	7,486,072	727,686,980
Total assets	7,936,381,101	–	7,486,072	7,943,867,173
Equity:				
Retained earnings	1,274,170,466	–	31,286,821	1,305,457,287
Equity attributable to shareholders of the parent	1,650,230,892	–	31,286,821	1,681,517,713
Total equity	1,655,210,944	–	31,286,821	1,686,497,765
Non-current liabilities:				
Employee benefits obligations	16,739,335	–	27,824,932	44,564,267
Total non-current liabilities	3,101,623,387	–	27,824,932	3,129,448,319
Current liabilities:				
Contract liabilities	364,804,504	89,110,613	–	453,915,117
Employee benefits obligations	–	2,435,733	–	2,435,733
Other current financial liabilities	–	83,762,368	–	83,762,368
Other current non-financial liabilities	300,800,180	(175,308,714)	(51,625,681)	73,865,785
Total current liabilities	3,179,546,770	–	(51,625,681)	3,127,921,089
Total liabilities	6,281,170,157	–	(23,800,749)	6,257,369,408
Total equity and liabilities	7,936,381,101	–	7,486,072	7,943,867,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. RESTATEMENT (continued)**Reclassification adjustments:**

The reclassifications adjustments represent:

- Reclassification of advances paid for non-current asset from property and equipment in separate line in the consolidated statement of financial position of 46,945,986 thousand soums as of 31 December 2022 (1 January 2022: 55,749,387 thousand soums);
- Reclassification of the balance and share of income of investments in joints ventures to the combined line "Investment in an associate and a joint venture" of 204,705 thousand soums as of 31 December 2022 (1 January 2022: 188,656 thousand soums);
- Reclassification of advances paid for inventories and services from trade receivables in separate line in the consolidated statement of financial position of 116,344,278 thousand soums as of 31 December 2022 (1 January 2022: 82,352,165 thousand soums);
- Reclassification of other current financial assets in separate line in consolidated statement of financial position of 2,006,200 thousand soums as of 31 December 2022 (1 January 2022: 4,083,396 thousand soums);
- Reclassification of current portion of employee benefits obligations from other current liabilities in separate line in the consolidated statement of financial position of 2,792,562 thousand soums as of 31 December 2022 (1 January 2022: 2,435,733 thousand soums);
- Reclassification of contract liabilities from other current liabilities in the separate line in the consolidated statement of financial position of 92,365,531 thousand soums (1 January 2022: 89,110,613 thousand soums);
- Reclassification of other financial liabilities into separate line in the consolidated statement of financial position of 75,703,406 thousand soums (1 January 2022: 83,762,368 thousand soums);
- Reclassification in the consolidated statement of cash flow related to reclassification of the balance of accrual of operating expenses and credit sales that was incorrectly presented within the section of non-cash transactions. It was reclassified within change in trade receivables and change in trade payables.

Correction of errors:*Recognition of additional balance of employee benefits obligations*

The Company has a collective agreement introduced to the employees in March 2020. According to the terms of the collective agreement, the Company, along with pension obligations, has the following obligations to employees and former employees:

- Lump sum upon retirement;
- Funding of retirement accounts for employees on the threshold of retirement;
- Disability payments (Civil Code);
- Loss of breadwinner payments (Civil Code);
- Funeral expenses;
- Other material support payments.

These obligations fall under post-employment benefits category and other long-term benefits in accordance with IAS 19 and have to be recognized in the consolidated statement of financial position.

The Company calculated these obligations in 2023 for previous periods and restated the comparative information of the employee benefits obligations by increase of the balance of non-current portion by 24,613,816 thousand soums and current portion by 2,617,964 thousand soums as of 31 December 2022 (1 January 2022: increase of non-current portion by 27,824,932 thousand soums). The effect of change in the balance of employee benefits decreased cost of sales by 5,142,595 thousand soums and increased finance costs by 4,549,443 thousand soums for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. RESTATEMENT (continued)****Correction of errors (continued):***Derecognition of the other liabilities related to Law “Enforcement Support System” (“SORM”)*

Under the Uzbekistan's Telecommunications Law and the Presidential Decree dated 21 November 2006, telecom operators should incorporate SORM technical equipment into their systems for security and investigative purposes (hereafter refer as “SORM equipment”). Until early 2023 the Group had functioned as an intermediary between the government and telecom operators through collecting funds for the procurement of SORM equipment. The Group was obliged to acquire the SORM equipment and then transfer it to the government.

In the consolidated financial statements for the year ended 31 December 2022, the Group mistakenly recognized funds received from the telecom operators as other liability. However, the Group had acquired SORM equipment and transferred control over it to the government in 2021. As a result, the Group fulfilled its obligations to the government as of 1 January 2022 and 31 December 2022.

The Management of the Group decided to restate its comparative information in consolidated financial statements for 2023 with respect to this error by derecognition of the other liability of 59,111,753 thousand soums (1 January 2022: recognition of other receivable from the operators of 7,486,072 thousand soums and derecognition of other financial liability of 51,625,681 thousand soums) with corresponding increase in retained earnings. Derecognition of other liability was obliged by corporate income tax and was offset against deduction of fixed asset write off.

6. CONSOLIDATION

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

	Country of incorporation	Percentage ownership	
		31 December 2023	31 December 2022
Granit LLC	Uzbekistan	100%	100%
Buzton LLC (Note 8 and 7)	Uzbekistan	55%	–
Broadband solutions LLC (Note 7)	Uzbekistan	–	100%
Svyazsoorujeniya story LLC	Uzbekistan	99%	99%
Telecom qurilish LLC	Uzbekistan	98%	98%
Telecom Devices Pro LLC (Note 7)	Uzbekistan	93%	93%
Telecom chorva - parranda LLC (Note 7)	Uzbekistan	–	78%
CIB Group LLC (Note 7)	Uzbekistan	–	72%
Toshagroinvest LLC	Uzbekistan	55%	55%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. ASSETS HELD FOR DISTRIBUTION (continued)**

The SAMA has performed an analysis and requested to transfer to SAMA 12 companies held by the Group. As per the Group's communication dated November 15, 2023, the initial investments designated for transfer to the SAMA has been revised with a new list proposed. The Group has substituted four companies with four alternative non-core companies. This move is part of the Group's strategy to completely divest its equity interests in certain entities, aligning with the resolutions passed in the shareholders' meeting minutes No. 391 on June 6, 2023. This resolution authorizes the transfer of the Group's assets to the SAMA to support the effort to reduce the state's stake in the authorized capital of Uzbektelecom JSC. As at 6 June 2023, all companies included into the list to the transfer to SAMA was classified as a disposal group held for distribution. None of the companies represent a separate significant line of business for the Group.

The list of companies that was approved to be transferred to the SAMA is as follows:

Types of investment	Company name	Percentage of ownership	Transfer percentage	Date of transfer
Subsidiary	Telecom Device Pro LLC (Note 39)	94%	94%	2/7/2024
Subsidiary	JV Buzton LLC	100%	44%	11/10/2023
Subsidiary	Chorva-parranda LLC	78%	78%	11/10/2023
Subsidiary	CIB Group LLC	72%	72%	11/10/2023
Subsidiary	JV Broadband Solutions LLC	100%	100%	11/10/2023
Associate	Uzimpexaloka LLC	33%	33%	11/10/2023
Associate	JV LG CNS Uzbekistan LLC	29%	29%	11/10/2023
FVTPL	Aloqa Print LLC	11%	11%	11/10/2023
FVTPL	Communal Hizmat Kursatish LLC	17%	17%	11/10/2023
FVTPL	Oriat-teleradiokompaniyasi LLC	15%	15%	11/10/2023
FVTPL	East-Telecom LLC	8%	8%	11/10/2023
JV	Uzsvyazsputnik LLC	50%	50%	11/10/2023

The transfer of these interests is a deliberate measure to align with the state's objective of diminishing its role in the economy, thereby enhancing the vitality of the private sector, and fostering a more robust competitive landscape. The Group expects that the transfer of these assets to the State Asset Management Agency will promote their effective reallocation in the private marketplace, contributing to the Republic of Uzbekistan's broader economic reforms.

During 2023 the Group transferred share in 10 entities with the net assets equaled to 6,461,217 thousand soums. Moreover, the Group transferred 44% of the share in charter of JV Buzton LLC with the carrying value of 1,199,636 thousand soums.

Telecom Devices Pro LLC

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

<i>In thousand soums</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**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

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 planned for 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. BUSINESS COMBINATIONS (continued)***Aloqabank JSC (continued)*

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.

Fair value assessment of Aloqabank JSC

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

In thousand soums

	Fair value recognised on acquisition
Assets	
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

During the current fiscal year, the Company has undergone significant changes in the composition of its operating segments. This realignment reflects strategic adjustments following the recent Initial Public Offering (IPO) of the Group. The operating segments have been redefined to align with the new organizational structure post-IPO. This reconfiguration is designed to enhance strategic focus and operational efficiency across the Group. The changes in segment composition are effective as of the commencement of the current fiscal year.

As at 31 December 2022 the Group's operations had been presented as a single reportable segment. Starting from December 2023 for management purposes, the Group represents business units based on the organizational structure of the Group and has reportable operating segments as follows:

- "Rendering fixed-line telecommunication services";
- "Rendering mobile telecommunication services in GSM and LTE standards";
- "Other".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. SEGMENT INFORMATION (continued)**

The following tables disclose revenue and profit information for the Group's operating segments for the years ended 31 December 2023 and 2022:

For the year ended 31 December 2023

<i>In thousand soums</i>	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	3,336,037,836	4,109,481,303	407,633,961	-	7,853,153,100
Inter-segment	133,939	-	53,599,917	(53,733,856)	-
Total revenue from contracts with customers	3,336,171,775	4,109,481,303	461,233,878	(53,733,856)	7,853,153,100
Cost of sales					
Cost of sales to external customers	(1,876,715,714)	(2,787,459,547)	(283,024,778)	-	(4,947,200,039)
Inter-segment	(108,854)	-	(53,625,002)	53,733,856	-
Total cost of sales	(1,876,824,568)	(2,787,459,547)	(336,649,780)	53,733,856	(4,947,200,039)
Gross profit	1,459,347,207	1,322,021,756	124,584,098	-	2,905,953,061
Financial results					
Selling expenses	(207,050,630)	(360,846,354)	(31,138,810)	-	(599,035,794)
General and administrative expenses	(316,769,273)	(392,190,528)	(45,252,753)	-	(754,212,554)
Other operating income	48,380,664	59,899,870	6,911,523	-	115,192,057
Reversal / (accrual) 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	919,640,676	533,985,392	44,154,133	-	1,497,780,201
Depreciation and amortisation	334,777,392	414,486,295	96,383,319	-	845,647,006
Finance costs	(217,932,321)	(269,820,969)	(31,133,189)	-	(518,886,479)
Finance income	149,251	-	846,758	-	996,009
Net foreign exchange loss	(228,787,640)	(283,260,887)	(32,683,948)	-	(544,732,475)
Share of profit/(loss) of associates	-	-	23,280,698	-	23,280,698
Income tax expenses	(36,242,488)	(44,871,651)	(5,177,498)	-	(86,291,637)
Segment profit before tax / (loss before tax)	473,069,966	(19,096,464)	40,464,354	-	494,437,856
Operating assets	4,724,507,549	5,998,312,466	1,304,428,125	(116,900,018)	11,910,348,122
Operating liabilities	(3,220,530,858)	(5,337,988,943)	(384,843,293)	(106,738,393)	(9,050,101,487)
Other disclosures					
Investment in an associate and a joint venture	-	-	381,897,794	-	381,897,794
Capital expenditures	1,374,640,242	1,575,109,151	363,707,307	-	3,313,456,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. SEGMENT INFORMATION (continued)****For the year ended 31 December 2022**

<i>In thousand soums</i>	Fixed line	Mobile tele- communication services in GSM and LTE standards	Other	Elimina- tions and adjustments	Group
Revenue from contracts with customer					
Sales to external customers	2,137,797,568	3,684,367,010	537,758,742	-	6,359,923,320
Inter-segment	367,530	-	147,078,637	(147,446,167)	-
Total revenue from contracts with customers	2,138,165,098	3,684,367,010	684,837,379	(147,446,167)	6,359,923,320
Cost of sales					
Cost of sales to external customers	(1,108,131,545)	(2,375,660,733)	(346,004,438)	-	(3,829,796,716)
Inter-segment	(298,696)	-	(147,147,471)	147,446,167	-
Total cost of sales	(1,108,430,241)	(2,375,660,733)	(493,151,909)	147,446,167	(3,829,796,716)
Gross profit	1,029,734,857	1,308,706,277	191,685,470	-	2,530,126,604
Financial results					
Selling expenses	(125,258,950)	(299,814,344)	(30,359,341)	-	(455,432,635)
General and administrative expenses	(165,337,836)	(483,695,049)	(67,545,407)	-	(716,578,292)
Other operating income	22,097,935	28,565,422	5,835,778	-	56,499,135
Reversal / (accrual) of impairment losses on non-financial assets	-	-	(8,094,146)	-	(8,094,146)
Expected credit losses	(1,591,213)	(174,700,534)	(14,888,845)	-	(191,180,592)
Operating income	759,644,793	379,061,772	76,633,509	-	1,215,340,074
Depreciation and amortisation	233,551,245	441,898,990	65,317,205	-	740,767,440
Finance costs	(27,827,852)	(161,251,046)	(153,037,625)	-	(342,116,523)
Finance income	-	-	1,999,229	-	1,999,229
Net foreign exchange gain	1,338,872	2,158,586	315,060	-	3,812,518
Share of profit/(loss) of associates	-	-	(11,950,395)	-	(11,950,395)
Income tax expenses	(47,223,976)	(78,541,003)	(11,304,054)	-	(137,069,033)
Segment profit before tax /(loss before tax)	733,155,813	219,969,312	(81,219,249)	-	871,905,876
Operating assets	4,867,042,013	3,642,348,377	222,720,093	-	8,732,110,483
Operating liabilities	(2,070,219,661)	(4,096,149,971)	(132,755,531)	-	(6,299,125,163)
Other disclosures					
Investment in an associate and a joint venture	-	-	37,163,530	-	37,163,530
Capital expenditures	681,421,333	941,010,413	-	-	1,622,431,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. PROPERTY AND EQUIPMENT

Movements of property and equipment in 2023 and 2022 were as follows:

	Land	Buildings, constructions and cable lines	Tele- communi- cation equipment	Furniture and office equipment	Transport vehicles	Other	Assets under construction, equipment awaiting installation	Total
Cost								
At 1 January 2022	50,179,541	2,097,895,214	4,278,507,004	118,396,097	91,881,846	93,301,544	1,403,480,152	8,133,641,398
Additions	-	40,290,608	86,190,659	12,436,686	2,182,988	6,607,958	1,382,868,032	1,530,576,931
Disposals	-	(34,264,937)	(33,614,039)	(2,635,122)	(956,999)	(695,135)	(11,375,638)	(83,541,870)
Internal transfers	-	376,903,794	664,382,007	11,935,080	8,361,441	14,334,187	(1,075,916,509)	-
At 31 December 2022	50,179,541	2,480,824,679	4,995,465,631	140,132,741	101,469,276	113,548,554	1,699,056,037	9,580,676,459
Additions	-	23,337,738	457,035,796	66,746	10,148,858	5,866,493	2,699,910,527	3,196,366,158
Asset retirement obligation	-	-	5,389,323	-	-	-	-	5,389,323
Disposals	(3,774,299)	(83,726,025)	(117,982,143)	(4,576,798)	(7,604,917)	(1,411,582)	(38,265,782)	(257,341,546)
Internal transfers	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)
At 31 December 2023	46,433,031	2,927,752,550	6,370,419,866	143,929,430	125,867,314	111,427,862	2,761,634,042	12,487,464,095
Accumulated depreciation and impairment								
At 1 January 2022	-	312,747,480	855,454,111	58,463,906	40,659,084	24,647,275	-	1,291,971,856
Charge for the year	-	140,891,949	536,668,991	18,259,659	10,253,417	8,723,277	-	714,797,293
Disposals	-	(3,288,311)	(26,922,839)	(1,873,288)	(955,788)	(556,517)	-	(33,596,743)
At 31 December 2022	-	450,351,118	1,365,200,263	74,850,277	49,956,713	32,814,035	-	1,973,172,406
Charge for the year	3,804,657	135,990,471	500,878,843	10,019,412	12,228,668	8,423,966	-	671,346,017
Disposals	-	(26,175,039)	(114,534,875)	(4,573,576)	(7,928,772)	(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)
At 31 December 2023	3,804,657	553,576,276	1,741,658,336	79,933,856	53,338,694	39,742,646	-	2,472,054,465
Book value:								
At 31 December 2022	50,179,541	2,030,473,561	3,630,265,368	65,282,464	51,512,563	80,734,519	1,699,056,037	7,607,504,053
At 31 December 2023	42,628,374	2,374,176,274	4,628,761,530	63,995,574	72,528,620	71,685,216	2,761,634,042	10,015,409,630

As at 31 December 2023 and 2022, assets under construction represented by equipment for installation for base transmission stations, mobile switch servers and other telecommunication equipment and services works.

During 2023 and 2022 the Group installed the telecommunication equipment purchased from Iskratel d.o.o. Kranj (Kontron) and Huawei International Pte. LTD. During 2022, the Group installed additional fiber optic communication lines and base stations in order to improve the capacity and quality of communication network. In 2022 the Company has received building as an in-kind contribution in the amount of 14,501,312 thousand soums (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. PROPERTY AND EQUIPMENT (continued)**

During the 2023, the Company has made purchases of property and equipment on credit in the amount of 1,033,667,098 thousand soums (2022: 206,434,426 thousand soums) (Note 37 and 35).

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

As at 31 December 2023 the carrying amount of property and equipment that are pledged as collateral for bank loans was 313,507,899 thousand soums (31 December 2022: 180,672,074 thousand soums).

As at 31 December 2023 property and equipment that had been fully amortized, but were still in use had an initial cost of 168,018,094 thousand soums (31 December 2022: 237,775,106 thousand soums).

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

	31 December 2023	31 December 2022
Non-current advances paid	215,822,413	58,139,306
Less: provision for non-current advances paid	(6,272,113)	(11,193,320)
	209,550,300	46,945,986

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:

	2023	2022
As at 1 January	11,193,320	3,772,481
Accrual of provision for non-current advances paid	696,469	7,683,079
Recovery of provision for non-current advances paid	(5,617,676)	(262,240)
As at 31 December	6,272,113	11,193,320

11. INTANGIBLE ASSETS

Movements of intangible assets for 2023 and 2022 were as follows:

<i>In thousand soums</i>	Licenses and software	Development cost	Total
Cost			
At 1 January 2022	223,166,757	-	223,166,757
Additions	91,690,109	164,706	91,854,815
Disposals	(80,307,470)	-	(80,307,470)
At 31 December 2022	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
Accumulated amortisation and impairment			
At 1 January 2022	(96,561,808)	-	(96,561,808)
Amortisation charge	(105,910,981)	-	(105,910,981)
Disposals	80,307,470	-	80,307,470
At 31 December 2022	(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)
Net book value			
At 31 December 2022	112,384,077	164,706	112,548,783
At 31 December 2023	80,205,033	8,681,413	88,886,446

As of 31 December 2023, the gross carrying value of intangible assets, which have been fully amortized and still in use was 37,027,558 thousand soums (as at 31 December 2022: 35,486,708 thousand soums).

Additions in 2023 include mobile operation license and frequency fee payments in the amount of 46,200,000 thousand soums and 54,021,709 thousand soums, respectively (2022: 42,000,000 thousand soums and 42,507,470 thousand soums, respectively). Previous year payments in relation to mobile operation license and frequency fee were disposed in the current year because their useful lives are one year. Also, additions in 2023 in the amount of 3,291,439 thousand soums include software that improve the capacity of the telecommunication equipment.

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:

In thousand soums	Principal activities	Country of incorporation	2023		2022	
			Carrying amount	Ownership	Carrying amount	Ownership
Associates						
Aloqabank JSC	Bank services	Uzbekistan	332,799,422	22.03%	–	–
Global optical communication LLC	Production of cables	Uzbekistan	34,256,638	49.80%	21,720,165	45.00%
Alskom IC JS	Insurance services	Uzbekistan	11,707,065	35.40%	10,666,264	47.00%
UzSAT LLC	Construction of base stations	Uzbekistan	3,134,669	30.00%	3,183,065	30.00%
UzDigital TV LLC	Television operator	Uzbekistan	–	30.00%	–	30.00%
LJ SNS LLC	Information systems developer	Uzbekistan	–	29.00%	–	29.00%
Buzton LLC	Internet and telephony services	Uzbekistan	–	55.40%	1,388,223	44.60%
Joint ventures						
Uzsvyazsputnik LLC	Satellite communication services	Uzbekistan	–	50.00%	205,813	50.00%
			381,897,794		37,163,530	

JSC Aloqabank

As of 31 December 2022, the Company owned 2.3% of the shares in Aloqabank JSC that was accounted as Investments at FVTPL. 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 planned for 2024.

Global optical communication LLC

The company is engaged in the production of fiber optic cable. Based on the resolution of the Cabinet of Ministers dated June 22, 2017, as well as by Presidential Decree No. 4699 dated April 28, it was decided to create a company producing fiber-optic cables in Uzbekistan together with the Korean company MS GOC Co. LTD.

During 2023 the Company made contributions of fixed assets to the charter capital of Global optical communication LLC in the amount of 8,500,000 thousand soums, that increased the value of the shares from 45% to 49.8%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**

Summarized financial information of significant associates, based on their financial statements for 2023 and 2022 is set out below:

Aloqabank JSC

<i>In thousands soums</i>	31 December 2023
Total assets	14,891,144,650
<i>Including cash and cash equivalents</i>	1,474,301,000
Total liabilities	(13,380,480,000)
<i>Including customer accounts</i>	(8,518,726,000)
Equity	1,510,664,650
Interest ownership	22.0%
Carrying amount of the Group`s investments	332,799,422

During 2023 Aloqabank did not paid any dividends to the Company.

Summarized statement of comprehensive income of significant associate is set out below:

<i>In thousand soums</i>	From the date of acquisition till 31 December 2023
Interest income calculated using the effective interest method	484,964,250
Other similar income	551,250
Interest and similar expense	(322,525,500)
Net margin on interest and similar income	162,990,000
Credit loss allowance for assets carried at amortised cost	(32,390,250)
Net margin on interest and similar income	130,599,750
Fee and commission income	172,656,750
Fee and commission expense	(128,522,250)
Foreign exchange translation gains less losses	16,585,250
Net gain from trading in foreign currencies	22,427,000
Other operating income	65,307,250
Administrative and other operating expenses	(169,570,487)
Share of profit/(loss) of associates and joint ventures	(138,250)
Profit before tax	109,345,013
Income tax expense	(26,699,000)
Profit for the year	82,646,013
Total comprehensive income for the year	82,646,013
Share of the Group in profit for the year	18,202,685

Global optical communication LLC

Summarized financial information of significant associate, based on their financial statements for 2023 and 2022 is set out below:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Non-current assets	63,435,991	52,284,128
Current assets	61,996,894	33,472,256
Non-current liabilities	(14,290,081)	(13,025,837)
Current liabilities	(42,354,374)	(24,463,514)
Equity	68,788,430	48,267,033
Interest ownership	49.8%	45.0%
Group`s carrying amount of the investment	34,256,638	21,720,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****Global optical communication LLC (continued)**

Summarized statement of comprehensive income of significant associates is set out below:

<i>In thousand soums</i>	2023	2022
Revenue	229,086,162	53,724,512
Cost of sales	(196,724,521)	(47,406,868)
Gross profit	32,361,641	6,317,644
Selling expenses	(166,820)	(1,308,581)
Administrative expenses	(6,781,143)	(4,762,477)
Other expenses	(2,931,862)	(852,471)
Other income	50,945	136,176
Foreign exchange gain	3,630,600	8,259,231
Interest expenses	(2,288,214)	(2,656,934)
Foreign exchange loss	(15,768,296)	(10,477,091)
Net profit for the year	8,106,851	(5,344,503)
Share of the Group in profit for the year	4,037,212	(2,405,026)

13. COST TO OBTAIN THE CONTRACT

As at 31 December 2023 and 2022 cost to obtain the contract comprised:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Current portion	36,993,946	22,928,513
Non-current portion	18,496,972	11,464,256
	55,490,918	34,392,769

<i>In thousand soums</i>	31 December 2023	31 December 2022
As at 1 January	34,392,769	31,324,213
Payment to the dealers	126,294,277	101,628,551
Amortization of cost to obtain a contract (Note 29)	(105,196,128)	(98,559,995)
As at 31 December	55,490,918	34,392,769

14. OTHER NON-CURRENT FINANCIAL ASSETS

As at 31 December 2023 and 2022, other non-current financial assets comprised:

<i>In thousand soums</i>	2023	2022
Loans to employees	298,132	–
Other	3,112,293	2,902,427
	3,410,425	2,902,427

15. INVENTORIES

As at 31 December 2023 and 2022, inventories comprised:

<i>In thousand soums</i>	2023	2022
Cable materials (at cost)	215,352,935	120,886,254
Goods for resale (at lower of cost and net realisable value)	82,371,131	111,631,760
Raw and other materials (at cost)	17,218,532	28,214,495
Fuel (at cost)	6,296,641	5,500,844
Spare parts (at cost)	1,135,902	–
	322,375,141	266,233,353

For the year ended 31 December 2023, the provision for slow-moving and obsolete inventories was 28,990,032 thousand soums (31 December 2022: 36,815,963 thousand soums).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. TRADE RECEIVABLES**

As at 31 December 2023 and 2022, trade receivables comprised:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Trade receivables	705,259,678	537,849,997
Less: allowance for expected credit losses	(475,925,780)	(293,427,026)
Total trade receivables	229,333,898	244,422,971

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

<i>In thousand soums</i>	2023	2022
Allowance for expected credit losses at the beginning of the year	293,427,026	102,246,434
Accrual of allowance for expected credit losses (<i>Note 31</i>)	182,498,754	219,333,233
Recovery of allowance for expected credit losses (<i>Note 31</i>)	–	(28,152,641)
Allowance for expected credit losses at the end of the year	475,925,780	293,427,026

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

<i>In thousand soums</i>	Days past due			Total
	1 to 30 days	31 to 60 days	61 to 90 days	
Estimated credit loss rate	21%	43%	100%	
Estimated total gross carrying amount at default	226,040,258	88,059,358	391,160,062	705,259,678
Allowance for expected credit losses	(46,787,249)	(37,978,469)	(391,160,062)	(475,925,780)

Below is information as at 31 December 2022 about the credit risk exposure on the Group's trade receivables using a matrix of reserves:

<i>In thousand soums</i>	Days past due			Total
	1 to 30 days	31 to 60 days	61 to 90 days	
Estimated credit loss rate	18.13%	36.09%	80.14%	
Estimated total gross carrying amount at default	142,820,558	111,312,104	283,717,335	537,849,997
Allowance for expected credit losses	(25,891,179)	(40,172,674)	(227,363,173)	(293,427,026)

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

As at 31 December 2023 and 2022, the Group's trade receivables were denominated in the following currencies:

<i>In thousand soums</i>	2023	2022
US dollars	150,617,442	140,688,321
Soums	78,716,456	102,353,941
Other currencies	–	1,380,709
	229,333,898	244,422,971

17. ADVANCES PAID

As at 31 December, advances paid comprised:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Advances paid for inventories and services	91,760,826	126,064,187
Less: allowance for impairment	(2,258,931)	(9,719,909)
Total advances paid and other receivables	89,501,895	116,344,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17. ADVANCES PAID (continued)**

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

<i>In thousand soums</i>	2023	2022
Provision for impairment at the beginnings of the year	9,719,909	9,046,602
Accrual of provision for advances paid for inventories and services (Note 31)	83,620	7,031,587
Recovery of provision for advances paid for inventories and services (Note 31)	(7,544,598)	(6,358,280)
Provision for impairment at the end of the year	2,258,931	9,719,909

As at 31 December 2023 and 2022 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:

<i>In thousand soums</i>	2023	2022
Cash on current bank accounts	14,006,925	17,293,719
Demand deposits	5,975,651	–
Cash in transit	10,241	193,016
Cash on hand	–	14,946
	19,992,817	17,501,681
Less: allowance for expected credit losses	–	–
	19,992,817	17,501,681

Bank deposits earn interest at the rates ranging from 3.5% to 17% (as at 31 December 2022: no deposits were placed in banks).

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

<i>In thousand soums</i>	2023	2022
US dollars	10,224,838	5,051,457
Soums	8,596,036	12,295,938
Other	1,171,943	154,286
	19,992,817	17,501,681

19. EQUITY

	Number of shares, in thousands		In thousand soums		Total issued shares
	Common shares	Preferred non-voting shares	Common shares	Preferred non-voting shares	
At 1 January 2022	277,446	9,864	320,172,775	11,383,617	331,556,392
At 31 December 2022	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

Share capital

The total number of authorized ordinary shares as at 31 December 2023 is 267,238 thousand shares (31 December 2022: 277,446 thousand shares), with a par value of 1,154 soums per share (31 December 2022: 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 2023 is 9,864 thousand shares (31 December 2022: 9,864 thousand shares), with a par value of 1,154 soums per share (31 December 2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. EQUITY (continued)**Redemption of shares**

During 2023, the Company 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.

Transfer of Assets to the University of Geological Sciences

In compliance with Presidential Decree No. IIK-4740, dated June 8, 2020, and subsequent government directives, the company transferred assets, including buildings and infrastructure, to the University of Geological Sciences. This transaction was executed in exchange for a reduction in the state's shareholding in the company, with the value of the transferred assets recorded at a nominal value of 624,084 thousand soums.

Transfer of Assets to the State Asset Management Agency

In accordance with the decree issued on October 27, 2020 (PF-6096), and subsequent resolutions, the Company transferred its ownership stakes in "Markaziy Ippodrom" JSC in the amount of 996,999 thousand soums and "Unitech" LLC in the amount of 778,325 thousand soums to the State Asset Management Agency. The reduction in the Company's authorized capital was based on the book value of the transferred assets. This transaction was executed in exchange for a reduction in the state's shareholding in the Company.

Transfer of Shares in "Asakabank"

The Company also reduced its equity by transferring 67,201,314 shares in "Asakabank" to the Ministry of Finance. This transaction was conducted in compliance with Presidential Decree No. IIK-168, dated March 18, 2022, as part of the government's ongoing privatization efforts. The total nominal value of the shares transferred amounted to 9,341,655 thousand soums. This transaction was executed in exchange for a reduction in the state's shareholding in the Company.

Transfer of Shares in "Ipoteka Bank"

The Company also reduced its equity by transferring 32,293,760 shares in "Ipoteka Bank" to the Ministry of Finance. This transaction was conducted in compliance with Presidential Decree No. IIK-5244, dated September 14, 2021, as part of the government's ongoing privatization efforts. The total nominal value of the shares transferred amounted to 32,294 thousand soums. This transaction was executed in exchange for a reduction in the state's shareholding in the Company.

In-kind dividends

On February 20, 2023, Uzbektelecom JSC had 14,088,211 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 Company 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.

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 14,088,211 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. EQUITY (continued)****Additional paid-in capital**

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

Dividends

Movements in dividends payable for the years ended 31 December were as follow:

<i>In thousand soums</i>	2023	2022
Dividends payable at the beginning of the year	-	-
Dividends declared to equity holders of the parent	-	2,845,904
Dividends paid to equity holders of the parent	-	(2,845,904)
Dividends payable at the end of the year	-	-

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:

<i>In thousand soums</i>	2023	2022
Calculation of basic and diluted earnings per share		
Profit for the year attributable to equity holders of the Parent	405,074,404	735,262,790
Weighted average number of ordinary shares	267,238,000	277,446,000
Basic and diluted earnings per share, Uzbek soums	1,515.78	2,650.11

20. BORROWINGS

As at 31 December borrowings comprised:

<i>In thousand soums</i>	Weighted average effective interest rate	2023	Weighted average effective interest rate	2022
Borrowings with fixed interest rate	10,45%	2,865,508,569	8.44%	2,033,519,759
Borrowings with floating interest rate	6,61%	3,124,434,906	5.27%	2,277,299,189
		5,989,943,475		4,310,818,948

Borrowings are repayable as follows:

<i>In thousand soums</i>	2023	2022
Current portion of borrowings	2,079,366,253	1,636,470,654
Maturity between 1 and 5 years	3,700,615,193	2,471,102,675
Maturity over 5 years	209,962,029	203,245,619
Total non-current portion of borrowings	3,910,577,222	2,674,348,294
Total borrowings	5,989,943,475	4,310,818,948

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

As of 31 December 2023 and December 2022, loans represented by the following:

Borrower	Maturity date	Currency	Interest rate	2023	2022
			EURIBOR		
Credit Suisse AG, London branch	26 October 2027	EUR	6m+4.5%	1,660,990,200	876,895,905
ZTE Corporation	14 July 2026	USD	9.30%	630,444,095	–
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	20 November 2030	JPY	CIRR + 1.52%	484,858,139	530,999,253
MUFG Bank Ltd	30 June 2026	JPY	TORF + 3.1%	299,756,995	–
Huawei International Co. Ltd	25 January 2025	USD	6.70%	293,058,643	248,946,477
			EURIBOR 3m +		
Tenge Bank JSC	23 June 2028	EUR	4.0%	255,832,998	–
Japan Bank for International Cooperation (JBIC)	20 December 2029	JPY	4.00%	252,020,443	281,752,004
ZTE Corporation	31 December 2024	USD	3.90%	202,753,272	268,924,249
Aloqa Bank JSCB	25 December 2026	UZS	20.00%	200,767,123	200,767,123
Aloqa Bank JSCB	31 July 2027	UZS	17.69%	196,130,898	189,856,326
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	15 January 2025	USD	LIBOR 6m + 4.2%	192,369,433	289,207,992
Aloqa Bank JSCB	10 August 2024	USD	8.53%	188,144,482	–
KDB Bank Uzbekistan JSC	5 October 2027	USD	SOFR 3m + 5.0%	179,627,390	162,607,962
Directorate of Technological Park of Software Products and Information Technologies	16 April 2024	UZS	20.99%	152,059,037	–
	11 April 2025 - 13 June 2025	UZS	20.00%	110,904,110	–
Ipoteka Bank JSCMB	20 October 2024	USD	6.70%	102,099,467	119,313,905
ZTE Corporation	31 May 2024	USD	6.70%	96,528,388	130,983,166
Aloqa Bank JSCB	30 June 2027	UZS	12.50%	93,860,445	94,060,890
Overseas Economic Cooperation Fund (OECF), Japan	20 June 2025	JPY	3.30%	78,844,662	126,818,155
Chirkom LLC	30 November 2032	EUR	6.00%	77,548,799	74,843,266
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	21 January 2030	USD	3.00%	57,125,649	59,953,438
Hamkorbank JSC	24 October 2030	USD	SOFR 6m + 5.5%	50,982,441	–
KDB Bank Uzbekistan JSC	5 May 2026	UZS	20.00%	40,241,096	–
Information and Communications Technology Development Fund	26 August 2024	UZS	23.38%	29,681,979	–
Huawei Technologies Co. Ltd	31 December 2024	USD	3.90%	22,923,656	80,820,603
	20 January 2024 - 20 June 2024	UZS	28.00%	18,469,348	–
Nano Lizing Kompaniyasi LLC	31 October 2024	UZS	23.26%	5,037,864	–
Global Optical Communication Uzbekistan LLC	20 August 2025 - 20 September 2025	UZS	27.00%	2,814,462	4,210,054
Nano Lizing Kompaniyasi LLC	17 December 2034	JPY	2.54%	1,814,967	–
Japan Bank for International Cooperation (JBIC)	18 December 2023	USD	LIBOR 6m + 4.5%	17,312	202,669,082
Aloqa Bank JSCB	30 September 2023	USD	LIBOR 6m + 3.9%	–	175,444,824
China Development Bank Corporation	22 March 2023	USD	9.30%	–	81,131,453
ZTE Corporation	12 September 2023	JPY	LIBOR 6m +	–	39,474,171
The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC	18 October 2023	UZS	15.00%	–	41,786,530
Aloqa Bank JSCB	1 April 2023	USD	7.40%	–	11,162,396
Aloqa Bank JSCB				12,235,682	18,189,724
Other borrowings received				5,989,943,475	4,310,818,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)**Credit Suisse AG, London Branch***Loan agreement dated 26.10.2022*

On 26 October 2022, the Group and Credit Suisse signed a loan agreement for 200,000,000 Euros (equivalent to 2,746,364,000 thousand soums). In 2022 and 2023, two tranches were received from Credit Suisse in the amounts of 73,922,844 Euros (equivalent to 842,881,443 thousand soums) and 45,974,869 Euros (equivalent to 572,903,836 thousand soums) respectively. The loan carries an interest rate of EURIBOR (6-month) plus 4.5% per annum and matures on 31 October 2027.

ZTE Corporation*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 Uzmobil 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 is 31 December 2024, until all contractual obligations of both parties are being fully and satisfactorily completed. As of 31 December 2023, all goods were delivered.

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. On initial recognition of loan total discount in the amount of 1,347,504 US dollars (equivalent to 14,315,133 thousand soums) million was recognized within property and equipment.

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 loan was issued. On initial recognition of loan total discount in the amount of 10,264,475 US dollars (equivalent to 120,475,768 thousand soums) million was recognized within property and equipment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)**The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan JSC (NBU) (continued)***Loan agreement 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.

Loan agreement 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.

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.

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 438,088,029 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.

JSCB “Aloqa Bank”*Loan agreement No 106*

On 20 June 2017, the Group and JSCB “Aloqa Bank” signed a loan agreement in the amount of 150,000,000 thousand soums. During 2018-2020, the three tranches were received from Aloqa Bank JSC in the amounts of 91,065,218 thousand soums, 32,243,025 thousand soums and 7,908,756 thousand soums with an interest rate of 12.5% per annum with a maturity until 30 June 2027.

Loan agreement No 113

On 11 July 2018, the Group and JSCB “Aloqa Bank” signed a loan agreement in the amount of 350,000,000 thousand soums. The loan amount of 317,331,542 thousand soums was received in 11 tranches with an interest rate of 11.5% per annum with a maturity until 31 July 2027. 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 17.69% at the time the loan was issued. On initial recognition of loan, total discount in the amount of 50,644,738 thousand soums was recognized within the additional paid in capital part.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)**JSCB “Aloqa Bank” (continued)***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.

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 loan was issued. On initial recognition of loan, total discount in the amount of 8,123,577 US dollars (equivalent to 103,622,239 thousand soums) was recognised within property and equipment.

JSC “Tenge Bank”*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).

Japan Bank for International Cooperation (JBIC)*Loan agreement from 30.09.2010*

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.

Loan agreement from 27.01.2023

On 27 January 2023, the Group and JBIC signed a loan agreement in the maximum amount of 19,375,190,740 Japanese Yen (equivalent to 1,698,622,972 thousand soums) for the purpose to fund the cost of Japanese 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. As of 31 December 2023, the loan remains unutilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)**JSC “KDB Bank Uzbekistan”***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). 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 5 October 2027.

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 5 May 2026.

Directorate of Technological Park of Software Products and Information Technologies*Loan agreement No 1*

On 7 September 2023, the Group and Directorate signed a loan agreement in the amount of 150,000,000 thousand soums. On 7 September 2023, the tranche was received in the amount of 150,000,000 thousand soums with an interest rate of 0% per annum with a maturity until 7 November 2023. On 7 November 2023, the parties signed a supplementary agreement and changed the interest rate to 18% per annum. In the supplementary agreement from 29 December 2023, the parties agreed to change the maturity to 16 April 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 20.99% at the time the loan was issued. On initial recognition of loan, total discount in the amount of 755,445 thousand soums was recognised within the additional paid in capital part.

JSCMB “Ipoteka Bank”*Loan agreement No 439/436650/2023*

On 13 December 2023, the Group and JSCMB “Ipoteka Bank” signed a loan agreement in the amount of 50,000,000 thousand soums for replenishment of working capital. On 14 December 2023, the tranche was received in the amount of 50,000,000 thousand soums with an interest rate of 20% per annum with a maturity until 13 June 2025.

Loan agreement No 395/337317/2023

On 12 October 2023, the Group and JSCMB “Ipoteka Bank” signed a loan agreement in the amount of 60,000,000 thousand soums for replenishment of working capital. The tranche was received in the amount of 60,000,000 thousand soums with an interest rate of 20% per annum with a maturity until 11 April 2025.

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 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. On initial recognition of loan, total discount in the amount of 2,399,216 US dollars (equivalent to 26,462,458 thousand soums) was recognised within property and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)**Overseas Economic Cooperation Fund (OECF), Japan***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 within the additional paid in capital part.

Chirkom LLC*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 guarantor in this agreement. The loan is issued at interest rate of 6% with maturity until 30 November 2032.

JSC “Hamkorbank”*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.

Information and Communications Technology Development Fund

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.

Unutilized amount of credit facilities

As of 31 December 2023, the Group had an existing credit loan agreements with an outstanding unwithdrawn credit amount of 2,330,286,692 thousand soums (*Note 2*).

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As at 31 December 2023, the Group complied with all financial and non-financial covenants.

Non-financial covenants of the Group include provision on a particular date subsequent to the reporting date of the audited financial statements.

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:

<i>In thousand soums</i>	Site for networks and base station equipment	Buildings and constructions	Total
Cost			
At 1 January 2022	172,650,540	17,846,358	190,496,898
Additions	73,658,648	7,368,654	81,027,302
At 31 December 2022	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
Accumulated depreciation			
At 1 January 2022	43,034,976	7,706,297	50,741,273
Depreciation charge	22,550,653	3,419,494	25,970,147
At 31 December 2022	65,585,629	11,125,791	76,711,420
Depreciation charge	34,756,058	2,121,937	36,877,995
At 31 December 2023	100,341,687	13,247,728	113,589,415
Net book value			
At 31 December 2022	180,723,559	14,089,221	194,812,780
At 31 December 2023	256,875,104	16,012,326	272,887,430

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:

<i>In thousand soums</i>	2023	2022
At the beginning of the year	229,404,098	160,047,509
Additions (Note 37)	87,298,697	81,027,302
Modifications (Note 37)	27,653,948	–
Interest expenses (Note 32)	13,039,738	38,426,498
Payment of interest part (Note 37)	(13,039,738)	(38,426,498)
Payment of principal part (Note 37)	(54,413,660)	(11,670,713)
At the end of the year	289,943,083	229,404,098

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

<i>In thousand soums</i>	31 December 2023	31 December 2022
Non-current portion of liabilities	233,955,702	177,075,442
Current portion of lease liabilities	55,987,381	52,328,656

The following are the amounts recognised in profit or loss:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Depreciation of right-of-use assets	36,877,995	25,970,147
Interest expense on lease liabilities (Note 32)	13,039,738	38,426,498
Expense relating to short-term leases and leases of low-value assets	54,413,660	34,310,485
	104,331,393	98,707,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**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:

<i>In thousand soums</i>	2023	2022
Present value of defined benefit pension plan obligation	30,959,340	23,335,173
Present value of obligations for other long-term payments	31,365,647	24,730,790
	62,324,987	48,065,963

A defined benefit pension plan provides for the fulfilment of obligations under the pension provision in accordance with the Collective Agreement concluded between the Company and employees. Other long-term payments include anniversaries, funeral payments, and others.

The Group did not create a fund for such obligations.

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:

<i>In thousand soums</i>	2023
Total liability at the beginning of the year	23,335,173
Current service cost	3,532,610
Interest expenses (Note 32)	4,417,348
Benefits paid during the year	(4,809,663)
Actuarial losses recognized during the year within other comprehensive income	4,483,871
Total liability at the end of the year	30,959,339
Liability payable within one year	3,604,868
Liability payable after one year	27,354,471

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:

<i>In thousand soums</i>	2023
Total liability at the beginning of the year	24,730,790
Current service cost	2,742,645
Interest expenses (Note 32)	4,681,539
Benefits paid during the year	(4,553,940)
Actuarial losses recognized during the year in profit and loss	3,764,614
Total liability at the end of the year	31,365,648
Liability payable within one year	3,616,859
Liability payable after one year	27,748,789

Actuarial losses recognised in 2023 resulted primarily from changes in the assumptions relating to the discount rate and from historical adjustments.

Cost of current service in the total amount of 6,275,255 thousand soums were recognized in cost of sales and general and administrative expenses within personnel costs (2022: 6,943,077 thousand soums).

There were no unrecognized actuarial losses or past service costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**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:

	2023	2022
Discount rate	18,93%	18,93%
The expected rate of future annual minimum salary increases	12,73%	12,73%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023, was as follows:

	Discount rate		The expected rate of future annual minimum salary increases	
	Growth by 1%	Reduction by 1%	Growth by 1%	Reduction by 1%
Sensitivity level Impact on defined benefit plan obligations, in thousand soums	(2,687,437)	2,985,037	3,169,991	(2,901,957)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022, was as follows:

	Discount rate		The expected rate of future annual minimum salary increases	
	Growth by 1%	Reduction by 1%	Growth by 1%	Reduction by 1%
Sensitivity level Impact on defined benefit plan obligations, in thousand soums	(2,043,507)	2,271,206	2,416,953	(2,211,968)

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 of one another.

23. TRADE ACCOUNT PAYABLES

As at 31 December trade payables comprised:

<i>In thousand soums</i>	2023	2022
Trade payables for supply of property and equipment	1,199,437,024	341,589,175
Trade payables for services rendered	442,602,793	454,898,165
Trade payables for inventory received	62,256,287	39,283,549
Trade payables for SORM equipment	527,569	56,484,280
	1,704,823,673	892,255,169

As at 31 December 2023 and 2022, trade payables were interest-free.

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

<i>In thousand soums</i>	2023	2022
US dollars	613,895,486	615,077,748
Japanese Yen	747,177,605	915
Soums	343,400,630	275,642,192
Euro	149,545	82,321
Other	200,407	1,451,993
	1,704,823,673	892,255,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. CONTRACT LIABILITIES**

<i>In thousand soums</i>	2023	2022
Advances received from subscribers	295,967,701	345,922,172
Advances received for construction of apartments	34,319,480	44,595,562
Advances received for construction works	3,894,836	6,612,064
Other advances received	3,609,341	41,157,905
	337,791,358	438,287,703

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

<i>In thousand soums</i>	2023	2022
As at 1 January	345,922,172	364,804,504
Deferred during the year	5,668,011,689	4,568,095,020
Recognised as revenue during the year	(5,717,966,160)	(4,586,977,352)
As at 31 December	295,967,701	345,922,172

25. OTHER CURRENT FINANCIAL LIABILITIES

As at 31 December other current financial liabilities comprised:

<i>In thousand soums</i>	2023	2022
Other current financial liabilities		
Unused vacation reserve	48,823,964	34,845,056
Payables to content providers	16,623,228	12,942,194
Payables to employees	8,303,423	1,419,284
Payables to dealers	8,773,339	10,634,274
Payables for bank services	3,258,130	3,063,060
Payables for labour union	3,551,846	1,383,474
Other payables	18,177,739	11,416,064
	107,511,669	75,703,406

26. OTHER CURRENT NON-FINANCIAL LIABILITIES

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

<i>In thousand soums</i>	2023	2022
Taxes payable	138,926,548	101,271,047
Government grant	53,000,000	20,000,000
	191,926,548	121,271,047

As at 31 December 2023 and 2022, other current financial liabilities were not interest bearing and the balances were mainly denominated in Uzbek soums.

<i>In thousand soums</i>	2023	2022
At 1 January	20,000,000	–
Received during the year	33,000,000	20,000,000
Released to the statement of profit and loss	–	–
As 31 December	53,000,000	20,000,000

As at 31 December 2023, 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. As of 31 December 2023 and 2022 the Group did complied with all conditions of the government grants and accordingly did not recognize it as an income in the consolidated statements of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27. REVENUE**

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

<i>In thousand soums</i>	2023	2022
Mobile network services	2,504,665,758	2,220,350,824
Fixed line internet services	2,748,599,962	1,876,457,956
Interconnect	1,606,981,981	1,464,016,186
Usage of channels	513,083,005	408,785,779
Sale of equipment and accessories	101,326,337	139,883,757
Fixed line telephony services	74,162,206	88,105,856
Telecommunication maintenance services	21,648,820	19,351,441
Internet protocol television services	4,430,772	4,643,524
Others	278,254,259	138,327,997
Total revenue	7,853,153,100	6,359,923,320
Goods transferred at a point of time	101,326,337	139,883,757
Services transferred over time	7,751,826,763	6,220,039,563
Total revenue	7,853,153,100	6,359,923,320

The revenue from mobile network and fixed line internet services are processed through the billing system and amounted to 5,253,265,720 thousand soums for the year ended 31 December 2023 (2022: 4,096,808,780 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:

<i>In thousand soums</i>	2023	2022
Interconnect	1,580,320,465	1,351,031,960
Payroll expenses and social security contributions	1,532,763,451	844,495,615
Depreciation and amortization	833,645,883	826,745,225
Inventories	514,152,345	235,696,416
Technical support (SORM)	119,479,664	161,147,473
Utilities	87,654,034	84,611,994
Installment of cables and maintenance fee	86,428,332	98,742,067
Usage of channels	11,948,054	11,374,095
Other	180,807,811	215,951,871
	4,947,200,039	3,829,796,716

29. SELLING EXPENSES

Selling expenses for the years ended 31 December comprised:

<i>In thousand soums</i>	2023	2022
Payroll expenses and social security contributions	270,658,077	171,679,402
Payment systems commission	183,723,511	149,208,173
Amortization of cost to obtain contract (Note 13)	105,196,128	98,559,995
Advertising expenses	27,169,937	25,892,544
Depreciation and amortization	1,194,818	1,146,199
Other selling expenses	11,093,323	8,946,322
	599,035,794	455,432,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. GENERAL AND ADMINISTRATIVE EXPENSES**

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

<i>In thousand soums</i>	2023	2022
Taxes and other payments	332,963,547	259,892,185
Payroll expenses and social security contributions	262,759,878	299,340,828
Materials	35,829,253	17,192,197
Charity contributions	30,322,349	46,854,927
Depreciation and amortization	10,806,305	18,786,997
Audit and consultancy services	11,590,333	10,060,409
Bank services	6,311,682	6,010,312
Retirement benefit obligations	4,918,968	1,659,115
Donated property, plant and equipment	10,380,403	15,878,993
Accrual of provision of unused vacation and related taxes	1,427,718	2,187,868
Other administrative expenses	47,325,504	38,714,461
	754,212,554	716,578,292

31. IMPAIRMENT AND EXPECTED CREDIT LOSSES

Impairment comprises the following:

<i>In thousand soums</i>	2023	2022
Accrual of provision for advances paid for inventories and services (Note 17)	83,620	7,031,587
Accrual of provision for non-current advances paid (Note 10)	696,469	7,683,079
Recovery of provision for advances paid for inventories and services (Note 17)	(7,544,598)	(6,358,280)
Recovery of provision for non-current advances paid (Note 10)	(5,617,676)	(262,240)
	(12,382,185)	8,094,146

Expected credit losses comprise the following:

<i>In thousand soums</i>	2023	2022
Accrual of allowance for expected credit losses (Note 16)	182,498,754	219,333,233
Recovery of allowance for expected credit losses (Note 16)	–	(28,152,641)
	182,498,754	191,180,592

32. (FINANCE COSTS) / FINANCE INCOME

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

<i>In thousand soums</i>	2023	2022
Finance costs		
Interest expense on loans (Note 37)	(372,920,393)	(215,105,385)
Unwinding of discount on long-term borrowings (Note 37)	(89,733,860)	(67,234,949)
Interest expense on lease liabilities (Note 21 and 37)	(13,039,738)	(38,426,498)
Loans commissions	(25,093,901)	(12,503,249)
Interest expense on employee benefits obligations (Note 22)	(9,098,887)	(4,549,443)
Other costs	(8,999,700)	(4,296,999)
	(518,886,479)	(342,116,523)
Finance income		
Interest income on deposits	564,328	510,354
Unwinding of discount on long-term assets	423,823	–
Dividend income	7,858	1,488,875
	996,009	1,999,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33. OTHER OPERATING INCOME**

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

<i>In thousand soums</i>	2023	2022
Other operating income		
Income from disposal of property and equipment	57,046,228	6,953,363
Income from rent	28,133,096	25,052,550
Income from penalties	5,919,391	4,595,953
Income from write-off of accounts payable	1,014,905	694,498
Equipment received free of charge	490,462	2,091,555
Other operating income	22,587,975	17,111,216
	115,192,057	56,499,135

34. INCOME TAX EXPENSES

Income tax expenses for the years ended 31 December comprised:

<i>In thousand soums</i>	2023	2022
Corporate income tax expenses	24,200,533	49,422,648
Deferred income tax expense	62,091,104	87,646,385
	86,291,637	137,069,033

Tax rate for the Group and subsidiaries was 15% in 2023 and 2022.

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% (2022: 15%), with the current corporate income tax expenses for the years ended 31 December is out below:

<i>In thousand soums</i>	2023	2022
Profit before taxation	494,437,856	871,905,876
Income tax at statutory income tax rate of 15%	74,165,678	130,785,881
Effect of income that is not taxable in determining taxable profit	(4,376,916)	(14,236,976)
Permanent differences	16,502,875	20,520,128
Total income tax expenses	86,291,637	137,069,033

As at 31 December 2023, 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:

<i>In thousand soums</i>	31 December 2023	Recognized in statement of compre- hensive income	31 December 2022	Recognized in statement of compre- hensive income	31 December 2021
Deferred tax assets					
Inventories	12,972,728	9,181,398	3,791,330	14,901,802	(11,110,472)
Capitalised foreign exchange loss	53,566,692	(31,875,003)	85,441,695	(52,509,153)	137,950,848
Trade accounts payable	5,244,587	(280,873)	5,525,460	537,656	4,987,804
Lease liabilities	35,093,355	11,086,229	24,007,126	-	24,007,126
Intangible assets	-	(11,198,531)	11,198,531	2,584,742	8,613,789
Trade and other receivables	69,224,956	46,619,763	22,605,193	27,253,826	(4,648,633)
Other	43,615,237	2,049,653	41,565,584	9,028,824	32,536,760
Deferred tax assets	219,717,555	25,582,636	194,134,919	1,797,697	192,337,222
Deferred tax liabilities					
Property and equipment	(394,692,068)	(49,177,199)	(345,514,869)	(95,368,466)	(250,146,403)
Right-of-use assets	(40,933,114)	(22,114,686)	(18,818,428)	2,144,916	(20,963,344)
Intangible assets	(3,161,657)	(3,161,657)	-	-	-
Costs to obtain a contract	(8,323,637)	(3,164,722)	(5,158,915)	(460,283)	(4,698,632)
Borrowings	(18,017,012)	(10,055,476)	(7,961,536)	4,239,751	(12,201,287)
Deferred tax liabilities	(465,127,488)	(87,673,740)	(377,453,748)	(89,444,082)	(288,009,666)
Deferred tax liabilities, net	(245,409,933)	(62,091,104)	(183,318,829)	(87,646,385)	(95,672,444)

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 9,041,226 thousand soums (2022: 18,378,498 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:

<i>In thousand soums</i>	2023	2022
Deferred tax assets	219,717,555	194,134,919
Deferred tax liabilities	(465,127,488)	(377,453,748)
Net deferred tax liabilities	(245,409,933)	(183,318,829)

<i>In thousand soums</i>	2023	2022
Reconciliation of deferred tax liabilities, net		
Balance at 1 January	(183,318,829)	(95,672,444)
Income tax expense for the reporting period	(62,091,104)	(87,646,385)
Balance at 31 December	(245,409,933)	(183,318,829)

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:

- Purchases of property and equipment on credit on 2023 equal to 1,033,667,098 thousand soums (*Note 37*) (2022: 206,434,426 thousand soums);
- In 2023, the Group recognized adjustment to initial recognition of fair value of the borrowings obtained for the equipment purchased, which resulted in a decrease of the acquisition cost of property and equipment by 128,150,177 thousand soums (2022: 20,500,604 thousand soums);
- In 2022, the Group has received in kind contribution in the form of building in the amount of 14,501,312 thousand soums at fair value, which resulted increase of additional paid in capital.

36. RELATED PARTY TRANSACTIONS

The Group provides telecommunication services to the Parent and entities controlled by the Parent. The category of state owned entities includes 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 2023, the Group recognized a provision for expected credit loss in the amount of 330,831 thousand soums in respect of receivables from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**36. RELATED PARTY TRANSACTIONS (continued)**

Sales and purchases with related parties during the years ended 31 December 2023 and 2022 and the balances with related parties at 31 December 2023 and 2022 were as follows:

<i>In thousand soums</i>	2023	2022
Sales of goods and services	71,262,286	311,002,020
Parent	2,284	173
State owned entities	71,256,198	310,257,221
Associates	3,804	744,626
Purchases of goods and services	227,884,038	210,849,264
Parent	119,401	–
State owned entities	227,339,214	210,469,402
Associate	425,423	379,862
Selling expenses	157,077,924	83,848,314
Parent	30	–
State owned entities	157,074,994	83,848,314
Associate	2,900	–
General and administrative expenses	278,894,505	2,068,352
Parent	514,964	–
State owned entities	277,727,199	1,628,323
Associate	652,342	440,029
Other operating income	22,655,399	19,547,962
Parent	451	–
State owned entities	22,649,616	19,385,174
Associate	5,332	162,788
Finance income	359,984	1,569,640
State owned entities	359,984	83,326
Associate	–	1,486,314
Finance costs	147,083,264	92,888,207
Parent	2,712,693	–
State owned entities	144,370,571	92,888,207
Additions of intangible assets	–	84,524,870
State owned entities	–	84,524,870
Additions of property, plant and equipment	–	43,469,538
State owned entities	–	43,469,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**36. RELATED PARTY TRANSACTIONS (continued)**

<i>In thousand soums</i>	2023	2022
Cash and cash equivalents	11,817,078	11,920,161
Entities under state control	11,817,078	11,920,161
Borrowings and bonds (Note 20)	1,011,067,483	1,655,431,281
Entities under state control	1,011,067,483	1,655,431,281
Investment at FVTPL	2,385,964	2,542,779
State owned entities	2,385,964	2,542,779
Trade receivables	101,204,544	118,227,935
Shareholders	321,057	9,597,065
State owned entities	83,060,393	105,689,805
Associates	17,823,094	2,941,065
Trade payables	138,273,591	110,642,830
Shareholders	11,797	51,766
State owned entities	102,940,613	106,333,690
Associates	35,321,181	4,257,374
Lease liability	542,550	62,092,378
Shareholders	1,248	–
State owned entities	541,302	62,092,378
Other current liabilities	129,949,752	37,974,385
Shareholders	2,334	140,568
State owned entities	129,947,418	37,822,151
Associates	–	11,666
Deferred revenue	–	29,935,307
State owned entities	–	29,935,307

Compensation to key management personnel

For the years ended 31 December 2023 and 2022, 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 comprehensive income under general and administrative expenses was 10,287,111 thousand soums and 4,092,923 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**

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:

<i>In thousand soums</i>	Increase in basis points	Effect on profit before tax	Decrease in basis points	Effect on profit before tax
2023				
LIBOR	3.97%	19,465,347	-3.97%	(14,760,950)
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)
2022				
LIBOR	2.45%	19,942,810	-2.45%	(18,357,273)
EURIBOR	1.36%	1,541,755	-1.36%	(1,402,249)
SOFR	2.23%	696,000	-2.23%	(690,128)
TORF/CIRR	0.61%	3,438,313	-0.61%	(3,509,334)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**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, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / Uzbek soums exchange rates.

The following table demonstrates the sensitivity to a reasonably possible changes in the exchange rates of US dollar 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.

<i>In thousand soums</i>	2023		2022	
	Increase/ (decrease) in exchange rate	Effect on profit before tax	Increase/ (decrease) in exchange rate	Effect on profit before tax
	17%	457,223,841	15%	348,608,115
US dollars	-17%	(457,223,841)	-15%	(348,608,115)
	4%	77,837,008	15%	146,856,537
JPY	-4%	(77,837,008)	-15%	(146,856,537)
	17%	332,359,929	15%	142,240,237
Euro	-17%	(332,359,929)	-15%	(142,240,237)

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 13, 16, 18 and 19*.

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 stress 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 23% of the Group's debt will mature in less than one year at 31 December 2023 (31 December 2022: 17%) based on the carrying amount of borrowings and leases reflected in the consolidated financial statements.

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

<i>In thousand soums</i>	Less than 1 year	From 1 to 5 years	More than 5 years	Total
At 31 December 2023				
Borrowings	2,417,439,110	4,134,028,489	213,629,760	6,765,097,359
Lease liabilities	55,987,381	327,033,574	192,849,296	575,870,251
Trade payables	1,704,823,673	–	–	1,704,823,673
Other current financial liabilities	107,511,669	–	–	107,511,669
	4,285,761,833	4,461,062,063	406,479,056	9,153,302,952
At 31 December 2022				
Borrowings	1,712,508,159	2,606,909,844	217,735,661	4,537,153,664
Lease liabilities	52,328,656	236,237,809	134,308,323	422,874,788
Trade payables	892,255,169	–	–	892,255,169
Other current financial liabilities	75,703,406	–	–	75,703,406
	2,732,795,390	2,843,147,653	352,043,984	5,927,987,027

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 2023 and 2022.

The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total equity. The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt interest bearing borrowings and lease liabilities. 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:

<i>In thousand soums</i>	31 December 2023	31 December 2022
Interest-bearing loans and borrowings	5,989,943,475	4,310,818,948
Lease liabilities	289,943,083	229,404,098
Debt	6,279,886,558	4,540,223,046
Total equity, including non-controlling interests	2,860,246,635	2,432,985,320
Debt-equity ratio	2.20	1.87

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 2023 was as follows:

		Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
<i>In thousand soums</i>		Date of valuation			
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2023	-	-	19,992,817	19,992,817
Other non-current financial assets	31 December 2023	-	-	3,410,425	3,410,425
Other current financial assets	31 December 2023	-	-	1,784,200	1,784,200
Trade receivables	31 December 2023	-	-	229,333,898	229,333,898
Liabilities for which fair values are disclosed					
Borrowings	31 December 2023	-	-	5,840,957,434	5,840,957,434
Lease liabilities	31 December 2023	-	-	272,475,578	272,475,578
Other current financial liabilities	31 December 2023	-	-	107,511,669	107,511,669
Trade payables	31 December 2023	-	-	1,704,823,673	1,704,823,673

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 2022 was as follows:

		Fair value measurement using			Total
		Price quotations on active markets (Level 1)	Significant observable in-puts (Level 2)	Significant unobservable in-puts (Level 3)	
<i>In thousand soums</i>		Date of valuation			
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2022	-	-	17,501,681	17,501,681
Other non-current financial assets	31 December 2022	-	-	2,902,427	2,902,427
Other current financial assets	31 December 2022	-	-	2,006,200	2,006,200
Trade receivables	31 December 2022	-	-	244,422,971	244,422,971
Liabilities for which fair values are disclosed					
Borrowings	31 December 2022	-	-	4,202,577,005	4,202,577,005
Lease liabilities	31 December 2022	-	-	224,819,221	224,819,221
Other current financial liabilities	31 December 2022	-	-	75,703,406	75,703,406
Trade payables	31 December 2022	-	-	892,255,169	892,255,169

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,

<i>In thousand soums</i>	Carrying amount 2023	Fair value 2023	Unrecog- nised gain/(loss) 2023	Carrying amount 2022	Fair value 2022	Unrecog- nised gain/(loss) 2022
Financial assets						
Cash and cash equivalents	19,992,817	19,992,817	-	17,501,681	17,501,681	-
Other non-current financial assets	3,410,425	3,410,425	-	2,902,427	2,902,427	-
Other current financial assets	1,784,200	1,784,200	-	2,006,200	2,006,200	-
Trade receivables	229,333,898	229,333,898	-	244,422,971	244,422,971	-
Financial liabilities						
Borrowings	5,980,943,475	5,840,957,434	139,986,041	4,310,818,948	4,202,577,005	108,241,943
Lease liabilities	289,943,043	272,475,578	17,467,465	229,404,098	224,819,221	4,584,877
Other current financial liabilities	107,511,669	107,511,669	-	75,703,406	75,703,406	-
Trade payables	1,704,823,673	1,704,823,673	-	892,255,169	892,255,169	-
Total unrecognised change in unrealised fair value			157,453,506			112,826,820

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2023 were as follows:

<i>In thousand soums</i>	1 January 2023	Principal obtained/ additions	Gain on initial recognition (recognized in equity)/ Modifications	Acquisition of property and equipment	Gain on initial recognition (recognized in property and equipment)	Repayment of principal	Interest expense (Note 32)	Interest paid	Unwinding of discount (Note 32)	Net foreign exchange loss	Other movements	31 December 2023
Borrowings	4,310,818,948	1,744,112,935	(15,425,166)	1,033,667,098	(128,150,177)	(1,540,645,788)	372,920,393	(363,928,087)	89,733,860	489,165,796	(2,326,337)	5,989,943,475
Lease liabilities	229,404,098	87,298,697	27,653,948	–	–	(54,413,660)	13,039,738	(13,039,738)	–	–	–	289,943,083
Total	4,540,223,046	1,831,411,632	12,228,782	1,033,667,098	(128,150,177)	(1,595,059,448)	385,960,131	(376,967,825)	89,733,860	489,165,796	(2,326,337)	6,279,886,558

Changes in liabilities due to financial activities for 2022 were as follows:

<i>In thousand soums</i>	1 January 2022	Principal obtained/ additions	Acquisition of property and equipment	Gain on initial recognition (recognized in property and equipment)	Net foreign exchange gain	Repayment of principal	Interest expense (Note 32)	Interest paid	Unwinding of discount (Note 32)	Other movements	31 December 2022
Borrowings	4,915,089,531	905,604,680	206,434,426	(20,500,604)	(19,690,124)	(1,735,586,273)	215,105,385	(227,184,982)	67,234,949	4,311,960	4,310,818,948
Lease liabilities	160,047,509	81,027,302	–	–	–	(11,670,713)	38,426,498	(38,426,498)	–	–	229,404,098
Total	5,075,137,040	986,631,982	206,434,426	(20,500,604)	(19,690,124)	(1,747,256,986)	253,531,883	(265,611,480)	67,234,949	4,311,960	4,540,223,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2023 was 32% of the total revenue (2022: 35%).

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 noncompliant 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 January 2024 the Group received a credit tranche under the exiting credit loan agreement with JBIC (*Note 20*) in the amount of 1,729,826,959 thousand soums. The loan was used to refinance existing obligations under the supply agreements with Toyota Tsusho Corporation.

In June 2024 the Group received a loan under the agreement with Deutsche Bank AG for financing capital expenditures in the amount of 154 million Euro (equivalent of 2,252,314,954 thousand soums) with interest rate EURIBOR +4.8% per annum with maturity until 2028.