THE GOLD SEGMENT OF STATE COMPANY
"NAVOI MINING AND METALLURGICAL COMBINAT"

IFRS-LIKE PRO-FORMA INCOME STATEMENT AND BALANCE SHEET WITH ACCOMPANYING NOTES FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

IFRS-like pro-forma Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

USD in millions	Notes	2018	2017
Revenue from gold	7	**2,993.5**	**2,973.1**
Cost of goods sold, excluding royalty	8	(758.3)	(711.6)
Royalty	9	(927.2)	(802.7)
Gross Profit		**1,308.0**	**1,458.8**
Administrative expenses	11	(93.6)	(112.6)
Government grants	13	-	135.1
Other operating expenses, net	14	(58.1)	(66.9)
Operating profit		**1,156.3**	**1,414.4**
Finance income, net	15	24.4	24.9
Profit before tax		**1,180.7**	**1,439.3**
Income tax expense		(141.7)	(172.7)
Net profit for the period		**1,039.0**	**1,266.6**
Contributions to the state budget	16	(856.1)	(1,120.2)
Total after contributions to the state budget		**182.9**	**146.4**

General director, Sanakulov K.S. ____________________

First deputy general director, Ponkratova O.I. ____________________

IFRS-like pro-forma balance sheet
at 31 December

USD in millions	Notes	**2018**	**2017**
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,062.9	604.8
Letter of credit	18	53.5	166.0
Inventory for the construction of non-current assets		15.1	18.4
Advances paid for the purchase of non-current assets		4.6	19.7
Investments classified at fair value through other comprehensive income		3.3	3.1
Intangible assets		0.1	0.1
Other non-current assets		1.5	1.6
Total non-current assets		**1,141.0**	**813.7**
Current assets			
Inventory	19	147.5	128.9
Advances paid		48.4	14.3
Trade receivables	20	6.9	6.7
Income tax prepaid		4.4	-
Cash and cash equivalents	21	1.0	1.6
Other receivables	22	30.7	39.2
Other prepaid taxes	23	6.1	9.0
Total current assets		**275.0**	**199.7**
TOTAL ASSETS		**1,386.0**	**1,013.4**
Equity			
Retained earnings	24	457.2	374.8
Share capital		306.9	302.2
Foreign exchange translation reserve		(188.0)	(182.0)
Other reserves	25	390.6	254.7
TOTAL EQUITY		**966.7**	**749.7**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	195.9	100.4
Provisions for liabilities and charges		-	0.7
Other non-current liabilities		2.5	4.6
Total non-current liabilities		**198.4**	**105.7**
Current liabilities			
Trade payables	27	106.0	75.8
Advances received		2.6	0.5
Short-term borrowings		-	1.2
Income tax payable		-	0.5
Other taxes payable	28	96.7	79.8
Other payables	29	15.6	0.2
Total current liabilities		**220.9**	**158.0**
TOTAL LIABILITIES		**419.3**	**263.7**
TOTAL EQUITY AND LIABILITIES		**1,386.0**	**1,013.4**

1. General Information

The 100% state owned enterprise Navoi mining and metallurgical Combinat (hereinafter referred as «NMMC» or «the Company») is an organization in the form of the State Unitary Enterprise based in Uzbekistan. NMMC's registered address: The Republic of Uzbekistan, Navoi, Navoi Street 27.

The Company's main activities are mining, refining and sales of fine gold and uranium. NMMC is the largest gold producer in Uzbekistan and 6th producer by volume based on GMFS Gold Survey 2018, Thomson Reuters. The Company's operating gold assets include 5 main metallurgical plants and 13 main mines. NMMC's gold ore resource base includes reserves of more than 43 deposits in Western Uzbekistan. Based on GosKomGeology reports, as of 01.01.2019 NMMC had a total of total of 3,540 tons of C1 + C2 gold reserves in relation to the current deposits. Additional 347 tons of C1 + C2 gold reserves are available in the perspective fields not yet developed.

The Company does not have any entities, over which it exercises control and which could have been classified as subsidiaries and consolidated in accordance with IFRS.

NMMC employs about 57 thousand people. The Company plays a leading role in the economy of the Republic of Uzbekistan, forming the largest contribution to the state budget.

NMMC Transformation Project: Separation of Gold and Uranium businesses

Currently NMMC is undergoing business transformation launched by the President of the Republic of Uzbekistan in the beginning of 2019. The transformation is designed to separate gold and uranium businesses, increase gold production and efficiency, introduce the world's best practices in operations with the aim to attract foreign investors via IPO on the international stock exchange in 2023. This document is primarily focused on the 2017-2018 results of the Gold Business of NMMC.

Going Concern

In assessing the appropriateness of the going concern assumption, the Management have taken into account the Company's Gold business financial position, expected future trading performance, its borrowings, available credit facilities and its capital expenditure commitments, expectations of the future gold price, currency exchange rates and other risks facing the Company. The Company's management considers that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date of signing these financial statements.

2. Basis for preparing pro-forma statements

IFRS-like pro-forma Balance Sheet	Method of separation of Gold and other segments
Assets	
Property, plant and equipment Intangible assets Letter of credit Trade receivables Inventory, including: - work in progress; - finished goods; - goods for resale Other prepaid taxes	Directly attributable to segment
Advances paid for the purchase of non-current assets Inventory for the construction of non-current assets Investments classified at fair value through other comprehensive income Other non-current assets Advances paid Income tax prepaid Cash and cash equivalents	Fully to Gold Business
Inventory, including: - raw materials Other receivables	Proportionately to Cost of Sales of Gold
Liabilities	
Long-term borrowings Other non-current liabilities Provisions for liabilities and charges Short-term borrowings Advances received Other taxes payable	Fully to Gold Business
Trade payables Other payables	Proportionately to Cost of Sales of Gold
Income tax payable	Proportionately to segment income tax for the period

IFRS-like pro-forma Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December	Method of separation of Gold and other segments
Revenue from gold Cost of goods sold, excluding royalty Royalty Income tax expense	Directly attributable to segment, based on management accounts
Government grants Finance income/(expense)	Fully to Gold Business
Administrative expenses Other operating income/(expenses)	Proportionately, based on management accounts

Resulting pro-forma statements by key segments

For the year ended 31 December 2018	Gold Business	Other segments	NMMC Total
Revenue	2,993.4	242.0	3,235.4
Cost of goods sold, excluding royalty	(758.3)	(121.5)	(879.8)
Royalty	(927.1)	(21.9)	(949.0)
Gross Profit	**1,308.0**	**98.6**	**1,406.6**
Administrative expenses	(93.6)	(61.8)	(155.4)
Government grants	-	-	-
Other operating expenses, net	(58.1)	7.1	(51.0)
Operating profit	**1,156.3**	**43.9**	**1,200.2**
Finance income, net	24.4	0.9	25.3
Profit before tax	**1,180.7**	**44.8**	**1,225.5**
Income tax expense	(141.7)	(1.7)	(143.4)
Net profit for the period	**1,039.0**	**43.1**	**1,082.1**
Contributions to the state budget	(856.1)	-	(856.1)
Total after contributions to the state budget	**182.9**	**43.1**	**226.0**

For the year ended 31 December 2017	Gold Business	Other segments	NMMC Total
Revenue	2,973.1	200.7	3,173.8
Cost of goods sold, excluding royalty	(711.6)	(131.5)	(843.1)
Royalty	(802.7)	(21.7)	(824.4)
Gross Profit	**1,458.8**	**47.5**	**1,506.3**
Administrative expenses	(112.6)	(45.6)	(158.2)
Government grants	135.1	-	135.1
Other operating expenses, net	(66.9)	9.4	(57.5)
Operating profit	**1,414.4**	**11.3**	**1,425.7**
Finance income, net	24.9	17.6	42.5
Profit before tax	**1,439.3**	**28.9**	**1,468.2**
Income tax expense	(172.7)	(1.6)	(174.3)
Net profit for the period	**1,266.6**	**27.3**	**1,293.9**
Contributions to the state budget	(1,120.2)	-	(1,120.2)
Total after contributions to the state budget	**146.4**	**27.3**	**173.7**

3. Accounting principles and limitations on application of IFRS principles

The Company maintains its accounting records in accordance with the laws, accounting and reporting regulations of the Republic of Uzbekistan. Its accounting principles and financial reporting procedures in this jurisdiction may differ from generally accepted under International Financial Reporting Standards. Accordingly, such financial information has been selectively adjusted with selective application of the IFRS principles. The adjustments made are described below:

Adjustments	Reclassifications	Pro-forma adjustments
• write-off of investments classified at fair value through other comprehensive income; • write off of slow-moving inventory; • accrual of bad debt provision; • adjustment for currency exchange rate changes;	• advances paid from receivables to advances paid for the purchase of non-current assets; • letters of credit from cash to non-current assets; • short-term commodity loan into other receivables for inventory transferred to customers; • stripping costs into property, plant and equipment, which have met criteria of capitalization; • construction inventory from current assets to non-current assets; • received commodity loans into other payables; • other reserves into other payables, other long-term payables and retained earnings; • income recognized directly in equity into profit and loss; • offset of balances and transactions between divisions of the Company; • offset of tax prepaid and tax payable;	• recalculation of revenue from sale of fine gold retrospectively applying the formula and arrangement effective from 1 January 2019; • adjustment of royalty and corporate income tax in line with recalculated revenue and actual royalty and tax rates; • adjustment of trade receivables to reflect the change in sales as described above; • adjustment of tax payable to reflect the change in royalty and corporate income tax as described above; • adjustment for income tax of Gold business based on reported profit before tax and 12% corporate tax rate.

The restrictions for preparation of these pro-forma financial statements are set in the table below:

Section	**Description of the Company's approach and the assumptions used in the preparation of IFRS-like statements**	**Description of IFRS requirements and potential impact on the pro-forma IFRS – like financial statements**	**Link to IFRS, IAS**
Fixed assets (hereinafter – "FA»)	The cost of fixed assets and construction in progress is reflected in accordance with the requirements of the National Accounting Standards (hereafter – "NAS").	The Company has chosen fair value of fixed assets as deemed cost which will be determined by the independent professional appraiser.	IAS 16.29, IFRS1. D5, D6 IAS 16 para

	According to NAS, fixed assets are initially recognized at cost, and subsequently revalued in accordance with the requirements of the legislation of the Republic of Uzbekistan. In addition, the cost of fixed assets includes the following expenses: - mining and geological exploration costs reflected in the NAS as part of deferred expenses. - capitalized interest on loans for investment purposes (see section on loans below). Financing of exploration works carried out within the Company by the GRE (geological exploration expedition) in 2017 and 2018. According to statutory accounting, the exploration costs incurred in-house are initially recorded by the Company on the special purpose account. The transfer of accumulated expenses is made by debiting the retained earnings account and crediting special purpose account. These expenses were reflected in cost of sales in the pro-forma financial statements. In accordance with IFRS, exploration costs are subject to capitalization and reflection as fixed assets. The requirements of IFRS 6 must be met for this purpose. Further analysis will be performed by the Company.	The appraiser determines the useful lives of fixed assets which will reflect the term of obtaining economic benefits. The mineral rights (mining licenses) will be reflected as fixed assets in IFRS. The Company plans to analyze the capitalized costs of mining and site preparation works in order to classify them as stripping costs and develop an accounting policy for IFRS reporting purposes The Company will develop an accounting policy with respect to exploration and evaluation costs with the determination of the moment from which the costs are to be capitalized in accordance with IFRS. IFRS 6 permits the application of local standards accounting policies for IFRS purposes with some restrictions. The potential impact on the presented financial statements may be material.	56, 60-62 IFRS 6
	The Company did not analyze the following assets during the preparation of the Forms: - fixed assets (real estate) intended for lease; - assets held for sale or disposal free of charge, included in capital investments and fixed assets, - fixed assets that are actually used but not put into operation.	If the Company has objects for leasing out, they shall be considered as a part of investment property according to IAS 40. The Company will choose fair value model in its IFRS accounting policy for recognition of investment property. At the same time, fair value will be used as the deemed cost at the date of transition to IFRS. Assets held for sale or disposal free of charge to the state or other companies, potentially cannot meet definition of assets in IFRS, therefore, additional analysis is required. Objects that do not meet the definition of assets are not recognized as fixed assets. The costs of creating these objects are recognized in profit or loss as they occur.	IAS 40.30, IFRS1.D7 IAS 16.7

		The main criteria for putting an object into operation in IFRS is its readiness for use. The potential impact to the presented financial statements may be material.	IAS 16.55
	As at the date of transition to IFRS, it is recommended to use fair value of assets as deemed cost which was not required for the purposes of preparation of the management reporting forms. The Company did not make adjustments: - to reflect the impairment of assets, - to reflect the cost of decommissioning of an asset, - the depreciation charge of assets that was not used for a certain period of time. For additional analysis of fixed assets and construction in progress, the Company will classify them into the following groups: - fixed assets and construction in progress of the production; - fixed assets and unfinished construction of the social sector; - unused fixed assets; - objects of construction in progress, which are not planned to be used in future.	Fixed assets that are unable to bring economic benefits to the Company in the future and have no value in use should be written off. In accordance with IAS 36 depreciable fixed assets are tested for impairment when there are any events or changes in circumstances that indicate that their carrying amount cannot be recovered. An impairment loss is recognized in excess of the carrying amount of an asset over its recoverable amount. The impairment of the asset recorded in past periods is further analyzed in terms of possible recovery at each reporting date. In accordance with IAS 16 the cost of decommissioning of an asset at the end of its useful life should increase the asset value with the provision for expected expenses recognized in accordance with IAS 37. The Company is in the process of assessing the future costs of decommissioning of such assets and will revise the forecast at each reporting date. IAS 16 permits, as an acceptable method of depreciation, a method of writing off value in proportion to output (Unit of production). This method of depreciation is the most commonly used in mining industry. The Company is in the process of considering the choice of depreciation method in respect of the fixed assets used in the production. Depreciation charge is not suspended regardless of whether the objects are unused. The Company has chosen fair value of fixed assets as deemed cost at the date of transition to IFRS. After this the Company will conduct additional analysis and will make the following accounting entries if necessary: - impairment of fixed assets and construction in progress; - depreciation charge on unused assets, which have straight-line method of depreciation in the accounting policy;	IAS 16.7 IAS 36 para 1, 9, 12 IAS 16.16 (c) IAS 37.59 IAS 16 para 50, 55

		- changes of the asset value in the amount of provision for the decommissioning of the asset; - depreciation in accordance with the expected useful lives of fixed assets. The potential impact to the financial statements may be material.	
Advances given for the purchases of fixed assets and intangible assets	The Company prepared breakdown of advances given by counterparties indicating the subject of the advance. The management selected the advances given for the purchase of fixed assets and for construction of fixed assets from the breakdown. The Company did not identify other groups of assets to be reflected in non-current assets, including: - advances given for construction materials; - advances given for the exploration and evaluation expenditure, which subsequently have to be capitalized.	If the advance relates to fixed asset that should be recognized as a non-current asset at initial recognition, then it is a non-current advance. In this case the advance for construction materials may be presented in line item of construction in progress. Advances for exploration and evaluation expenditure should be presented as a non-current asset. The potential impact to the financial statements may be material.	IAS 1.66
Intangible assets ("IA") (except mineral rights (mining licenses))	The cost of IA is reflected in accordance with the requirements of the NAS, according to which, the cost is formed based on actual costs for obtaining the asset (license) with subsequent accrual of depreciation during the useful life.	According to IFRS, IA is an identifiable non-monetary asset that has no physical form. Historical cost will be used as deemed cost when IFRS are adopted for the first time.	IAS 38 para 8, 72, 78, IFRS 1.D7
	Non-exclusive rights to use software products are booked on a balance sheet of the Company as part of IA. The Company does not create IA on its own. The Company assessed acquisition costs of intangible assets as immaterial.	Under IAS 36, intangible assets that are subject to amortization are tested for impairment when there are any events or changes in circumstances that indicate that their carrying amount cannot be recovered. An impairment loss is recognized in excess of the carrying amount of an asset over its recoverable amount. The impairment of IA recorded in past periods is further analyzed in terms of possible recovery at each reporting date. An asset that meets the criteria and definition of IA under IFRS needs to be recognized as IA. IA that do not meet the criteria and definition of IA in IFRS should be written	IAS 36 para 1,9, 12 IAS 38 para 8-18

		off. The potential impact to the financial statements is immaterial.	
Investments (except loans issued)	The Company used the book value of investments that is reflected in accordance with the requirements of the NAS. By means of adjustments, the Company has written off the investments that are not expected to bring economic benefits in the future. The value of shares quoted on the Tashkent stock exchange has not been reflected at market value, as there are single transactions on the stock exchange (does not meet the definition of an active market). The Company made a breakdown of the investments into three groups: - investments in subsidiaries (written-off: organizations either liquidated or not functioning, the Company assumed the turnover and balances for consolidation are immaterial), - investments in associates (partly written down, the rest are not included in the accounts using the equity method because the amounts are immaterial), - other investments in the authorized capital of other companies and shares.	In accordance with the requirements of IFRS 10, entities, over which the Company exercises control, must be consolidated in the financial statements of the Group. In accordance with the requirements of IAS 28 organizations over which the enterprise has significant influence should be booked using the equity method. According to IFRS 9, financial assets in the form of shares, bonds, investments in the authorized share capital of other companies and other investments that are not included in the group of subsidiaries and associates must be classified as financial assets at fair value or amortized cost. To determine the classification of a financial asset, it is necessary to analyze the business model in accordance with IFRS 9 and, depending on the model, use the appropriate classification from the accounting policy. Fair value of investments can be determined with the assistance of expert evaluation if it cannot be determined using quotes in the market. The Company is in the process of analyzing investments for control or significant impact for the purposes of preparation of financial statements in accordance with IFRS. The Company will use expected credit loss model under IFRS 9 for impairment analysis of its financial assets. Upon initial recognition of financial assets, it is immediately necessary to reflect losses in the amount of expected credit losses for 12 months that are not credit impairment losses (or in the amount of expected credit losses for the entire term of the financial instrument for trade receivables). If there has been a significant increase in credit risk, the impairment is estimated on the basis of expected credit losses for the entire term of the financial instrument, rather than on the basis of expected credit losses for 12 months. The potential impact to the financial statements is immaterial.	IFRS 10 para 10-18 IAS 28 para 5, 16 IFRS 9 p.4.1 IFRS 9 p.5.5
Inventory	The cost of inventories is recorded at historical cost in accordance with the requirements of the NAS, taking	According to IFRS, inventories are measured at the lower of cost and net realizable value. If inventories are intended to be used in	IAS 2.9

	into account the adjustments: - impairment of inventories that are not moving during the year, - reclassification of inventory acquired for construction of fixed assets to a separate line. Fixed assets with cost less than fifty times of the minimum wage established in the Republic of Uzbekistan (at the time of acquisition) per unit are booked as inventories in accordance with NAS.	construction process, such inventories have to be included in the construction in progress because such assets do not meet the definition of a current asset. IFRS does not provide for the threshold of a value limit of fixed assets, and, as a consequence, the recognition of part of the fixed assets as inventories.	IAS 1.66, IAS 2.35 Framework QC11, IAS 8.8, IAS 1.31
	The Company did not collect the information for analysis and making of the following adjustments, if appeared to be applicable: - write-off of the value of the finished product to the net realizable value, if it is less than the cost. Yet management does not expect any instances of net realizable value to be lower than the cost of gold business finished product; - write-off of work-in-progress balances to net realizable value, including costs of bringing work-in-progress to finished products; - evaluation of poor ore, kept off-balance by the Company.	According to IFRS, inventories are measured at the lower of cost and net realizable value. Assets must be recognized as inventories, if they meet the criteria for recognition and identification. In NAS the Company records low grade (>0,5 g/t) ore as work in progress. In addition, the Company has large volume of low-grade ore (>0,2 g/t, referred to as Mineral mass) which was expensed historically. The Company plans to hire independent engineering contractor to assess whether such low-grade ore can be processed efficiently. If the feasibility study finds that the fine gold value from such ore exceeds costs, the Company will have the right to record such ore on balance sheet in IFRS as an asset. The potential impact to the financial statements is immaterial.	IAS 2.9 IAS 2.6 IAS 1.66
Trade receivables Advances paid and other receivables	The cost of trade receivables, advances issued are recorded at cost in these pro-forma financial statements. The book values based on the NAS were used, taking into account the adjustments: - write-off of receivables for which cash was not received within one year, - reclassification of commodity loans to other receivables*. * A list of all loans related to the commodity was prepared during the preparation of the Forms. When classifying commodity loans as part	The Company will use expected credit loss model under IFRS 9 for impairment analysis of its financial assets. The expected credit loss model includes operational simplifications for trade receivables. Receivables that correspond to the third stage of credit quality "impaired" are written off. The Company has a practice of providing goods (materials, fixed assets, etc.) to contractors on the terms of subsequent repayment by similar goods. The Company will analyze the terms of contracts and pay attention to the following factual circumstances of repayment of commodity loans during preparation of IFRS financial	IFRS 9 p.5.5

	of short-term other receivables, the Company applied the assumption that these loans can be repaid on demand.	statements: - change of conditions when the loan is repaid in cash; - change of conditions when the loan is repaid by return of non-similar goods.	
	The Company did not collect the information during the preparation of the Forms for analysis and, if applicable, for making the following adjustments: - recognition of provision for trade receivables using expected credit loss model; - booking of trade receivables at fair value (if applicable); - discounting long-term receivables and its reclassification to non-current assets. The Company assumed that these amendments should not have a significant impact on the Forms of the Company.	To analyze financial assets for impairment, IFRS 9 uses the impairment loss recognition model: the expected credit loss model. The expected credit loss model includes operational simplifications for trade receivables. See investments section above for detailed description of the definition of expected credit losses. If the Company determines the sales price in the supply contract in relation to the commodity price (trade price for a group of goods) or to the index, the contract may contain a built-in derivative. It will also affect the classification of receivables at fair value. The assets are presented in the appropriate sections according to the classification between the long-term and short-term parts in the statement of financial position. The potential impact to the financial statements is immaterial.	IFRS 9 p.5.5 IFRS 9 para 4.3.1 IAs 1.60
Cash and cash equivalents	The cash and cash equivalents are presented in the Forms, taking into account the adjustments made to reclassify letters of credit to non-current assets. The Company used the assumption that the existing letters of credit are similar to advances for equipment and capital projects. The analysis of contracts for the placement and repayment of the letter of credit was not carried out.	A letter of credit is a contract that leads to the recognition of one or more financial instruments. It is necessary to perform the analysis of the terms of the contract to determine the accounting treatment. To analyze financial assets for impairment, IFRS 9 uses the impairment loss recognition model: the expected credit loss model. Cash and cash equivalents may also be impaired using this model. The potential impact to the financial statements is immaterial.	IAS 7.48
Loans and borrowings received	The Company made lists of loans and borrowings, based on the information collected during the preparation of the Forms: - the loans that have been reclassified as commodity loans within other payables. When classifying commodity loans as part	Qualifying assets (qualifying asset) is an asset, the preparation of which for intended use or sale requires significant time (over 12 months). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized by including it in the cost of the asset.	

	of short-term other payables, the Company used the assumption that these loans can be claimed by counterparties upon a demand at any time; - interest on existing long-term bank loans was capitalized; - the short-term portion of long-term loans was reclassified to short-term loans.	The Company will perform a full analysis of loan agreements, including the identification of additional costs for loans. Additionally, the Company will analyze which objects should have borrowing costs capitalized and will organize the accounting of investment programs and construction in progress, the acquisition of which is financed by a loan/borrowing, for the correct capitalization of borrowing costs. Liabilities are presented in the relevant sections according to the classification between the long-term and short-term parts in the statement of financial position. The potential impact to the financial statements is immaterial.	IAS 23.8 IAS 23.17 IAS 1.66
Accounts payable	The accounts payable, advances received are reflected at cost in the Forms as they are booked in accordance with the requirements of the NAS. No information has been collected for additional analysis and assessment, if applicable, of the following adjustments: - recognition of liabilities for expenses for which documents are not received (accruals), - allocation of a long-term portion of accounts payable, if any, with subsequent discounting of it, - recognition of the fair value of obligation of unused annual leave of employees, - recognition of fair value of post-employment benefits in accordance with the terms of the Collective Agreement. The obligations of the Company in respect of one-time payments upon retirement of the employee, as well as other obligations of the Company for employee benefits were not analyzed during preparation of Forms.	The relevant items are recognized as assets, liabilities, capital, income and expenses (elements of the financial statements) in accordance with the definitions and recognition criteria of these elements when the accrual principle is applied. The Company will develop an approach to the accrual of expenses in those periods in which services were consumed, goods were received. The Company recognizes the expected costs of short-term employee benefits in the form of paid absences (e.g. vacations) as follows: (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; (b) in the case of non-accumulating paid absences, when the absences occur. The Company plans to organize a personalized system of collecting data on vacation days to be used in the future and the average salary to calculate and recognize the obligation of unused annual leave of employees. It is necessary to analyze the agreement, according to which the Company provides post-employment benefits: they are divided into programs with defined benefit plans and defined contribution plans, depending on the economic content of the program, arising from its basic conditions. The potential impact to the financial statements may be material.	IAS 1.27-28 Framework para OB17 IAS 19.13 IAS 19.27

Provisions for liabilities and charges	The following provisions have not been accrued: - provisions for contingent liabilities; the Company used the assumption that the probability of recognition of losses from claims received from the contractors and the fiscal authorities, is low. - estimated liabilities on withdrawal of assets from operation (described in section of fixed assets).	These provisions are required to be accrued in accordance with IFRS. The potential impact to the financial statements is material.	IAS 37.14
Capital	The disclosures of provisions were prepared, on the basis of which a consolidated adjustment was made for retained earnings in terms of reserve capital and capital received for special purposes: - adjustments of capital to assets received free of charge, - adjustment of capital in relation to the capital received for special purposes that was booked in statutory accounts, - adjustment of capital on tax exemption.	IFRS does not contain the definition of the reserve capital. It may arise as a result of accounting requirements (for example, Foreign exchange translation reserve) or local legal requirements that require adjustment if they contradict with IFRS requirements.	IAS 32 para 2
Statement of profit or loss and other comprehen-sive income	The Company prepared Statement of profit or loss and other comprehensive income for the years ended 31 December 2018 and 31 December 2017 taking into account the specifics of its business and operating environment: - the main source of revenue was reported, - cost of sales was broken down by the cost elements (see limitations of the analysis of the cost components disclosure), - operating expenses were classified by function. Part of the income and expenses was reflected in the items of retained earnings in NAS, without their reflection in the income statement. These income and expenses have been transferred to the corresponding income and expense items of Statement of profit or loss and other comprehensive income in these pro-forma financial statements.	IAS 1 prescribes mandatory line items for presentation in Statement of profit or loss and other comprehensive income, as well as the structure of the report. According to IAS 1, an organization classifying expenses by function should disclose additional information about the nature of expenses, including expenses related to depreciation of fixed assets and intangible assets and expenses related to employee benefits. Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur on the basis of their economic substance, and not the actual date of the supporting documents for those transactions and events.	IAS 1.82 IAS 1.103, 104 Framework para OB17

	A Cut-off adjustment was formed to transfer the income, booked in 2017, but related to the previous periods. Other adjustments that also relate to Statement of profit or loss and other comprehensive income are described in the sections above.		

4. Functional Currency

The functional currency of the Company is the Uzbek sum (UZS).

5. Presentation currency

NMMC presents these pro-forma financial statements in US Dollar ("USD"), as management believes it is a more convenient presentation currency for international users of the pro-forma financial statements of the Company and is a common presentation currency in the mining industry. The translation of the financial statements from the functional currency to the presentation currency was performed as follows:

- All assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting date;
- All other income (except revenue) and expenses are translated at the yearly average exchange rates.

Revenue was calculated by multiplying actual sales volumes by London Bullion Market Association (LBMA) gold prices in USD, without converting into UZS.

Resulting exchange rate differences are included in equity and presented as *Effect of translation to presentation currency* within the *Translation reserve.*

Exchange rates used in the preparation of the financial statements were as follows:

UZS/US Dollar	**31 December**	
	2018	**2017**
Year - end rate	8,339.55	8,120.07
Average rate	8,069.04	5,140.29

The reason behind the significant difference between the average exchange rate and the closing exchange rate in 2017 compared to 2018 is explained by the fact that in September 2017 the exchange rate was liberalized, which led to significant immediate devaluation of UZS.

6. Limitation to the audit

The Company currently combines Gold operations with other business segments. Gold operations have not been yet separated into distinct legal entity and, hence, cannot be subject to full IFRS audit.

7. Revenue

The Company's sole buyer of gold is Precious metals Agency of Central Bank of Uzbekistan (CBU), which in 2017 and 2018 purchased gold at net fixed price of 656 USD per troy ounce (hereinafter – "oz"). However, from 01.01.2019 the regulation changed, the sale of gold is now calculated based on LBMA price on the date of gold delivery. In line with aforementioned changes, pro forma revenue was adjusted to reflect fair value of sales.

Fine gold sales for the year ended 31 December 2018

		IFRS-like pro-forma		**National Accounting Standards**	
	Volume in k oz	LBMA price	USD'm	Fixed price	USD'm
January	199.841	1,343.4	**268.4**	656.0	**131.1**
February	180.736	1,320.3	**238.6**	656.0	**118.6**
March	200.313	1,323.9	**265.2**	656.0	**131.4**
April	195.333	1,316.3	**257.1**	656.0	**128.1**
May	201.947	1,303.5	**263.2**	656.0	**132.5**
June	195.558	1,250.6	**244.6**	656.0	**128.3**
July	201.878	1,219.2	**246.1**	656.0	**132.4**
August	202.005	1,206.9	**243.8**	656.0	**132.5**
September	195.431	1,183.5	**231.3**	656.0	**128.2**
October	199.450	1,217.7	**242.9**	656.0	**130.8**
November	193.987	1,220.5	**236.8**	656.0	**127.3**
December	199.238	1,281.7	**255.4**	656.0	**130.7**
Total	**2,365.7**		**2,993.4**		**1,551.9**

Fine gold sales for the year ended 31 December 2017

Gold		**IFRS-like pro-forma**		**National Accounting Standards**	
	Volume in k oz	LBMA price	USD'm	Fixed price	USD'm
January	199.702	1,198.8	**239.4**	656.0	**131.0**
February	180.387	1,251.9	**225.8**	656.0	**118.3**
March	199.701	1,241.7	**248.0**	656.0	**131.0**
April	193.284	1,265.6	**244.6**	656.0	**126.8**
May	199.714	1,263.8	**252.4**	656.0	**131.0**
June	193.269	1,243.3	**240.3**	656.0	**126.8**
July	199.624	1,266.4	**252.8**	656.0	**131.0**
August	199.636	1,305.8	**260.7**	656.0	**131.0**
September	193.185	1,287.0	**248.6**	656.0	**126.7**
October	199.612	1,274.4	**254.4**	656.0	**130.9**
November	193.065	1,282.2	**247.5**	656.0	**126.7**
December	199.469	1,296.5	**258.6**	656.0	**130.9**
Total	**2,350.6**		**2,973.1**		**1,542.1**

8. Cost of sales

	For the year ended 31 December 2018	For the year ended 31 December 2017
Materials and consumables	295.4	248.7
Fuel, energy, gas and utilities	192.0	174.6
Salary and related taxes	167.5	175.5
Depreciation	66.0	56.9
Other	37.4	55.9
Total	**758.3**	**711.6**

As the economy of the Republic of Uzbekistan is moving quickly towards market, in both 2017 and 2018 NMMC experienced significant growth in energy and utilities tariffs, which have also impacted the cost of locally produced materials and chemicals. NMMC management is developing a cost reduction program to reduce impact of growing tariffs.

9. Royalty

Period	Pro-forma revenue	Tax rate %	Pro-forma royalty
2H 2018	1,456.3	32%	466.0
1H 2018	1,537.2	30%	461.2
2018	**2,993.5**		**927.2**
2017	**2,973.1**	27%	**802.7**

10. Total cash costs (TCC) and All-in sustaining costs (AISC)

As presented in Note 10, currently NMMC is subject to high royalty rates (30-32% in 2017-2018, reduced to 25% in 2019) compared to the world benchmarks (around 7%). NMMC management continues dialogue with the Republic of Uzbekistan authorities to further reduce royalty rate.

Below we present a summary of NMMC Total cash costs and All-in sustaining costs based on the two scenarios: i) costs with the actual high royalty rate, ii) costs adjusted to world benchmark of 7% royalty.

USD in millions	**2018**		**2017**	
	Actual, reported	*Adjusted, 7% Royalty*	*Actual, reported*	*Adjusted, 7% Royalty*
Cost of goods sold, excluding royalty	758.3	758.3	711.6	711.6
Royalty	927.1	209.5	802.7	208.1
Total COGS	**1,685.4**	**967.8**	**1,514.3**	**919.7**
Add back Depreciation	(66.0)	(66.0)	(56.9)	(56.9)
Less other non-cash items	18.5	18.5	20.2	20.2
Total cash costs (TCC)	**1,637.9**	**920.3**	**1,477.6**	**883.0**
Administrative expenses	95.9	95.9	112.6	112.6
Depreciation and Amortization (admin. exp.)	(0.2)	(0.2)	(0.3)	(0.3)
Exploration and study costs (sustaining)	0.1	0.1	0.0	0.0
Capitalized stripping and underground mine development (sustaining)	-	-	-	-
Sustaining capital expenditures	60.9	60.9	77.7	77.7
All-in sustaining costs (AISC)	**1,794.6**	**1077.0**	**1,667.6**	**1,073.0**
Gold sold (oz)	2,365.7	2,365.7	2,350.6	2,350.6
TCC per oz ($)	**692.3**	**389.0**	**628.6**	**375.6**
AISC per oz ($)	**758.6**	**455.3**	**709.4**	**456.5**

11. Administrative expenses

	For the year ended 31 December 2018	For the year ended 31 December 2017
Taxes other than royalty and income taxes	63.0	61.4
Salary and related taxes	14.9	24.7
Professional services	6.8	14.4
Transportation costs	6.5	8.3
Depreciation	0.2	0.3
Materials	0.1	0.2
Other general and administrative expenses	2.1	3.3
Total	**93.6**	**112.6**

12. Adjusted EBITDA

	For the year ended 31 December 2018	For the year ended 31 December 2017
Profit for the year	**1,039.0**	**1,266.6**
Income tax expense	141.7	172.7
Depreciation and amortization	66.2	57.2
Finance income	(18.8)	(31.5)
Finance expense	7.9	6.4
Reported EBITDA	**1,236.0**	**1,471.4**
Forex (gain)/loss	(13.5)	0.4
Allowance for doubtful debts	(4.4)	4.1
Impairment of investments	3.2	3.3
Impairment of inventory	0.6	6.4
Government grants	-	(135.1)
Gain on payables write off	-	(0.5)
Loss on asset disposal	10.0	4.8
Adjusted EBITDA	**1,231.9**	**1,354.8**

13. Government Grants

In 2017, NMMC encountered the operating deficit. To cover this operating deficit Government decided to support the Company by providing 135.1 million USD as unconditional government support.

14. Other operating expenses, net

	For the year ended 31 December 2018	For the year ended 31 December 2017
Allowance for doubtful debts	4.4	(4.1)
Gain on sale of inventory and other assets	-	0.3
Gains on payables write off	-	0.5
Social infrastructure cost	(35.1)	(33.1)
Loss on sale of fixed assets	(10.0)	(4.8)
Payments to the state committee of Geology and Mineral Resources of Uzbekistan	(9.8)	-
Sponsorships	(4.5)	(20.0)
Impairment of investments	(3.2)	(3.3)
Impairment of inventory	(0.6)	(6.4)
Penalties and fines	(0.1)	(0.1)
Other operating income	3.6	6.9
Other operating expenses	(2.8)	(2.8)
Total	**(58.1)**	**(66.9)**

NMMC is a town-forming company and bears social responsibility in the regions where its operations are carried out. *Social infrastructure costs* are incurred in relation to funding of social, medical, infrastructure and residential facilities.

15. Finance income, net

	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest income	18.8	31.5
Interest expense	(7.9)	(6.4)
Foreign exchange gains/(loss), net	13.5	(0.4)
Other financial income	-	0.2
Total	**24.4**	**24.9**

16. Contributions to the state budget

For the year ended 2018

Period	Volume in k oz	Market price, USD	Actual price, USD	Difference in prices, USD	Total contributions	
January	199.841	1343.4	656	687.4	137.4	
February	180.736	1320.3	656	664.3	120.1	
March	200.313	1323.9	656	667.9	133.8	
April	195.333	1316.3	656	660.3	129.0	
May	201.947	1303.5	656	647.5	130.8	
June	195.558	1250.6	656	594.6	116.3	
July	201.878	1219.2	656	563.2	113.7	
August	202.005	1206.9	656	550.9	111.3	
September	195.431	1183.5	656	527.5	103.1	
October	199.450	1217.7	656	561.7	112.0	
November	193.987	1220.5	656	564.5	109.5	
December	199.238	1281.7	656	625.7	124.7	
Total contributions					**1441.5**	(A)
		Market price calculation	Actually paid			
Royalty		927.2	483.2		**444.05**	(B)
Income tax		141.7	0.4		**141.31**	(C)
Total contributions to the state budget					**856.1**	(A)-(B)-(C)

For the year ended 2017

Period	Volume in k oz	Market price, USD	Actual price, USD	Difference in prices, USD	Total contributions	
January	199.702	1198.8	656	542.8	108.4	
February	180.387	1251.9	656	595.9	107.5	
March	199.701	1241.7	656	585.7	117.0	
April	193.284	1265.6	656	609.6	117.8	
May	199.714	1263.8	656	607.8	121.4	
June	193.269	1243.3	656	587.3	113.5	
July	199.624	1266.4	656	610.4	121.8	
August	199.636	1305.8	656	649.8	129.7	
September	193.185	1287.0	656	631.0	121.9	
October	199.612	1274.4	656	618.4	123.4	
November	193.065	1282.2	656	626.2	120.9	
December	199.469	1296.5	656	640.5	127.8	
Total contributions					**1431.1**	A
		Market price calculation	Actually paid			
Royalty		802.7	323.7		**479.01**	B
Income tax		172.7	1.6		**171.18**	C
Devaluation effect *		339.2			**339.2**	D
Total contributions to the state budget					**1,120.2**	A-B-C+D

On September 5, 2017, the exchange rate was liberalized, which led to a significant immediate devaluation of the Uzbek sum from 4210 sums to 8100 sums per 1 USD. Despite the devaluation of the national currency, NMMC continued to sell gold to the Agency for precious metals under the Central Bank of the Republic of Uzbekistan at the rate of 4210 in line with Ministry of Finance of the Republic of Uzbekistan order.

17. Property, plant and equipment

	Balance at 31 December 2018			Balance at 31 December 2017		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	666.7	(404.9)	261.8	678.8	(468.7)	210.1
Construction in progress	310.6	-	310.6	58.6	-	58.6
Trucks and vehicles	373.7	(152.3)	221.4	264.5	(156.1)	108.4
Buildings	294.9	(90.2)	204.7	282.2	(101.1)	181.1
Transmission equipment	110.9	(52.3)	58.6	95.5	(53.3)	42.2
Other fixed assets	11.3	(5.5)	5.8	10.4	(6.0)	4.4
TOTAL	**1,768.1**	**(705.1)**	**1,062.9**	**1,390.0**	**(785.2)**	**604.8**

In accordance with the Presidential Decree dated 01.03.2017, NMMC is carrying out a large-scale capital program which leads to an increase in production volumes, hence driving the growth of fixed assets.

18. Letters of credit

	31 December 2018	31 December 2017
EUR	30.3	51.0
USD	22.5	111.9
UZS	0.5	0.1
RUR	0.2	3.0
Total	**53.5**	**166.0**

Letters of credit are associated with acquisitions of equipment in line with the Company's equipment replacement and production increase capital programs.

19. Inventory

	31 December 2018	31 December 2017
Raw materials and supplies	**92.6**	**76.9**
- raw materials	49.7	43.2
- spare parts	28.2	25.9
- fuel	3.6	2.6
- other	11.1	5.2
Work in progress	**59.4**	**52.7**
- metals (gold) in process	54.8	50.4
- other	4.6	2.3
Finished goods and goods for resale	**1.6**	**3.9**
- by-products	0.9	3.1
- gold doré/bullion	0.7	0.8
Less: slow-moving inventories	**(6.1)**	**(4.6)**
Total	**147.5**	**128.9**

20. Trade receivables

	31 December 2018	31 December 2017
Trade receivables for gold	0.5	0.1
Other receivables	7.7	12.5
Less: allowance for doubtful debts	(1.3)	(5.9)
Total	**6.9**	**6.7**

21. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash	0.1	0.0
Current bank account in UZS	0.6	0.8
Current bank account in USD	0.1	0.8
Other cash equivalents	0.2	-
Total	**1.0**	**1.6**

22. Other receivables

	31 December 2018	31 December 2017
Commodity loans	26.8	35.7
Receivables from staff	3.2	2.8
Advances to staff	0.7	0.7
Total	**30.7**	**39.2**

Commodity loan represents inventory and materials, which are borrowed by companies (e.g. AMMC), a borrower returns the same inventory within a specified period.

23. Other prepaid taxes

	31 December 2018	31 December 2017
Input VAT	5.5	8.2
Water tax prepaid	0.2	0.1
Property tax prepaid	-	0.5
Other prepaid taxes	0.4	0.2
Total	**6.1**	**9.0**

24. Reconciliation of Retained Earnings

	Retained earnings
Balance at January 1, 2017	884.4
Total effect	**(509.6)**
Profit for the period	**1,266.6**
Effect of revenue recognition at market LBMA prices [1]	(1,770.4)
Effect on royalty due to recognition of revenue at market LBMA prices [1]	580.8
Effect of other segments separation [2]	(56.3)
Effect of translation to presentation currency	(530.3)
Balance at December 31, 2017	**374.8**
Balance at January 1, 2018	**374.8**
Total effect	**223.6**
Profit for the period	1,039.0
Effect of revenue recognition at market LBMA prices [1]	(1,432.7)
Effect on royalty due to recognition of revenue at market LBMA prices [1]	455.9
Effect of other segments separation [2]	(205.0)
Effect of translation to presentation currency	223.2
Balance at December 31, 2018	**457.2**

[1] From 01.01.2019 the regulation changed, the sale of gold is now calculated based on LBMA price on the date of gold delivery. In line with aforementioned changes, pro forma revenue was adjusted to reflect fair value of sales.

[2] On 31 December 2017 and on 31 December 2018, the Company combines Gold operations with other segments. Gold operations have not been yet separated into distinct legal entity. This adjustment reflects separation of net assets of other segments.

25. Other reserves

	For the year ended 31 December 2018	For the year ended 31 December 2017
Revaluation of Fixed assets	304.1	181.4
Property received free of charge	8.7	12.2
Other	77.8	61.1
Total	**390.6**	**254.7**

Since 2002 and up to 2018, fixed assets were subject to revaluation on annual basis based on the revaluation indexes provided by the ministry of finance. The revaluation was designed to cover for high inflation rates on UZS.

26. Long-term borrowings

	interest rate %	Nominal amount		IFRS present value adjustment		IFRS fair value	
		31 December 2018	31 December 2017	2018	2017	31 December 2018	31 December 2017
National Bank of Uzbekistan	2%	224.2	111.3	(28.3)	(16.0)	195.9	95.3
JSCB Asaka Bank	6-Month Libor + 4.6%	-	4.1	-	-	-	4.1
JSCB PSB	6-Month Libor + 4.6%	-	-	-	-	-	-
JSCB Asaka Bank	8%	-	1.0	-	-	-	1.0
JSCB PSB	8%	-	-	-	-	-	-
Total		**224.2**	**116.4**	**(28.3)**	**(16.0)**	**195.9**	**100.4**

IFRS requires to recognize financial liabilities (including borrowings) at fair value and subsequently measure at amortized cost. The Company considers 2% interest rate on the NBU loan to be below market.

27. Trade payables

	31 December 2018	31 December 2017
Trade payables	101.7	74.1
Non-current payables	0.4	0.1
Other payables	3.9	1.6
Total	**106.0**	**75.8**

28. Other taxes payable

	31 December 2018	31 December 2017
Royalty payable	81.7	69.9
Payables to social funds	11.8	6.4
Personal income taxes and due to pension fund	3.0	3.3
Other taxes	0.2	0.2
Total	**96.7**	**79.8**

29. Other payables

	31 December 2018	31 December 2017
Wages payable	7.7	0.2
Fines and penalties	4.5	-
Other payables	3.4	-
Total	**15.6**	**0.2**

30. Subsequent events

Starting from 01.01.2019 the regulation on gold sales price changed. From 2019 NMMC sells all its gold at market price, calculated as LBMA price on the date of delivery. In 2017-2018 gold was sold at net fixed price of 656 USD per oz.

Currently NMMC is undergoing business transformation launched by the President of the Republic of Uzbekistan in the beginning of 2019 to attract foreign investors via IPO on the international stock exchange scheduled in 2023.

In the first half of 2019 NMMC signed additional bank loans for a total credit limit of 688.4 million USD.