

JSC Uztransgas

Consolidated financial statements
for the year ended 31 December 2022 and
independent auditor's report

JSC UZTRANS GAS

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JSC UZTRANS GAS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Company Uztransgas and its subsidiaries (the "Group") as at 31 December 2022 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- preparation of consolidated financial statements based on the assumption that the Group will continue as a going concern.


Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with Uzbekistan law;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud, errors and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by management on 30 November 2023.

On behalf of management:

Acting Chairman of the Board



A S Isakov

Acting Deputy Chairman of the Board for Finance and Economics



S S Khaidarov

Deputy Chief Accountant



Y I Nurnazarov

IFRS Department Chief Executive



U Y Ismatov

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Joint Stock Company Uztransgas

Opinion

We have audited the consolidated financial statements of Joint Stock Company Uztransgas and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Erkin Ayupov, Qualified Auditor/Engagement Partner



Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 2.1.b to the consolidated financial statements, the Group's negative working capital, recurring losses from operations and shareholders' deficiency. Furthermore, as discussed in Notes 2.1.b and 18 to the consolidated financial statements, the Group had not met certain covenants on long-term borrowings as at 31 December 2022. These events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. Group management's plans concerning these matters are also discussed in Note 2.1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Why the matter was determined to be a key audit matter

Measurement of expected credit losses on receivables (Notes 2.3.c, 4.2.b and 13)

Trade and other receivables is significant for the Group's consolidated financial statements. As disclosed in Note 13 to the consolidated financial statements, total trade and other receivables amounted to 3,452 billion Soum as at 31 December 2022.

The Group measures the expected credit losses ("ECL") on trade receivables by applying the simplified approach stipulated by IFRS 9 *Financial Instruments*.

The simplified approach is used to measure ECL, relying on historical credit loss statistics, specific for counterparties and general economic conditions. Due to the significance of the balance of trade and other receivables, and the complexity of management's judgements applied in the analysis of information used to measure the ECL in accordance with IFRS 9, this area was identified as a key audit matter.

How the matter was addressed in the audit

Our procedures in auditing the measurement of the ECL on trade and other receivables, among others, included:

- an understanding of the process of ECL provisioning;
- an assessment of compliance of models and methods used by management to measure ECL with IFRS 9;
- testing on a sample basis of the completeness and accuracy of data used in ECL calculation models, including historical data as well as customer type;
- an analysis of information received after the reporting date, to determine the correctness of the judgements used in the ECL calculation model by comparing expected amounts of receivables less ECL with actual repayments in subsequent reporting periods;
- the recalculation of ECL in relation to specific trade and other receivables.

We also verified the compliance of disclosures presented in the consolidated financial statements with the requirements of IFRS 7 *Financial Instruments: Disclosures*.

Erkin Ayupov, Qualified Auditor/Engagement Partner



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 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.

Auditor's Responsibility 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 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 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;

Erkin Ayupov, Qualified Auditor/Engagement Partner




- 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;

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.

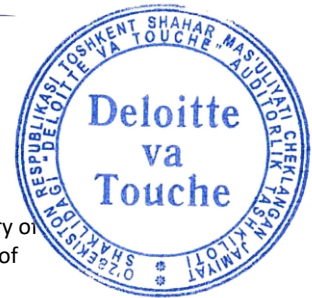
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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.

Audit Organisation Deloitte & Touche LLC is included in the register of audit organisations of the Ministry of Economics and Finance of the Republic of Uzbekistan from 8 June 2021


Erkin Ayupov
Qualified auditor/
Engagement partner

Qualified Auditor Certificate No. 04830
from 22 May 2010 issued by the Ministry of
Economics and Finance of the Republic of
Uzbekistan



30 November 2023
Tashkent, Uzbekistan

Director
Audit Organisation Deloitte & Touche LLC

JSC UZTRANS GAS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

<i>In billions of Uzbek Soum</i>	Notes	2022	2021
Revenue	5	16 793	18 285
Cost of sales	6	(18 724)	(21 938)
Gross loss		(1 931)	(3 653)
General and administrative expenses	7	(2 070)	(882)
Government grants	8	1 447	1 000
Other operating income		177	156
Other operating expenses		(52)	(128)
Foreign exchange loss from operations		(748)	(616)
Loss from operations		(3 177)	(4 123)
Finance income	9	748	172
Finance expenses	9	(774)	(575)
Gain / (loss) from investment in associates		79	(157)
Foreign exchange loss from financing activities		(272)	(170)
Loss before tax		(3 396)	(4 853)
Income tax benefit	10	183	222
Loss for the year		(3 213)	(4 631)
Other comprehensive income net of income tax: <i>Items that will not subsequently be reclassified as profit or loss:</i>			
Actuary income on retirement payments		24	68
Other comprehensive income for the year		24	68
Total comprehensive loss for the year		(3 189)	(4 563)
Loss for the year			
Attributable to:			
Owners of the Company		(3 212)	(4 630)
Non-controlling interests		(1)	(1)
		(3 213)	(4 631)
Total comprehensive loss			
Attributable to:			
Owners of the Company		(3 188)	(4 562)
Non-controlling interests		(1)	(1)
		(3 189)	(4 563)
Loss per share, Soum			
Loss per share, in Soum	15	(6 672)	(9 618)

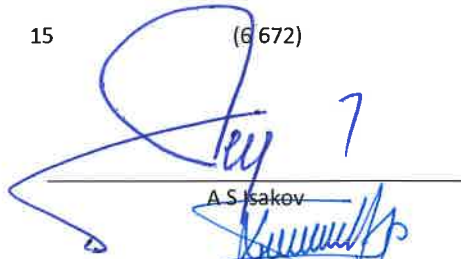
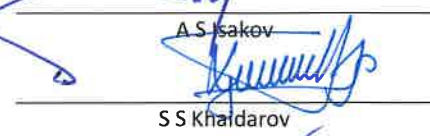

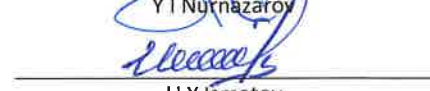
Approved for issue and signed on 30 November 2023.

Acting Chairman of the Board

Acting Deputy Chairman of the Board for Finance and Economics

Deputy Chief Accountant

IFRS Department Chief Executive


 A. S. Isakov

 S. S. Khaidarov

 Y. I. Nurnazarov

 U. Y. Ismatov

JSC UZTRANS GAS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

In billions of Uzbek Soum	Notes	As at 31 December	
		2022	2021
Assets			
Non-current assets			
Property, plant and equipment	11	12 294	10 429
Other non-current assets		266	239
Total non-current assets		12 560	10 668
Current assets			
Inventory	12	1 592	1 167
Advances paid		122	126
Prepaid taxes and other budget payments		125	102
Trade and other receivables	13	3 413	5 087
Cash and cash equivalents	14	503	694
Other current assets		22	22
Total current assets		5 777	7 198
Total assets		18 337	17 866
Equity and liabilities			
Equity			
Share capital	15	485	485
Accumulated deficit		(20 227)	(17 039)
Equity attributable to owners of the Company		(19 742)	(16 554)
Non-controlling interests		(11)	(10)
Total equity		(19 753)	(16 564)
Non-current liabilities			
Borrowings	18	1 252	-
Trade and other payables	16	2 187	2 135
Provisions	17	377	295
Deferred tax liabilities	10	296	487
Total non-current liabilities		4 112	2 917
Current liabilities			
Borrowings	18	7 456	6 557
Trade and other payables	16	22 832	20 670
Advances paid		1 336	552
Provisions	17	2 019	3 051
Financial guarantees		-	3
Current tax liabilities		335	680
Total current liabilities		33 978	31 513
Total liabilities		38 090	34 430
Total equity and liabilities		18 337	17 866


Approved for issue and signed on 30 November 2023.

Acting Chairman of the Board

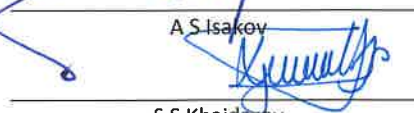
Acting Deputy Chairman of the Board for Finance and Economics

Deputy Chief Accountant

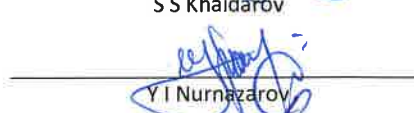
IFRS Department Chief Executive




 A S Isakov



 S S Khaidarov



 Y I Nurnazarov



 U Y Ismatov

JSC UZTRANS GAS

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

<i>In billions of Uzbek Soum</i>	Notes	Share capital	Accumulated deficit	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2021		485	(12 405)	(11 920)	(9)	(11 929)
Loss for the year		-	(4 630)	(4 630)	(1)	(4 631)
Other comprehensive loss for the year		-	68	68	-	68
Total comprehensive loss for the year		-	(4 562)	(4 562)	(1)	(4 563)
Modification of receivables (net of deferred tax)		-	(72)	(72)	-	(72)
Balance as at 31 December 2021		485	(17 039)	(16 554)	(10)	(16 564)
Loss for the year		-	(3 212)	(3 212)	(1)	(3 213)
Other comprehensive income for the year		-	24	24	-	24
Total comprehensive loss for the year		-	(3 188)	(3 188)	(1)	(3 189)
Balance as at 31 December 2022		485	(20 227)	(19 742)	(11)	(19 753)

Approved for issue and signed on 30 November 2023.

Acting Chairman of the Board

A S Isakov

Acting Deputy Chairman of the Board for Finance and Economics

S S Khaitdarov

Deputy Chief Accountant

X T Nurnazarov

IFRS Department Chief Executive

U Y Ismatov

JSC UZTRANS GAS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

<i>In billions of Uzbek Soum</i>	Notes	2022	2021
Operating activities			
Loss before tax		(3 396)	(4 853)
Adjustments for:			
Depreciation of property, plant and equipment	11	649	642
Accrual of a provision for expected credit losses	7	1 483	301
Recovery of a provision for the impairment of inventory	6	(21)	(16)
Loss from the disposal of property, plant and equipment		10	65
(Gain) / loss from associated companies		(79)	157
Foreign exchange loss		1 020	786
Finance income	9	(748)	(172)
Finance expenses	9	774	575
Change in employee benefit obligations		53	58
Cash flows from operating activities before changes in working capital		(255)	(2 457)
Changes in working capital:			
Inventory		(404)	(46)
Other non-current assets		28	-
Advances paid		4	51
Prepaid taxes and budget payments		(23)	73
Trade and other receivables		222	(1 325)
Other current assets		-	6
Trade and other payables		1 879	3 462
Advances received		784	(307)
Provisions		(1 022)	1 454
Current tax liabilities		(354)	530
Cash received from operating activities		859	1 441
Interest paid	18	(303)	(243)
Net cash from operating activities		556	1 198
Investing activities			
Purchase of property, plant and equipment		(2 456)	(2 912)
Government grants received for construction of property, plant and equipment		100	-
Proceeds from the disposal of Electrogas		-	5
Net cash used in investing activities		(2 356)	(2 907)
Financing activities			
Proceeds from loans and borrowings	18	2 011	3 126
Repayments of loans and borrowings	18	(388)	(845)
Net cash from financing activities		1 623	2 281
Net (decrease)/increase in cash and cash equivalents		(177)	572
Cash and cash equivalents at the beginning of the year	14	694	126
Effect of changes in foreign exchange rate on cash		(14)	(4)
Cash and cash equivalents at the end of the year	14	503	694

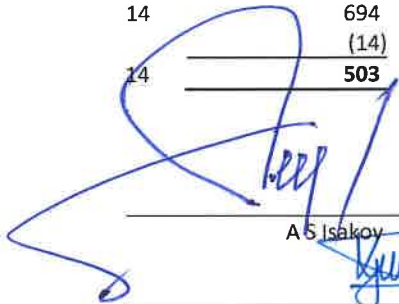
Approved for issue and signed on 30 November 2023.

Acting Chairman of the Board

Acting Deputy Chairman of the Board for Finance and Economics

Deputy Chief Accountant


IFRS Department Chief Executive



 A S Isakov



 S S Khaidarov



 Y I Nurmazarov



 U Y Ismatov

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1 GENERAL INFORMATION

1.1 Organisational structure and activities

Joint Stock Company Uztransgas (the “Company” or “Uztransgas”) is a state company in the Uzbekistan gas industry. The company and its subsidiaries (together referred to as the “Group”) transport, transit, store and sell gas.

The Company was established in 1973 as the Uzbekgassanoat Production Association. The State Joint Stock Company Uztransgas was created in accordance with Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 585 from 23 December 1992 based on specialised divisions of the Uzbekgassanoat Production Association in the Uzbekneftegaz national oil company.

According to the Decree of the President of the Republic of Uzbekistan No. 4388 dated 9 July 2019, the Company carried out the functions of purchasing natural gas from gas production and processing organizations, including joint ventures and foreign companies operating on the basis of production sharing agreements, for its further transportation, including export and import of natural gas, as a single operator until 1 August 2022.

In 2022, in accordance with the decree of the President of the Republic of Uzbekistan, the Group’s activities were reformed, as a result of which, starting from 1 August 2022, the Group transferred the functions of purchasing and selling natural gas and became a single operator of the main gas transmission system, specialized in the transportation, storage and transit of natural gas (Note 1.2).

Natural gas selling prices and transportation tariffs are set by resolutions of the Government of the Republic of Uzbekistan.

As at 31 December 2022 and 2021, shareholders of the Company were:

% interest	As at 31 December	
	2022	2021
Ministry of Finance	99,5%	99,5%
Other shareholders	0,5%	0,5%

Preference shares of the Company are listed on the Tashkent national stock exchange. As at 31 December 2022 and 2021, the ultimate controlling party was the Government of the Republic of Uzbekistan, represented by the main controlling shareholder shown in the table above.

The Group’s consolidated financial statements for the year ended 31 December 2022 were approved by management on 30 November 2023.

The Company’s registered office is at Shakhrisabz Street 85A, Tashkent, Uzbekistan.

The Group’s consolidated financial statements include the following significant operating subsidiaries under Company control:

Subsidiaries	Activities	As at 31 December	
		2022	2021
UE Urgenchtransgas	Gas transportation	100%	100%
UE Transgasteknikbutlash	Material support	100%	100%
UE Transgasengineering	Construction	100%	100%
JSC Naklgasmakhsuskurilish	Construction	71.9%	71.9%

All Group subsidiaries are legal entities registered in Uzbekistan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1 GENERAL INFORMATION (CONTINUED)

1.2 Group reorganisation

In accordance with the Decree of the President of the Republic of Uzbekistan dated 15 June 2022 No. PP-280 “On additional measures to reform the natural gas market”, it was decided to create the Joint Stock Company “UzGasTrade” (hereinafter referred to as “UzGasTrade” JSC), to which the Group from 1 August 2022 transferred functions for the purchase and sale of natural gas. In turn, the Company, starting from this date, became a single operator of the main gas transmission system, specialized in the transportation, storage and transit of natural gas.

In this respect, government agencies establish a single tariff for gas transportation in the amount of 238 thousand soums per one thousand cubic meters of natural gas. This tariff was established taking into account the need to ensure the Group's operating profitability, as well as its ability to service obligations that arose before the restructuring.

In addition to services for transportation, storage and transit of natural gas, the Group continues to purchase gas from its counterparty JV Uz-Kor Gas Chemical LLC on the basis of a previously valid agreement. The Group sells purchased natural gas in favor of UzGasTrade JSC. In this case, the sales price is set by government bodies of the Republic of Uzbekistan and is calculated as the purchase price with the addition of the cost of gas transportation.

All rights and obligations regarding receivables and payables existing as of 1 August 2022 related to the purchase of natural gas and its sale on the domestic market remain with Uztransgaz JSC. After the reorganization, the Group's management, together with the Government of the Republic of Uzbekistan, communicated with major customers and suppliers regarding the plans for repaying receivables and payables. Part of the receivables and payables arising before the reorganization was repaid at the time of issue of these consolidated financial statements; for some of the debt, additional agreements were signed fixing the debt repayment schedule, however, in some cases, agreements have not yet been reached and formalized. Communication with such counterparties continues. As a result of the Group's reorganization, the agreements reached and the Group's management's expectations existing at the reporting date, the Group recognized significant provisions for expected credit losses, as well as the effects of modifications of repayment schedules of accounts receivable and accounts payable (Notes 4, 7, 9, 13 and 16).

1.3 Associates

The Group's significant associates are:

Joint venture	Activities	Ownership share as at 31 December	
		2022	2021
JV Gazli Gas Storage LLC	Gas production and storage	40%	40%

In 2020, the Group purchased a 40% interest in JV Gazli Gas Storage LLC from JSC Uzbekneftegaz (“Uzbekneftegaz”) for 0.3 billion Soum. In 2021, the Group, together with its controlling partner, made an additional investment in JV Gazli Gas Storage LLC by transferring property, plant and equipment worth 267 billion Soum (Note 11) and attributable to the Gazli underground gas storage facility. JV Gazli Gas Storage LLC operates the Gazli underground gas storage facility and also explores and produces gas in the region.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1 GENERAL INFORMATION (CONTINUED)

JV Gazli Gas Storage LLC was created in 2019, but only began active operations at the end of 2021. In 2022, the Group recognised profit from the associate's activity on the basis of its interest of 79 billion Soum in the consolidated statement of profit or loss (2021: loss of 157 billion Soum).

1.4 Operating conditions in Uzbekistan

Developing markets, including Uzbekistan, are subject to economic, political, social and legislative risks that differ from those in more developed countries. Laws and normative acts governing business in Uzbekistan may change quickly and be subject to varying interpretations. Uzbekistan's future economic direction is heavily influenced by government fiscal and monetary policy, together with political developments.

As Uzbekistan produces and exports large amounts of gold, its economy is sensitive to changes in global gold prices.

The gold price fluctuated severely in 2022, averaging 1,801.97 USD per troy ounce (2021: 1,798.89 USD per troy ounce). At the end of 2022, gross domestic product growth in Uzbekistan was at 5.7% per year. 2022 saw the highest inflation in the last three years of 12.3% per year (in 2021, inflation was 9.98% per year).

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 block 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.

Moreover, in March 2022, the Uzbekistan Soum depreciated against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, the Central Bank of the Republic of Uzbekistan made a number of adjustments to the base rate throughout 2022 and fixed it at 15% per annum at the end of the year comparing to 14% per annum at the beginning of the period. In addition, interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic 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.

These consolidated financial statements reflect management's position on how doing business in Uzbekistan affects the Group's activities and financial position. The actual impact of future business conditions may differ from management's estimates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of the preparation of financial statements

2.1.a Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on the historical cost basis.

2.1.b Going concern

These consolidated financial statements have been prepared based on the going concern principle, which involves the sale of assets and settlement any liabilities in the ordinary course of operations. This statement has been made based on the assumption that the Group will continue as a going concern for the foreseeable future.

As at 31 December 2022, Group current liabilities exceeded current assets by 28,201 billion Soum (31 December 2021: 24,315 billion Soum). Likewise, in 2022, the Group recognised a net loss of 3,213 billion Soum (2021: 4 631 billion Soum). In addition, as at 31 December 2022, Group liabilities exceeded assets by 19,753 billion Soum (31 December 2021: 16,564 billion Soum).

Wherein, as at 31 December 2022 the Group had breached several bank loan covenants, and in 2021 it had breached covenants for all borrowings (Note 18), as a result of which the Group recognised the long-term portion of borrowings as current liabilities. Due to the breach of covenants, creditors retain the legal right to early collection of outstanding amounts on the above-mentioned loan agreements.

Furthermore, a significant part of the Group’s trade and other payables are overdue. Most of the overdue trade and other payables are attributable to companies under common control or shareholder (Government of the Republic of Uzbekistan) influence (Note 16). The Group analyses the possibility of and sources for settling these liabilities and refinancing (Note 23).

These liabilities point to significant uncertainty that may cause significant doubt in the Group’s ability to continue as a going concern.

The main reason for Group losses in 2021-2022 was non-market natural gas tariffs set by the Government of the Republic of Uzbekistan and expected credit losses due to Group reorganisation (Note 1.2).

Group management is in constant contact with the Government of the Republic of Uzbekistan to ensure the Group continues as a going concern in regulated non-market tariff conditions, as well as significant receivables from companies under full or partial government control. The Government of the Republic of Uzbekistan, in turn, puts measures in place to support the Group as the Group has strategic importance for the gas supply system and is the sole state gas transporter in Uzbekistan. These support measures involve:

- allocating additional financing from banks of the Republic of Uzbekistan;
- financing the Group’s operations by the Group’s shareholder, including delaying payments to companies under common shareholder control, and restructuring receivables, payables, loans and borrowings (Note 23).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furthermore, as shown in Note 1.2, the state authorities have set a single gas transportation tariff of 238 thousand Soum per one thousand cubic meters of natural gas, which, according to management, will help guarantee Group operating profitability, and also help settle liabilities that arose before restructuring.

Uzbekistan law also contains a number of restrictions in relation to joint stock companies with negative net assets calculated according to national accounting standards for specific companies.

As at the date of authorisation of these consolidated financial statements, its shareholder and creditors, as well as the state authorities were not requiring liquidation of the Company by judicial proceedings.

Thus, the Group's management believes that the use of the going concern basis in preparing these consolidated financial statements is appropriate.

2.1.c Functional currency and presentation currency

The national currency of Uzbekistan is the Soum, which is the Group's functional currency, and also the currency in which these consolidated financial statements are presented. All indices are presented in billions of Soum.

Transactions in foreign currencies are retranslated at the functional currency spot rate of exchange as at the reporting date. Foreign exchange gains and losses arising from these transactions, and from recalculating monetary assets and liabilities in foreign currencies at exchange rates as at the reporting date are recognised in profit or loss.

Weighted average exchange rates set by the Central Bank are used as the official foreign currency exchange rates in Uzbekistan.

The Central Bank USD exchange rates as at the reporting dates were:

In Soum	<u>31 December 2022</u>	<u>31 December 2021</u>
1 USD	11 225,46	10 837,66

The average USD exchange rate to the Soum for 2022 was 11,051.22 Soum (2021: 10,623.44 Soum).

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved if the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Group reassesses 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. The consolidation of a subsidiary begins when the Group obtains control over it and ceases when the Group loses control. The assets, liabilities, income and expenses of a subsidiary that was purchased or disposed during the year are included in consolidated financial statements from the date the Group obtains control and are recognised until the date the Group ceases control over the subsidiary.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All intragroup assets and liabilities, equity, income, expenses and cash flows arising as a result of transactions concluded within the Group are fully eliminated on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other equity components, while any resulting gain or loss are recognised in profit or loss or in the consolidated statement of changes in equity, depending on the nature of the transaction. Any investment retained is recognised at fair value.

2.3 Summary of significant accounting policies

2.3.a Property, plant and equipment

Property, plant and equipment are recognised at historical cost less accumulated depreciation and allowance for impairment.

An asset's historical cost includes its purchase price or construction cost, any costs directly related to commissioning, and the initial estimate of decommissioning liabilities, if applicable.

Construction in progress is carried at cost, less any recognised impairment loss. The cost of assets built using internal resources includes material costs, direct salaries, all other costs directly related to bringing assets to a condition where they can be used as intended, disassembly and removal costs, site recovery costs and capitalised loan costs.

Depreciation is accrued on these assets from the moment they are ready for use.

Buffer gas reserves are accounted for in property, plant and equipment at cost and not depreciated until realisable value exceeds the carrying amount.

The depreciation of property, plant and equipment is calculated using the straight-line method over their useful life, as shown below:

	<u>Years</u>
Gas transportation system assets	2 – 35
Buildings and structures	2 – 45
Vehicles	2 – 20
Others	2 – 14

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use. A gain or loss arising on the disposal or retirement of an asset are determined as the difference between sales proceeds and the asset carrying amount and are recognised in profit or loss.

In 2021, Group management decided to change the presentation of groups of property, plant and equipment to provide better understanding for users of consolidated financial statements. Specifically, the Group ceased to put vehicles into a separate group of property, plant and equipment due to their insignificant value, and also treated a number of items, including those attributable to gas storage facilities (including buffer gas), as gas transport system assets (Note 11).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.b Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. The cost of materials and spare parts is calculated using the FIFO method. Gas reserve cost is calculated using the weighted average cost method. At the same time, gas in pipelines and gas storage facilities is accounted for separately.

2.3.c Financial instruments

Financial assets and financial liabilities are recognised at fair value when the Group becomes a party to the contractual provisions of the instrument.

The Group subsequently accounts for its financial instruments at amortised cost, with the exception of financial guarantees, which are carried according to IFRS 9 *Financial Instruments*.

Receivables

The Group's receivables are consisted of gas receivables under commission agreements, wholesale customers, amounts due from the gas distribution network operator, gas transportation receivables, amounts due from JSC Khudugastaminot, UzGasTrade, and other receivables. The Group always recognises lifetime expected credit losses (ECL) for trade receivables by analysing the recoverability of each type of outstanding amount separately, based on its characteristics. ECL on receivables for gas under commission agreements, for gas transportation and from gas sales to gas transportation companies are measured based on public credit rating of the customer. To analyse the probability of the default of wholesale customers without public credit rating, the Group considers the history of payments, the financial position of counterparties, aging of the receivables and other factors. The recoverability of other receivables is estimated individually for each specific counterparty based on the history of the interaction of the Group with the counterparty.

Payables

The Group's accounts payables include amounts due for purchased gas, under commission agreements, for gas transportation, other payables and payables on special withholdings.

Payables on special withholdings are denominated in USD and arise on export sales of own gas at prices that exceed the cut-off price. By law, this liability should be repaid on demand, but the Group did not pay it in 2021–2022. Payables on special withholdings were recognised in trade and other payables as a non-financial liability, as it arises from legal requirements, and not from Group's contractual obligations.

2.3.d Provisions

Changes in provisions over time are treated as financial expenses in the consolidated statement of comprehensive income for each reporting period. Changes in provisions due to a change in discount rates and other changes in provisions due to a change in the proposed settlement method or a change in the liability itself, are treated as a change in estimates in the period in which they occurred, and are carried by changing the corresponding assets or expenses.

The Group recognized provisions for liabilities for borrowed gas, for employee remuneration under defined benefit plans, and for the restoration of land plots.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities on borrowed gas

The Group provides gas transportation services under commission agreements. According to the terms of such agreements, the Group accepts commercial gas from the principal and sells it for export for a commission. Before 1 August 2022, in the event of a gas shortage in the domestic market of the Republic of Uzbekistan, the Group borrowed gas received under commission agreements and sold it to industrial enterprises of the Republic of Uzbekistan. Subsequently, the borrowed commercial gas is reimbursed in kind or purchased by the Group. Since the Group ceased to perform the functions of selling gas to end consumers from 1 August 2022, it also ceased borrowing gas. However, as of the reporting date, the Group still had obligations for gas borrowed prior to the reorganization.

Management accrues provisions for borrowed gas liabilities based on best estimates of future expenses, including costs to purchase gas for return to the principal, using the expected weighted average gas purchase price for the period in which gas is expected to be returned, taking into account the parameters of forecast indicators of balance sheet resources and distribution of natural gas in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The difference between the actual costs incurred to purchase gas for return to the principal and the previously recognized liability, as well as changes in the measurement of liabilities for borrowed gas, are reflected in cost of sales.

2.3.e Revenue recognition

Revenue is measured based on compensation in customer agreements. The Group recognises revenue when control over goods or services has transferred to the customer. Revenue is recognised net of value added tax and excise tax accrued on volume of products sold, and other similar obligatory payments.

The following table provides details of the nature and time frames of customer agreement performance obligations, including significant payment terms and revenue recognition policy.

Revenue type	Service overview	Revenue recognition
Gas sales	Delivery is carried out within the period and in volume, based on contractual terms. Title, legal liability, and all costs and risks associated with the delivery of natural gas pass from the seller to the buyer at the point of delivery. The volume of gas supplied is determined by the readings of gas meters installed at gas distribution stations and metering units.	Revenue is recognised at the point a contractual obligation is fulfilled.
Gas transportation	Services are provided between receiving and transfer points. Gas is recognised as transferred once it is accepted by the customer at the moment it reaches the receiving station	Revenue is recognised over time as natural gas is supplied
Commission	Natural gas transfer and sales points are determined by commission agreements. The agent withholds the commission from currency received and due to the consignor for natural gas sold	Revenue is recognised at the point commission agreement obligations are fulfilled

The Group has highlighted a number of counterparties, mostly represented by thermal power stations controlled by the Government of the Republic of Uzbekistan, from which payment for gas is unlikely to be received based on historical data. The Group recognises revenue on these companies based on the cash accounting method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3.f Government grants

Government grants are recognised if reasonable assurance exists that they will be received and all related conditions are met. If a grant is provided to finance specified costs, it should be recognized as income on a systematic basis in the same periods in which the related costs it is intended to compensate are expensed. If a grant is issued to finance an asset, the carrying amount of the asset is reduced by the amount of the grant.

3. ADOPTION OF NEW AND REVISED STANDARDS

As at the approval date of these consolidated financial statements, the Group did not apply the following new and revised IFRS, which were issued but not in effect. Management does not expect that the adoption of the standards listed below will have a significant effect on the Group's consolidated financial statements in future periods.

<u>Standard</u>	<u>Item</u>	<u>Applicable to annual reporting periods starting from</u>	<u>Effect on consolidated financial statements</u>
Amendments to IFRS 10 and IAS 28	Asset sale or transfer among investors and their associates or as part of a joint venture	1 January 2023	Under review
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024	Under review
IFRS 17 (including amendments to IFRS 17 from June 2020)	Insurance contracts	1 January 2023	Not applicable
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023	Under review
Amendments to IAS 8	Definition of accounting estimates	1 January 2023	Under review
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policy	1 January 2023	Under review
Amendments to IAS 16	Lease liabilities for sales with leaseback	1 January 2024 года	Under review
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024	Under review

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Critical judgements in applying the Group's accounting policy

Management does not use significant estimates and assumptions in its application of accounting policy.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the next financial year, are discussed below.

4.2.a Impairment of property, plant and equipment

Impairment exists if the carrying amount of an asset or CGU exceeds its recoverable amount, whichever is the greater: fair value net of disposal costs or value in use.

As at 31 December 2022 and 2021 indicators existed pointing to the possible impairment of assets, accordingly, the Group measured the value in use of its property, plant and equipment as at the reporting date.

As a result of testing for economic impairment, taking into account the calculation of value in use based on the discounted cash flow (DCF) model, no impairment was identified.

The DCF model as at 31 December 2022 was based on the fact that the Group only transports natural gas in mainline pipelines and purchases gas from JV Uz-Kor Gas Chemical LLC and sales it (Note 1.2), while the DCF model as at 31 December 2021 implied the purchase and sale of gas in full.

The following key assumptions were used to measure the value in use of property, plant and equipment:

- a transition to an RAB-tariff (Regulatory Asset Base) from 2026;
- working capital normalisation was determined at the level of the market indicator;
- gas transportation and sales predictions in Uzbekistan were prepared based on gas balance predictions for 2020–2045 in accordance with a Ministry of Energy plan that corresponds to planned natural gas production in the country;
- the weighted cost of capital (WACC) was used as the discount rate, which as at 31 December 2022 and 2021 equalled 20.28% and 17.9%, respectively.

When using the RAB-tariff from 1 January 2026, revenue will incorporate the recovery of all Group costs and investments, as well as income on invested capital. Gas transportation tariffs will be calculated inclusive of all costs (cost, administrative and other operating expenses and corporate income tax), depreciation and profitability calculated by multiplying the asset base by the profitability rate. A probability exists that actual gas transportation tariffs for the forecast period will differ from those used to estimate the value in use of property, plant and equipment.

The recoverable amount is the most sensitive of the following key assumptions used in discounted cash flows as at 31 December 2021 to changes:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

	<u>Change in assumption leading to property, plant and equipment impairment</u>
Shift in the RAB-tariff transition date	2 years
Increase in standard net working capital	5%

The recoverable amount calculated as at 31 December 2022 did not have sensitive assumptions.

4.2.b Expected credit losses

Expected credit losses are a probability-weighted estimate of the present value of future cash flows not collected (i.e., a weighted average of credit losses using the corresponding risks of default). The estimate of expected credit losses is subjective and is determined by calculating a range of possible outcomes. The estimate of expected credit losses is based on the following components used by the Group: probability of default, exposure at risk of default, loss given default and historical data.

The Group uses the following approaches to estimate expected credit losses:

- assessment on a collective basis of historical data on the maturity of receivables from wholesale consumers;
- assessment on an individual basis of historical data on the maturity of receivables for significant wholesale consumers, all others are assessed on a collective basis;
- assessment using external ratings according to international rating agencies for the following types: commission agreements, transportation and commission agreements, gas sales to gas transportation companies and others;
- 100% impairment of receivables overdue by 360 days. However, in certain cases, the Group may also conclude that a receivable is impaired if internal or external information indicates that it is unlikely that the Group will collect the full amount of the outstanding contractual payments.

Observable data on the level of default in previous periods is updated as at each reporting date and changes to forecasts analysed. The link between historical observable default levels and expected credit losses is a significant estimate.

As a result of reorganisation on 1 August 2022 (Note 1.2), the Group held discussions with key counterparties regarding the settlement of receivables arising before reorganisation. These receivables mostly relate to companies under the control of the Government of the Republic of Uzbekistan.

The greatest uncertainty in estimates of the recoverability of receivables that arose before the reorganization of the Group relate to JSC Khududgaztaminot and energy generating companies. These judgments are described in Note 13.

Changes in the economy, sector and specific characteristics may affect provisions recognised in the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2.c Estimation of borrowed gas liabilities

When estimating the liability for borrowed gas, there is uncertainty in the price at which the Company will subsequently repay this debt (Note 2.3.d). To determine the price, management proceeds from the parameters of forecast indicators of balance resources and distribution of natural gas, as well as the price of purchasing gas for its own needs from the company UzGasTrade JSC. The measurement of the liability is based on facts known at the reporting date and on expectations, which is management's best estimate. If the actual purchase price of gas to repay debt on borrowed gas turns out to be higher by 10%, this will lead to additional recognition of expenses on borrowed gas as of 31 December 2022 in the amount of 198 billion Soum (31 December 2021: 295 billion Soum) (Notes 17 and 23).

As at 31 December 2022, Group management expected that liability on borrowed gas would be partially repaid using natural gas from existing balances in the Group's underground gas storage facility, as well as by cash at the current price for purchasing gas for the Group's own needs from UzGasTrade JSC (Notes 17 and 23).

4.2.d Useful life of property, plant and equipment

The useful life of property, plant and equipment was measured using professional judgement and experience available in relation to similar assets.

Future economic benefits attributable to these assets will be generated predominantly as a result of their use. However, other factors, such as obsolescence, from a technological or commercial perspective, as well as equipment depreciation, often lead to a decrease in economic benefits attributable to the assets. Management measures the remaining useful life of property, plant and equipment based on the current technical condition of assets and the period for which the assets will create economic benefits for the Group. The following key factors are considered in this respect:

- the expected useful life of assets;
- the expected physical depreciation of equipment, which depends on operating characteristics and technical equipment requirements; and
- the obsolescence of equipment from a technological and commercial perspective due to a change in market conditions.

Thus, any changes in useful life may impact the carrying amount of property, plant and equipment. A 10% increase in the useful life of property, plant and equipment would result in a 57 billion Soum decrease in accrued depreciation for 2022 (2021: 62 billion Soum).

JSC UZTRANSYGAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5 REVENUE

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
Gas sales		
to wholesale customers in Uzbekistan	5 745	9 951
to Khududgastaminot	3 591	6 409
to UzGasTrade	2 067	-
to gas transportation companies	512	335
for export	45	-
Gas transportation		
UzGasTrade	3 635	-
other counterparties	1 133	1 508
Commission income	53	70
Other revenue	12	12
Total	<u>16 793</u>	<u>18 285</u>

Starting from 1 August 2022, UzGasTrade JSC began its activities as a single operator for the purchase of natural gas from producers of the Republic of Uzbekistan, performing the functions of purchasing and selling natural gas in a centralized manner. In this regard, Uztransgas JSC is designated as a single operator of the main gas transmission system, specialized in the transportation, storage and transit of natural gas (Note 1.2).

6 COST OF SALES

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
Gas	16 063	19 401
Salary expenses	763	561
Depreciation	639	624
Costs for transporting gas through mainline networks	617	714
Electricity	313	281
Services	210	238
Materials and spare parts	108	119
Others	32	16
Recovery of a provision for the impairment of inventory	(21)	(16)
Total	<u>18 724</u>	<u>21 938</u>

7 GENERAL AND ADMINISTRATIVE EXPENSES

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
Accrual of a provision for expected credit losses (Note 13)	1 483	301
Salary expenses	168	109
Taxes and other budget payments	327	343
Consulting and audit services	40	9
Others	52	120
Total	<u>2 070</u>	<u>882</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8 GOVERNMENT GRANTS

Until the reorganization on 1 August 2022, prices for natural gas sales were regulated by the tariff commission. Group's operations were loss-making due to non-market pricing for natural gas sales.

In order to support the activities of the Company, in 2021 the government allocated funding for operating activities in the amount of 1,000 billion Soum.

In 2022, the Group received additional financing from the Ministry of Finance in the amount of 131,400 thousand US dollars (equivalent to 1,447 billion Soum) on a non-repayable basis, which was used to repay the Company's accounts payable to the counterparty Lukoil Overseas Supply and Trading LTD. This financing is accounted for using the cost recovery method and is recognized in the consolidated statements of income.

In addition, in 2022, the Company received a subsidy in the amount of 100 billion Soum for the construction of the Rishtan-Fergana gas pipeline. As the grant was used to finance an asset, the carrying amount of the corresponding asset was reduced by the amount of the subsidy.

9 FINANCE INCOME AND EXPENSES

In billions of Uzbek Soum

	<u>2022</u>	<u>2021</u>
Finance income		
Income from a change in the fair value of financial instruments (Note 16)	703	-
Income from the amortisation of a discount on long-term receivables	36	16
Income from a modification (Note 18)	6	89
Income from the amortisation of a bonus on guarantees paid	3	65
Other financial income	-	2
Total finance income	<u>748</u>	<u>172</u>
Finance expenses		
Interests on borrowings	400	271
Amortisation of a discount on non-current liabilities	331	266
Interest expense on employee benefit obligations under defined benefit plans	43	38
Total finance expenses	<u>774</u>	<u>575</u>

In 2022, the Group capitalised interest on borrowings in the amount of 232 billion Soum (2021: 61 billion Soum).

10 INCOME TAX

In billions of Uzbek Soum

	<u>2022</u>	<u>2021</u>
Current income tax	(8)	(7)
Deferred income tax	191	229
Total	<u>183</u>	<u>222</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10 INCOME TAX (CONTINUED)

A reconciliation of income tax for the year against profit before tax is presented as follows:

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
Loss before tax	3 396	4 853
Income tax benefit (at 15%)	509	728
Tax effect of non-deductible expenses	(60)	(156)
Change in unrecognised deferred tax assets	<u>(266)</u>	<u>(350)</u>
Income tax benefit	<u>183</u>	<u>222</u>

Uzbekistan tax law is subject to frequent changes. In this respect, tax rates for the next year tend to be introduced at the end of the calendar year through legislative amendments. In 2022, the income tax rate was 15% (2021: 15%). Deferred tax assets and liabilities as at 31 December 2022 and 2021 were calculated based on expected income tax rates of 15%.

Deferred tax assets and liabilities as at 31 December, as well as movements for the corresponding years, include:

<i>In billions of Uzbek Soum</i>	<u>31 December 2021</u>	<u>In the statement of profit or loss</u>	<u>In the statement of changes in equity</u>	<u>31 December 2022</u>
Trade receivables	(194)	(152)	-	(346)
Provisions	(453)	158	-	(295)
Inventory	(17)	6	-	-
Property, plant and equipment	1 196	(286)	-	1 349
Long-term trade payables	(26)	109	-	(43)
Borrowings	(19)	(10)	-	4
Others	-	(16)	-	(16)
Net deferred tax liabilities	<u>487</u>	<u>(191)</u>	<u>-</u>	<u>296</u>

<i>In billions of Uzbek Soum</i>	<u>1 January 2021</u>	<u>In the statement of profit or loss</u>	<u>In the statement of changes in equity</u>	<u>31 December 2021</u>
Trade receivables	(275)	94	(13)	(194)
Provisions	(241)	(212)	-	(453)
Inventory	(20)	3	-	(17)
Property, plant and equipment	1 206	(10)	-	1 196
Long-term trade payables	52	(78)	-	(26)
Borrowings	7	(26)	-	(19)
Net deferred tax liabilities	<u>729</u>	<u>(229)</u>	<u>(13)</u>	<u>487</u>

As at 31 December 2022, total unrecognised deferred assets is equal to 1,852 billion Soum (31 December 2021: 1,585 billion Soum).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11 PROPERTY, PLANT AND EQUIPMENT

<i>In billions of Uzbek Soum</i>	Notes	Gas transport system assets	Buildings and structures	Others	Construction in progress	Total
Cost						
As at 1 January 2021		7 581	901	1 073	917	10 472
Reclassification		599	-	(599)	-	-
Transfers		1 173	12	-	(1 185)	-
Additions		-	-	53	2 819	2 872
Disposals		(54)	(45)	(17)	(8)	(124)
Contribution to the authorized capital of associated companies	1.3	(149)	(63)	(98)	-	(310)
As at 31 December 2021		9 150	805	412	2 543	12 910
Additions		-	-	17	2 507	2 524
Transfers		2 183	186	28	(2 397)	-
Disposals		(29)	(2)	(4)	-	(35)
As at 31 December 2022		11 304	989	453	2 653	15 399
Accumulated depreciation						
As at 1 January 2021		(1 627)	(138)	(176)	-	(1 941)
Reclassification		(75)	-	75	-	-
Accrued for the year		(559)	(45)	(38)	-	(642)
Disposals		43	11	5	-	59
Contribution to the authorized capital of associated companies	1.3	25	11	7	-	43
As at 31 December 2021		(2 193)	(161)	(127)	-	(2 481)
Accrued for the year		(565)	(41)	(43)	-	(649)
Disposals		22	-	3	-	25
As at 31 December 2022		(2 736)	(202)	(167)	-	(3 105)
Carrying amount						
As at 1 January 2021		5 954	763	897	917	8 531
As at 31 December 2021		6 957	644	285	2 543	10 429
As at 31 December 2022		8 568	787	286	2 653	12 294

Construction in progress

In 2022, the Group carried out the construction and reconstruction of sections of main gas pipelines in accordance with the "Program for modernization and increasing the efficiency of the main gas transmission system". Construction work can take significant time. The most significant projects related to construction in progress as of December 31, 2022 and 2021 are highlighted below:

<i>In billions of Uzbek Soum</i>	31 December 2022	31 December 2021	Expected commissioning
Construction of the SATs gas pipeline	574	-	2023-2024
Construction of the Yangiyer-Akhangaran gas pipeline	329	-	2023-2024
Capital repair of the KS Gazli gas compressor unit 4 and 5	317	130	2023-2024
Construction of the Bukhara-Ural gas pipeline	121	95	2023-2024
Construction of the Mubarek-Kagan gas pipeline	98	-	2023-2024
Construction of the Gazli-Nucus gas pipeline	92	216	2023-2024
Construction of the Gazli-Kagan gas pipeline	26	1 132	2023-2024
Advances provided for construction	670	363	2023-2024
Other facilities	426	607	2023-2024
Total	2 653	2 543	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12 INVENTORY

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Gas	1 500	1 075
Raw materials and supplies	185	206
Provision for the impairment of inventory	(93)	(114)
	1 592	1 167

13 TRADE AND OTHER RECEIVABLES

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Trade receivables:		
for the gas sale to Khudugastaminot	2 561	2 526
for wholesale customers	1 173	2 104
for the sale of gas to UzGasTrade	674	-
for gas transportation	416	289
for gas transportation to UzGasTrade	357	-
for commission agreements	313	945
Other receivables	318	228
Provision for expected credit losses	(2 360)	(896)
Total trade and other receivables	3 452	5 196
Long-term portion	39	109
Short-term portion	3 413	5 087
	3 452	5 196

Trade receivables for gas sales under commission agreements represent an asset arising from commission transactions, where the Group is the commission agent and undertakes to remit the cash received, less commission fees. In 2017 and 2021, gas buyers under certain commission agreements recognized and paid obligations in a lower amount due to the supply of low-quality gas. In addition, the Group was overdue in payment of liabilities under commission agreements (Note 16). As a result, as of 31 December 2022 and 2021, accounts payable under commission agreements exceed accounts receivable under these agreements.

Provision for expected credit losses

Changes in the provision for ECL on receivables were presented as follows:

<i>In billions of Uzbek Soum</i>	2022	2021
Provision at the beginning of the year	(877)	(576)
Accrual	(1 557)	(308)
Recovery	74	7
Provision at the end of the year	(2 360)	(877)
Long-term portion	(164)	(336)
Short-term portion	(2 196)	(541)

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13 TRADE AND OTHER RECEIVABLES (CONTINUED)

As a result of the reorganization on 1 August 2022 (Note 1.2), the Group communicated with its principal customers regarding the repayment of receivables incurred prior to the reorganization and recognized a significant provision for expected credit losses primarily related to entities under the full or partial control of the Government of the Republic of Uzbekistan.

The table below shows the details of an ECL provision as at 31 December 2022:

	<u>Point</u>	<u>Receivable before ECL</u>	<u>ECL amount</u>	<u>Receivable after ECL</u>	<u>Change in ECL in profit or loss</u>
Trade receivables incurred before the Group reorganisation:					
Khududgaztaminot	(i)	2 560	(1 280)	1 280	(1 263)
Energy generating companies	(ii)	1 016	(674)	342	(205)
Other counterparties		577	(229)	348	24
		4 153	(2 183)	1 970	(1 444)
Trade receivables incurred after the Group reorganisation:					
Other receivables		1 350	(52)	1 298	(52)
Total		5 812	(2 360)	3 452	(1 483)

- (i) Khududgaztaminot JSC is a single operator of gas distribution networks and is under the control of the Government of the Republic of Uzbekistan. Before the reorganization of the Group, Khududgaztaminot JSC was its largest customer, which repaid receivables within several months. However, after the reorganization of the Group, as at the reporting date, Khududgaztaminot JSC repaid only a small part of the outstanding receivables. The Group's management negotiated with Khududgaztaminot JSC and involved the controlling shareholder, as a result, in 2023, a long-term repayment plan for the said receivables was agreed (Note 23). As of 31 December 2022, the Group's management decided to recognise a provision for ECL in the amount of 50% for the amount of outstanding balance of Khududgaztaminot JSC;
- (ii) Other significant customers of the Group before the reorganization were energy generating companies, some of which were also in the process of reorganization and merger into Thermal Power Plants JSC in accordance with Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 126 dated 24 March 2022. After the reorganization of the Group, repayment of receivables by energy generating companies was insignificant. As a result of communications with these counterparties and the controlling shareholder, management came to the conclusion that repayment of this debt is unlikely, and, as a result, a provision for ECL was recognised in the amount of 100% of the trade receivables minus the amount of advances received from these counterparties.

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13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Long-term receivables

The Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 2020 established an installment plan for payments on receivables in the amount of 312 billion soums resulting from the Group's sale of natural gas to one of the customers in accordance with a certain state program until 1 January 2022. In 2022, a new payment schedule was agreed upon, deferred payments until 1 April 2026. As a result, these receivables are classified as long-term. However, the Group's management assessed the collection of cash from these receivables as low, and, as a result, a provision for expected credit losses was recognised in full.

In 2021, according to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan, an installment plan was established for payments on receivables from Navoiyazot JSC in the amount of 302 billion soums until 31 December 2024. As a result of the modification, the Group recognized the effect in the amount of UZS 85 billion in the consolidated statement of changes in equity. The counterparty is in compliance with the payment schedule in accordance with the contract, and therefore, as of 31 December 2022, management estimated lifetime expected credit losses using the standard method.

As at 31 December 2022, an ECL of 164 billion Soum (31 December 2021: 336 billion Soum) was recognised on long-term receivables.

The analysis of the aging of trade and other receivables is presented as follows:

31 December 2022

In billions of Uzbek Soum

	<u>Total</u>	<u>Less than 90 days</u>	<u>90–180 days</u>	<u>Over 180 days</u>
Trade receivables:				
Khududgastaminot	2 561	-	646	1 915
wholesale customers	1 173	-	398	775
for gas sales to UzGasTrade	674	674	-	-
for gas transportation	416	204	6	206
for gas transportation to UzGasTrade	357	357	-	-
on commission agreements	313	-	22	291
Other receivables	318	49	6	263
Provision for expected credit losses	<u>(2 360)</u>	<u>(52)</u>	<u>(506)</u>	<u>(1 802)</u>
Total	<u>3 452</u>	<u>1 232</u>	<u>572</u>	<u>1 648</u>

31 December 2021

In billions of Uzbek Soum

	<u>Total</u>	<u>Less than 90 days</u>	<u>90–180 days</u>	<u>Over 180 days</u>
Trade receivables:				
Khududgastaminot	2 526	2 526	-	-
wholesale customers	2 104	1 277	375	452
on commission agreements	945	724	11	210
for gas transportation	289	212	14	63
Other receivables	228	27	27	174
Provision for expected credit losses	<u>(896)</u>	<u>(34)</u>	<u>(39)</u>	<u>(823)</u>
Total	<u>5 196</u>	<u>4 732</u>	<u>388</u>	<u>76</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables were denominated in the following currencies:

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Soum	2 461	4 189
USD	991	1 007
Total	3 452	5 196

14 CASH AND CASH EQUIVALENTS

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Bank current accounts – Soum	388	639
Bank current accounts – USD	101	55
Bank current accounts – Euros	14	-
	503	694

The Group holds cash and cash equivalents in banks and other financial institutions with the following credit rating:

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
BB- (S&P)	503	694
	503	694

As at 31 December 2022, 444 billion Soum were held in current accounts in JSCB Uzbek Industrial and Construction Bank (31 December 2021: 694 billion Soum).

15 SHARE CAPITAL

As at 31 December 2022 and 2021, Group share capital consisted of 481,387,410 fully paid common shares issued at a nominal value of 1,000 Soum, and 3,145,123 preference shares issued at a nominal value of 1,000 Soum.

Base losses per share were calculated as follows:

<i>In billions of Uzbek Soum</i>	2022	2021
Net loss attributable to the parent company shareholders	(3 212)	(4 630)
Weighted average number of shares	481 387 410	481 387 410
Base loss per share, Soum	(6 672)	(9 618)

JSC UZTRANS GAS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16 TRADE AND OTHER PAYABLES

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Financial liabilities		
Payables		
for purchased gas	20 986	18 307
to Uzbekneftegas	2 238	1 627
under commission agreements (Note 13)	833	1 562
for gas transportation services	100	354
for salaries	35	41
Other payables	173	283
	24 365	22 174
Non-financial liabilities		
Amounts due on special contributions	654	631
	654	631
Total trade and other payables	25 019	22 805
Long-term portion	2 187	2 135
Short-term portion	22 832	20 670
	25 019	22 805

A significant part of the Group's payables are overdue and are payable to companies under common control or shareholder (the Government of the Republic of Uzbekistan) influence. Payables by groups of counterparties are presented as follows:

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Due to companies under common shareholder control		
to the Uzbekneftegaz group	2 385	2 514
to UzGasTrade	176	-
to other companies	680	687
Due to companies under common shareholder influence		
to JV Uz-Kor Gas Chemical LLC	13 714	11 670
to other companies	25	443
Amounts due to third parties		
to Lukoil Overseas Supply and Trading Ltd.	7 644	6 923
to other companies	395	568
Total trade and other payables	25 019	22 805

Trade and other payables are denominated in the following currencies:

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
USD	22 235	19 884
Soum	2 755	2 914
Other currencies	29	7
Total	25 019	22 805

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16 TRADE AND OTHER PAYABLES (CONTINUED)

Long-term payables

The Group has long-term accounts payable to Lukoil Overseas Supply and Trading LTD., which will be repaid by 31 December 2024 in accordance with a bilateral agreement. As of 31 December 2022, the balance of long-term accounts payable to Lukoil Overseas Supply and Trading LTD amounted to 1,122 billion Soum, including the cost of discount amortization in the amount of 214 billion Soum as part of financial expenses (31 December 2021: 2,135 billion Soum and 266 billion Soum, respectively) (Note 9).

Furthermore, in November 2022, the Group entered into a trilateral agreement with Shurtan Gas Chemical Complex LLC and Uzbekneftegaz JSC on the assignment of the right to claim the Group's debt to Shurtan Gas Chemical Complex LLC in favor of Uzbekneftegaz JSC in the amount of 1,046 billion Soum. At the same time, the Group received a deferment of payments of accounts payable until July 2025. As a result, the Group recognized income from modification of accounts payable in the amount of 703 billion Soum and discount amortization expenses in the amount of 117 billion Soum (Note 9). As of 31 December 2022, the balance of accounts payable to Uzbekneftegaz JSC amounted to 2,238 billion Soum.

17 PROVISIONS

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Borrowed gas liabilities	1 983	2 946
Fixed-amount employee benefit liabilities	356	327
Reserve for restoration of land plots	57	73
	2 396	3 346
Short-term portion	2 019	3 051
Long-term portion	377	295
	2 396	3 346

In 2022, written agreements were reached with the counterparty Lukoil Overseas Supply and Trading LTD on the return of borrowed gas in cash in the amount of 1,331 billion Soum (as of 31 December 2021, the Group recognized liabilities for borrowed gas in the amount of 1,628 billion Soum). As a result, as of 31 December 2022, the Group reflected these liabilities in the short-term portion of accounts payable (Note 16). For the remaining part of the liabilities for borrowed gas, the Group's management expects that it will be partially repaid with natural gas from the existing balances in the Group's underground gas storage facilities, as well as in cash at the current price for the purchase of gas for the Group's own needs from UzGasTrade JSC (Note 23).

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18 BORROWINGS

<i>In billions of Uzbek Soum</i>			31 December	
Creditor	Nominal interest rate	Settlement date	2022	2021
Unsecured USD borrowings from third parties				
Gazprombank (Switzerland) Ltd.	7.5%	31 March 2024	3 290	2 520
			<u>3 290</u>	<u>2 520</u>
Unsecured USD borrowings from related parties				
JSCB Uzbek Industrial and Construction Bank	6.5%	24 May 2026	1 083	986
JSC National Bank for Foreign Economic Activity of the Republic of Uzbekistan	6.5%	24 May 2026	857	793
JSCB Microcreditbank	6%	27 June 2022	-	56
JSCB Uzbek Industrial and Construction Bank	6.5%	18 January 2022	-	40
	LIBOR			
	(6 months)	15 February		
JSC Asakabank	+4.85%, 8%	2023	-	16
			<u>1 940</u>	<u>1 891</u>
Unsecured USD borrowings from related parties				
		25 February		
Ministry of Finance of the Republic of Uzbekistan	4%	2027	1 678	1 524
		31 December		
Uzbekneftegas	3%	2023	363	340
			<u>2 041</u>	<u>1 864</u>
Unsecured Euro borrowings from related parties				
JSC National Bank of Foreign Economic Activities of the Republic of Uzbekistan	6m EURIBOR +7%	10 April 2024	1 250	-
			<u>1 250</u>	<u>-</u>
Unsecured Soum borrowings from related parties				
JSBC Microcreditbank	24%	14 October 2023	150	-
JSBC Microcreditbank	15%	27 June 2022	-	187
JSCB Uzbek Industrial and Construction Bank	16%	28 October 2022	-	95
			<u>150</u>	<u>282</u>
Loans received in Soum				
		31 August - 31		
Regional Khokimiyats of the Republic of Uzbekistan	0%	December 2027	37	-
			<u>8 708</u>	<u>6 557</u>

As at 31 December 2022, the Group breached certain covenants as required in the loan contracts with carrying amount 6,993 billion Soum (31 December 2021: all borrowings).

As a result, banks and related parties have a contractual right to demand early repayment of obligations. The outstanding balance of these bank loans and borrowings from related parties was presented as current liabilities as of 31 December 2022 and 2021.

As at the issue date of these consolidated financial statements, no creditor had exercised its right to demand the early settlement of liabilities.

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18 BORROWINGS (CONTINUED)

In May and July 2022, the Group signed an addendum to the loan agreement with JSC National Bank of Foreign Economic Activities of the Republic of Uzbekistan and AKB Uzpromstroibank, as a consequence of which loan repayment dates were extended to May 2026. In addition, in March 2022, the Group signed an addendum to the loan agreement with Gasprombank (Switzerland) Ltd., whereby the bank loan repayment date was extended to March 2024. As a result, the Group recognised income from bank loan modification in the amount of 6 billion Soum (Note 9).

In 2022, based on a decision of the Cabinet of Ministers, the Group received an interest-free loan from regional Khokimiyats in the amount of 100 billion Soum to build the Rishtan-Fergana gas pipeline. The Group recognised the effect from initial recognition of the loan, which was not provided under market terms, as part of property, plant and equipment in the amount of 64 billion Soum.

In December 2021, according to the minutes of the meeting of the Cabinet of Ministers of the Republic of Uzbekistan, the Group received a deferment in payment of the liability on the principal debt and accrued interest, which had arisen as of 1 December 2021, to the Ministry of Finance of the Republic of Uzbekistan and JSCB Uzpromsroybank until 31 December 2022.

Also in December 2021, the Group entered into several additional agreements to the loan agreement with the Ministry of Finance of the Republic of Uzbekistan, as a result of which the loan repayment terms were changed until 2027. The effect of the modification was recognized as part of financial income, since additional agreements were concluded as a result of negotiations with the counterparty, and not on the basis of resolutions of the President of the Republic of Uzbekistan or the Cabinet of Ministers of the Republic of Uzbekistan (Note 9).

The table below presents a reconciliation of changes in liabilities and cash flows from financing activities:

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	6 557	4 107
Proceeds from loans and borrowings	2 011	3 126
Repayments of loans and borrowings	(388)	(845)
Total changes in connection with cash flows from financing activities	1 623	2 281
Exchange rate losses	272	169
Income from modification (Note 9)	(6)	(89)
Discount on loans with non-market terms	(64)	-
Accrued interest	629	332
Interest paid	(303)	(243)
Total other changes	528	169
Balance at the end of the year	8 708	6 557

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19 CONTINGENT LIABILITIES

19.1 Litigation

Zeromax LLC

In 2010, Zeromax LLC (“Zeromax”) was subject to bankruptcy proceedings. Part of Zeromax's assets were transferred by government authorities to the ownership of the Group as a result of the signing of the Settlement Agreement dated 21 April 2010.

In October 2012, the liquidator of the Zeromax company filed a lawsuit in the Magistrate's Court of Bar, Zug, Switzerland, against Uztransgas JSC and Uzbekneftegaz JSC for the return to Zeromax of the property transferred to the Company under the Settlement Agreement, or in the event of impossibility of returning the assets, for payment of compensation in the amount of the value of such property, but not less than 1 billion US dollars plus income from this property received by Uztransgas JSC or Uzbekneftegaz JSC from the moment of its transfer, plus 5% accrued on the specified compensation and income from 26 October 2012.

There has been no significant progress in the prosecution of this case since 25 June 2013 due to a lack of financial resources to cover legal costs. Although the proceedings were not formally suspended by the court, in fact the case has remained motionless for more than ten years. However, the threat of its presentation by the liquidator of the Zeromax company, as well as the possibility of filing independent claims by foreign creditors of the Zeromax company against the Republic of Uzbekistan on an individual basis, currently still remains, taking into account the absence, as a general rule, of limitations on the statute of limitations for legal protection provided under the law of international treaties on the protection of foreign investments.

19.2 Contingent tax liabilities in Uzbekistan

The tax system of Uzbekistan continues to develop and is characterized by frequent changes in legislation, official explanations and court decisions, which are contradictory, allowing for ambiguous interpretation by different tax authorities.

Checks and investigations regarding the correctness of tax calculations are carried out by several regulatory bodies at various levels, which have the right to impose large fines, penalties and interest. The correctness of tax calculations in the reporting period can be verified over the next five calendar years.

All these circumstances may lead to tax risks in Uzbekistan being significantly higher than in other countries. The Group's management, based on its understanding of applicable Uzbek tax legislation, official pronouncements and court decisions, believes that tax liabilities have been fully provided for. However, the interpretation of these provisions by tax authorities and courts, particularly as a result of reform of the supreme courts that resolve tax disputes, may differ and, if the tax authorities are able to demonstrate the validity of their position, this could have a significant impact on these consolidated financial statements..

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20 RELATED PARTY TRANSACTIONS

20.1 Transactions with the government and enterprises related to the Uzbekistan Government

The Government of the Republic of Uzbekistan is the ultimate controlling party of the Group and this allows the Government to have significant influence on its activities. In addition, the Group has transactions with a number of entities that are controlled or jointly controlled by the Government. The Group applies the exemption provided by IAS 24 Related Parties to provide simplified disclosures for transactions with Government-related entities.

The Group purchases and supplies goods and services to a large number of government-related entities. Such purchases and supplies are usually carried out on a commercial basis. Transactions with the Government also include settlements for taxes, fees and other special deductions.

20.1. a Transactions that are individually significant in connection to transaction volume

Borrowings, as well as cash and cash equivalents

The Group receives significant financing from the Government of the Republic of Uzbekistan and related entities, including in the form of loans and borrowings, which are presented in Note 18. Cash and cash equivalents are also primarily held in state-owned banks (Note 14).

Transactions with Uzbekneftegaz and its subsidiaries and affiliates

The Group carries out transactions with Uzbekneftegaz JSC on an ongoing basis, which are mainly related directly to operational activities (gas purchases).

In 2021 and 2022, the Group entered into the following significant transactions and had the following outstanding balances with Uzbekneftegaz JSC and its subsidiaries and associates:

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Trade and other payables	16 124	14 627
Borrowings (Note 18)	363	340
	2022	2021
Revenue	623	546
Gas and service purchases	7 142	11 351
Cash payments	6 665	9 430
Cash receipts	122	173

The balance of payables between the Group and Uzbekneftegaz, exclusive of amounts due to affiliates, is presented in Note 16.

Transactions with other related parties

Sales to Khududgaztaminot JSC and UzGasTrade JSC and receivables from these companies are presented in Notes 5 and 13, respectively. The purchase of gas from UzGasTrade JSC in 2022 amounted to 343 billion Soum, accounts payable to UzGasTrade JSC are presented in Note 16.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 RELATED PARTY TRANSACTIONS (CONTINUED)

In March 2022, Khududgaztaminot JSC attracted a bank loan from Uzpromstroybank JSC in the amount of 100 billion Soum. The Group provided a guarantee for this bank loan in the amount of 125 billion Soum, and in the event of default of Khududgaztaminot JSC, the Group is obliged to pay JSCB Uzpromstroybank. In June and July 2022, the Group fulfilled its obligations under this guarantee by paying the loan debt in the amount of 107 billion Soum. As a result, the Group recognized other receivables from Khududgaztaminot JSC as of 31 December 2022 in the amount of 107 billion Soum.

The Group did not have any other transactions with related parties during the reporting periods that were significant in themselves.

20.1. b Transactions recognised as significant in aggregate, but that are separately not significant

The Group operates in economic conditions where the companies under direct or indirect government control dominate. The Group has operations such as the purchase and sale of goods and materials, including natural gas, the provision and receipt of services, such as natural gas transportation and commission services, the use of public heating and power supply systems with various government-related enterprises.

These operations are a part of the Group's usual activities and are performed under conditions that are comparable to interacting with non-government enterprises. A supply system, pricing strategy and production and service purchase and sales transaction approval process have been established by the Group and operate irrespective of whether the transaction party is a government-related enterprise or not.

20.2 Remuneration of key management personnel

Key management personnel includes supervisory board and management board members. All Company key executives are appointed in accordance with Resolution of the Cabinet of Ministers No. 356 from 26 April 2019.

For the year ended 31 December 2022, short-term remuneration to key management personnel amounted to 2 billion Soum (2021: 4 billion Soum). Remuneration to key management personnel consisted, predominantly, of salaries and other payments and was included in general and administrative expenses in the statement of profit or loss.

21 FAIR VALUE AND RISK MANAGEMENT

21.1 Financial risk management

The Group's main financial liabilities include borrowings, financial guarantees, trade and other payables. The main goal of these financial liabilities is to finance Group transactions. The Group has trade and other receivables, cash and cash equivalents that arise directly during the course of operating activities.

The main risks arising on the Group's financial instruments are currency risk, credit risk and liquidity risk. The risk of changes to interest rates is not significant for the Group as all significant financial instruments are based on fixed interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

21.1. a Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. As a result of the significant amounts of borrowings and payables denominated in US dollars, the Group's consolidated statement of financial position may be significantly affected by changes in US dollar/Uzbek soum exchange rates. Financial and economic activities are also subject to risk from transactions in foreign currency. This risk arises on assets and liabilities denominated in US dollars. The following table shows the sensitivity of the Group's income before income tax to possible changes in the US dollar exchange rate, with all other parameters held constant. There is no other impact on the Group's equity.

<i>In billions of Uzbek Soum</i>	Strengthening/ (weakening) of the Soum/USD exchange rate	Increase / (decrease) in pre- tax profit
31 December 2022		
USD	10%	2 845
	(10%)	(2 845)
31 December 2021		
USD	10%	2 510
	(10%)	(2 510)

21.1. b Credit risk

The Group controls its own exposure to credit risk. The creditworthiness of external counterparties is assessed in relation to all buyers and their financial guarantors, with the exception of related parties, as well as sellers of goods and services operating on an advance payment basis.

The Group constantly monitors the financial condition of counterparties and controls the risk of non-payment. The maximum amount of the Group's credit risk, in the event of counterparties' failure to fulfil their obligations, is limited to the amounts of concluded contracts.

Also, when managing cash flows and credit risks, the Group regularly monitors the creditworthiness of financial and banking organizations with which it makes settlements for international trade transactions and in which it places funds on deposit. The Group primarily has banking relationships with large financial institutions in the Republic of Uzbekistan. The Group's maximum credit risk is represented by the carrying amount of each financial asset recognized in the consolidated statement of financial position.

<i>In billions of Uzbek Soum</i>	31 December	
	2022	2021
Trade and other receivables	3 452	5 196
Cash and cash equivalents, less cash on hand	503	694
	3 955	5 890

21.1. c Liquidity risk

Liquidity risk is the risk that the Group will have difficulty meeting its obligations associated with financial liabilities that are settled by the delivery of cash or another financial asset. The Group's approach to liquidity management is to ensure, to the extent possible, that the Group continues to have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions.

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21 FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

The following table provides information on contractual undiscounted payments for the Group's financial liabilities by maturity of these liabilities::

<i>In billions of Uzbek Soum</i>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
As at 31 December 2022				
Trade and other payables	22 313	2 782	-	25 095
Borrowings	<u>8 291</u>	<u>910</u>	<u>603</u>	<u>9 804</u>
Total	<u>30 604</u>	<u>3 692</u>	<u>603</u>	<u>34 899</u>

<i>In billions of Uzbek Soum</i>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>Total</u>
As at 31 December 2021			
Trade and other payables	20 039	2 418	22 457
Borrowings	<u>6 670</u>	<u>-</u>	<u>6 670</u>
Total	<u>26 709</u>	<u>2 418</u>	<u>29 127</u>

As of 31 December 2021, the total amount of related party obligations guaranteed by the Group amounted to 771 billion Soum and had a maturity date until 2022. As at 31 December 2022, the Group had no liabilities of related parties guaranteed by the Group.

21.2 Equity management

The main objective of the Group's capital management policy is to ensure a strong capital base to finance and support its business activities through prudent investment decisions, negotiations with major creditors as well as the Group's shareholder.

21.3 Fair value

The carrying amounts of the Group's financial instruments as at 31 December 2022 and 2021 are reasonable approximations of their fair values, except for loans and borrowings and long-term accounts payable (Level 3), which are disclosed below. Their fair value was calculated by discounting expected future cash flows at fair rates at each reporting date.

<i>In billions of Uzbek Soum</i>	<u>Level</u>	<u>Carrying amount</u>	<u>Fair value</u>
31 December 2022			
Borrowings	3	8 708	8 803
Long-term payables	3	2 187	2 237
31 December 2021			
Borrowings	3	6 557	6 564
Long-term payables	3	2 135	2 269

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22 SEGMENT INFORMATION

The Group's management analyses segment information based on NAS indicators. In 2022 and 2021 the Group had one segment. The Group's main activity is the sale of natural gas to wholesale customers. The Group also provides gas transportation services in the Republic of Uzbekistan (Note 5). All fixed assets operated by the Group are located on the territory of the Republic of Uzbekistan.

The following table presents information on the revenue of major Group counterparties whose revenue exceeds 10% of total Group revenue:

<i>In billions of Uzbek Soum</i>	<u>2022</u>	<u>2021</u>
UzGasTrade	5 718	-
Khududgastaminot	3 591	6 409
JSC Syrdarin TES	1 208	2 108

The Group defines a segment in accordance with the criteria set out in IFRS 8 *Operating Segments* and based on how the Group's operations are regularly reviewed by the chief operating decision maker to review results and allocate resources among the Group's business units. The Chairman of the Management Board was designated as the Group's Chief Executive Officer. The Chairman of the Management Board reviews the Group's internal reporting to assess performance and allocate resources. Management has determined that its sole operating segment is gas sales and transportation based on these internal reports.

23 EVENTS AFTER THE REPORTING DATE

23.1 Payable to the joint venture Uz-Kor Gas Chemical LLC

The Group purchases natural gas produced on the territory of the Republic of Uzbekistan from enterprises under the control of the Government of the Republic of Uzbekistan, joint ventures and third parties. One of the suppliers of natural gas is the Uz-Kor Gas Chemical LLC JV company, which is a joint venture, 50% of which belongs to Uzbekneftegaz JSC, the remaining part is owned by a consortium of South Korean investors. The Group purchases natural gas from Uz-Kor Gas Chemical LLC JV on a "take or pay" basis. As of 31 December 2022, accounts payable for purchased gas to Uz-Kor Gas Chemical LLC JV amounted to 14,749 billion Soum (31 December 2021: 11,670 billion Soum) (Note 16). During the period after the reporting date, accounts payable to the specified supplier increased significantly and amounted to 14,593 billion Soum (unaudited) as of the date of issue of these consolidated financial statements.

In 2022, the Interdepartmental Tariff Commission under the Cabinet of Ministers of the Republic of Uzbekistan, when setting tariffs for gas transportation, provided a mechanism for repaying the remaining debt to the Uz-Kor Gas Chemical LLC JV, as well as continuing the purchase of gas from this counterparty.

In September 2023, Uz-Kor Gas Chemical LLC JV entered into an agreement with the Group, Uzbekneftegaz JSC and the Government of the Republic of Uzbekistan on a mechanism for repaying this debt. As a result of the agreements, the Group must pay, according to the established schedule, 262.5 million US dollars by 31 December 2025, the remaining debt must be repaid by Uzbekneftegaz JSC. In addition, the Parties fixed the gas purchase price for the Group if all parties comply with the terms of debt repayment.

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23 EVENTS AFTER THE REPORTING DATE (CONTINUED)

23.2 Payable to Lukoil Overseas Supply and Trading Ltd.

In 2022, the Group entered into a number of additional agreements with Lukoil Overseas Supply and Trading LTD on installment payments totaling USD 642 million (equivalent to 7,211 billion Soum at the exchange rate as of 31 December 2022) until September 2023 under natural gas purchase agreements, commission and gas transportation. As of the date of issue of these consolidated financial statements, the debt to Lukoil Overseas Supply and Trading LTD under these agreements has been repaid.

23.3 Khudugastaminot receivable

In August 2023, the Group signed an agreement to defer receivables from Khududgaztaminot JSC in the amount of 2,324 billion Soum until October 2028, providing for equal monthly payments over five years. As at the date of issue of these consolidated financial statements, the counterparty is repaying its debt according to its schedule.

23.4 Transactions with JSC Thermal Power Plants

In accordance with the Resolution of the Cabinet of Ministers of 21 March 2022, energy generating companies were merged with their parent company JSC Thermal Power Plants (hereinafter referred to as JSC TPP) as branches of the company. In March 2023, the Group and JSC TPP entered into an agreement to offset similar counterclaims. In accordance with this agreement, the balance of advances received for natural gas in the amount of 322 billion Soum were offset against existing receivables.

23.5 Amounts due on borrowed gas

In the first half of 2023, based on the results of government agreements, a mechanism for repaying debt on borrowed gas was implemented. In physical terms, the debt as of 31 December 2022 for borrowed gas is 3,107 million cubic meters (1,983 billion Soum), 1,185 million cubic meters (625 billion Soum) will be returned in kind from the gas available to the Group in UGS facilities, the rest (1,358 billion soums) - in monetary terms. The price for counterparties, with the exception of one company, was determined at the level of gas purchases for the Group's own needs from the company UzGasTrade JSC; negotiations are underway for the counterparty for which the gas price was not determined by the Group. The calculation of the provision for borrowed gas for this counterparty was based on management's best estimate as of 31 December 2022. As of the date of issue of these consolidated financial statements, the Group has repaid its debt in kind by 737 million cubic meters (389 billion Soum).

23.6 Changes in shareholder structure

In accordance with the Resolution of the President of the Republic of Uzbekistan dated 1 March 2023, the entire ownership stake in the Ministry of Finance Group was transferred to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan. Later, the entire ownership interest in the Group was returned back to the Ministry of Economy and Finance of the Republic of Uzbekistan in accordance with the Resolution of the President of the Republic of Uzbekistan dated 18 August 2023.

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23 EVENTS AFTER THE REPORTING DATE (CONTINUED)

23.7 Additional financing

In January 2023, the Group received additional funding from the Ministry of Finance of the Republic of Uzbekistan in the amount of UZS 384 billion on a non-repayable basis, as support for the Group for non-market tariff setting due to the establishment of prices and tariffs for natural gas. These funds were used to pay off accounts payable to Lukoil Overseas Supply and Trading LTD. under a natural gas purchase and sale agreement.

In August 2023, the Group received a subsidy from the Ministry of Finance of the Republic of Uzbekistan in the amount of 100 billion soums for the construction of the Rishtan-Fergana gas pipeline.