

**JSC “Navoiyazot”**

**Consolidated Financial Statements  
for 2020  
and Independent Auditors’ Report**

## **Contents**

|   |    |
|---|----|
| Independent Auditors' Report  | 3  |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 6  |
| Consolidated Statement of Financial Position                            | 7  |
| Consolidated Statement of Changes in Equity                             | 8  |
| Consolidated Statement of Cash Flows                                    | 9  |
| Notes to the Consolidated Financial Statements                          | 10 |



# Independent Auditors' Report

## To the Shareholders of Joint Stock Company "Navoiazot"

### Qualified Opinion

We have audited the consolidated financial statements of Joint Stock Company "Navoiazot" (the "Company") (and its subsidiaries (the "Group")), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Qualified Opinion

We did not observe the counting of inventories stated at UZS 357 004 million as at 31 December 2020 (31 December 2019: UZS 444 747 million), respectively, because we were appointed as auditors of the Group only after specified date. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been necessary in respect of inventories as at 31 December 2020, and the related elements making up the consolidated statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows as at and for the year then ended.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Audited entity: JSC "Navoiazot"

Registered by State Property Committee of the Republic of Uzbekistan on 29 March 2002.

Navoi, Uzbekistan.

Independent auditor: AO "KPMG Audit" LLC, a company incorporated under the Laws of the Republic of Uzbekistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



### Other Matter

The corresponding figures as at and for the year ended 31 December 2019 and as at 1 January 2019 are unaudited.

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

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

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

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

### Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

The engagement partner on the audit resulting in this independent auditors' report is:



Saidov S.K.  
General Director  
AO OOO KPMG Audit  
Tashkent, Uzbekistan  
25 April 2022



Adamov N.A.  
Engagement partner



**JSC "Navoiyazor"**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020*

| UZS mln  | Note | 2020               | 2019               |
|--|------|--------------------|--------------------|
| Revenue  | 5    | 2 160 355          | 1 478 004          |
| Cost of sales  | 6    | (2 167 845)        | (1 426 500)        |
| <b>Gross profit</b>  |      | <b>(7 490)</b>     | <b>51 504</b>      |
| Other income   |      | 29 499             | 23 545             |
| Distribution expenses  |      | (31 875)           | (20 626)           |
| Administrative expenses  | 6    | (72 027)           | (66 151)           |
| Other expenses   | 6    | (206 851)          | (134 543)          |
| <b>Loss from operating activities</b>                                      |      | <b>(288 744)</b>   | <b>(146 271)</b>   |
| Finance income   | 7    | 1 893              | 2 389              |
| Finance costs  | 7    | (1 266 934)        | (1 309 644)        |
| <b>Net finance costs</b>   |      | <b>(1 265 041)</b> | <b>(1 307 255)</b> |
| <b>Loss before income tax</b>  |      | <b>(1 553 785)</b> | <b>(1 453 526)</b> |
| Income tax gain  | 9    | 157 956            | 414 722            |
| <b>Loss for the year</b>   |      | <b>(1 395 829)</b> | <b>(1 038 804)</b> |
| <b>Other comprehensive income / (loss)</b>                                 |      |                    |                    |
| <i>Items that will never be reclassified to profit or loss:</i>            |      |                    |                    |
| Equity investments at FVOCI – net change in fair value                     |      | (809)              | 4 602              |
| Changes in pension liabilities   |      | 2 005              | (33 890)           |
| Related income tax   |      | 121                | (694)              |
| <b>Other comprehensive income / (loss) for the year, net of income tax</b> |      | <b>1 317</b>       | <b>(29 982)</b>    |
| <b>Total comprehensive loss for the year</b>                               |      | <b>(1 394 512)</b> | <b>(1 068 786)</b> |

These consolidated financial statements were approved by management on 25 April 2022 and were signed on its behalf by:

Chairman of the Management Board

O. Sh. Temirov



Chief accountant

Kh. S. Tilavov

*JSC "Navoiyazot"*  
*Consolidated Statement of Financial Position as at 31 December 2020*

| UZS mln                             | Note | 31 December<br>2020 | 31 December<br>2019 | 1 January<br>2019  |
|-------------------------------------|------|---------------------|---------------------|--------------------|
| <b>ASSETS</b>                       |      |                     |                     |                    |
| Property, plant and equipment       | 11   | 7 517 337           | 6 748 959           | 5 314 247          |
| Intangible assets                   |      | 81                  | 77                  | 56                 |
| Equity-accounted investments        |      | 781                 | 691                 | 728                |
| Other investments                   |      | 16 480              | 17 727              | 13 379             |
| Deferred tax assets                 | 9    | 1 336 559           | 1 157 182           | 896 931            |
| <b>Non-current assets</b>           |      | <b>8 871 238</b>    | <b>7 924 636</b>    | <b>6 225 341</b>   |
| Inventories                         | 12   | 357 004             | 444 747             | 195 742            |
| Trade and other receivables         | 13   | 97 473              | 157 611             | 197 199            |
| Other investments                   |      | 88                  | 244                 | 157                |
| Cash and cash equivalents           | 14   | 849                 | 5 159               | 2 607              |
| <b>Current assets</b>               |      | <b>455 414</b>      | <b>607 761</b>      | <b>395 705</b>     |
| <b>Total assets</b>                 |      | <b>9 326 652</b>    | <b>8 532 397</b>    | <b>6 621 046</b>   |
| <b>Equity</b>                       |      |                     |                     |                    |
| Share capital                       | 15   | 61 743              | 61 320              | 61 320             |
| Reserves                            |      | (28 569)            | (29 886)            | 96                 |
| Accumulated loss                    |      | (7 528 275)         | (6 147 873)         | (6 059 957)        |
| <b>Total equity</b>                 |      | <b>(7 495 101)</b>  | <b>(6 116 439)</b>  | <b>(5 998 541)</b> |
| <b>Liabilities</b>                  |      |                     |                     |                    |
| Loans and borrowings                | 17   | 12 006 394          | 12 871 885          | 11 731 229         |
| Other long-term liabilities         |      | 57 329              | 45 947              | 13 653             |
| Deferred tax liabilities            | 9    | 963                 | 1 002               | 1 040              |
| <b>Non-current liabilities</b>      |      | <b>12 064 686</b>   | <b>12 918 834</b>   | <b>11 745 922</b>  |
| Loans and borrowings                | 17   | 3 087 561           | 722 014             | 254 662            |
| Trade and other payables            | 18   | 1 460 544           | 998 666             | 604 776            |
| Other taxes payable                 |      | 204 620             | 7 408               | 12 462             |
| Current tax liabilities             |      | 4 342               | 1 914               | 1 765              |
| <b>Current liabilities</b>          |      | <b>4 757 067</b>    | <b>1 730 002</b>    | <b>873 665</b>     |
| <b>Total liabilities</b>            |      | <b>16 821 753</b>   | <b>14 648 836</b>   | <b>12 619 587</b>  |
| <b>Total equity and liabilities</b> |      | <b>9 326 652</b>    | <b>8 532 397</b>    | <b>6 621 046</b>   |

| UZS mln  | Attributable to equity holders of the Company |                 |                    |                    |
|--|---|-----------------|--------------------|--------------------|
|  | Share capital                                 | Reserves        | Retained earnings  | Total              |
| <b>Balance at 1 January 2019</b>                           | <b>61 320</b>                                 | <b>96</b>       | <b>(6 059 957)</b> | <b>(5 998 541)</b> |
| <b>Total comprehensive loss</b>                            |   |                 |                    |                    |
| Loss for the year  | -   | -               | (1 038 804)        | (1 038 804)        |
| <b>Other comprehensive income</b>                          |   |                 |                    |                    |
| Equity investments at FVOCI – net change in fair value     | -   | 4 602           | -                  | 4 602              |
| Changes in pension liabilities                             | -   | (33 890)        | -                  | (33 890)           |
| Related income tax   | -   | (694)           | -                  | (694)              |
| <b>Total other comprehensive loss</b>                      | -   | <b>(29 982)</b> | -                  | <b>(29 982)</b>    |
| <b>Total comprehensive loss for the year</b>               | -   | <b>(29 982)</b> | <b>(1 038 804)</b> | <b>(1 068 786)</b> |
| <b>Transactions with shareholders of the Company</b>       |   |                 |                    |                    |
| Dividends  | -   | -               | (1 361)            | (1 361)            |
| Other transactions with shareholders of the Company        | -   | -               | 952 249            | 952 249            |
| <b>Total transactions with shareholders of the Company</b> | -   | -               | <b>950 888</b>     | <b>950 888</b>     |
| <b>Balance at 31 December 2019</b>                         | <b>61 320</b>                                 | <b>(29 886)</b> | <b>(6 147 873)</b> | <b>(6 116 439)</b> |
| <b>Balance at 1 January 2020</b>                           | <b>61 320</b>                                 | <b>(29 886)</b> | <b>(6 147 873)</b> | <b>(6 116 439)</b> |
| <b>Total comprehensive loss</b>                            |   |                 |                    |                    |
| Loss for the year  | -   | -               | (1 395 829)        | (1 395 829)        |
| <b>Other comprehensive income</b>                          |   |                 |                    |                    |
| Equity investments at FVOCI – net change in fair value     | -   | (809)           | -                  | (809)              |
| Changes in pension liabilities                             | -   | 2 005           | -                  | 2 005              |
| Related income tax   | -   | 121             | -                  | 121                |
| <b>Total other comprehensive income</b>                    | -   | <b>1 317</b>    | -                  | <b>1 317</b>       |
| <b>Total comprehensive loss for the year</b>               | -   | <b>1 317</b>    | <b>(1 395 829)</b> | <b>(1 394 512)</b> |
| <b>Transactions with owners of the Company</b>             |   |                 |                    |                    |
| Issue of ordinary shares                                   | 904   | -               | -                  | 904                |
| Other transactions with owners of the Company              | (481)   | -               | 15 427             | 14 946             |
| <b>Total transactions with owners of the Company</b>       | <b>423</b>                                    | -               | <b>15 427</b>      | <b>15 850</b>      |
| <b>Balance at 31 December 2020</b>                         | <b>61 743</b>                                 | <b>(28 569)</b> | <b>(7 528 275)</b> | <b>(7 495 101)</b> |



| UZS mln  | 2020             | 2019             |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>  |                  |                  |
| Loss for the year  | (1 395 829)      | (1 038 804)      |
| <i>Adjustments:</i>  |                  |                  |
| Depreciation of property, plant and equipment  | 154 002          | 193 185          |
| Gain on disposal of inventories  | (4 566)          | (2 848)          |
| Loss on disposal of property, plant and equipment  | 4 003            | 10 257           |
| Accrued penalties  | 152 693          | 103 118          |
| Inventories reserve  | 15 656           | 14 693           |
| Change in allowance for impairment and amount of financial assets previously written off | 34 519           | 20 723           |
| Pension liability costs  | 4 368            | 446              |
| Net finance costs  | 233 672          | 10 960           |
| Exchange differences   | 1 060 293        | 1 123 643        |
| Income tax gain  | (157 956)        | (414 722)        |
| Other  | 20 443           | (17 289)         |
|  | <b>121 298</b>   | <b>3 362</b>     |
| Changes in:  |                  |                  |
| Inventories  | 76 654           | (260 849)        |
| Trade and other receivables  | 25 619           | 18 865           |
| Trade and other payables   | 273 349          | 289 411          |
| Other tax liabilities  | 197 212          | (5 053)          |
| <b>Cash flows from operations before income taxes and interest paid</b>                  | <b>694 132</b>   | <b>45 736</b>    |
| Income tax paid  | (21 708)         | (14 156)         |
| Interest paid  | (276 941)        | (184 440)        |
| <b>Net cash flows from/(used in) operating activities</b>                                | <b>395 483</b>   | <b>(152 860)</b> |
| <b>Cash flows from investing activities</b>  |                  |                  |
| Proceeds from sale of investments  | 595              | 252              |
| Acquisition of property, plant and equipment   | (303 049)        | (875 910)        |
| Acquisition of other investments   | -                | (87)             |
| <b>Net cash used in investing activities</b>   | <b>(302 454)</b> | <b>(875 745)</b> |
| <b>Cash flows from financing activities</b>  |                  |                  |
| Proceeds from borrowings   | 345 171          | 1 046 853        |
| Other transactions with shareholders   | (5 000)          | -                |
| Repayment of borrowings  | (437 510)        | (15 696)         |
| <b>Net cash from/(used in) financing activities</b>                                      | <b>(97 339)</b>  | <b>1 031 157</b> |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>                             | <b>(4 310)</b>   | <b>2 552</b>     |
| Cash and cash equivalents at 1 January   | 5 159            | 2 607            |
| <b>Cash and cash equivalents as at 31 December</b>                                       | <b>849</b>       | <b>5 159</b>     |